



Wheeling and dealing for growth

Beijing company looks to upstage Toyota in South Africa

By **XING ZHIGANG** and **LI JIABAO**

It is not often that one finds a new entrant stealing the thunder from established global firms in mature automobile markets like South Africa. But a Chinese automotive company is fast climbing the ladder and looks set to zoom past the market leader, Toyota of Japan, in the fast-growing South African minibus market. The Chinese company has already made a mark with its 16-seater Sasuka minibuses, which means, “we are departing” in the local Zulu language. More importantly, the vehicles have become popular with customers for their reliability, affordability and value-added features.

BAW SOUTH AFRICA

Industry: Auto manufacturing
Established: 2012
Headquarters: Springs, Gauteng province
Employees: 170
Address: 93 Iron Rd, New Era, Springs, 1559, South Africa
Phone: 27 11 817 8000

JAMES CHUNG



CEO, BAW South Africa

PARENT COMPANY IN CHINA

Beijing Automotive Industry Holding Co
Industry: Auto manufacturing
Founded: 1958
Headquarters: Beijing
Overseas operations: Russia, South Africa and Cambodia
Employees: 1,500
Revenue: 36.5 billion yuan
Ranking: China's fifth largest automotive manufacturer
Address: Shuanghe Road, Renhe town, Shunyi district, Beijing, 101300, China
Phone: 86 10 87742223
Website: www.baw.com.cn

XU HEYI

President, BAW China
Born: 1957
Education
•Phd in Science and Engineering Management, Huazhong University of Science and Technology (2006)
•MS in Business Management, China Europe International Business School (1996)
•BE in Ferrous metallurgy, University of Science & Technology Beijing (1982)
Career
•Chairman of the board of directors at BAIHC (2002 -present)
•Vice-chairman of the board of directors at BAIHC and chairman of the board of directors at Beijing Modern Corp (2002)
•Deputy Secretary of CPC Beijing Municipal Committee, deputy director of industry of Beijing Municipal Economic Commission (2001-02)

“We want to dislodge Toyota in minibus sales in South Africa,” says James Chung, 50, chief executive officer of BAW South Africa.

Sitting in his sprawling office on the East Rand in Gauteng province, about 50 km east of Johannesburg and 70 km southeast of Pretoria, Chung says success in South Africa could also prove crucial for the company's long-term success.

“Our products are cheaper (than Toyota's) and of exceptional quality. It's just that we need to do much more to promote our brand.”

BAW South Africa is a joint venture between Beijing Automotive Works, the Industrial Development Corporation of South Africa and China Africa Motors. It was set up in November 2012 to assemble minibus taxis on a semi-knocked down basis.

BAW's parent company, Beijing Automotive Industry Holding Co, holds 51 percent of the shares in the company, the balance being held by the Industrial Development Corporation of South Africa and China Africa Motors — a company set up by James Chung and family.

Chung, born in Taiwan, started his trading business in South Africa in 1991, selling items including gadgets, electric fans and tires.

Chung's company, China Africa Motors, was the previous importer and distributor of BAW taxis in South Africa. It holds a 24.5 percent stake in BAW South Africa.

Chung says the South African taxi market needs at least 18,000 new vehicles every year. These are expected to carry more than 7 million people to school or work, he says.

“The average lifespan of a taxi is seven years at the most, thereby creating the demand for at least 1,500 to 2,000 new vehicles every month.”

The Industrial Development Corporation of South Africa estimates that annual taxi sales in South Africa would reach 28,000 units by next year. It also estimates that a further 100,000 vehicles are sold in the rest of southern Africa.

Toyota sells 1,100 minibuses every month in South Africa, while BAW South Africa is averaging about 200. Chung expresses confidence that sales can be lifted to 400 in the short term.

Chung says brand promotion is the key to success, but adds that other factors like having more dealers, creating more jobs and enhanced investment are crucial for BAW in the long run.

The Chinese parent has already spent 196

million rand (\$27.5 million) in BAW South Africa, and this in turn has created more than 469 jobs, he says.

“The investment is also expected to add more than 1,000 new jobs for suppliers and dealers.”

According to Chung, most of this investment has been used to set up a taxi manufacturing plant in Springs, Gauteng province. The semi-knocked down facility is expected to be a completely knocked down vehicle plant with an annual capacity of between 40,000 and 50,000 units by next year.

The long-term plans for the Springs plant would involve an additional investment of between 2 billion rand and 3 billion rand, says John Jessup, BAW South Africa's head of sales and marketing.

Chung says the company has a sizable number of local employees. “Nearly 95 percent of the 170 employees at the Springs facility are from South Africa. At present, we can make 1,500 minibuses every month at the facility.”

“We want Sasuka to dislodge Toyota's Sesfikile,” Jessup says. “Though Japanese auto brands are global giants, it does not mean that Chinese companies cannot compete with them. They also have weaknesses like expensive after-sales and maintenance services.”

Affordability and better after-sales services will be the key for the Chinese venture, Chung says.

He says that though the Sasuka and Sesfikile are similar in engine power, the maintenance costs for the former are much lower. The Sasuka has several passenger-oriented features, including a touch screen on the console for CD/radio as well as DVD player, comfortable seats and a factory-fitted air-conditioning system that “consumes almost no oil with modern technology.”

“Consumers will also get a two-year/200,000 km service plan, which also covers maintenance of the entire braking system. Our efforts are to focus on quality and safety in the long term, and not just the prices,” Chung says.

“Apart from doing more to boost consumer finance, Chinese companies also need to step up the overall quality levels, especially in terms of quality consistence.”

The company plans to expand its dealer network from the present 36 in the long term and assemble SUVs and pickups at the Springs plant later this year. Also in the cards is the manufacture of diesel-powered vehicles to cater to demand from neighboring countries, Chung says.