



The leap from going
overseas to globalization
The 2nd growth curve
for Chinese OEMs



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Recent achievements in Chinese OEM globalization

Chinese OEMs have made breakthrough achievements in global markets over recent years, **expanding their geographic footprint, enriching their product mix, and gradually developing global value chains.** In 2021, China exported 2.015 million vehicles¹, double the previous year's level.

- **Geographic footprint:** Besides expanding their advantages in existing markets such as South Asia, South America, Eastern Europe, and the Middle East, Chinese OEMs have started to boost sales in many new markets, including Western and Northern Europe and Oceania, particularly developed countries like Australia, Belgium, and the UK.
- **Product mix:** Chinese OEMs are covering the ICE² and NEV³ segments with a wide variety of products. For example, SAIC Motor exports around 25 car models from full-size SUVs to sedans, and NIO has launched the ES8 overseas, which is a high-end BEV⁴ benchmarked against BBA⁵.
- **Value chain:** Chinese OEMs have gradually established value chains overseas. SAIC, as a pioneer of globalization, has built full capabilities abroad, covering R&D, manufacturing, units and parts supply, international logistics, and finance.

The **giant leap from “product export” to “value chain globalization”** in the past 10 years has been driven by the **three key factors of policy, market, and capability.**

- **Preferential policy:** Many countries have introduced initiatives and policies including consumer subsidies, tax incentives, and emissions regulation to encourage NEV adoption. They also provide clear laws and instructions, which make it easier for foreign OEMs to launch products.
- **Market demand:** The overseas automotive market has great potential for sales. In addition to most European countries, which have emerging demand for NEVs, developing economies including India and Indonesia are also seeing rapid market growth.
- **OEM capability:** With first-mover advantages in technology and product design, especially in batteries, connectivity, autonomous driving, and intelligent cockpits, Chinese OEMs are becoming more competitive in the global market. Rich experience in new retail transformation and business innovation also helps OEMs stand out even in developed countries.

1. Data Source: Ministry of Commerce of the People's Republic of China, with export volume of around 163,000 units from Tesla included

2. ICE: Internal Combustion Engine

3. NEV: New Energy Vehicle

4. BEV: Battery Electric Vehicle

5. BBA: BMW, Mercedes-Benz, Audi

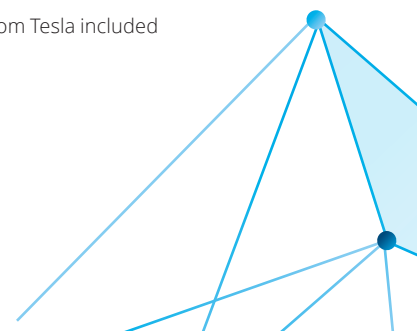
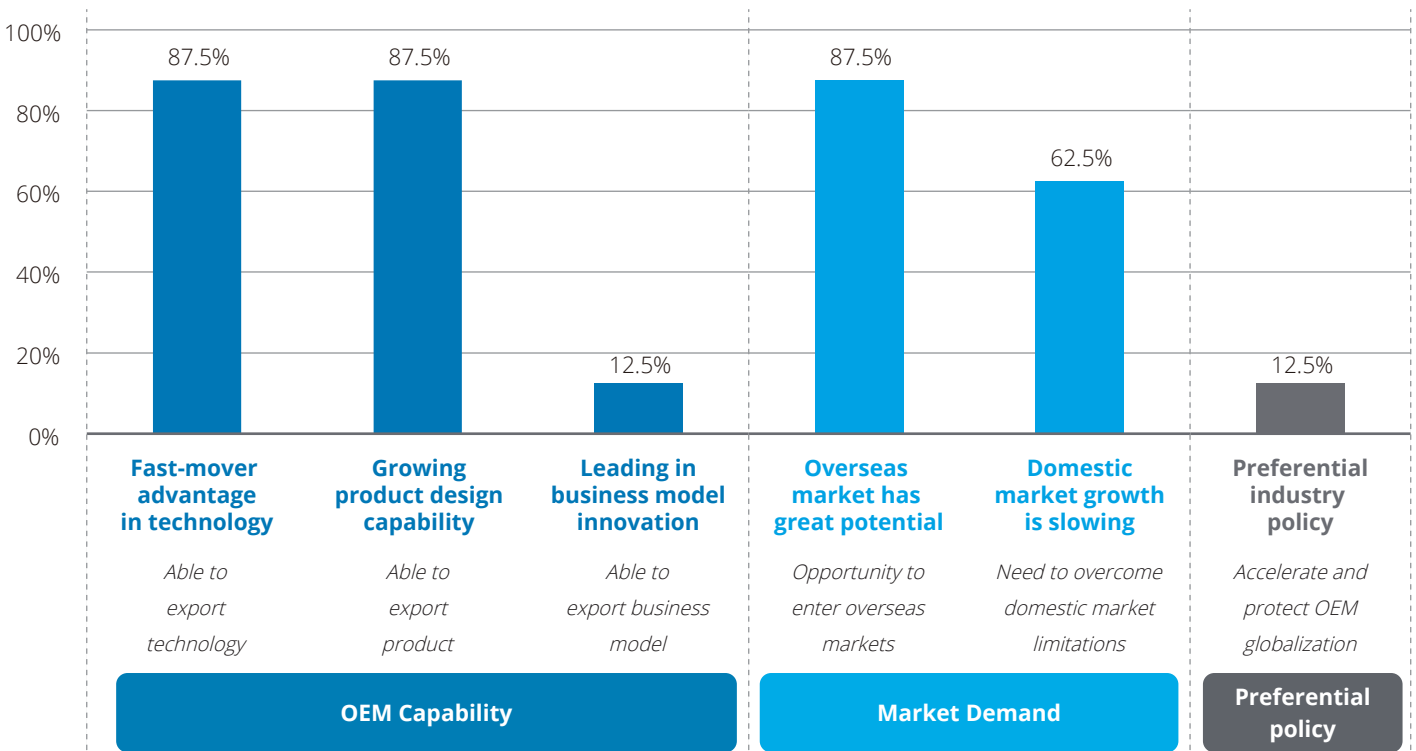


Figure 1: Key Drivers of Chinese OEM Globalization

% of OEM respondents prioritizing each globalization driver



Features and trends in Chinese OEM globalization

Standing on the cusp of a new era, Chinese OEMs have become more ambitious and determined to globalize. To seize **new growth opportunities, upgrade their brand image**, and continuously **enhance advantages through global competition**, these OEMs have aggressive **target markets selection, positioning strategy design, and operating model innovation**.



Target markets:

Enter the most valuable global markets, with Europe and North America the “must-wins”

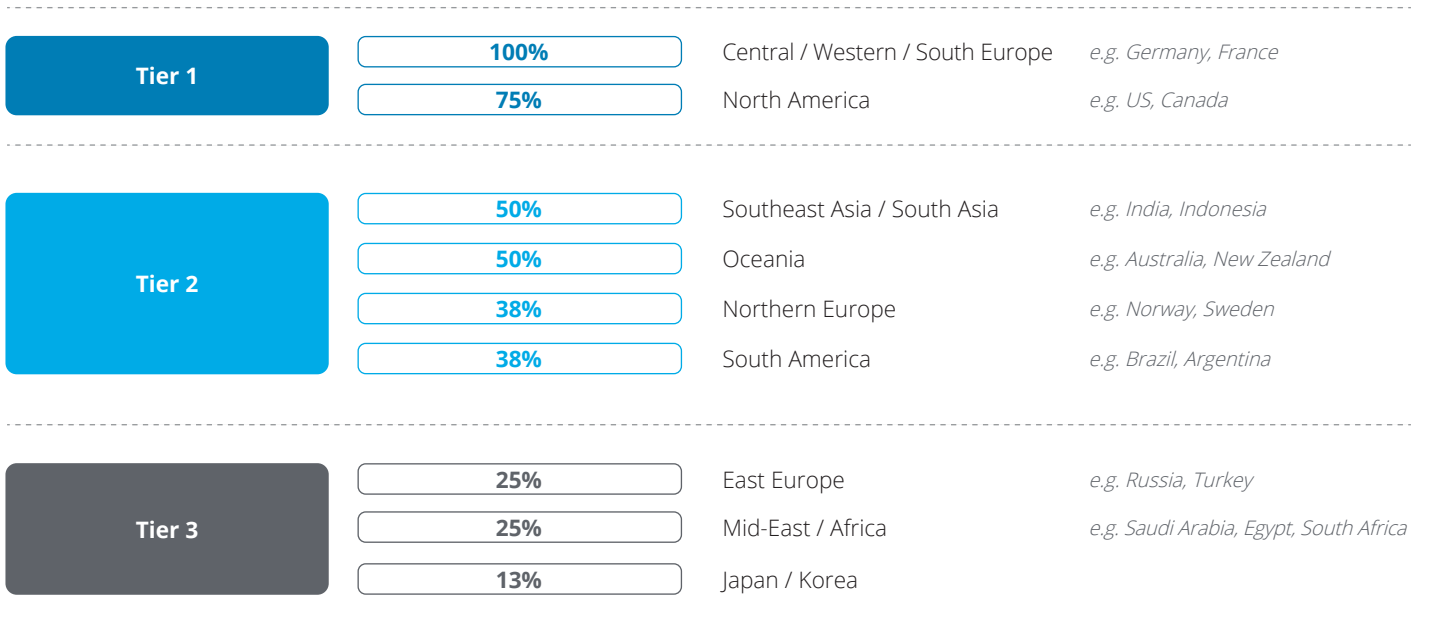
When choosing strategic markets overseas, **trade policies and local regulations**, which can make or break a market entry, are the top considerations for 75% of OEMs. Furthermore, more than half of Chinese OEMs **give more weight to market attractiveness factors including market size, maturity, and growth potential**, but are less concerned about investment budget, brand awareness, and other entry barriers. This is driven by their **confidence in technology, products, and branding**, and their **ambitious vision to be global companies** in the new era.

With the above considerations, many OEMs have risen to the occasion and targeted global core markets including **North America and Europe**, which have **huge demand and high maturity**, rather than focus only on less developed markets as they used to. In 2021, Chinese OEMs doubled their sales in many developed European countries, especially in Belgium, where people bought around 110,000 Chinese cars, representing a more than 400% yearly increase.⁶ Our survey found that 100% of OEMs plan to enter **Germany, France, or another major European market** in the coming 3-5 years, and 75% of OEMs are determined to export to North America. By entering the most competitive markets, OEMs are seeking **endorsement of their brands** and to **enhance their capabilities in products, services, and technology**.

6. Data Source: China Automobile Dealers Association

Figure 2: Target overseas markets of Chinese OEMs in the next 3-5 years

% of OEM respondents





Positioning strategy:

Build highly-recognized high-end brands and concentrate on specific segments including NEVs in competition

“Premiumization” has become an important trend for Chinese automotive brands over recent years. With their ambition to enter mature markets, most Chinese OEMs are trying to **banish the reputation for “cost-effective and affordable cars”** and establish **new brand images** to gain a brand premium and improve profitability abroad. Some startups, e.g. **NIO**, focused on luxury segments from the start to build high-end brands. Traditional OEMs tend to have two strategies: those already with a brand advantage overseas often cover high-end markets by expanding their product mix under the existing brand, such as **SAIC** using the MG brand; while other OEMs promote new high-end brands in developed countries, with **Geely** launching Lynk & Co and **DFM**⁷ introducing its VOYAH brand in Europe.

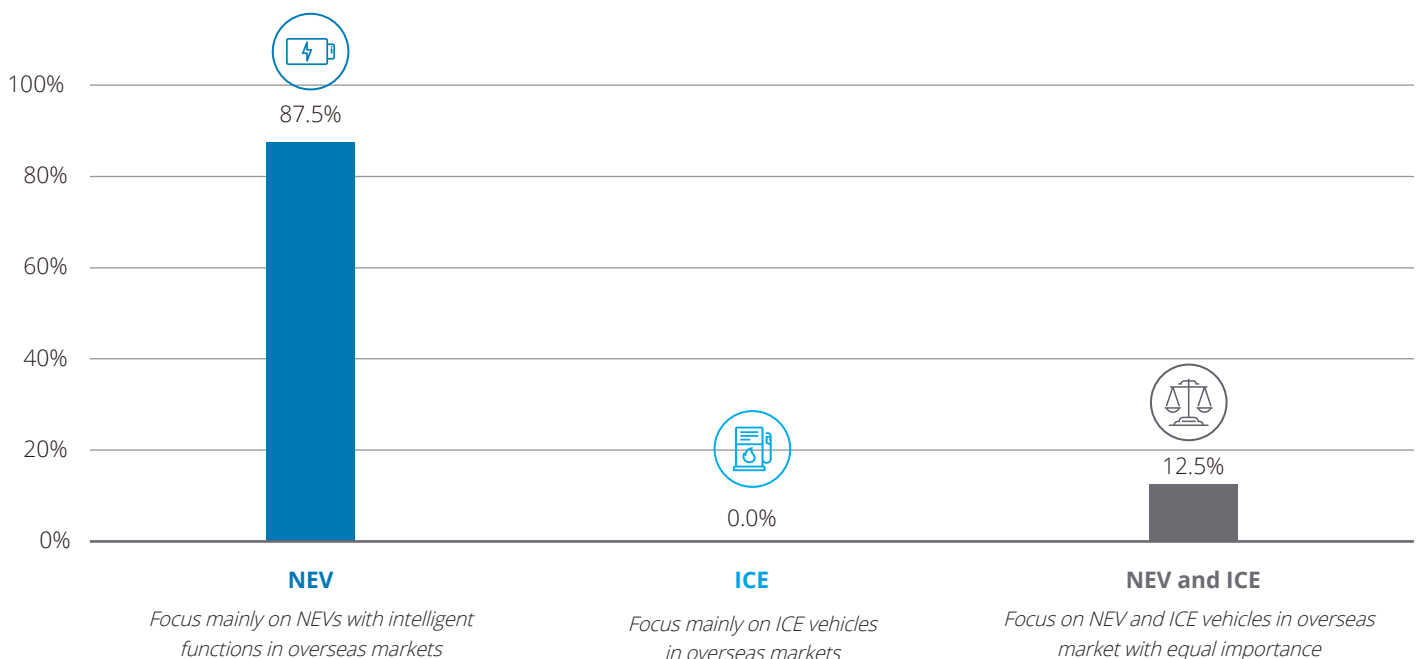
With strong local rivals overseas and increasingly fierce competition, even in the NEV market, more OEMs have chosen to **focus on specific segments, create several hot-selling products, and position themselves**

uniquely. According to the survey, 50% of OEMs plan to **concentrate on specific car models or customer segments** in overseas market over the next 3-5 years. For OEMs at an early stage of globalization with limited resources to invest, prioritizing certain segments can build a brand quickly and open up new markets. **GWM**⁸ **Haval** is a good example, focusing on the global SUV market and becoming the segment’s market leader in many countries.

Given Chinese OEMs fast-mover advantage, **competing in the NEV market is clearly a top priority.** With favorable policies encouraging NEV adoption in many countries, Chinese OEMs have **accelerated model introductions and launched several competitive NEV products** with intelligent functions. In Europe, **BYD** launched the Tang EV and **Hongqi** launched the E-HS9, both flagship BEVs. In the survey, 87.5% of OEMs said they will focus mainly on NEVs in overseas markets in the next 3-5 years.

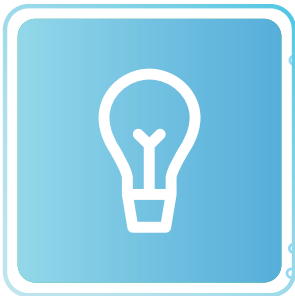
Figure 3: Overseas product focus of Chinese OEMs in the next 3-5 years

% of OEM respondents



7. DFM: Dongfeng Motor Group

8. GWM: Great Wall Motor



Operating model:

Flexibly choose sales and service model and create value through localized innovation

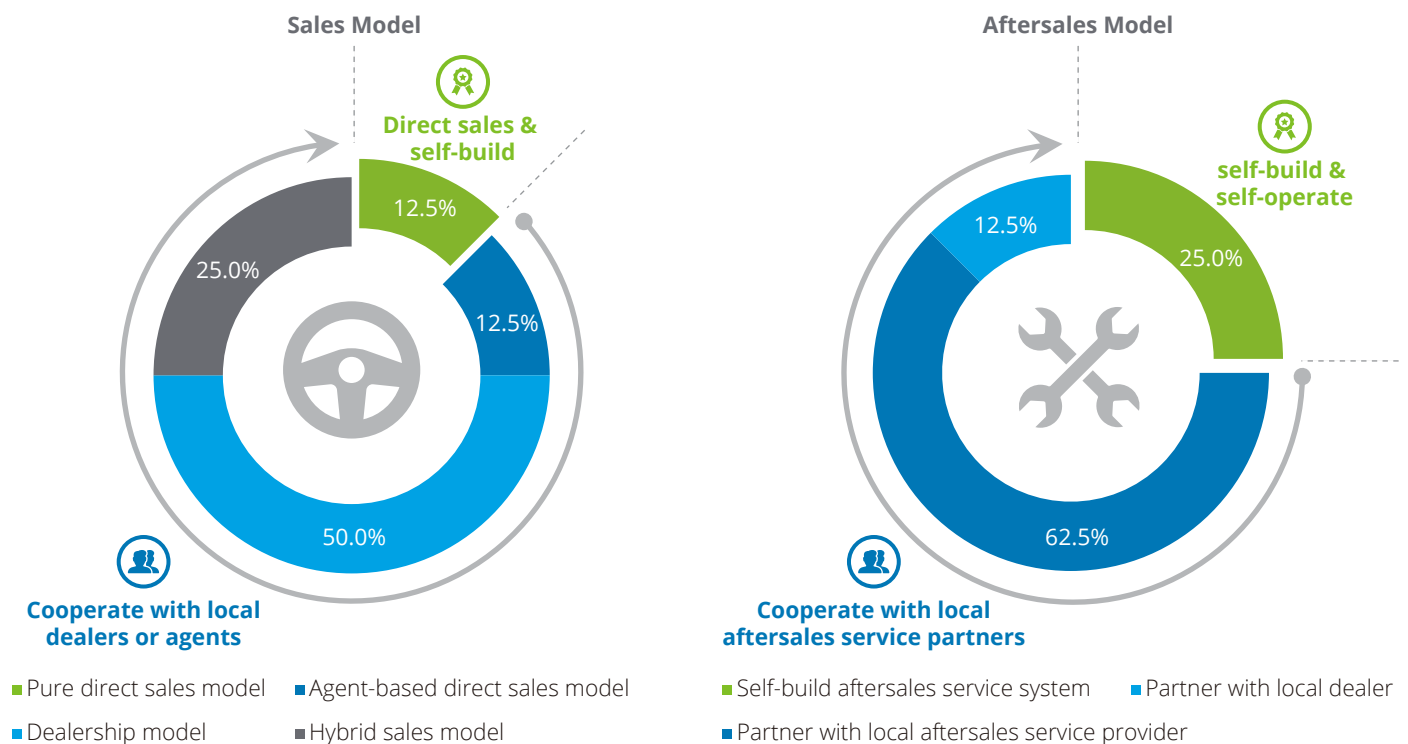
Rather than racing to transform to a direct sales or agency sales model in China, OEMs **mainly adopt general agency and dealership models overseas to open up the market in a quicker, asset-light way**, although they are also **exploring a more flexible combination of retail models in different regions**. Most OEMs will continue to rely on dealers to varying degrees in the next 3-5 years, given the tight schedule for entering new markets, difficulties in building channels, and the return on investment. Some startups that are more flexible, such as NIO and XPeng, have already adopted a direct sales model in Europe for long-term experience and branding considerations.

Alongside sales, Chinese OEMs also use **innovative customer services as an important differentiator to thrive in new markets**. Based on domestic experience, OEMs seek to provide **high-quality, end-to-end services throughout the user life cycle** to improve customer experience. More than 60% of surveyed OEMs will launch

subscription services and financial leasing services abroad to lower the bar for customer purchases and increase market exposure. Some NEV OEMs focus on charging and aftersales services. For example, NIO plans to introduce BaaS solutions, mobility services, and door-to-door pick-up and delivery services in Norway to **improve satisfaction and create new value for customers**.

For sales and aftersales services, **close collaboration with the local industry ecosystem is important to build up capabilities overseas**. The survey found 87% of Chinese OEMs will cooperate with local partners, including dealers, agents, and service providers, in sales, and 75% will do so in aftersales services. Overseas OEMs can fully leverage the consumer insights, local resources, and market power of their local partners during cooperation. For example, **Aiways** has partnered with top dealers and service providers in more than 10 countries in Europe to expand its local advantages.

Figure 4: Preferred sales and aftersales business model of Chinese OEMs in overseas market in the next 3-5 years
% of OEM respondents



Despite promising prospects and ambitious goals, Chinese OEMs still face challenges in globalization. **Inadequate supply systems, lack of fundamental capabilities, insufficient local market resources, limited brand advantages, and product and technology drawbacks** are common pain points for Chinese OEMs, hindering their globalization. To win in global competition, OEMs need to clarify their goals, adopt the right market strategy, give full play to their strengths, and make an effort to fill capability gaps quickly.

Figure 5: Globalization challenges for Chinese OEMs



Key success factors for Chinese OEM globalization

Based on past project experience and industry insights, Deloitte has summarized four Key Success Factors (KSFs) for OEMs to define their globalization goals and objectives, develop strategies and roadmaps, and achieve sustainable overseas growth.



KSF 1: Customize expansion path based on globalization goal and positioning

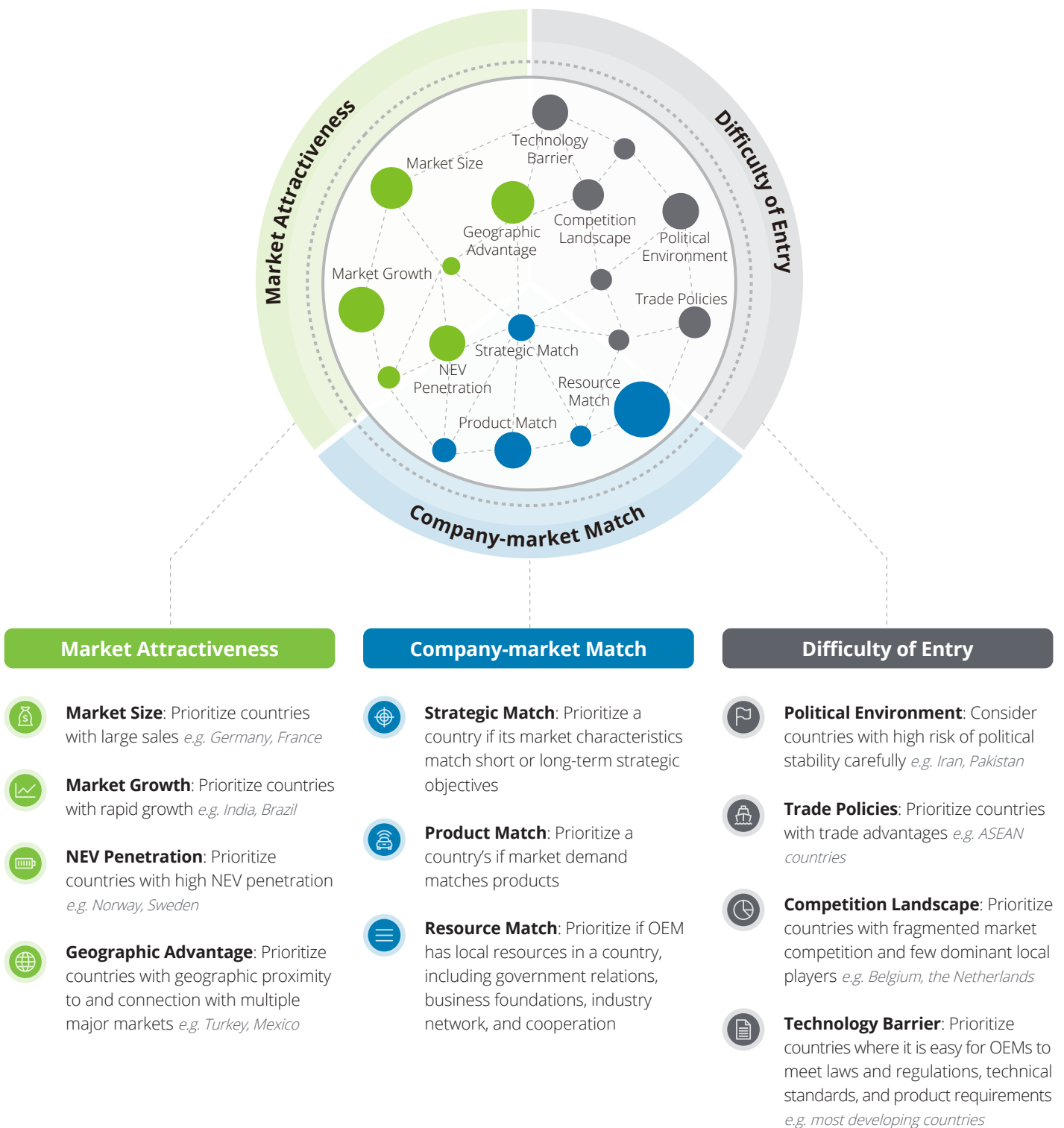
Due to differences in market demand and limits to companies' capacity, it is hard for Chinese OEMs to enter European and North American markets overnight. Other than expanding blindly, OEMs need to customize their own pathways. Guided by long-term goals and brand positioning, OEMs should comprehensively assess each market's characteristics and their company resources, **design an overall market expansion strategy, path, and rhythm, clarify key markets at each stage, and gradually expand their global footprints.**

- **Overseas expansion path:** The market expansion path should conform to a company's long-term globalization strategy, and be adjusted dynamically along with overseas business development. To realize the vision of a "global company", OEMs can consider two strategies, "from difficult to easy" and "from easy to difficult" when designing their international expansion paths.

Toyota chose "**from difficult to easy**", and **focused on mature markets with high entry barriers at the early stages of globalization**, to improve capability quickly and then replicate this in other markets. Its experience in the US allowed Toyota to enter all kinds of markets with great ease. In contrast, **Hyundai** adopted a safer "**easy to difficult**" strategy, **first selling cars to markets with few barriers and lower-end demand, where it already had advantages**, including Africa, South America, and other developing regions, and then gradually entering mature markets in Europe and North America.

- **Overseas market assessment:** The global automotive market is complex, with recent black swan events such as Russia-Ukraine conflict and the COVID-19 pandemic creating even more uncertainties. To expand globally, OEMs need to design an **overall market entry roadmap**, and **carefully plan and revise their strategically prioritized markets and new markets to enter at each development stage. Market attractiveness, difficulty of entry, and company-market match** are three suggested factors to evaluate in selecting suitable target markets.

Figure 6: Suggested criteria for overseas market evaluation



At the beginning of its overseas expansion, **SAIC's** major goal was to boost sales, and it prioritized regions with a great product match and low political and trade barriers to entry, including Southeast Asia, the Middle East, and Latin America. Conversely, to "build a high-end brand image", **NIO** selected Europe – with its large market, high NEV penetration, intense competition, and leadership in global quality standards – as its major target market.



KSF 2: Enhance brand awareness with localized operation and service innovation

Having established clear positioning and their regional market focus, OEMs need then to build up consumer awareness and brand image through **localized marketing**. Furthermore, they need to **adjust sales model and service innovation**, making these more suitable and value-oriented to build an established brand reputation in overseas markets.

- **Localized brand marketing:** In adopting a high-end branding and differentiation strategy, OEMs need to address how to effectively communicate their brand concepts and value propositions to overseas audiences. **Enhancing brand acceptance and building customer trust** is particularly crucial in mature markets. Based on our observations, successful global OEMs do well in **interpreting and communicating their brand connotations** and **fully leveraging local channels and events** for marketing.

DFM VOYAH emphasizes the Chinese cultural connotations of its brand in **Europe**, advertising Chinese elements in its car design and exhibiting tea art and Chinese screens in offline VOYAH spaces to build a unique brand image. **Aiways**, meanwhile, is fully localized in terms of marketing channels and content. In **Israel**, it launched a creative short video campaign through mainstream local social media including Twitter, Facebook, and Instagram to strengthen brand awareness.

- **Sales model and services:** Sales model and customer services are essential for long-term development overseas. Instead of relying entirely on distributors, traditional OEMs should be **involved more in sales channel development and management in their strategic markets** to increase interaction with customers and improve the customer experience. Startups that are adept at direct sales need **localized model adjustment** and **flexible adoption of various models** to balance long-term and short-term ROI. Moreover, OEMs should better understand local consumer preferences **to provide more valuable, innovative services**.

Taking into account the characteristics of the **European market**, **Lynk & Co** has adopted a direct sales model and created a series of high-quality customer services, including branded aftersales service with Volvo's network, innovative services such as car subscriptions and shared rides, and brand membership activities. This combination of business model and service innovation has burnished Lynk & Co's brand recognition and reputation in European markets.



KSF 3: Accelerate expansion with cooperative ecosystem and global supply chain

To achieve their grand blueprint of "becoming a global enterprise", exporting products and establishing a brand are just the first steps. Chinese OEMs need to build overseas capability throughout the value chain through internal mechanisms and external cooperation. In the short term, OEMs can focus on **building and strengthening their local cooperative ecosystems**, while in the long run they must **build an overseas value chain of their own**.

- **Local cooperative ecosystem:** To grow their businesses overseas, OEMs cannot avoid building cooperative ecosystems. Besides conventional cooperation in sales and aftersales, OEMs today should pay more attention to local collaboration in **new services and experiences during car use**, creating better experiences in **connectivity, charging, and autonomous driving services** and meeting local demand and standards. During cooperation overseas, OEMs need to flexibly adjust their approaches, design an efficient partner selection and management framework, and explore a "1+1>2" synergistic effect cooperation model.

In Southeast Asia, Oceania, and many other markets, **SAIC partners with Dutch map service provider HERE Technologies** to provide map and connectivity services for its MG brand. **In Europe, NIO has partnered with Plugsurfing**, the largest local charging network company, to provide access to more than 20,000 public charging

facilities and enhance convenience for users. In countries including **Russia and Bangladesh, GWM** and local distributors held a "Surprise Service" aftersales tour to improve customer satisfaction.

- **Global value chain:** In the long term, OEMs must also consider establishing R&D centers, vehicle and parts factories, logistics, and other facilities overseas to respond swiftly to local market needs, improve production, reduce costs, and optimize resource allocation. Value chain layout has a profound impact on overseas business, so **OEMs must carefully analyze local supply and demand characteristics, including market size, industry maturity, current production capacity distribution, trade policies, and logistics costs**.

In manufacturing, most foreign OEMs locate their major **North American** production capacity in the US, with its large market and mature industry, to improve product quality and brand image. Meanwhile, they have gradually expanded production of some lower-end models to Mexico to obtain cost advantages. In **Europe**, where markets are more diverse and fragmented, OEMs adopt varied production strategies. **Hyundai** produces only in Central and Eastern Europe to serve all European markets at the lowest cost, while **Ford and Nissan** are more market-oriented and locate their major capacity in Western Europe.



KSF 4: Empower global business with organization and digital capabilities

Along with global expansion, business and management is becoming more complex, with data volume and system requirements growing exponentially. To enhance competitiveness, OEMs need to build **new organizational structures, mechanisms, and digital capabilities** that are **in line with their global business goals**.

- **Organizational structure and collaboration mechanism:** These are important in business implementation. As OEMs establish entities overseas, it creates a new challenge of how to **define strategic roles and job divisions between headquarters and regional companies**. OEMs should **"let those who can hear the sound of the gun make decisions"** and **delegate decision-making power to core overseas teams (e.g. sales, channels, and services)**, while strengthening the role of headquarters in product design and back-office functions to better integrate resources and empower their overseas business.

To respond quickly to market change overseas, **SAIC** has its international business department report directly to the CEO and authorizes its branches in strategic markets (e.g. the Thailand and India) to lead strategy design. Furthermore, it adopts localized recruitment and independent financial operations to enhance regional autonomy. **GWM** streamlines functions at its headquarters and has strengthened the international business management role of overseas companies. By letting brand

companies (e.g. Haval and WAY) collate product demand from all regional markets and coordinate as the only interface with its technical center, GWM optimizes resource allocation and improves efficiency.

- **Digital capability for globalization:** OEMs also need to tackle new challenges in digitalization, including the strict compliance requirements of connectivity and personal privacy data in developed countries, the information systems required by the EU's new battery law, and differences in business processes and IT architecture among countries. Most OEMs have realized the urgency of digital upgrading and started to adapt IT architectures, systems, and software tools, and establish overseas data centers. To accelerate IT development, OEMs should **understand regulations better, improve their overseas data governance and risk control; promote system alignment, data integration, and indicator unification;** and gradually **form a replicable IT framework**.

GWM has built a new generation digitalization platform to improve network efficiency, security, stability, and "shareability". It has also established enterprise digitalization and product digitalization centers to enhance data operations. **BYD** upgraded its digital system in Latin America across strategy, business, data, operation, and architecture, creating an omni-channel digital platform enabled by data that enhances the user experience.

Key insights

Amid the **unstoppable trend of globalization**, China's automotive sector has **taken the lead with exciting results**. Today, the **critical issue** for every brand is how to take **the next leap from "going abroad" to "global operation"**.

Enterprises should choose an **appropriate globalization path and rhythm** based on their unique situation, explore **localized operation model and services**, build a **local cooperative ecosystem and value chain**, and upgrade their **organization and digital abilities**. Driven by these efforts, we look forward to seeing Chinese players realize their grand blueprint of covering the most valuable global markets, building recognized high-end brands, leading the world in industry development, and creating value from innovation.

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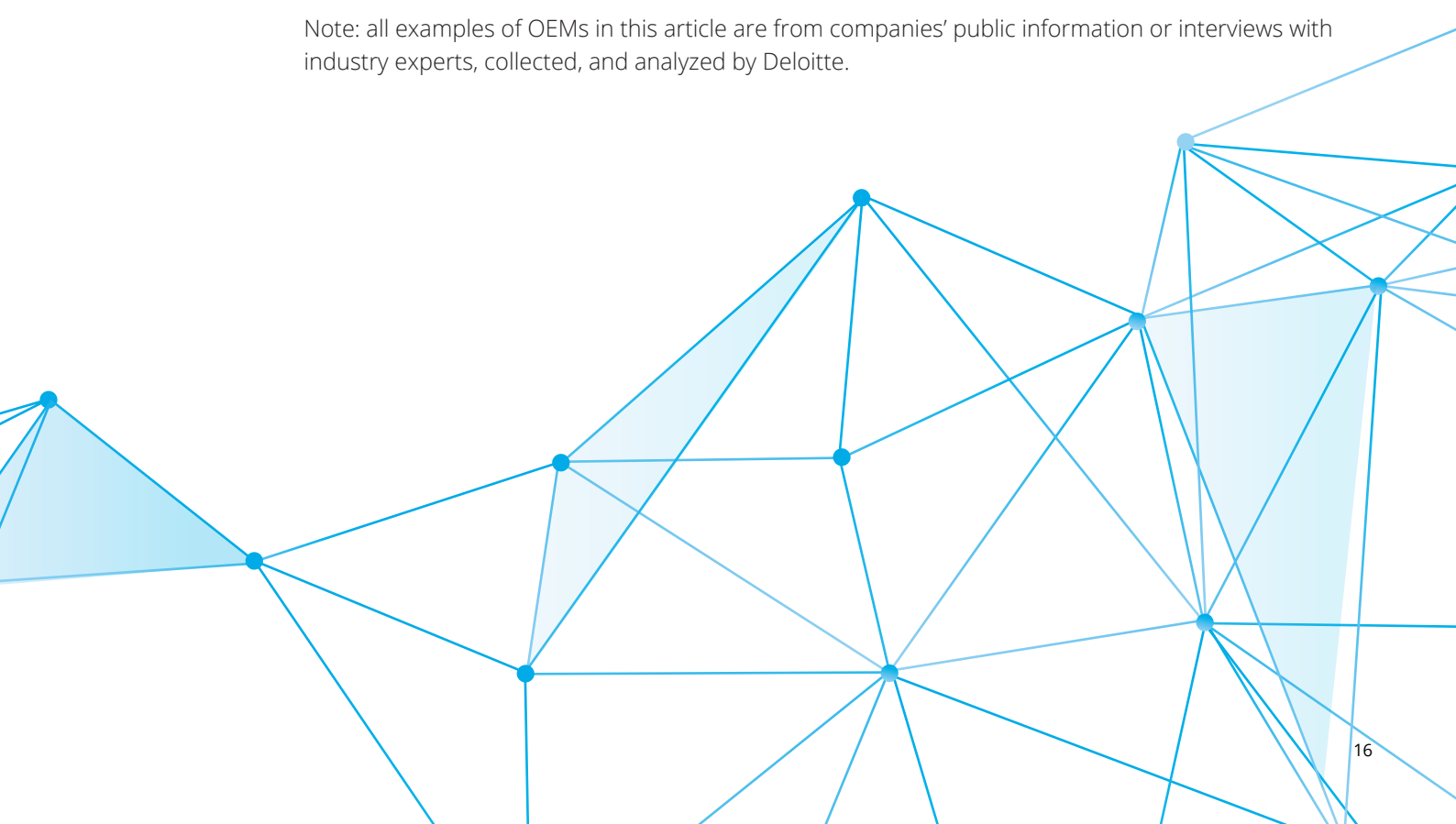
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Note: all examples of OEMs in this article are from companies' public information or interviews with industry experts, collected, and analyzed by Deloitte.





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