

Current Situation, Trend Prediction and Development Suggestions for the Export of Chinese Automobiles

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ABSTRACT

In recent years, promoting the high-quality development of the manufacturing industry has become a major economic development strategy in China. High-quality development in automobile trade has also achieved certain results, with export volumes stabilizing and increasing. Market layout and product structure continue to be optimized, and the international competitiveness and influence of Chinese brands are constantly improving. Since 2022, Chinese automobile brands have performed well in the global automobile market, with multiple breakthroughs in overseas exports. Different from the past focus on a single market, Chinese brand automobiles are accelerating their globalization, becoming a new choice for consumers. For many domestic brands, what the era of conventional vehicles could not accomplish, everything is possible in the new energy era. Industry experts indicate that by seizing the opportunities presented by the transformation of the automobile industry towards new energy and intelligent connected vehicles, and by enhancing the independent and controllable levels of the industry and supply chain, Chinese automobile exports are expected to reach new heights.

KEYWORDS

Automobile Industry; Automobile Export; Development Suggestions.

1. DEVELOPMENT STATUS

1.1. The export of complete vehicles continues to maintain a growth momentum

Along with the shortage of overseas automobile supply and the gradual establishment of competitive advantages in the fields of electrification, electronics, and intelligent driving for Chinese brand automobiles, the international competitiveness of products continues to increase, and exports are showing an accelerating growth trend[1-2]. Since 2021, the total annual volume of Chinese automobile exports has surpassed 2 million vehicles for the first time, breaking the previous situation of hovering around a million vehicles. In 2022, the volume reached 3 million vehicles for the first time, a year-on-year increase of 54.4%, achieving a "triple jump" and making a breakthrough. In the period from January to September 2023, the export volume of Chinese automobiles reached 3.71 million vehicles, a 60% increase compared to the same period, with the export volume of new energy vehicles reaching 1.25 million vehicles, a 77% increase year-on-year, accounting for approximately 34% of the total automobile export volume, far exceeding the average penetration rate of 29% for domestic new energy vehicles. China's automobile export volume has surpassed Germany, becoming the world's second largest automobile exporter after Japan. While the export volume is rapidly increasing, Chinese automobile exports also demonstrate a trend towards higher-end products. The export volume and price of Chinese automobiles have both risen, with the average price reaching 18,000(compared to 16,000 in 2021), with pure electric vehicles averaging \$25,800.

1.2. Overseas markets are becoming increasingly diverse

With the rapid development of new energy vehicles in the international market, the European and American regions, represented by Belgium, the United Kingdom, and Mexico, as well as the Southeast Asian region, represented by Thailand and the Philippines, are becoming the main incremental markets for Chinese automobile exports. In the European and American automobile markets, Germany, France, and the United Kingdom remain the major consumer markets, accounting for nearly half of the European market. Chinese brands are competing in both new energy and traditional vehicle segments. Although countries such as Norway and Belgium in Western and Northern Europe have limited market capacity, they have high penetration rates for new energy vehicles. These countries have implemented supportive policies such as exemption from purchase taxes for new energy vehicles and have relatively advanced infrastructure for charging and swapping stations, making them key markets for Chinese new energy vehicles to enter Europe. In the Southeast Asian automobile market, countries such as Thailand and Indonesia have relatively low penetration rates for new energy vehicles. However, these countries have introduced favorable policies to promote new energy vehicles and have good growth potential. The market size is currently around 800,000 vehicles per year, and it is expected to continue growing in the coming years. Taking Thailand as an example, with nearly a million vehicles exported annually to ASEAN and Oceania, it holds significant strategic value in terms of market positioning.

Table 1: Cumulative Export Volume to Major Target Countries in 2022

Rank	Country	Total Vehicle Export (10,000 units)	Share of Total
1	Mexico	25.4	8.2%
2	Saudi Arabia	22.2	7.1%
3	Chile	21.2	6.8%
4	Belgium	20.7	6.7%
5	Russia	16.2	5.2%
6	Australia	16.0	5.1%
7	United Kingdom	14.8	4.8%
8	Philippines	14.5	4.7%
9	Malaysia	9.6	3.1%
10	United Arab Emirates	9.3	3.0%

1.3. Mainstream car companies have embarked on an internationalization strategy that goes beyond product export to system output

From the perspective of export methods, aside from whole vehicle exports and CKD (Completely Knocked Down) exports, overseas manufacturing has also become an important element of the international strategy for new energy vehicle companies. Currently, the majority of Chinese new energy vehicle companies are at the stage of whole vehicle exports. Some new energy vehicle companies with strong financial and product capabilities have begun to explore different overseas expansion models by investing directly and establishing manufacturing plants in overseas markets. For example, SAIC (Shanghai Automotive Industry Corporation) has established overseas subsidiaries to establish a local presence, implementing a comprehensive overseas export model covering research and development, marketing, logistics, components, manufacturing, finance, and used cars. This approach ensures controllable product quality, manufacturing capacity, operational services, and costs, emphasizing the reduction of the gap with overseas brands in every aspect of the

automotive operation process. Geely, a company with strong capital, has been acquiring overseas companies and establishing research and development systems abroad to attract overseas talent. Great Wall Motors (GWM) has launched its main brand GWM, promoting the international expansion of five sub-brands under a single main brand, gradually shaping brand image and enhancing brand value. In September 2022, BYD announced the construction of a new energy vehicle production base in Thailand with a capacity of 150,000 vehicles. In December 2022, Skywell announced the establishment of a joint venture with the local company Sumou Holding in Saudi Arabia, jointly investing around \$500 million in two phases to establish a new energy vehicle production and research base in Saudi Arabia.

Table 2. Layout of Major Automotive Groups in the Southeast Asian Market

Company	The layout of the automotive market in Southeast Asia	
SAIC	Indonesia	<ul style="list-style-type: none"> ● In March 2022, SAIC-GM-Wuling rolled off the C-SUV model Wuling Almaz Hybrid at its factory in Indonesia, becoming the first HEV model in the overseas market. ● In August 2022, SAIC-GM-Wuling released the compact electric vehicle (EV) model, Air EV. ● Based on the Hongguang Mini EV, it is equipped with luxurious interior and exterior decorations and equipment. There are two models available, with the high-end version having a range of over 300 kilometers.
	Thailand	<ul style="list-style-type: none"> ● In January 2022, SAIC Motor Corporation, in partnership with Thailand's CP Group, through their joint venture SAIC Motor-CP Co., announced an investment of 25 billion Thai baht to build an electric vehicle (EV) battery factory in Thailand.
	Vietnam	<ul style="list-style-type: none"> ● In February 2022, the C-segment sedan MG5 was launched in the Vietnamese market. The vehicles were imported from Thailand.
Great Wall Motors	Thailand	<ul style="list-style-type: none"> ● In February 2022, Great Wall Motors announced that it would introduce 9 models into the Thai market over the next 3 years. ● In June 2022, the C-segment sedan Ora GoodCat BEV GT was launched. ● In September 2022, pre-sales for the C-SUV model Haval H6 PHEV began, with deliveries starting in November of the same year. ● By the end of 2022, the number of Great Wall Motors' direct and partner stores in Thailand will be expanded to 80. ● Within 2022, Great Wall Motors plans to expand its charging stations to 55, with 70% located in the Bangkok metropolitan area and 30% in other regions. The charging stations will operate 24 hours a day, 7 days a week.
	Philippines	<ul style="list-style-type: none"> ● In October 2022, Great Wall Motors signed a strategic cooperation agreement with the Philippine distributor Luxuriant Automotive Group. Both parties will work together to develop the Philippine market.
	Malaysia	<ul style="list-style-type: none"> ● In November 2022, Great Wall Motors launched the C-segment hatchback Ora GoodCat). At the same time, they announced the new car launch plan for the Thailand market in Malaysia. ● By the end of 2023, Great Wall Motors plans to establish 15 dealerships in Dangchi. Additionally, they will commence local production of new energy vehicles in 2023.
BYD	Thailand	<ul style="list-style-type: none"> ● In September 2022, BYD announced that it would commence knock-down (KD) assembly production in Thailand. ● In operation by 2024, with an annual production capacity of 150,000 vehicles. ● For the first time, an EV plant was built in a country outside China. ● BYD plans to export to the ASEAN region and Europe.

2. TREND PREDICTION

The large-scale sea of national automobile brands began in the early 21st century, and the first stop of the sea, represented by Chery, generally chose non-developed countries to test the water and learn. Among them, Geely and SAIC have a greater pace of international development, respectively, by widening the breadth and depth of the advanced car enterprises. Geely expanded its overseas business mainly through the acquisition of car companies in different regions such as Southeast Asia and Europe. Saic, on the other hand, is mainly engaged in the construction of local production capacity, and the production of the Thai factory has transformed it from "export trade" to "overseas operation" and has further developed toward globalization. After more than 20 years of development, some national automobile brands have moved from the embryonic stage to the advanced stage and gradually gained a foothold in some markets.

In 2023, the export of new energy vehicles has achieved remarkable achievements, not only achieving a breakthrough in the total export volume, but also reaching the middle and high-end market penetration of European countries. Byd, Lynk & Co, SAIC, Changan, NIO, Ideal and other more than 10 different types of Chinese brands have also released European market plans to accelerate overseas layout. The first-mover advantage and product advantage of Chinese auto companies in electrification and intelligence, as well as the relatively perfect supply chain system, will be the key for Chinese brands to achieve breakthroughs in the sea and brand upward. In addition, the valuable experience and exploration of global operation accumulated by domestic leading independent brand car companies in the past ten years, and the user operation and service innovation capability of new forces and new brands are also key capabilities for Chinese brands to continue to break through in overseas markets and achieve global operation.

In the future, China's auto exports will usher in a period of rapid growth, Chinese car companies and parts companies will achieve higher achievements in the sea, and more Chinese car companies and parts companies will also stand on the world stage [3]. Chinese brand enterprises should be internationalized as a breakthrough, focus on the core market of the "Belt and Road", gradually penetrate into developed countries in Europe and the United States, in the order of "brand, trade, investment, industrial chain", do a good job of "first trade, after investment" rhythm connection, gradually develop from the growth period of the trade market to the breakthrough period of the localized investment market. Leading domestic car companies will enter the mainstream regional market represented by Europe, further penetrate into important markets, improve market share, and strive towards the global leading echelon.

3. DEVELOPMENT SUGGESTIONS

The global development of Chinese auto companies needs to compete with more international competitors in a wider range of markets, so it is urgent to quickly build more comprehensive international competitiveness [4], and the core lies in the breakthrough of the four international business capabilities of products, brands, research and production, channels, and the improvement of the three internal capabilities of organization, process, and management system. Enterprises that can prioritize globalization in the new battlefield will be the first to realize the leapfrog development from localization to internationalization.

3.1. Cultivate four international business capabilities

The first is to create both localization and differentiation of high-quality price ratio products. Overseas products of national automobile brands should be adapted to local conditions, highly match the needs, preferences and aesthetics of local consumers, and differ from existing local brands to form differentiation [5].

The second is to build a clear brand structure and gradually upgrade the brand value. In the different stages of going to sea, national automobile brands need to always clear their brand positioning and value, and implant the brand image into the user's mind. Drawing on the experience of European, American, Japanese and South Korean brands, it is found that the initial focus on resources to create a bright and unified brand image, and gradually extend brands with different value positioning in the later stage to enrich the population covered by the brand or a practical road.

Third, to achieve R & D production localization and supply chain coordination. Highly localized research and development can help offshore car companies to create products that meet local needs and form a comprehensive product matrix [6]. At the same time, establishing its own supply chain system and opening up production and manufacturing links overseas can improve the efficiency of material flow, reduce vacancy costs, and gradually build industry barriers.

Fourth, the construction and operation of refined and tailored to local conditions of the channel. For different markets, national automobile brands should adopt channel management strategies based on local conditions to conform to the actual situation and competition pattern of each market. In addition to the need to equip with localized management organizations and team personnel, the corresponding channel layout, strategies, policies and other aspects of the company also need to be adjusted locally, and implemented in every link to achieve fine management, so as to improve channel efficiency.

3.2. Build three internal capabilities

The first is the global extension of management organizations. Establish functional departments covering marketing, sales, business, after-sales service, spare parts, marketing and network management in key markets, extend the control depth of key functions in overseas markets, and realize the integration of organizational structure.

Second, global connectivity of business processes. On the basis of the globalization of organization and control, national automobile brands should further open up the domestic and international "business flow, logistics, information flow". Both at home and abroad to achieve global unified business processes, to improve business flow and operational efficiency, to achieve full link seamless management and control of business.

The third is the global construction of management system. When national automobile brands go to sea, they should ensure that the management system and key mechanisms of overseas markets are compatible with the domestic market, and have global consistency in cultural values, while exporting brand values. Enterprises can achieve full penetration and replacement of excellent culture and management system through appointing core team, appointing local executives, and close communication mechanism.

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