

# Technology drive sees 'connected car' link-ups in China

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Visitors look at the new Mercedes Benz E-Class Long Wheelbase during the 'Auto China 2016', the 14th Beijing International Automotive Exhibition

China has the youngest premium car buyers in the world, and their tech-savvy demand for "connected cars"—coupled with Communist regulations—is driving international automakers into the arms of the country's Internet giants.

Growth is slowing and competition intensifying in the world's number one [car](#) market, but it also boasts Mercedes Benz buyers with an average age of 37, and Audi's customers even younger at 36. In contrast, the average Mercedes buyer in the US was over 54, according to IHS Automotive.

China's "Internet savvy" cohort is the youngest premium customer group in the world, Hubertus Troska, China chief for Mercedes' parent Daimler, said at the Beijing Auto Show this week.

"We really want to be at the forefront of connectivity and telematics in this country, so we're going with the best technology that we have," he added.

Automakers are racing to offer "connected" car services, which include in-car internet access, entertainment systems, and easy integration with smartphones, traffic lights, and other vehicles.

The global market for such connected-car technologies will be worth about 123 billion euros by 2021, according to consultancy PwC.

With more than 600 million smartphone users, China's consumers particularly prize such features.



Visitors check out an Audi RV8 V10 Plus, on display at 'Auto China 2016', the 14th Beijing International Automobile Exhibition

As many as 60 percent of Chinese drivers would switch car brands solely in order to have complete access to data and applications inside their vehicle, according to consultancy McKinsey, compared to only 20 percent of Germans.

## **Baidu vs Google**

Whereas Apple's Carplay and Google's Android Auto are taking off in the rest of the world as the leading car smartphone apps, China requires certain "adaptations", Daimler's Troska said.

For a start, many Google services—including its crucial maps application—are blocked in the Communist-ruled country.

"As foreign technology companies, Apple and Google are facing many regulation barriers placed by Chinese government in recent years," Celina Li, senior analyst at IHS Automotive, said in a note.

That leaves the field clear for local players such as Chinese Internet giants Baidu, Alibaba and Tencent, Li added.



BMW has enabled some vehicles to use several popular Chinese apps, including microblogging platform Weibo

Audi will start integrating "Baidu CarLife" into some of its models in China this year, it says, while Volkswagen and GM have also announced plans to adopt the China-specific operating system.

A locally-designed rival to Apple and Google software, Baidu CarLife

offers music streaming, smartphone integration, and access to Baidu maps—the dominant player in China.

Fellow domestic giant Alibaba, which in 2014 purchased Chinese interactive mapping and navigation firm Autonavi for \$1.5 billion, is collaborating with China's leading auto manufacturer SAIC.

Audi also announced at the weekend it will be working with Tencent, which operates the country's hugely popular messaging service WeChat, to allow location sharing in vehicles.

"In China, it's very common to send your location (to your friends) in your WeChat: you will use it in your car, and have your destination automatically sent if you want," said Intakhab Khan, Audi's director of electronics in China.



All vehicles sold by French automobile maker PSA Peugeot-Citroen in China

will be connected via 4G SIM card by 2020, compared to 20% of its current upmarket DS range

### **'Tough competition'**

Global and local players are vying for Chinese market share over price, quality, and innovative offerings.

"I can tell you, on autonomous driving, on connectivity, and on electric cars, competition is going to be very tough. You cannot be complacent," said Carlos Ghosn, CEO of Renault-Nissan.

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And all vehicles sold by French automobile maker PSA Peugeot-Citroen in China will be connected via 4G SIM card by 2020—compared to 20 percent of its current upmarket DS range.

PSA will also equip some cars with a wi-fi hotspot in collaboration with Alibaba, and offer an app to remotely check the vehicle's location and petrol levels.

Chinese buyers have lower privacy concerns than elsewhere, and are the most willing in the world to share their data, McKinsey found in a 2015 study.

"The Chinese want up-to-date interactive maps showing places of interest like restaurants and shops," said Celine Le Cotonnec, PSA's China head of connected services, digital marketing and mobility.

"They are also really into social messaging and games," which offer relief from the tedium of traffic jams, she added.

But while the large tech companies are working with carmakers for now, some may soon become auto competitors themselves as the lines between the two industries begin to blur.

At the Beijing auto show, Alibaba and Baidu displayed their own self-driving cars, while online video giant LeECO unveiled an electric car.

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