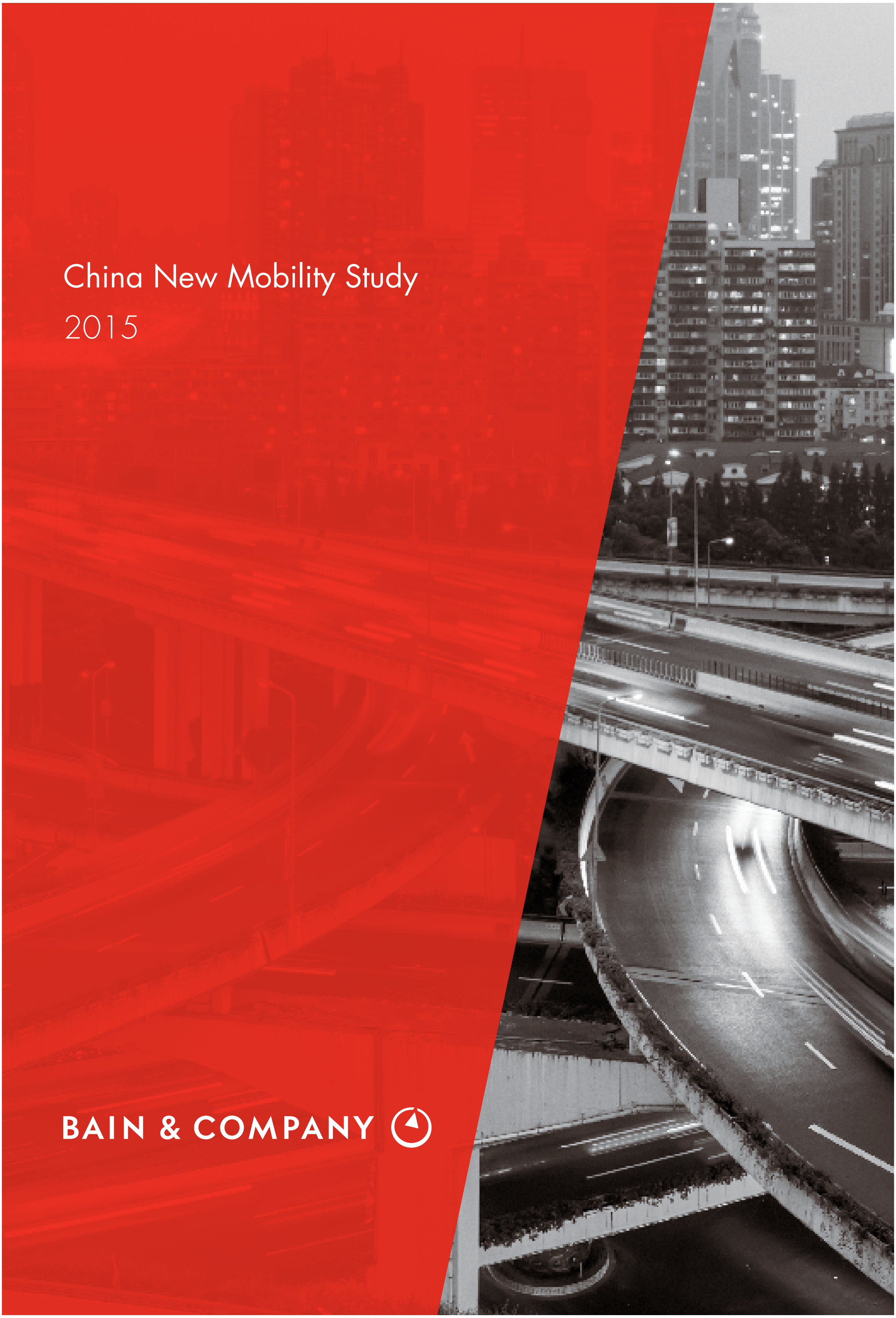


China New Mobility Study

2015

BAIN & COMPANY

Copyright © 2015 Bain & Company, Inc. All rights reserved.

Executive summary

Car owners in China's mega-cities are rethinking the value of car ownership. As rapid urbanization transforms China's urban mobility landscape, car owners are increasingly forced to contend with deteriorating driving conditions and tighter regulations, making car ownership in these large urban areas more expensive and less convenient and safe—hence, less attractive.

At the same time, major infrastructure investment has made public transportation more accessible and convenient, while new mobility services and solutions like car sharing are being introduced—although still unfamiliar to many Chinese consumers.

According to a survey of car owners from six Tier-1 and Tier-2 cities in China, select segments would consider giving up their cars if conditions continue to decline. Respondents identified trends like deteriorating driving conditions and tighter regulations as detracting from car ownership. They also cited improved public transportation, taxi availability, car rental accessibility and the emergence of new mobility solutions as contributing factors in their willingness to give up their cars.

Whereas many Chinese still associate car ownership with status, cars are losing their appeal as a status symbol in most segments in China's mega-cities. What China's urban consumers today value most is safe, on-time, flexible and reliable mobility.

In addition, Chinese consumers cite traffic congestion and higher gasoline prices as major factors that would prevent them from owning or buying a car. If traffic conditions continue to deteriorate significantly or gas prices increase sharply, 10% to 30% of current car owners say they would consider giving up their cars.

Chinese show a keen interest in using public transportation and in new mobility solutions tailored to local needs. A strong follow-up on the public's stated determination to use car rentals, car sharing and public transportation will remain an important factor in the development of new mobility solutions.

We have identified six customer segments with different needs and behaviors that run the gamut from those least to those most interested in using new mobility solutions. Among these, Status Seekers, Smart Travelers and Switchers expressed the greatest interest in new mobility, while Economic Travelers, the Car Averse and Convenience-focused expressed the least interest in new solutions such as car sharing and rental models.

Changing trends in China's urban mobility present a challenge for creating new mobility solutions while also protecting China's automotive business. To protect core automotive business, OEMs will partner with local governments to seek solutions to urbanization problems of traffic congestion and emissions, set up loyalty programs targeted at segments most "at risk," and propose more flexible solutions, such as leasing, to attract new customers.

China also offers OEMs a unique opportunity to develop mobility solutions tailored specifically to China's situation. Services like car sharing will need to meet Chinese customer needs for safety and flexibility, to integrate local infrastructure constraints like parking, and to compete with low-cost taxis and public transport. Success will require major changes from concepts that have emerged in Europe or North America.

Figure 1: Major trends in China's urban mobility landscape

1	Fast urbanization	• Urbanization and household income growth drive mega-cities' population, car parc, and commuting distances and times
2	Deteriorating driving conditions	• Traffic congestion, road safety issues and lack of affordable parking spaces negatively impact driving experience
3	Increasing environmental pressures	• Air quality has become a major concern, increasing awareness of the role of cars and openness to alternative solutions
4	Tightening regulations	• Multiple regulations are being deployed to control car ownership, restrict road access or favor low-emission vehicles
5	Improving public transport	• Major investments in infrastructure have improved the coverage, reliability and comfort of rail and bus transit systems
6	Fast penetration of new technologies	• The use of new mobile applications to plan, book and enhance mobility experience is increasing fast

Source: Bain & Company

Figure 2: Trends are reducing the value of owning a car and support the emergence of new mobility solutions

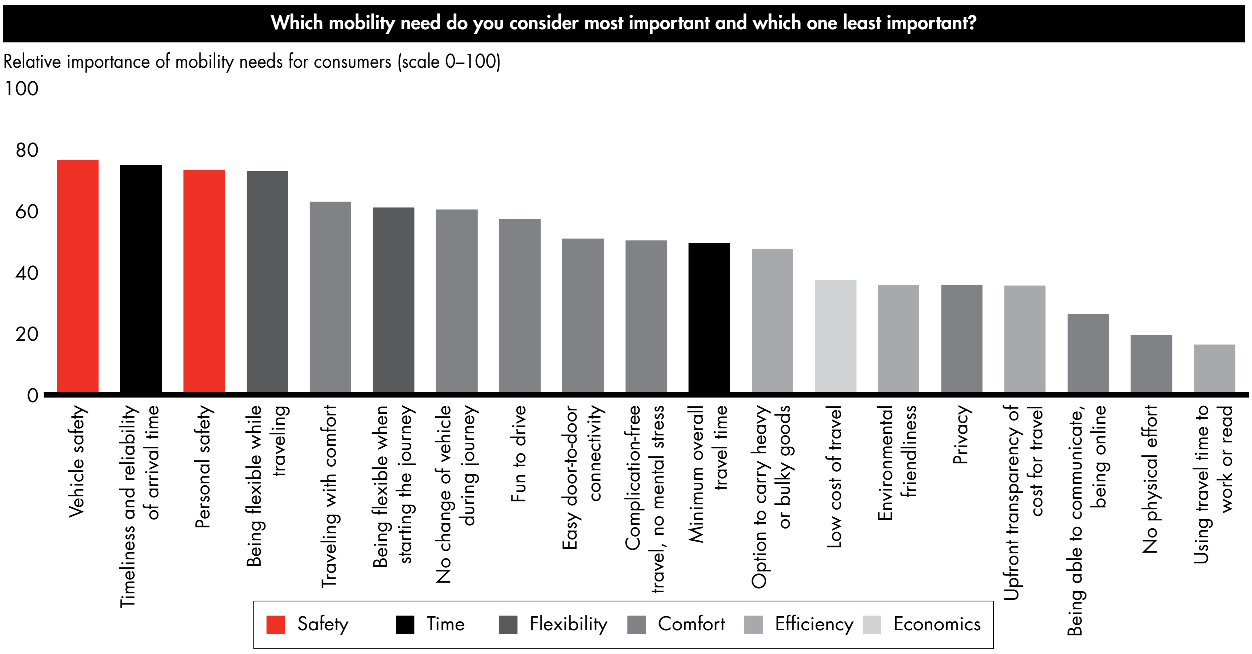
1. Fast urbanization
2. Deteriorating driving conditions
3. Increasing environmental pressures
4. Tightening regulations
5. Improving public transport
6. Fast penetration of new technologies

→

- **The value of owning and driving a car is deteriorating;** it is becoming more expensive, less convenient and less safe
- **Public transportation should continue to improve** with support from the government
- **Alternative mobility trends are emerging;** there is a need to address concerns of car ownership and offer more than public transportation

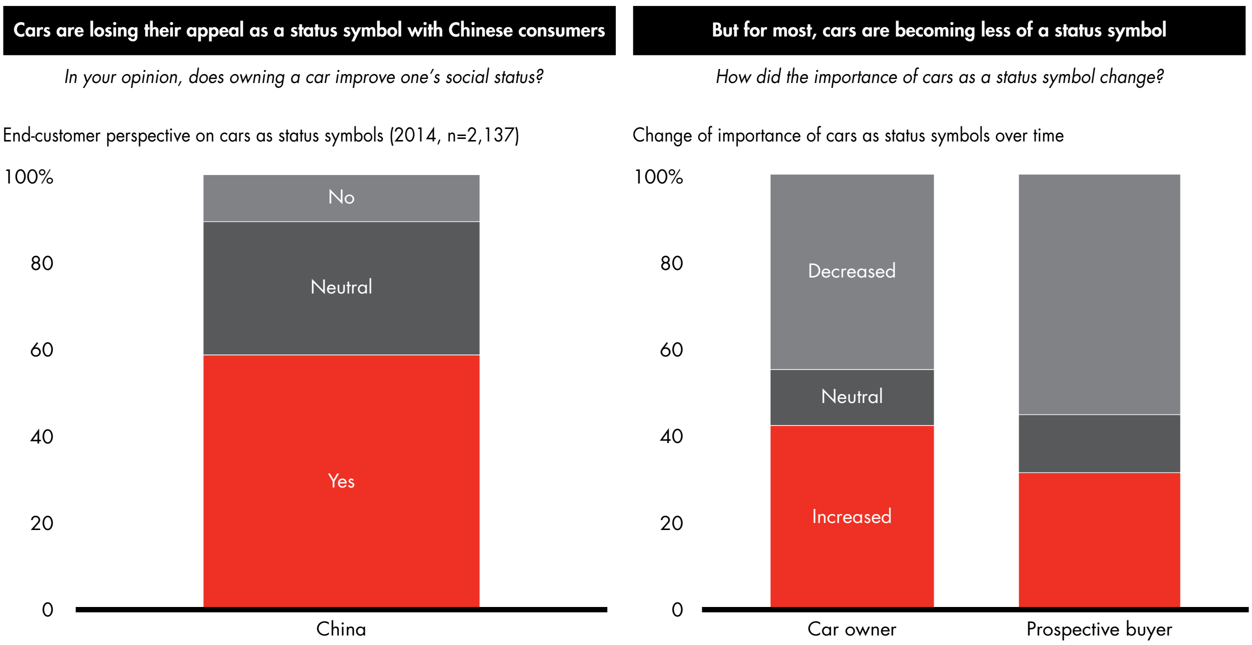
Source: Bain & Company

Figure 3: Safety, time and flexibility are the most important mobility needs for China's urban consumers



Source: Bain China New Mobility Study, 2,100+ respondents from six Tier-1 and Tier-2 cities in China

Figure 4: Cars are likely to lose their appeal as a status symbol with Chinese consumers



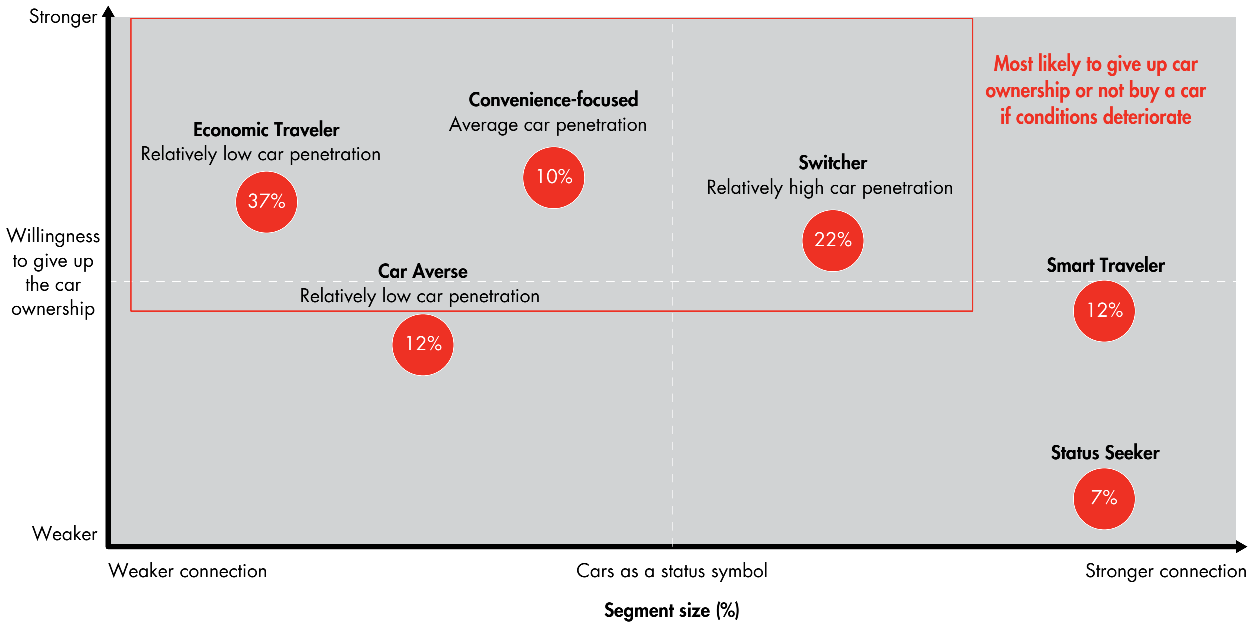
Source: Bain China New Mobility Study, 2,100+ respondents from six Tier-1and Tier-2 cities in China

Figure 5: We have identified six customer segments with different mobility needs and behaviors

Economic Traveler	• Segment size: 37% of car owners; 39% of non-car owners • Oldest segment, 27% <30 years old • Relatively lower income, 23% earn <100K RMB per year • Least likely to perceive cars as a status symbol • Preference for public transport • Low interest in using new mobility
Switcher	• Segment size: 22% of car owners; 20% of non-car owners • Youngest segment, 36% <30 years old • Relatively lower income • Relatively high usage of their own car • Willing to spend more on cars • Awareness of new mobility concepts is high, willing to try
Car-averse Consumer	• Segment size: 12% of car owners; 19% of non-car owners • Lowest income level, 31% earn <100K RMB per year • Perception of car as a status symbol significantly below average • Lowest usage of cars, not willing to increase spending on cars • Lowest willingness to use new mobility
Smart Traveler	• Segment size: 12% of car owners; 8% of non-car owners • Young and relatively high income • Use their own car or a company car more than average • Would like to spend more on their cars • Current usage of new mobility is relatively high, high willingness to try new mobility solutions
Convenience-focused Traveler	• Segment size:10% of car owners and non-car owners • Middle age, relatively high income level • Current usage of private and public mobility both high • Not likely to perceive cars as a status symbol, and most likely to give up car usage • Relative high willingness to use new mobility
Status Seeker	• Segment size: 7% of car owners; 4% in non-car owners • Older, higher income, 46% earn >200K RMB per year • Strong perception of cars as a status symbol; high willingness to spend on cars • High usage of private transportation, and highest willingness to use new mobility

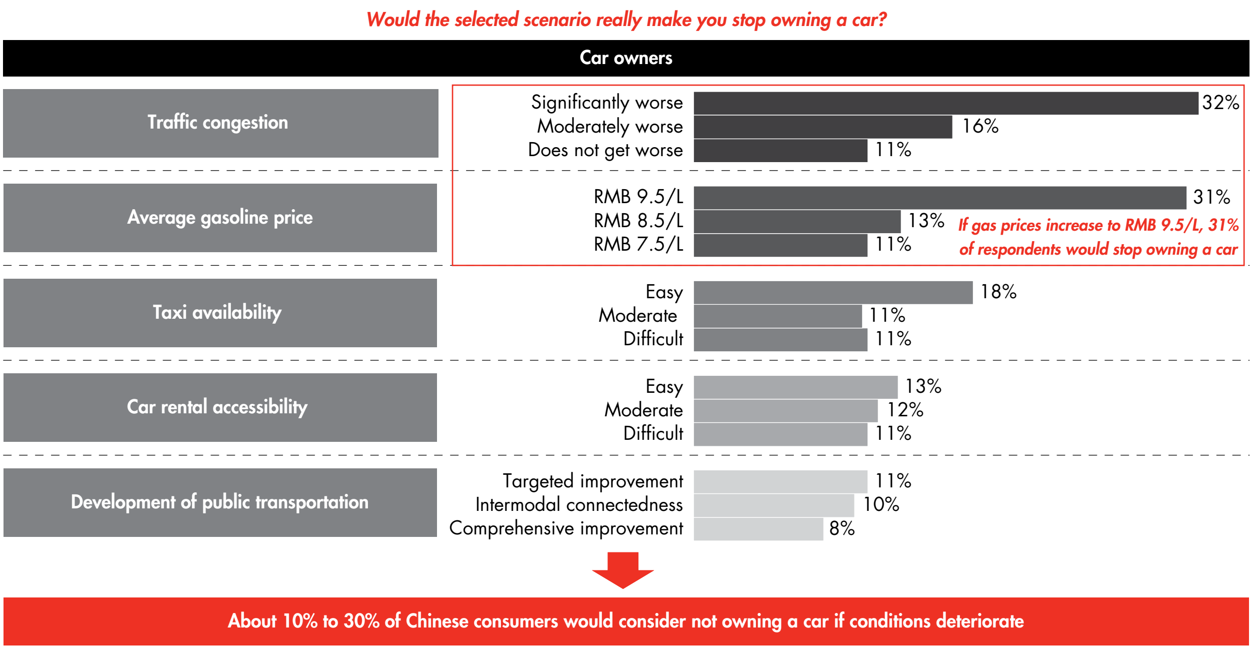
Source: Bain China New Mobility Study, 2,100+ respondents from six Tier-1and Tier-2 cities in China

Figure 6: Convenience-focused, Economic Travelers and Switchers are most at risk of moving away from car ownership



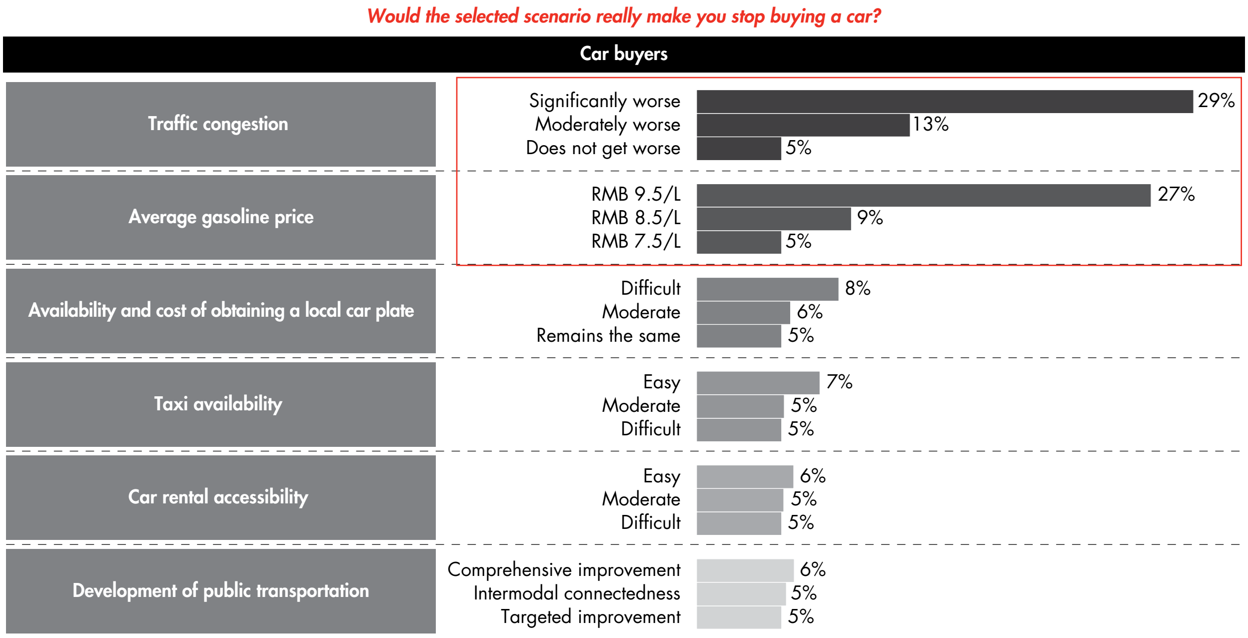
Source: Bain China New Mobility Study, 2,100+ respondents from six Tier-1and Tier-2 cities in China

Figure 7: Traffic congestion and higher gasoline prices are the two major factors that could make people stop owning a car



Source: Bain China New Mobility Study, 2,100+ respondents from six Tier-1and Tier-2 cities in China

Figure 8: The same factors would deter prospective car buyers



Source: Bain China New Mobility Study, 2,100+ respondents from six Tier-1and Tier-2 cities in China

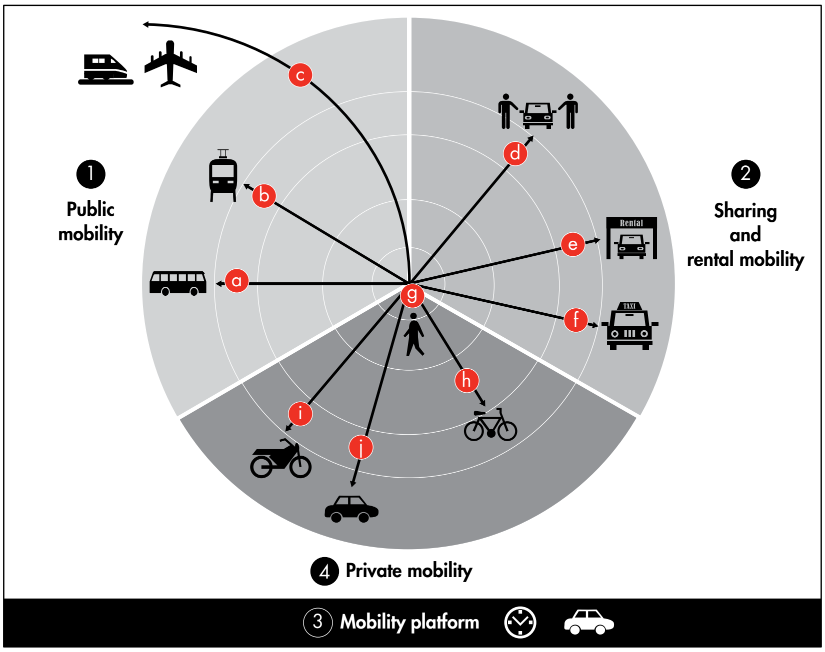
Figure 9: Opportunities for OEMs: Strengthen customer loyalty in core automotive business

Potential actions		Target segments
Customer acquisition	• **Tailor marketing activities** to safety and convenience needs, and to concerns about pollution, fuel efficiency and traffic	Switcher 21%
Leasing and financing	• **Blur the lines between ownership and rental**, with lease offers and packages including all additional services and flexible return options	Convenience-focused 10%
Loyalty programs	• **Set up loyalty platform** with attractive rewards for sales and after-sales (e.g., national point-based reward program)	Economic Traveler 21%
Car connectivity	• **Accelerate development of localized connectivity services** focusing on safety (e.g., assistance, car performance and diagnostics) and convenience (e.g., navigation, traffic)	

Segment size (%)

Source: Bain & Company

Figure 10: China urban mobility landscape



1 **Public mobility**
- a Bus
- b Rail transit
- c Train, airplane

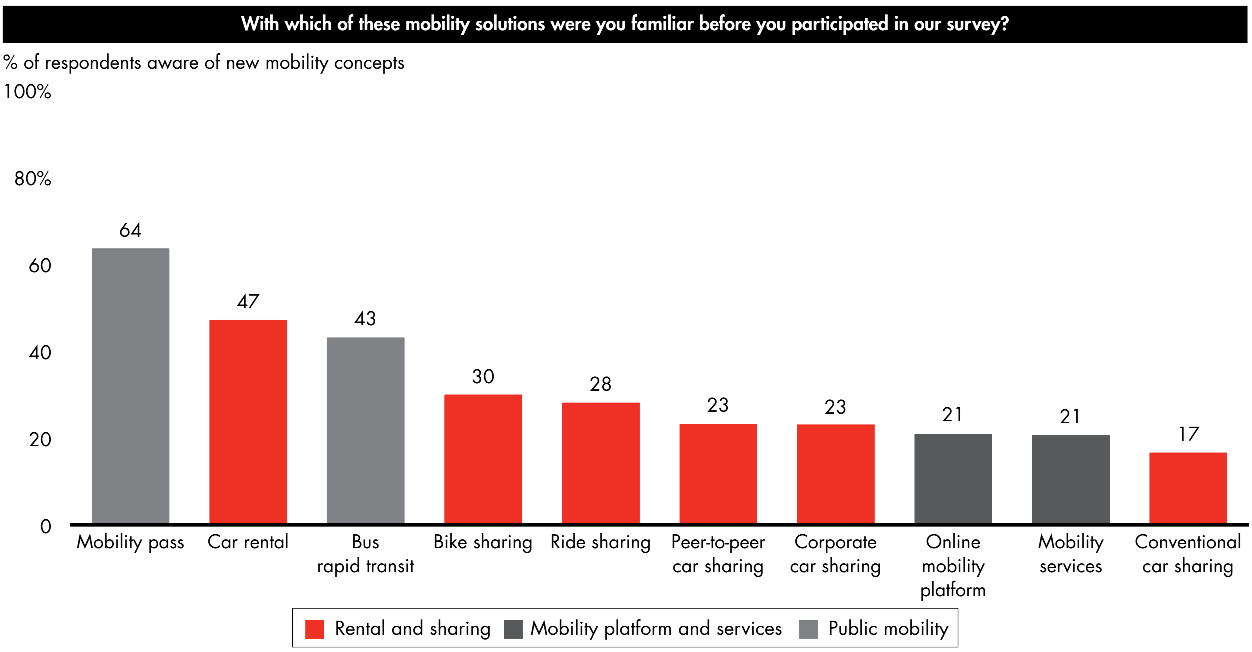
2 **Sharing and rental mobility**
- d Car sharing
- e Car rental
- f Taxi

3 **Mobility platform**
For instance, applications to plan, book, support mobility

4 **Private mobility**
- g Walk
- h Bicycle
- i Motor scooter
- j Private car

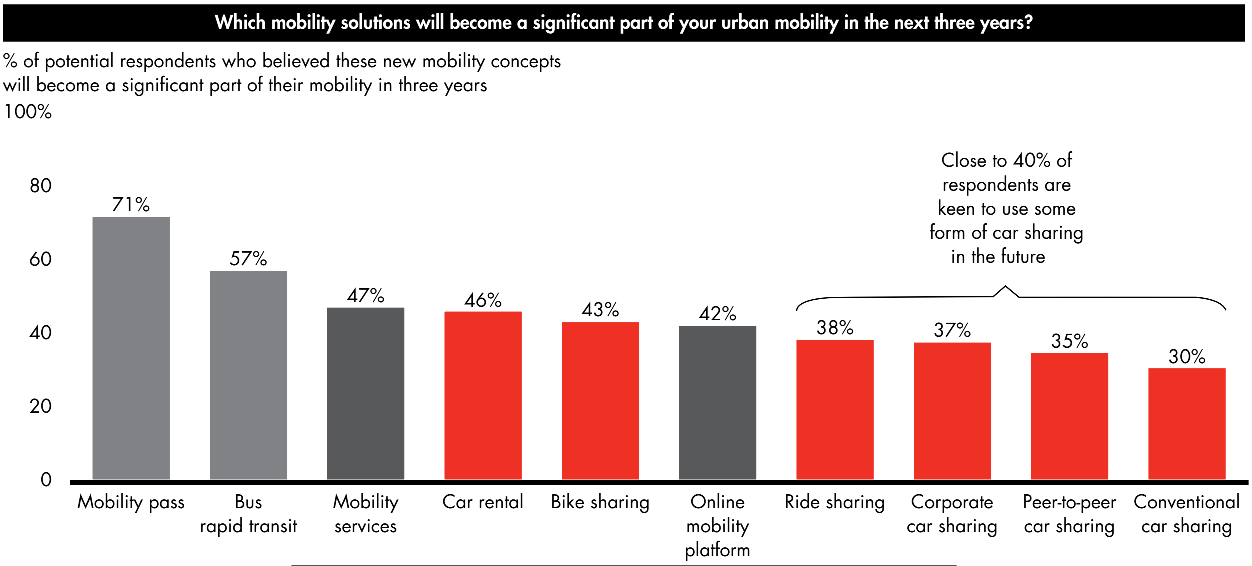
Source: Bain & Company

Figure 11: Chinese consumers are relatively less familiar with car sharing models



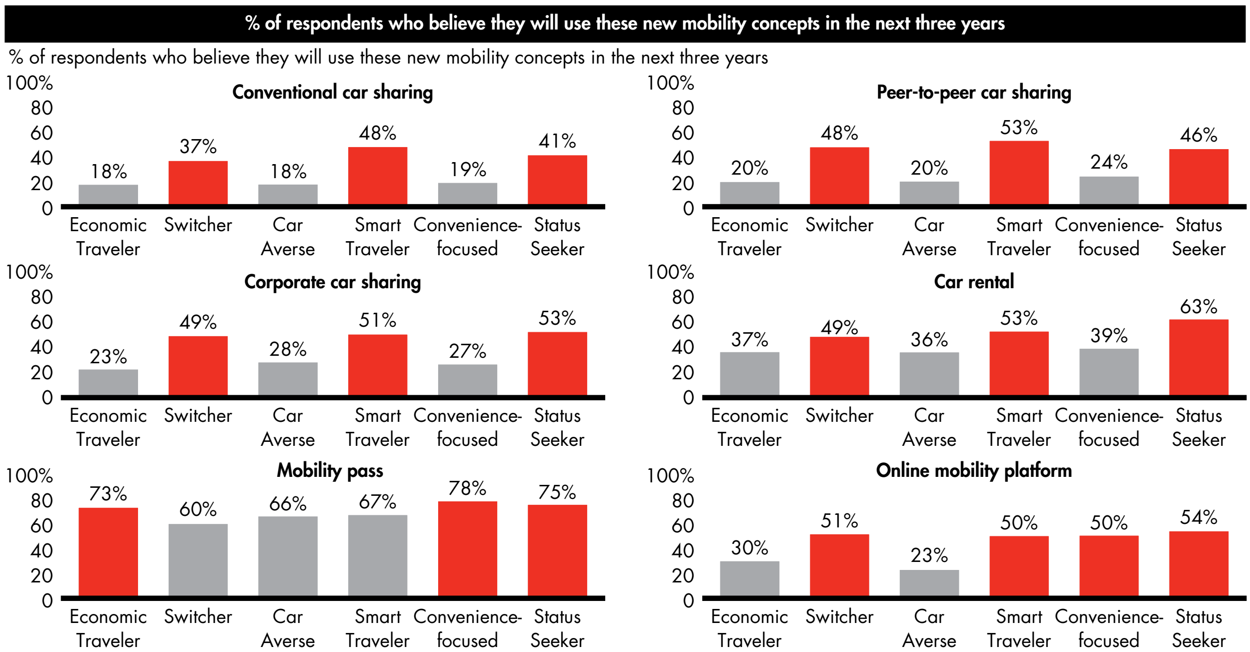
Source: Bain China New Mobility Study

Figure 12: Chinese consumers are keen to use public transport and alternative mobility solutions ...



Note: Potential usage in three years is defined as answering "definitely" and "rather yes" for question "I can imagine new mobility concept becoming one of my significant ways of urban traveling in the next three years..."
Source: Bain China New Mobility Study

Figure 13: ... including different car-sharing models and car rental



Source: Bain China New Mobility Study

Figure 14: Opportunities for OEMs: Test new mobility with a value proposition and model tailored to China

Potential actions to consider		Target segments
Car sharing and car rental	• **Partner with local governments** on transportation and urbanization issues (emissions, congestion) and gain support for new mobility services • **Tailor car rental and sharing offers to Chinese requirements** (e.g., interest in mobile apps, need for safety and timeliness) • **Develop low-cost model** to take into account taxi competition, and **screen cities** for deployment (e.g., favorable regulations and mobility environment)	**Status seeker** 6%
		Smart traveler 11%
Mobility platforms	• **Integrate car sharing or rental into multi-modal mobility offer** (e.g., taxis, public transport, and with services in mobile apps for navigation, assistance, parking)	**Switcher** 21%

Segment size (%)

Source: Bain & Company

About the authors

Raymond Tsang is a partner with Bain's Greater China office and leads the Industrial Goods and Services practices for Greater China. You may contact him by email at *raymond.tsang@bain.com*.

Pierre-Henri Boutot is a partner with Bain's Greater China office. You may contact him by email at *pierre-henri.boutot@bain.com*.

Please direct questions and comments about this study via email to the authors.

Acknowledgments

The authors extend gratitude to all who contributed to this study, in particular Jieqi Zhou from Bain & Company.

Shared Ambition, True Results

Bain & Company is the management consulting firm that the world's business leaders come to when they want results.

Bain advises clients on strategy, operations, technology, organization, private equity and mergers and acquisitions. We develop practical, customized insights that clients act on and transfer skills that make change stick. Founded in 1973, Bain has 51 offices in 33 countries, and our deep expertise and client roster cross every industry and economic sector. Our clients have outperformed the stock market 4 to 1.

What sets us apart

We believe a consulting firm should be more than an adviser. So we put ourselves in our clients' shoes, selling outcomes, not projects. We align our incentives with our clients' by linking our fees to their results and collaborate to unlock the full potential of their business. Our Results Delivery® process builds our clients' capabilities, and our True North values mean we do the right thing for our clients, people and communities—always.

For more information, visit www.bain.com

Amsterdam • Atlanta • Bangkok • Beijing • Boston • Brussels • Buenos Aires • Chicago • Copenhagen • Dallas • Dubai • Düsseldorf • Frankfurt
Helsinki • Hong Kong • Houston • Istanbul • Jakarta • Johannesburg • Kuala Lumpur • Kyiv • London • Los Angeles • Madrid • Melbourne
Mexico City • Milan • Moscow • Mumbai • Munich • New Delhi • New York • Oslo • Palo Alto • Paris • Perth • Rio de Janeiro • Rome
San Francisco • Santiago • São Paulo • Seoul • Shanghai • Singapore • Stockholm • Sydney • Tokyo • Toronto • Warsaw • Washington, D.C. • Zurich