Apple courts local developers in bid for larger market share

By TUO YANNAN and GAO YUAN

Apple Inc is embracing Chinese developers in a bid to increase its market share in China.

AutoNavi's navigation application showed up on Apple's latest operating system on Tuesday, replacing the Google map application.

The change follows reports that Apple will replace the Google search engine on its iPhones with Baidu Inc's.

TECH

"AutoNavi's Apple map team was established two years ago. The team now has more than 100 employees," Yang Yongqi, vice-president of AutoNavi Holdings Ltd, said on his micro blog.

After Apple's new CEO Tim Cook took over, he made many moves to strengthen Apple's presence in China. He visited the country and met with high-level government officials in March. His predecessor, Steve Jobs, never visited the country.

Recent reports said that Apple will open two more stores in China, leading analysts to believe that the company will place greater emphasis on the world's biggest smartphone market.

Map applications are one of the most popular application categories in the App Store.

"Based on Apple's huge customer base, Apple is very likely to become an important map provider once the next generation iPhone and iPad models arrive on the market," said Yan Xiaojia, an analyst at Analysys International.

Yan added that the market size for Apple map applications is estimated to be more than 100 million customers.

Apple is also developing its own map application, Yan said.

AutoNavi said its free mobile map application had 52 million users and more than 29 million monthly active users at the end of the first quarter, compared with a total of 40 million users and more than 20 million monthly active users in the last fiscal year.

"AutoNavi's mobile phone navigation service was the top mobile phone-based navigation system in China, with nearly 39 percent of the market in the first quarter," said Yin Xinglong, also an analyst at Analysys International.

In China, 284 million people use mobile Internet maps to navigate. AutoNavi map and technology applications lead the market with a 25.9 percent share, while Google's share in the sector was only 16.7 percent in the first quarter, according to Analysys International.

According to recent Chinese media reports, Google services will be replaced by Chinese search engine provider Baidu on Apple's iPhones, which may further reduce Google's role in China's search engine market.

Baidu accounted for about 35 percent of total searches on mobile devices last year, followed by Easou.com with 21 percent, and Tencent Holdings Ltd's Soso.com at 20 percent.

Google only held 11.1 percent, according to Analysys International.

The possible deal between Baidu and Apple "was aimed more at gaining publicity than boosting Baidu's share in the mobile market, because iPhone users are a minority among Chinese mobile phone users", said Li Zhi, a senior analyst with the research company, in an earlier interview with China Daily.

AutoNavi was listed on the NASDAQ Global Select Market in July 2010. In May, it reported $26.9 million in gross profit in the first quarter, a year-on-year increase of 49.6 percent.

Automotive navigation was AutoNavi's most profitable sector. It generated more than $35 million in net revenue in the first quarter.

But the company's mobile and Internet location-based businesses delivered $9.9 million in net revenue over the same period.

"The increases were primarily because of the growth in revenues derived from the preinstallation of the company's navigation solutions on mobile phones," AutoNavi said in its financial report.

Contact the writers at tuoyannan@chinadaily.com.cn and gaoyuan@chinadaily.com.cn

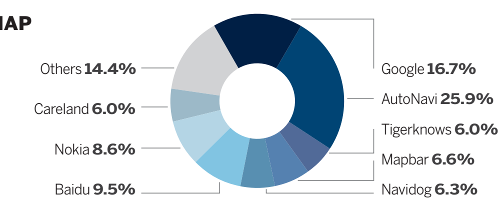
Chen Limin contributed to this story.

LIU YANRUI / FOR CHINA DAILY

An Apple Inc store in Beijing's Xidan shopping district. The company will open two more stores in China, according to recent media reports.

CHINESE MOBILE MAP APPLICATIONS

First-quarter market share



Source: Analysys International

LI YI / CHINA DAILY

HK-Japanese consortium plans electric future for troubled Saab

By LI FANGFANG
lifangfang@chinadaily.com.cn

A consortium completed a deal on Wednesday to save the ailing Swedish automaker Saab AB, which announced its bankruptcy in December.

AUTO

The consortium National Electric Vehicles Sweden AB will pay 1.5 billion to 1.8 billion Swedish kronor ($212 million) for the bankrupt Saab, excluding its separate Saab Automobile Parts AB unit.

Bloomberg also reported that Saab's administrators confirmed in an statement that the carmaker had been sold.

Filing for bankruptcy in December, Saab, including Saab Powertrain and Saab tools, ran into debts of about 13 billion kronor.

National Electric Vehicles Sweden AB — 51 percent owned by Hong Kong-based National Modern Energy Holdings Ltd and 49 percent controlled by Japanese venture-capital company Sun Investment LLC — was formed by the two parent companies for the acquisition.

The deal would appear to have finally closed the shutters on a possible bid being put together during the past year by Chinese mainland-based Zhejiang Youngman Lotus Automobile Co Ltd and Pang Da Automobile Trade Co.

Last October, Pang Da and Youngman agreed to a joint $140 million takeover of Saab, including the parts unit and its UK dealer network, which would have given Youngman a 60 percent stake in the Swedish company and Pang Da the remaining share.

However, that bid was held back by General Motors Co, which has both preferential shares and technology ties with Saab.

The Sweden-based car company said that it aims to develop a pure electric vehicle based on the Saab 9-3 and the ePower electric car version of the vehicle.

It had also talked about plans to produce a Japanese small electric car model and develop the next generation of its Saab 9-3 series, which was estimated to cost 2 billion kronor over the next 18 months.

All the vehicles would be produced in the future bearing the Saab badge.

Zhong Shi, an industry analyst in Beijing, said he was still worried about the future of Saab, especially its electric aspirations, despite the deal announcement.

"There should be no relationship between Saab and electric vehicles," Zhong said. "Saab has no expertise in the electric vehicle sector. The idea of making an electric Saab is a dream."

In his view, the electric vehicle sector still has at least 10 years until it becomes mass-market, "so it's risky to put such heavy investment into electric development, based on a traditionally ailing Saab brand".

Moreover, he added that "even targeting traditional combustion engine powered vehicles, updating the Saab technology will require far more of a capital injection, and even then, making it profitable would be a huge challenge".

winespecial

Grape quality vital to Chinese wine's global success

By WANG QIAN and ZHAO RUIXUE in Jinan

Leading foreign winemakers have been coming in droves to China in recent years in an attempt to carve out a piece of one of the world's fastest-growing wine markets.

Meanwhile, domestic companies like Changyu Pioneer Wine Co Ltd, China's oldest and largest wine producer, are grabbing more global attention with unique oriental flavors.

"With 120 years of experience in viniculture and the wine business, Changyu has grown into one of the nation's top producers and can rival the world's best in grape planting, processing technology and scale," said Zhou Hongjiang, general manager of the company.

Based in Yantai, East China's Shandong province, the company is committed to promoting its competitive edge by maintaining innovation and continuously supplying new wine-making technologies.

Quality grapes

Changyu's effort to grow its own grapes for high-end wines began in 1892, when founder Zhang Bishi, an overseas Chinese from Indonesia, imported more than 120 types of young vines from Europe.

However, the exotic vines did not take to the local geographical conditions, and most of them failed to survive. To solve this problem, Zhang carried out numerous field trials and finally managed to cultivate a new variety of "cabernet gernischt" by grafting the imported vine with a kind of wild vine in northeast China.

With rich sugar content and high resistance to pests and diseases, this special type of grape peculiar to Yantai has proven to be a winner for the company and gotten widely international recognition.

Changyu Jiebaina, a type of dry red wine made from this grape, was created by the company in the 1931 and rated as one of the world's top 30 wine brands in 2008 Salon International de l'Alimentation held in France.

Since 2006, the Changyu Jiebaina has been exported to some 14 countries across the world, including Germany, Italy, and France. It is the first China-made wine that has really entered the European mainstream life and can be available in more than 3,000 supermarkets, shops, five-star hotels in Europe, and even the first-class cabins of Lufthansa German Airlines.

With 120 years of experience in viniculture and the wine business, Changyu has grown into one of the nation's top producers and can rival the world's best in grape planting, processing technology and scale."

ZHOU HONGJIANG
GENERAL MANAGER OF CHANGYU PIONEER WINE CO LTD

It is only one of the high-quality grapes Changyu has cultivated. In recent years, a total of 50 million yuan ($7.9 million) has been allocated to developing cabernet gernischt growing areas and eight new varieties have been cultivated.

In 1970s, Changyu developed two new varieties of grape — "Yan 73" and "Yan 74". They can be used to give the wine a natural red color because the color of their juice is six times that of the normal grape. They have been introduced by many overseas winemakers as a top option to color their wine.

Today, the company grows a wide assortment of grapes in the Xinjiang Uygur and Ningxia Hui autonomous regions, Shandong, Shaanxi, Liaoning provinces, and around Beijing on a total of 20,000 hectares of land, accounting for a quarter of China's grape-planting regions.

"We use varied modern techniques for grapes from different vineyards. Grapes from different regions have a different flavor, so they're used for various types of wine," said Li Jiming, Changyu's chief engineer with a doctor degree in viniculture.

The company also pays much attention to the sugar content of the grape. It elaborately selects the grape type and grows them in proper regions to make grapes have more sugar content.

"The average sugar content in grapes from vineyards in Xinjiang and Ningxia can reach more than 23 percent, a figure which is seldom seen even in Bordeaux, France's prominent wine producing region," said Cheng Guoli, Changyu's senior agronomist.

"Now, Changyu can control the sugar content of grape between 18 percent with 23 percent, which ensures the diversity of its products," Cheng said.

"Growers tend to sell their best grapes to us because our price is based on sugar content. That means the price for grapes that are rich in sugar is higher than the market standard," Li said.

"Fine wine is 70 percent dependent on good grapes and 30 percent on the winemaking process. Top-class grapes are the fundamental element of a top-class wine company," Li said, explaining why the company pays so much attention to planting grapes.

"To meet growing demand, we will continue to expand vineyards and aim to have the world's largest grape-growing areas with an annually production of 400,000 tons of grape in five years," said Li.

Global stage

China is currently the world's fifth largest wine consumer after the United States, Italy, France and Germany, according to the 2012 China Wine Market Report released by International Wine and Spirit Research.

Last year saw wine consumption in China increase by 33.4 percent year on year to 156 million 9-liter cases containing 12 bottles per case.

The report also indicates that consumption is set to grow by 54.25 percent between 2011 and 2015. However, the annual per capita consumption of wine in China only stands at 1 liter, much lower compared with the 56 liters consumed by the French.

Such a huge potential of the wine market in China has attracted producers from Europe and the Americas. Statistics show there are more than 3,000 overseas wine brands at Chinese market, further diversifying the market.

Although there are stiff challenges from overseas brands, Chinese wine brands are now showing confidence as more and more made-in-China wines frequently stand out among overseas brands on the global stage.

One major force among these Chinese wine brands is Changyu, with brand value standing at $3.2 billion, up 77 percent over 2010, according to the report.

"The complicated wine market here offers us both challenges and opportunities. I believe we are capable of rivaling any other wine as we have sound terroir conditions, quality grapes, and competitive sales network," Zhou commented on the current complicated wine market.

Last year, Changyu gained 12.4 billion yuan from its total sales, generating tax of 3.4 billion yuan.

The company is listed at both A-share market and B-share market. Its A-share dominated branch company had revenue of 6.03 billion yuan last year, an increase of 20.96 percent over 2010. The branch company has given a total of 4.5 billion yuan worth of dividends since it is listed at A-share market in 2000.

"China's high-end wine market is expanding fast. We will spare no effort to look for more cooperation with overseas chateaus to provide quality wine produced in 17 major grape growing areas all over the world," said Zhou.

Now, the company has established 10 high-end chateaus across the world and its high-end wine has developed into brands competing with overseas wine. They are frequently served at international banquets and also selected as a State gift to world renowned elites including former American President Bill Clinton, former Japanese Prime Minister Yasuo Fukuda and financier Warren Buffett.

"With all these efforts, Changyu will be on track to play a vital role in the world's high-end wines market," he said.

Contact the writers at wangqian2@chinadaily.com.cn and zhaoruixue@chinadaily.com.cn

PHOTOS PROVIDED TO CHINA DAILY

Laurenz Moser, Austrian famed vintner gives his approval of Changyu's management of its grape planting areas.