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Chinese car buyers show off with a 'Baoma'

By Patti Waldmeir and Shirley Chen in Shanghai

China may have grown powerful enough to lecture the US on its debt problems but, when it comes to luxury cars, most local consumers still do not trust their own automotive industry.

That is good news for global luxury carmakers, which have seen China vault from the bottom to near the top of their sales charts in less than a decade.

"I'm buying a car, not a bicycle," says Zhang Shengli, aged 36, who explains that he checked out the reputations of various homegrown brands online and decided instead on a **BMW**. "I feel I can't trust a Chinese car," says Mr Zhang, who has dropped into Shanghai Fande Automotives, the German carmaker's first dealership in China, to pay the deposit on his new Rmb441,000 (\$68,600) BMW 520 executive sedan.

He chose that model because he would have to wait "only" until November or December to take delivery – highlighting the long waiting times common for many luxury cars in China. "I wanted a car before the spring festival," he says, referring to the next Lunar New Year in January.

Demand for foreign luxury cars has exploded since import controls were eased in 2004, says Eric Mao, chief executive of Shanghai Bowdex, which owns nine BMW dealerships in eastern China. Less than 20 years ago, "no one even knew what a Baoma was", says Mr Mao, who uses the Chinese name for BMW that means "precious horse".

Today China is the biggest global market for the Mercedes S-Class upmarket sedan and Porsche Cayenne sport utility vehicle and will soon be the largest market for Audi, the local market leader in luxury cars.

While overall growth in China's car market is forecast to be in single digits this year, Mercedes-Benz sales rose nearly 50 per cent in the first seven months of 2011. "German high-end carmakers own a distinct brand proposition that makes them the preferred choice to demonstrate success and show off one's accomplishment among the social peer group," says Klaus Paur of Synovate, a Shanghai automotive consultancy.

Mr Mao says many of his customers are first-time buyers with little personal knowledge of cars. "In China, so many people have got rich – so many – but they don't have that much

experience, so they just follow what other people say,” he says. “If their friend has a BMW 7 series and they do not, they can lose face.”

Decisions about optional extras, too, are about showing off, he says. “They want things they can see; if they can’t see it, they don’t want it,” he says, listing leather seats and in-car television sets as favoured options.

Keeping up with friends, colleagues and neighbours is a powerful motive for buying a luxury car anywhere – but nowhere more so than in China.

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