


A China Crisis?

New Chinese brands are arriving onto the UK automotive market with more planned for the remainder of 2023 through 2026 (11 brands declared in total).


This can be considered the 'third wave' following the Japanese (1970/80) and Korean brands (1990/2000) that have had a lasting and sizeable impact upon the UK sector.



JAPAN
1965+ (>50 yrs)
UK Peak 352K/17.1% 2017
Europe Share @ 11.1%



KOREA
1985+ (>30 yrs)
UK Peak 190K, 11.3% 2022
Europe Share @ 8.7%



CHINA
2021+ (10 yrs?)
Europe Already 152K 2022
Norway 10.6% EV Share Q2

What did they bring?

- Product and Production Quality
- Powertrain Innovation HEV/EV

What did they bring?

- Trust Through Long Warranty
- Technology and Euro Design

What will they bring?

- EV Expertise and Innovation
- New Distribution and Customer Experience Formats

The Chinese will bring speed not previously seen in UK automotive thanks to the following attributes:

CULTURE

China has risen from poor to the world's **2nd largest economy** in just 30 years.

ECO/POLITICAL

Slowing domestic growth, trade tensions with the USA, **Europe** is therefore a **priority region for expansion**.

SUPPLY CHAIN

60% of worlds battery grade Lithium and **54%** of world steel production is controlled by **China**.

EV TECH

54% of worlds EV's and **66%** of batteries are manufactured in **China**. Regulation compliant, already achieving Euro NCAP 5*.

FINANCIAL MUSCLE

BYD at \$115bn is already the **4th largest** automotive business measured by market cap value. Clear potential to change market dynamic through pricing power.

“ Chinese brands to snatch 15% share in Europe in 2 years ”

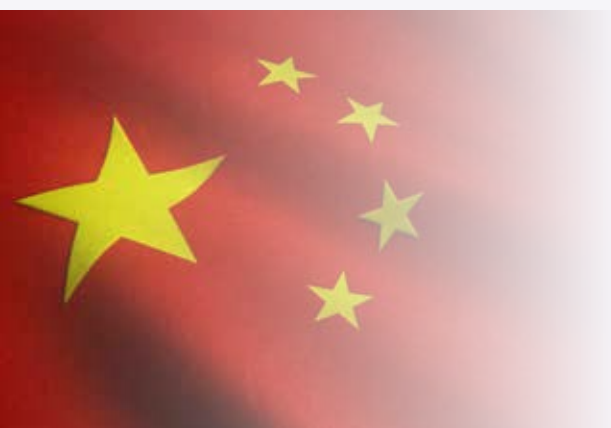
KPMG analysis, June 2023

“ Tear down the old legends & create new, world class brands ”

Wang Chuanfy, founder BYD, August 2023

The implications for all stakeholders are huge given the extent and speed of change now in progress:

- **Existing OEM's** need to increase their agility both upstream, technology and product development and downstream in terms of marketing/brand strategy. Decision making across these multi-tiered organisations will have to become much faster and integrated to compete.
- **Retailers** already confronted by the OEM inspired consolidation strategies of 'agency model', will now have increased choice and options as to the brands they want to represent and how? New retail networks and formats are emerging rapidly for both new and used car operations.
- **Business diversity** - the advent of lower EV maintenance often facilitated by 'over the air' updates will necessitate OEM's and retailers to develop additional business streams beyond the car and its servicing. Customer data is seen by the OEMs as the 'rocket fuel' for new business development. How to monetarise this data? is the 'holy grail' that continues to evade conventional automotive enterprise.
- **Consumers** are of course where the real battle lies. They are being told and coerced to fundamentally rethink their mobility needs and choices. New Chinese brands have the added challenge of little awareness and no relationship with UK consumers. Winning their trust and acceptance is the greatest and most time-consuming challenge they face. They are already achieving impressive growth in specific markets and segments such as EV sales in Norway. 40% of UK consumers reported as 'accepting' the consideration of Chinese car brands although purchase adoption is likely to take somewhat longer than the uptake of Tik Tok!



The arrival of China is indeed a crisis for those existing, 'fragile' brands, who fail to impress and retain their customers. New does not necessarily mean better and if this influx of Chinese brands does not progress beyond a 'cookie cutter' me too approach, they will fail.

The learnings from the previous Japan and Korea waves conclude that ultimately it will be the consumer who benefits from this new competitive 'China' pressure through.....better products, better service and better value.

It's only a crisis when you have not got a plan!