



# Audi

## 一汽 - 大众

### THE MARKET

Since its entry to the Chinese market in 1988, Audi has grown and matured with the Chinese auto market as a leading luxury car brand. In China, Audi's four rings stand for luxury, technology and service. With its international brand stature, pursuit of quality and understanding of the Chinese consumer mindset, Audi has been on the road to success in its drive to localise production of luxury cars.

Audi's branding, products and services have been widely embraced by Chinese consumers. In 2003, Audi sold a total of 61,281 cars, representing a 67.2% share of China's top-end auto market. It has struck a firm chord with many luxury car drivers as a brand that stands for sophistication, reliability and progressiveness. One of the main reasons 170,000 drivers have chosen Audi is the access they gain to the unified service provided by FAW-Volkswagen's national network of 76 4S dealers. While it has sunk its roots deep into China, Audi has not stopped its programme of innovation and creation of luxury cars that are suitable for the Chinese consumer, or providing Chinese drivers the same world-class service that Audi delivers around the world.

### ACHIEVEMENTS

The history of Audi is one filled with innovation and technological breakthrough. Its heritage still lives on in its top products today like the Audi TT and the Audi Allroad Quattro.

Audi cars are made for races, and this is why Audi technology has always been ahead of other auto brands. Since it won its first championship in 1911 in the International Austrian Alpine Race, Audi has gone on to win award after award. In 1933, the Audi Silver Arrow designed by Porsche won numerous races and broke countless records. In the 1980s and 1990s, Audi won many championships and awards with the intelligent

application of its powerful full-time four-wheel drive quattro technology. With its recent wins at the Le Mans 24 Hour Endurance Race in 2000 and the DTM championships in 2003, Audi continues to maintain a very real technological advantage today.

As a luxury auto brand, Audi pays great attention to the style and quality of its products. Authoritative reviews by the UK-based Financial Times and the German-based Auto Motor und Sport (December 2003 issue) and Autozeitung (2002, Issue 20) rated Audi tops in marketing and product capabilities, giving Mercedes-Benz and BMW a good run for their money. In the luxury auto segment, Audi has been steadily catching up with and even surpassing the traditional winners.

In providing Chinese consumers with top-rate products and services, Audi has received widespread affirmation from the Chinese market and its customers, and has maintained its number one position comfortably for many years. JD Power also rated Audi tops in customer satisfaction. All this points to the huge successes that Audi has enjoyed in China.

### HISTORY

Audi is both an old and a young brand. In 1899, August Horch founded the A. Horch & Cie Motorwagenwerke with the goal of producing "large, powerful and quality top-end cars". With this, the world's first company with a top-end auto positioning was born over a century ago. Eventually, Horch was forced out of his own company in 1909 as he had been too focused on product development. In the same year, Horch decided to set up another company with a Latin name to compete with his previous company -

Audi. With its strong technological advantages, Audi soon became one of the most competitive forces in the auto manufacturing world. In the 1930s, the tough times of the Great Depression forced Audi to be merge with Horch, DKW and Wanderer. Four brands were being operated under the 1932 merger, much in the same way as today's six largest auto manufacturers of the world do. Horch, with its four-ringed emblem, had a market share of 50%, far higher than the other nine competing luxury auto brands.

After going through the tribulations of the Second World War and many other challenges, Audi was eventually acquired by Volkswagen in 1964. After the acquisition, Audi was not engaged in any form of independent research for a considerable length of time. Its products were sold in the same showrooms along with other Volkswagen cars. All this changed in



1993, when Ferdinand Piech, grandson of Ferdinand Porsche, who apparently still had the blood of the Audi Silver Arrow flowing in him, became the chairman of the board of Volkswagen Group. He

instituted a new brand strategy for Volkswagen and decided that Audi and Volkswagen would have independent brand operations. Since then, Audi has regained full power to market and operate independently; and people are once again reminded of the rich heritage of this luxury auto brand. This was a great turning point for the Audi brand.

In 1988, Audi entered the Chinese market and began transferring its technologies to the First Auto Works for production under a knocked-down approach. Because of unique conditions in the Chinese market, the production of the Audi 100 lasted nine years without any significant upgrades. The turning point came in September 1999, when FAW-Volkswagen launched the domestically produced Audi A6. Audi and FAW-Volkswagen also rolled out the "One name, One standard, Everywhere" concept, which encompasses all elements of the brand, products and service, and covers everything from production to sales to after-sales. Since then, Chinese consumers have been seeing Audi as a brand that stands for luxury, technological leadership, progress and a dynamic image.

With many years of experience in China and a comprehensive network, Audi maintains a strong hold





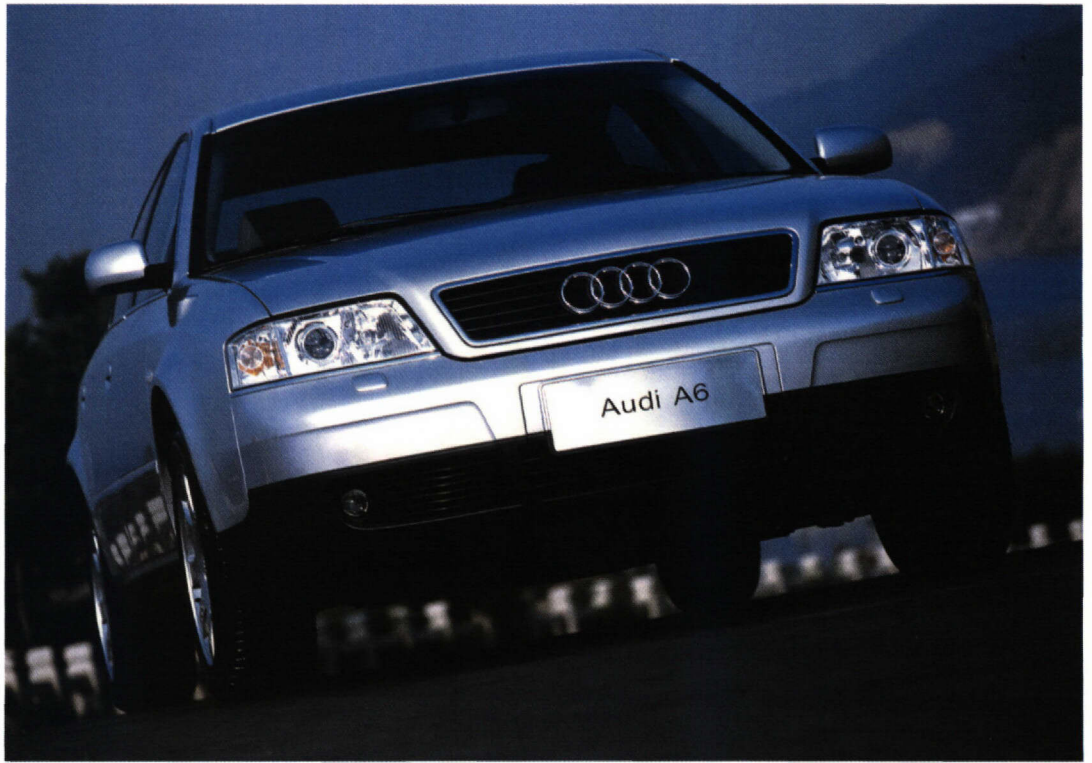
on its number one position in the Chinese luxury auto market.

### THE PRODUCT

With over a hundred years behind it, Audi has developed a portfolio of highly competitive products. Main products include the A2, A3, A4, A6 and A8 series and other coupes and sports cars. Its main successes in the Chinese market are still the A6 and the A4. Its unique technologies include the multitronic technology and the manual integrated gearbox, which replaced the gears in conventional gearboxes with high capacity chains for greater manoeuvrability and higher fuel economy. The quattro full-time four-wheel drive system is able to deliver power to each of the four wheels based on the friction each experiences with the road surface. This helps to deliver optimal results in steering, transmission and negotiation of bends. Audi's five-valve engine gives top-notch performance with low fuel consumption and exhaust levels while reducing noise pollution. Its state-of-the-art electronic stabilisation program (ESP) uses other driving aids such as ABS, EDS and ASR and increases vehicle control in tough situations by having brake application at individual wheels and control over the engine and gearbox. This helps to stabilise the car in the greatest possible degree and reduce the risk of skidding. In terms of brand image, Audi is an outstanding representative of the Chinese luxury auto market and stands for progressiveness, sophistication and dynamism – features that meet the psychological needs of the Chinese consumer.

### RECENT DEVELOPMENTS

DTM championships – Audi was recently crowned the winner of the DTM race, as backed by its power and manoeuvrability. The A4 is a sports car that possesses all these features and



continue to provide top-notch products and services of the same standard globally.

Sponsorship of the Olympic Games 2008 – Audi has been named the official car of the Beijing Olympics in 2008. Audi is in constant pursuit of innovation and technological progress.

### PROMOTION

Audi's "First-try-then-buy" promotion – In 2004 just after the National Day celebrations, a large-scale promotional campaign which had been in the works for a long time stirred up the otherwise quiet luxury auto market in China. FAW-Volkswagen which had a market share of 66% in the luxury auto market, announced that from October 1, a "first-try-then-buy" promotion would be conducted for all Audi models.

the confidence and the ability to take decisive action in protecting and developing the development prospects of the Chinese luxury auto market, despite the tough market environment."

This promotion might very well become the benchmark for all future promotions in the luxury auto market.

### BRAND VALUES

The essence of Audi as a luxury brand is its technological leadership, contemporary design, excellent features and power. In China, it also stands for austerity, progressiveness and success. It is the car of choice for many successful, high-flying individuals. The drivers of Audi can use their car as a means of announcing their success in life, their energy and their progressive outlook. This is the essence of Audi's brand value.



Audi was able to use the DTM as a platform to promote its technological leadership.

Number one in a JD Power customer satisfaction survey – Audi was ranked number one in a JD Power customer satisfaction survey, an affirmation by consumers of Audi's commitment to quality and service. Audi will

Discounts from Rmb20,000 to 65,000, or 15% of margins, were given, as the price of a China-made Audi went down to Rmb300,000. Qin Huanming, general manager of FAW-Volkswagen Automobiles Sales Corp, said, "The current promotions show that as China's largest and only sophisticated producer of luxury autos, we have

### THINGS YOU DIDN'T KNOW ABOUT AUDI

- The four ring logo was created in 1932 when Audi, Horch, DKW and Wanderer merged to form the world's most competitive alliance of auto-makers. In 1985, the company was renamed Audi, but the four rings were retained
- The Audi brand has more than 100 years of history. The automaker established by German engineer August E Horch in 1899 was the predecessor of the present-day Audi
- The renowned Italian carmaker Lamborghini was acquired by Audi in 1998 and became a subsidiary, giving Audi access to some of the world's most advanced racing car technologies
- Audi has been known for its leading technologies since the day it was born. Its multitronic integrated manual gearbox and quattro full-time four-wheel drive technology are proprietary technologies developed by Audi which have revolutionised the auto world