How Can Chinese EV Brands Grow Globally?

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Learning from lessons on successful international expansions of the past.

Responding to the rise in sales and popularity of Chinese electric vehicles (EVs), the United States and European Union have imposed **hefty import taxes** to curb the market penetration of Chinese EVs and protect local automotive manufacturers. Scholars have cautioned that such **industrial policies** should be temporary, as they can have unintended lasting effects. For example, the high tariffs imposed by the US and EU could slow down the consumer shift to EVs, while maintaining the market share of local brands using internal combustion engines.

These taxes are meant to give traditional automakers an extended window to invest in and transition to EV production. Yet, it could significantly jeopardise the two blocs' chances of meeting their energy transition targets. Under such extreme policies, how can the Chinese EV industry continue to grow in overseas markets? Here are four recommendations based on the sector's past successes and failures.

1. **Promote innovative technology and product quality, not just price**

In 2023, Chinese EV exports rose 70 percent to reach a total value of **over US$34 billion** globally. This was partly driven by their price competitiveness. Lower-range models like BYD Yuan and Geely Xingyue retail at a factory price of less than US$20,000, substantially lower than the Tesla Model 3 (nearly US$39,000).

If Tesla presents a heroic Captain American story – a classic "attack from above" strategy by entering with high prices – the Chinese EV story is the perfect Cinderella fairytale of an "attack from below". Chinese EV brands **started from** various adjacent industries, innovated on core battery technologies and built charging infrastructure to lure consumers. The per-unit cost of Chinese EVs was kept low due to various factors – from economies of scale to full control of the supply chain.

It's almost natural for Chinese EV makers to continue building on this story of low price. But history would caution against this easy path forward. From the late-1990s, low-cost brands like Walmart relied heavily on production in China to drive its competitors out of the market. Cheap Chinese toys, garments and household items flooded overseas markets, resulting in negative connotations attached to the term "made in China".

Beyond consumables, consumer electronics brands including Haier (owner of GE Appliances), Midea, TCL Technology and Xiaomi have had to fight long and hard against this stereotype to establish their credibility. The encouraging news is that Chinese EV makers have created a line of high-quality products. Battery maker CATL, for instance, has developed the latest battery technology for EVs, allowing it to partner with major global automakers, including Ford Motors and Mercedes, on their EV development.

The common belief that "a good product sells itself" has been demystified in management literature. Though overseas consumers have started to recognise the high quality of Chinese EV products, automakers need to proactively counter the stereotype of "cheap Chinese imports" and address the pride of their homegrown auto brands.

The implementation of high tariffs also means that between Chinese EV brands and Tesla's lower-range products, the cost to consumers is now comparable. Given Tesla's historic position as a premium brand, Chinese EV

makers must do more to build awareness and shape consumer perception of their quality and reliability to gain market share.

2. **Reapply the learning process and adapt to local markets**

The success of Chinese EVs is a story of emerging from local competition. The country has **more than 200** EV manufacturers, with over 110 new models expected to be launched in 2024. The rise of BYD and Geely on the global stage is the result of intense competition in the Chinese domestic market, where they emerged victorious. This means that these Chinese EV companies possess a **deep understanding** of consumer needs and market conditions.

Beyond product innovation, the success of EVs relies heavily on government policies and infrastructure. From the beginning, Tesla benefitted significantly from tax incentives and California's **Clean Vehicle Rebate Project**. To address the lack of infrastructure, Tesla has invested heavily in charging stations in California in addition to home-charging solutions.

To encourage domestic consumers, Chinese EV companies have created extensive charging networks, especially around the highways, and experimented with various business models such as **battery swap**. However, the learnings from their domestic market may not apply overseas. EV deployment is highly context-dependent, and global expansion must address local specificities. It is not surprising to find that each European market would have distinct consumer behaviour related to car ownership and usage, regulations and policies, and infrastructure.

The high EV adoption rates in Norway and Sweden, at roughly **93 percent** and **60 percent** of all new cars sold respectively, can be attributed to heavy investments in EV infrastructure and **incentives** for EV purchases. Meanwhile, Italy and Greece **still lag behind**. A standardised go-to-market strategy would fail, while an agile learning approach could uncover the nuances in each market.

One does not need to look far for a workable model. Ride-sharing pioneer BlaBlaCar has employed an effective approach called "**acqui-hiring**" to their European expansion. Before entering a new market, BlaBlaCar hires locals to work in their Paris headquarters. This allows them to embrace the brand and immerse themselves in the corporate culture. After a few months, they return to their home country with full autonomy to engage with local

communities and build the brand. Many digital-native firms have applied similar approaches, including Grab and Shopee in Southeast Asia.

Global scale comes from aggregated local penetration. To achieve global expansion, Chinese EV makers must be patient and apply their domestic customer-centric approach across different regions. Only by de-learning and re-learning in each market can they become true international brands.

3. **Build local partnerships and ecosystems**

Beginning in the 1980s, China welcomed foreign automotive brands into the country, on the condition that they partner with local firms. This has helped local companies learn and foreign firms grow. Now, with hefty tariffs, Chinese firms should consider a similar approach abroad.

Local dealerships are more than mere sales channels. They are a source of crucial knowledge about consumers, policies and regulations and, more importantly, local communities. As **young consumers** pay increasing attention to their environmental impact and turn to digital channels when buying cars, EV manufacturers should consider dealerships. While direct-to-consumer stores can give automakers full control of the purchase experience, partnerships with dealers may lead to accelerated adoption.

Traditional automakers are not just competitors. Incumbents like **Volkswagen** and **Stellantis** have struggled to update their portfolios and transition to EVs. To accelerate, many brands have partnered with Chinese EV companies on battery technologies. For example, Stellantis has **signed an MOU** with CATL for their European EV production. In addition to a **long-term partnership with CATL**, Mercedes has begun to **use BYD blade batteries** in their EVs. Entering such partnerships could help Chinese EVs enter the global market.

Local production is another way to engage with the community and create brand affiliation. Chinese EV firms have already started to build and expand production in regions including **Indonesia**, **Mexico** and **Hungary**. Physical proximity between production sites and local markets can offer agility and adaptability, and engagement with local labour markets can further promote the brands.

EVs necessitate a multi-layered ecosystem to support post-sales activities, ranging from energy supply and grid optimisation to technology and battery,

as well as software and cloud computing services. In particular, cloud services, which are vital for EVs, are subject to regulations around data privacy, cybersecurity and consumer data protections. This requires EV companies to build regional cloud services and data centres, potentially with local technology providers.

These challenges could slow down EV adoption. Yet, they also present great opportunities. Like e-commerce adoption during the pandemic, newcomers and traditional retailers who successfully addressed the last-mile logistics challenge won large market share. In the EV battle, so would those who can orchestrate the new EV ecosystem.

4. **Experiment with multiple business models**

Consider the "Intel inside" model. Intel has made great contributions to the personal computing space. Now, Nvidia is charting a similar path with AI chips and graphics processing units.

Chinese EV manufacturers possess advanced automotive battery technologies. The NIO ET7, for instance, has an impressive range of **around 1,000 kilometres**. Through partnerships with incumbent brands, Chinese EV and battery firms can use the "Intel inside" model to lower the prices of mass market EVs.

Trial the subscription model. Due to both environmental and financial concerns, a new generation of consumers is re-evaluating car ownership. A well-designed **subscription model** could reduce upfront payment and increase overall utilisation of the asset. It may also offer better maintenance, a longer vehicle lifespan and better end-of-life parts recycling, which could reduce the total environmental footprint. In fact, many brands under Stellantis have been experimenting under its "**Free to Move**" initiative.

The **2024 dump** of more than 20,000 Tesla vehicles by Hertz – which **cited** high maintenance costs and retail price fluctuations – puts the viability of the EV rental model into question. Plus, the monetisation of "**mobility as a service**" remains unproven. Yet, the benefits of these subscription strategies should not be dismissed.

Don't give up on the battery-as-a-service model. The decline of Better Place has discouraged the pursuit of battery swapping technology. However, battery swapping has worked for electric scooters such as Vespa and

Gogoro. Recently, Nio has **made waves** with its own battery-swapping model in China, Southeast Asia and Europe.

Despite its limitations, battery swapping can lower the initial purchase cost, reduce charging time and offer more options for charging. In the current context, it may be worth considering as a temporary solution for the EV transition.

Analysts point to an inevitable future in which Chinese EV makers penetrate global markets, due to their superior battery technologies, control of the supply chain and cost advantage gained from production scale. However, the timing of success is unpredictable, and geopolitical tensions and industrial policies can significantly slow down growth.

Therefore, Chinese EV makers must not be overconfident about the future. Instead, they should return to their humble beginnings and reflect on their paths to success so far. To achieve global success, they need to focus on technology and quality, learn the market conditions, tailor their offerings to suit consumer needs, and build local infrastructure and partnerships. In addition, organising value at the ecosystem level and exploring new business models could help pave the way.

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