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Chinese OEMs (Passenger Car) Going Overseas Report, 2024—Germany

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The European Union's temporary tariffs on electric vehicles in China came into effect on July 5, 2024, and will last for up to four months. SAIC Motor Group's additional tax rate is 37.6%, Geely's is 19.9%, and BYD's is 17.4%. Other OEMs that cooperate with European Union investigation have an average additional tax rate of 20.8%, and those that do not cooperate with the investigation have an additional tax rate of 37.6%. Compared with the data disclosed by the European Union on June 12, the tax rate determined this time has been slightly reduced.

A number of German OEMs and institutions have joined forces to express their clear opposition to European Union's policy of imposing tariffs on electric vehicles in China. They believe that this will not only seriously harm the interests of European consumers and European companies, but also delay the low-carbon development of European transportation industry.

In this context, ResearchInChina recently released "Chinese OEMs (Passenger Car) Going Overseas Report, 2024--Germany", which provides a detailed analysis of strategic layout and planning adopted by automakers when entering German automotive market, with the aim of providing valuable reference and inspiration for the industry.

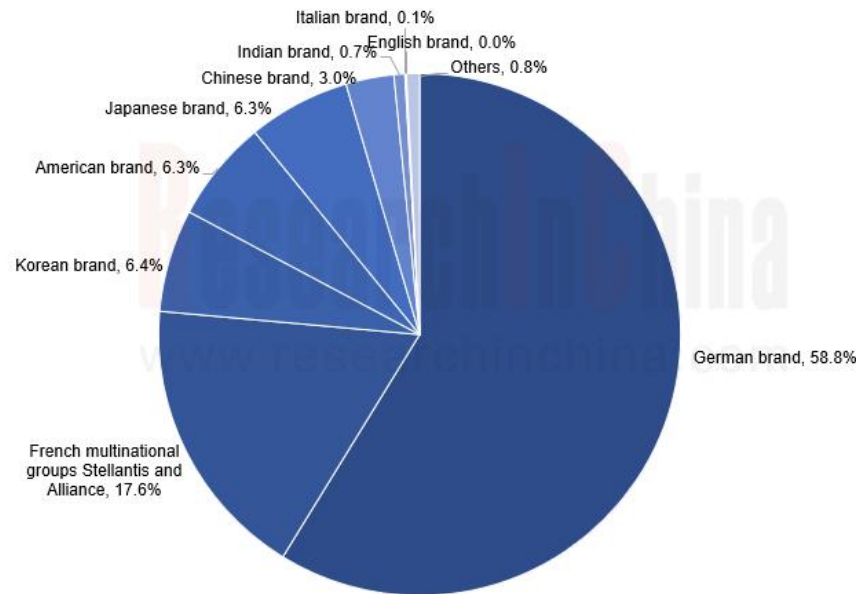
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In 2023, German passenger car market sales totaled 2.845 million units, an increase of 7.3% year-on-year. In terms of the proportion of car sales of different car series, German cars hold a stable share of more than half of German market. This is followed by French multinational groups Stellantis and Renault-Nissan Alliance, as well as Korean, American and Japanese brands. In contrast, Chinese cars performed slightly worse in German market, with sales accounting for only 3.0%.

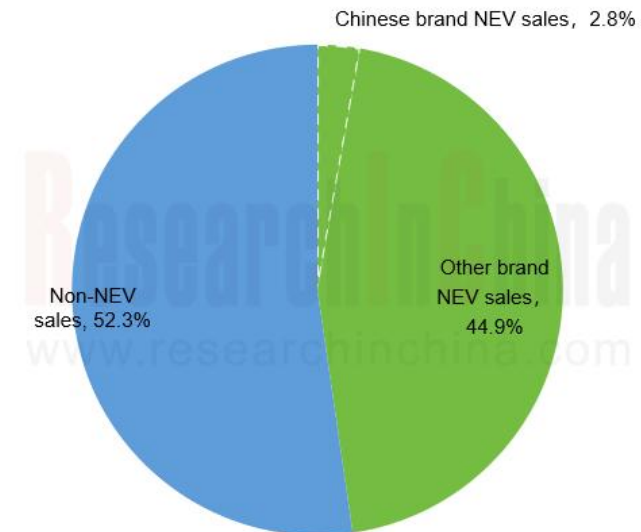
In addition, Germany's new energy vehicle sales were 1.358 million, accounting for 47.7% of total sales, an increase of 5.5% year-on-year. Among them, Chinese automakers sold 2.8% of new energy vehicles in Germany.

Sales Structure of Passenger Car in Germany by Car Series, 2023



Source: ResearchInChina

Sales Structure of New Energy Vehicles in Germany by Car Series, 2023



Source: ResearchInChina

Note: Vehicle type include sedan, MPV, SUV

Export of Chinese brands to Germany focuses on cost performance and advanced configuration

2. Export of Chinese brands to Germany focuses on cost performance and advanced configuration

According to the German car consumer survey by T-online in 2023, 30% of German consumers who are willing to buy a mid-range car are due to the lower price of mid-range car, and another 15% are due to advanced configuration.

According to configuration provided by mobile.de, Germany's largest car market, new energy vehicles such as BYD ATTO 3 and SAIC MG4 at the same price can provide more vehicle functions/services than Volkswagen Golf.

In terms of vehicle navigation functions that German consumers are most concerned about, the best-selling models of BYD and SAIC MG both use Here Map intelligent navigation system. The system not only has basic navigation functions, but also automatically displays charging stations that can be replenished along the way when planning the driving route. The system supports automatic planning of reasonable driving and charging routes, effectively solving the problem of charging anxiety for users during long-distance driving.

In addition to offering more abundant configurations at the same price to attract German consumers, Chinese automakers are also actively planning and deploying a network of electric charging facilities in Germany to ease the charging anxiety of local electric vehicle users. In response to the common pain points of underground garages in the German market, such as poor signal, high failure rate of charging piles, poor compatibility of charging apps, and different charging facilities standards, Chinese automakers such as NIO have partnered with German energy supplier EnBW, charging infrastructure company Mer, and RWE to accelerate the construction of substation stations in Germany, striving to fundamentally improve the charging experience. In addition, BYD and Shell have also reached a strategic cooperation agreement. The two companies will set up BYD-Shell EV charging centers in major European markets, integrate the resources of both parties, optimize the charging process and digital services, and enhance the user experience.

Configuration	BYD ATTO 3	SAIC MG4	Volkswagen Golf
Seat heating	√	√	√
Massage seat	-	-	-
USB	√	√	√
Automatic start/stop	√	-	√
Traffic Sign Recognition	√	√	√
Distance cruise control	-	√	√
Lane Keeping Assist	√	√	√
Ramp start assist	√	√	√
Emergency brake assist	√	√	√
Blind Spot Assistance	√	-	√
Fatigue warning	√	√	-
Distance warning	-	√	√
Auxiliary heater	-	√	√
Traction control	-	√	√
Central control lock system	-	√	√
Keyless central control lock	-	√	-
Rain sensor	√	√	-
Trailer connector rotation	√	-	-
ESP	√	√	√
Speed limiter	√	√	√
Optical sensor	-	√	√
Maintenance service history	-	-	√
Non-smoking vehicles	√	√	√
Automotive endoscopic dimming	√	-	√
Leather steering wheel	√	√	√
Heated steering wheel	√	√	-
Multifunction steering wheel	√	√	√
Panoramic skylight	-	-	√
Skylight	-	-	√
Environment Lighting	√	-	√
Tire pressure control	√	√	√
Power steering	√	√	√
Lumbar support	√	√	-

European Union's response strategy after adding tariffs, localized factory building is the optimal but not the only solution

3. European Union's response strategy after adding tariffs, localized factory building is the optimal but not the only solution

The three major export strategies of Chinese automakers to expand overseas markets are vehicle exports, parts exports and technical cooperation exports. For German market, Chinese automakers mainly adopt two key paths of vehicle exports and technical cooperation exports to deepen market penetration.

Chinese automakers enter German market by exporting complete vehicles:

In the early stage of overseas market expansion, the export of complete vehicles is the preferred strategy of most OEMs. With increase in sales of models in German market and implementation of European Union tariff policy, some Chinese OEMs such as BYD (announced at the end of 2023 that it will build the first new energy vehicle factory in Hungary) and SAIC (also plans to build a factory in Europe) have adopted the local factory approach to avoid tariff barriers, cut production costs and further enhance market competitiveness of products.

Chinese automakers enter German market through technical cooperation:

In addition to the factory construction model that focuses on asset investment, Leopmotor, an emerging automaker whose sales in German market are still in their infancy, has adopted overseas strategy of technical cooperation. In 2023, Leopmotor and Stellantis Group jointly established a joint venture "Leopmotor International". Based on Stellantis' global network resources and channel advantages, Leopmotor can achieve rapid penetration of overseas markets and enhance its global market competitiveness. Under this cooperation framework, Leopmotor will focus on core technology R&D, design and manufacturing, while Stellantis will provide marketing, sales network, after-sales services and other support. Finally, Leopmotor will be launched to nine European countries including Germany based on Leopmotor International.

Model of Going overseas

Model of Going overseas		
Model	Going overseas	Case
Complete vehicle export	Vehicle products are transported to the destination country through logistics	The vast majority of automakers use direct exports in the early stages of going overseas.
	Destination country self-built whole process factory	BYD: (To be built) At the end of 2023, it was announced that it will set up its first European new energy vehicle production base in Szeged, Hungary. Land was pre-ordered in February 2024. The plant will produce electric vehicles and plug-in hybrids for the European market and will start operations within three years. SAIC Motor: (Planned) In 2023H1, SAIC Motor Group announced plans to invest in construction of a new energy vehicle plant in Europe, which is currently in the stage of site selection
Parts export	Automobiles are produced in parts and transported to the destination country by logistics	/
	Technical cooperation	Leapmotor & Stellantis: At the end of 2023, Stellantis and Leapmotor established "Leapmotor International". The first model exported by the joint venture, Leapmotor C10, will be imported directly from China, and is expected to be exported first to relatively large markets such as Germany

Source: ResearchInChina

Chinese automakers set up different technology centers to deepen German market:

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In order to integrate more deeply into overseas markets and achieve more stable and long-term development in German automotive market, Chinese automakers have also established R&D centers, design centers, and intelligent driving centers in Germany.

In April 2024, NIO officially established Smart Driving Technology Center in the Schönefeld area next to its Berlin Innovation Center, which opened in 2023. This strategic layout aims to create an excellent smart driving experience for users in European market through deep integration and efficient collaboration of the two centers, closely combining the unique driving environment in Europe, the individual needs of users, and the strict regulatory framework.

In June 2024, SAIC announced that it would establish an engineering and technology center in Frankfurt, Germany, and send SAIC engineers to directly connect with European automotive industry chain, dealers, and users to create an efficient local R & D system.

Country	Chinese OEMs establish centers
Germany	<ul style="list-style-type: none">● Geely: has an engineering R&D center in Frankfurt, Germany.● SAIC: plans to build an engineering technology center in Frankfurt, Germany, and carry out more adaptable customization based on this engineering technology center.● Great Wall: established an overseas R&D center in Germany.● NIO: It has a global design center (located in Munich), an intelligent driving technology center (located in Schönefeld), an innovation center (located in Berlin), and several NIO Houses in Germany.● Chery: Established a design and R & D center in Germany, and later established a subsidiary.

Source: ResearchInChina

Different Chinese car brands flexibly adjust their expansion strategies in German market:

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In addition, the market expansion strategies of Chinese OEMs in German market also have their own characteristics. NIO adheres to the direct sales method, and builds a complete operation system of "product + service" independently by copying the successful experience in China. It does not cooperate with local dealers. In contrast, Xpeng initially tried direct sales in Denmark, adjusted its strategy, and switched to a dealer model in most European markets. In particular, it cooperated with 12 dealers in Germany, and plans to significantly expand its distribution network and retail terminals in the next few years. BYD and Great Wall have chosen to cooperate with dealers, working with different partners to explore German market.

Geely's Smart and SAIC MG have adopted a unique direct agent model in Germany, which combines the advantages of dealers and direct sales. This model can not only directly face consumers, but also use the dealer network to achieve multi-channel sales and service coverage. These different sales models reflect the flexibility of each brand to adjust according to its own strategy and market environment.

Overseas Sales Model of Chinese OEMs	
Sales model	Case
Direct sales	NIO: By copying the domestic direct sales model, independently build a complete "product + service" operation system
Dealers/Agents	<p>Xpeng: It tried the direct sales model in Denmark, and later switched to the dealer model in other European markets. Xpeng cooperates with 12 local dealers in Germany and operates in 24 retail locations in Germany. The goal is to increase the number of dealers to 60 by the end of 2026, and expand the number of retail locations to 120.</p> <p>BYD: Cooperate with Hedin Mobility, Stern Auto, Senger, Glinicke and other dealers to develop German market.</p> <p>Great Wall: Adopting a distribution model to develop the market in Germany, and officially signing a contract with the dealer group Emil Frey Group. The two parties will focus on Germany, the United Kingdom, Ireland, Sweden and other markets, and reach a strategic cooperation on the import and distribution of Wei brand and Ora.</p>
Direct Agent	<p>Geely Smart: In Europe, it adopts D2C direct agent model, which is between dealer and direct sales model. The dealer is responsible for sales experience and after-sales services, and Smart is responsible for pricing, delivery, brand marketing and user relationship development.</p> <p>SAIC MG: Adopts a direct sales agency system in Germany. On the one hand, it provides services directly to consumers in Germany, and on the other hand, it expands sales channels and provides more comprehensive services through dealer showrooms and partner networks.</p>

Source: ResearchInChina

ResearchInChina will continue to expand the scope of research based on the key markets of Chinese automakers going overseas

In the future, ResearchInChina will continue to expand the scope of research based on the key markets of Chinese automakers going overseas, and successively launch a series of reports such as Thailand and Brazil, providing a more comprehensive and in-depth reference for the industry's overseas strategy.

Upcoming Reports:	
Core markets	Major countries
Europe	Germany
	UK
	Norway
	Sweden
	Russia
Southeast Asia	Thailand
	Philippines
	Malaysia
	Indonesia
Middle East	Saudi Arabia
	Turkey
Americas	Mexico
	Brazil
	Chile
Oceania	Australia
	New Zealand

Source: ResearchInChina

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