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Chinese Passenger Car OEMs' Overseas Layout Research Report, 2023

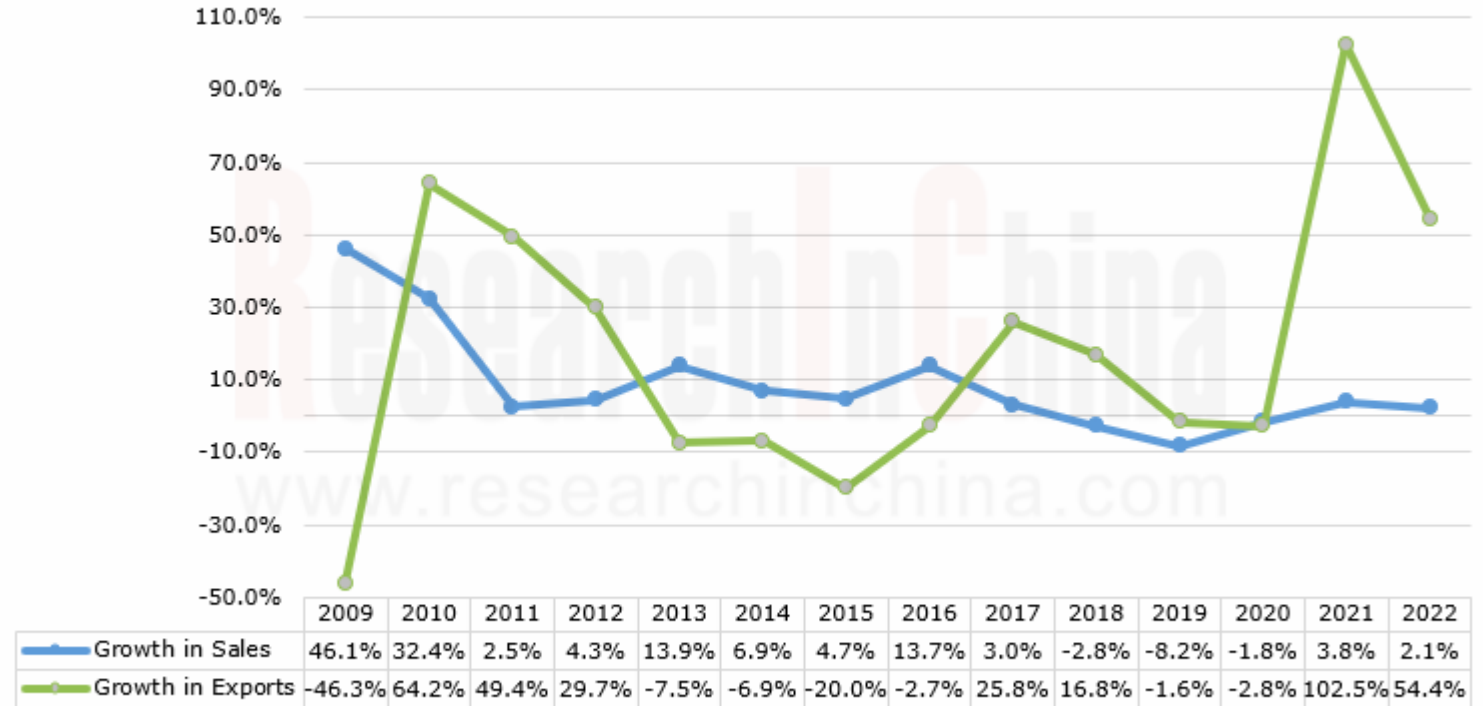
July 2023

OEMs' overseas layout research: automobile exports are expected to hit 7.18 million units in 2025.

1. China's automobile export market bucked the trend.

During 2021-2022, the global economy suffered an overall slump amid the severe outbreak inside and outside China, tense international geopolitical situation, a big rise in prices of bulk commodities, and imbalance between supply and demand. In this context, China's automobile exports bucked the trend, and hit 3.111 million units in 2022, a year-on-year upsurge of 54.4%, of which 679,000 new energy vehicles were exported, soaring by 120%, a growth far higher than in the domestic market.

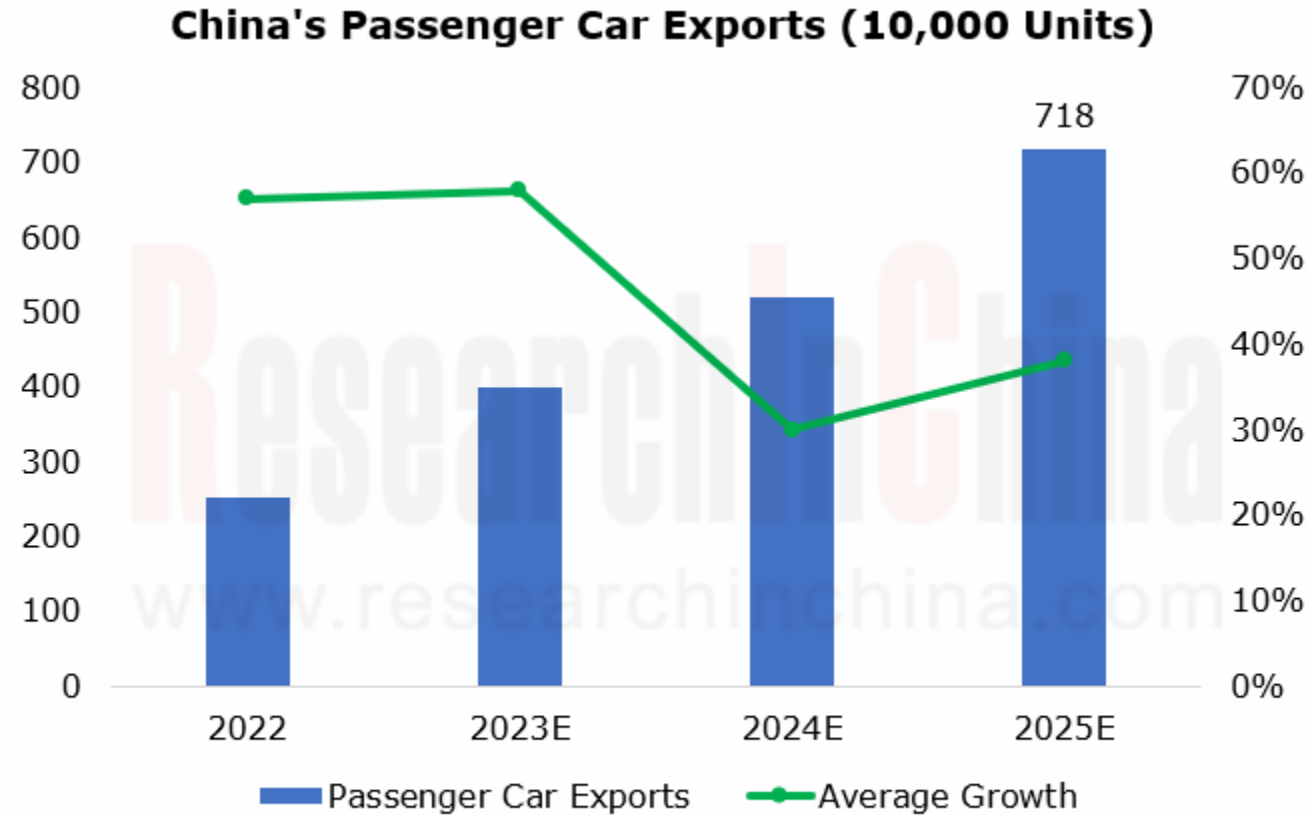
Comparison of Growth between Automobile Sales and Exports



Source: CAAM

China's passenger car exports

By ResearchInChina's estimate, China's passenger car exports will still gain momentum in the next three years, and are expected to reach 7.18 million units in 2025.



Source: ResearchInChina

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2. SAIC, Chery and Changan took a combined over 50% share of the export market.

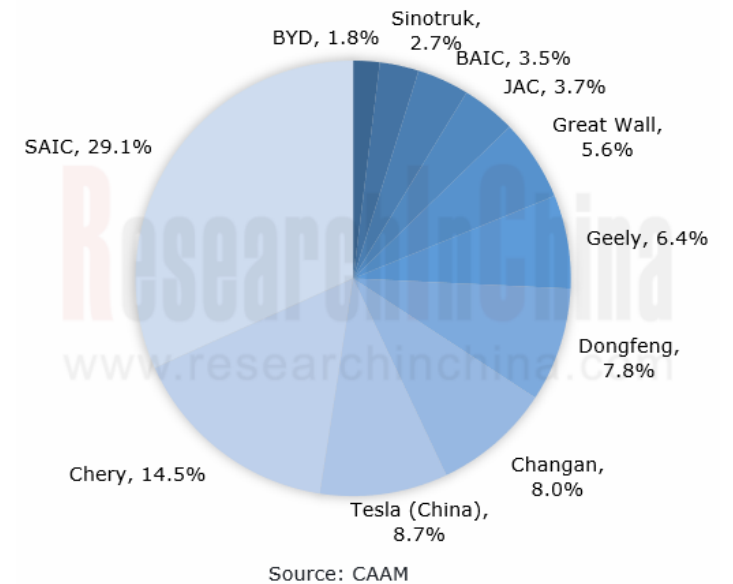
As the Chinese market becomes a competitive stock market, Chinese automakers go overseas to seek larger development space. In 2022, SAIC commanded 29.1% of China's vehicle export market, ranking first; Chery was positioned second with a 14.5% share; Changan was the second runner-up among Chinese auto brands, with an 8.0% share. The three automakers together made up 51.6% of China's vehicle export market.

SAIC's overseas layout: since its export of CKD components for mini commercial vehicles to Indonesia in 2005, SAIC-GM-Wuling has started its overseas journey. Adhering to the “systematic, planned and organized” overseas layout strategy, SAIC overall deploys the whole industry chain from products to services at abroad. It adopts differentiated marketing models according to market environments, industrial policies and mobility needs of consumers. For example, for Europe, MG targets the new energy market, and also follows the upward branding strategy to create a "star car" brand; for the Southeast Asian market, SAIC stands out by virtue of differentiated product features and perfect local aftersales services.

Chery's overseas layout: Chery is China's first automaker to export complete vehicles, CKD components, engines, and complete vehicle manufacturing technology and equipment to foreign countries. After launching the “three-step” international strategy, Chery has carried out the "go-up" overseas branding model since 2020, and has worked to expand its layout in mainstream international markets such as Europe and the US. Chery plans to achieve the strategic goal of exporting 500,000 vehicles valued at USD5 billion in 2025.

Changan's overseas layout: Changan Automobile built China's first overseas vehicle design center in Turin, Italy in 2003. With years of overseas layout, Changan has established a global collaborative R&D pattern in ten places of six countries, each with its own focus. In terms of strategic planning for overseas layout, Changan strategically puts forward five major deployments and four development goals in its “Vast Ocean Plan”: Changan plans an overseas market investment of USD10 billion, annual sales of over 1.2 million vehicles, and more than 10,000 overseas staffs, and to build itself into a world-class auto brand in 2030.

China's Vehicle Export Structure, 2022



3. NIO, Xpeng and Neta Auto adopt new business models overseas.

At present, Chinese automakers sell vehicles overseas still through conventional channels such as general agency and distribution. In some key overseas markets, NIO, Xpeng, and Neta Auto among others have begun to test the direct sale model. Under this model, automakers directly control service quality, provide ultimate user experience, and gain user data in time to create a fan user ecosystem. In addition, bypassing dealers helps automakers lower purchase costs, make more sales profits, and accumulate experience for long-term branding and getting a solid foothold.

NIO adopts the "direct sale + battery swap + subscription" model in overseas markets. In Norway, it builds direct-sale stores, allowing consumers to book cars online and experience offline; it also establishes a complete service system, and introduces the Baas program (a "rechargeable, swappable and upgradeable" battery service model that features "car and battery separation, battery rental" and acts as a solution to the problems faced by electric vehicles, such as battery attenuation, rapid battery technology update, and low residual value indicator of used cars), realizing that services come before sale. In Germany, the Netherlands, Denmark, and Sweden, it at first adopted the "rent only, not sell" subscription strategy (the car subscription period ranges from 1 month to 60 months), and then added the sales option.

In overseas markets, Xpeng mainly adopts the "direct sale + authorization" model to open markets as soon as possible. Xpeng deploys direct-sale stores to better display its brand image to the markets and consumers. It also cooperates with distributors to increase shipments, having formed strategic partnerships with leading distributors in Europe, including EmilFrey NV Group in the Netherlands and Bilia Group in Sweden.

Neta Auto still adopts its domestic "direct sale + distribution" sales model in overseas markets, having built cooperation with Thailand's PTT on energy replenishment. In September 2022, Neta Auto's first 3.0 Image Direct Sale Experience Space in Thailand started operation. Users can experience the intelligent electric car lifestyle in this exhibition hall and participate in interaction activities.

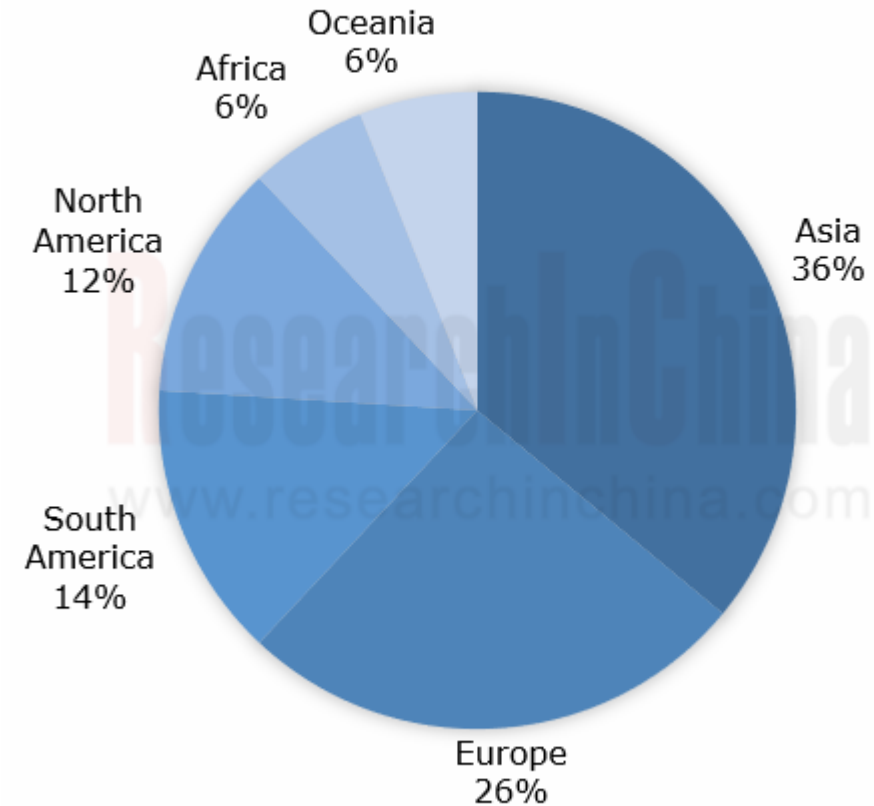
European and American markets are expected to become strategic high grounds for Chinese OEMs that are going overseas.

4. European and American markets are expected to become strategic high grounds for Chinese OEMs that are going overseas.

At present, Asia is the largest market for China's automobile exports, sharing 36% of its total exports. Europe, the second largest export market, has taken a rising share of China's automobile exports since 2018, up from 6% to 26% in 2022.

In recent years, ever more Chinese automakers have aimed their overseas strategy at the large, mature developed markets such as Europe and the US. Successfully gaining a foothold in the fiercely competitive European and American markets can not only provide a strong endorsement for the automakers, but also help them integrate global R&D strength to polish their own products, services and other capabilities. For example, SAIC did its utmost to open the European new energy market via its brand MG in 2022, and also adheres to the upward branding strategy to create a "star car" brand; Geely has also stepped into the high-end markets in Europe and Americas through the brand Volvo, having built a climbing or market expansion strategy.

China's Automobile Export Structure by Continent, 2022



Source: OICA, CPCA

European and American markets are expected to become strategic high grounds for Chinese OEMs that are going overseas.

5. The overseas layout path of Chinese automakers: localize globally and enhance differentiation.

Energy transition is an established fact, and electric vehicles are undoubtedly the top priority in Chinese automakers' overseas layout plans in the years to come. In the face of the electric vehicle red sea market competition that already starts, increasing automakers are carrying out the concept of "thinking globalization, implementing localization".

From the overseas strategy of automakers, it can be seen that ever more of them make a transformation from simple product exports to industrial exports, work hard on an expansion in overseas markets, and establish R&D/design centers, overseas regional headquarters, and automobile factories, so as to achieve localized production, localized supply chain, localized management, and localized sales and services. Furthermore, in their efforts to gain a foothold in market segments, they adopt strategies tailored to local conditions and strengthen differentiated competitive edges, for example, they create hot products, global flagship models, and a unique global brand image; they develop targeted products according to regional characteristics and needs to meet customer demand quickly and accurately.

Yet as the competition in the automotive industry intensifies, automakers going overseas will face more uncertainties and more complicated situations. Facing the stringent data security review overseas, Chinese automakers that take intelligence and connectivity as the selling points of their intelligent products need to systematize compliance management as soon as possible, build a compliance review platform, and provide professional compliance support. Additionally, political, social, cultural and technological risks cannot be ignored as well. Establishing a sound risk control and right protection mechanism can best serve the automakers that are going overseas.

Typical Overseas Layout Model	Typical Automaker
Overall: deploy the whole industry chain from products to services	SAIC
Resource integration: acquire high-quality assets overseas to achieve win-win cooperation	Geely
Brand enhancement: unswervingly follow the route of independent brands	Great Wall
New energy: mainly sell new energy vehicles overseas	BYD
Intelligence: integrate global R&D strength to polish products	NIO

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