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Research on the Strategy of Chinese Automobile Enterprises Entering Overseas Markets

Master's thesis

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2. I hereby declare that my thesis has not been used to gain any other academic title.
3. I fully agree to my work being used for study and scientific purposes.

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References

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Abstract

At present, Chinese auto companies face many opportunities and challenges when they enter overseas markets. How to determine a clear and appropriate overseas development strategy and implement it effectively is of great significance for Chinese auto companies to correctly realize the development of overseas markets and realize the development of China's auto industry. Based on the global automotive market, this paper analyzes their strategies by analyzing the precedents of Chinese auto companies entering overseas markets, comprehensively considering the choice of targets, markets and periods, and helping Chinese auto companies to choose their overseas strategies in light of their own development status. At the same time, by comparing the strategies of domestic and foreign well-known automobile companies to explore overseas markets, I summarize the suggestions on how to formulate overseas development strategies for auto companies at different stages of development. At the same time, this paper compares and analyzes the strategic choices of well-known automobile companies at home and abroad when expanding overseas markets, and considers how to apply enterprise resources to the strategy according to the objective environment of the target market at different stages of enterprise development. Finally, I will analyze the experiences and lessons learned by Chinese auto companies in the process of opening up overseas markets, and make recommendations and prospects for the strategy of companies entering overseas markets.

Abstrakt

V současné době čínské automobilové společnosti dělají mnoho příležitostí a úkolů, když vstoupí na zámořské trhy. Jak zjistit jasnou a vhodnou zahraniční rozvojovou strategii a efektivně ji implementovat má velký význam pro čínské společnosti, aby správně realizovaly rozvoj zámořských trhů a realizovaly rozvoj automobilového průmyslu v Číně. Na základě globálního automobilového trhu tento článek analyzuje jejich strategie analýzou precedentů čínských automobilových společností vstupujících na zámořské trhy, komplexně zvažuje výběr cílů, trhů a období a pomáhá čínským automobilovým společnostem zvolit si své zámořské strategie ve světle svých vlastních vývojový status. Zároveň srovnáváním strategií domácích i zahraničních dobře známých automobilových společností s prozkoumáním zámořských trhů shrnuji návrhy, jak formulovat zámořské rozvojové strategie pro auto-firmy v různých fázích vývoje. Současně tento dokument porovnává a analyzuje strategická rozhodnutí známých automobilových společností doma i

v zahraničí při expanzi zámořských trhů a zvažuje, jak aplikovat podnikové zdroje na strategii podle objektivního prostředí cílového trhu v různých fázích rozvoj podnikání. Nakonec budu analyzovat zkušenosti a zkušenosti čínských automobilových společností v procesu otevírání zámořských trhů a vypracovat doporučení a vyhlídky na strategii vstupu společností na zámořské trhy.

Keywords

Automobile enterprises; Overseas markets; Strategies

Klíčová slova

Automobilové podniky; Zámořské trhy; Strategie

Title

Research on the Strategy of Chinese Automobile Enterprises Entering Overseas Markets

Název práce

Výzkum o strategii čínských automobilových podniků vstupujících na zámořské trhy

Chapter1 Introduction

1.1 Background and Significances of the Research

1.1.1 Background

As an important pillar industry of national economic development, the automobile industry not only represents the level of competitiveness of the country, but also reflects the degree of industrialization of the country as a whole. After occupying a certain share of the domestic auto market, Chinese auto companies have realized the importance of entering the overseas market. They have taken China's accession to the WTO as an important opportunity to rapidly develop overseas business. From 2001 to 2006, China’s finished-automobile exports continued to increase, and the growth rate was considerable. However, since 2012, its export growth rate has continued to decline and reached its bottom in 2015. Although the downward trend has eased in 2016, the overall automobile export situation is still not optimistic. In recent years, the world economic situation has not yet seen a clear recovery trend. Developed countries no longer lead the global economic growth, and the economic growth rate of developing countries has slowed down. The economic developments of Iran, Russia, Brazil and other countries, which are the main importers of Chinese cars, have encountered challenges, and political situations in some other major exporting regions are instable. Besides, the internationally renowned auto companies such as Volkswagen and Toyota are better than the Chinese auto companies in terms of their share in the international market and their recognition. These factors have brought great challenges to Chinese auto companies entering the international market.

However, as the core of China's high-end manufacturing development, auto companies must improve their competitiveness in the international market through technological innovation, brand building, market training, etc., and strive to occupy a place in the process of globalization of the auto industry. According to the "Long-term Development Plan for the Automotive Industry", by 2020, Chinese brands' cars will gradually expand to developed countries; by 2025, the influence of Chinese-brand cars on the global scale will be further enhanced.[1] In addition, the “One Belt, One Road” policy provides a broad international development space for Chinese auto companies, and the policy dividend will provide strong support for their internationalization. The countries

[1] "Medium and Long-term Development Plan for the Automotive Industry", Document No. 53 of 2017, jointly issued by the Ministry of Industry and Information Technology, the National Development and Reform Commission, and the Ministry of Science and Technology.

along the "One Belt One Road" route have many frontier markets with huge development potential, and many countries are still in the rising stage of economic development. The internationalization of the automotive industry is the consensus of all automotive companies. When companies are expanding their business strategically in the international market, Chinese auto companies, which are in the lower ranks of the global auto value chain, face fierce competition. At present, China has entered the new normal of the economy[2], and the internationalization of the automobile industry has also been promoted by policies and markets. The choice of development strategies for Chinese auto companies entering overseas markets is crucial.

1.1.2 Significances

The development of China's high-end industry has put forward requirements for sustainable development of China's automobile industry: it is necessary to realize the transformation from the disorderly competition in the domestic market to the global industry in the international market. At present, China, as the world's largest auto market, has a huge scale of automobile production and sales. The pace of "going global" of auto companies must be accelerated with the support of the domestic market and national policies. The automobile industry is constantly upgrading, while the Chinese automobile companies are developing rapidly, they also realize that only by entering the overseas market to participate in the competition in the global market, can they be aligned with internationally renowned automobile companies to obtain opportunities for further development. The choice of overseas markets and the entry period and mode of the international market all have research significance. Under the current situation of China's auto export performance decline and the lack of international competitiveness of Chinese auto companies, the path and strategic choices to enter overseas markets directly affect the development direction of enterprises in overseas markets. There are many brands in the Chinese auto market and the competition is disorderly. The competition between the joint venture brands and the independent brands is fierce. There are many routes for the enterprises to enter the overseas markets and the markets are dispersed. I intend to summarize and analyze the paths and strategies of Chinese auto companies entering the overseas market in recent years, learn relevant lessons, and provide development

[2] The new normal of China's economy: (1) a shift from high growth rates to medium-high growth rates; (2) a shift from high growth rates to medium-high growth rates; (3) a transition from growth driven by input and investment to one driven by innovation.

suggestions for Chinese auto companies in the next overseas market strategic layout to promote the global development of Chinese auto companies.

1.2 Research Contents

This article contains the following sections:

The first chapter is the introduction, expounding the research background and significance of this paper, and summarizing the importance of the strategic choice of the overseas market of auto companies to the development of overseas trade. The literature review section introduces the relevant international market entry theory and corporate strategy theory and combines the relevant research results of the enterprise industry as a reference.

The second chapter introduces the status quo of Chinese auto companies entering the overseas market, and analyzes China's auto exports with data from the past decade. Then, I summarize the precedents of some Chinese auto companies entering the overseas market, provides an overview of the progress of Chinese auto companies on the road to internationalization and analyzes the environment faced by Chinese auto companies "going global" for subsequent analysis.

The third chapter analyzes the strategies of Chinese auto companies entering the overseas market from the perspectives of strategic objectives, strategic periods, strategic markets and strategic models, and then classifies and summarizes them.

The fourth chapter analyzes the strategic choices of domestic and foreign auto companies in the process of internationalization, and analyzes how companies combine their own resources with the global environment to develop an international layout, trying to provide a reference for other auto companies. For international famous automobile companies, I take Toyota and Volkswagen as the targets. Geely and SAIC would be domestic targets.

The fifth chapter analyzes and summarizes the experiences and lessons of Chinese auto companies in the process of entering overseas markets. Such as focusing on improving R & D strength and brand maintenance, improving risk response capabilities, etc.

After the above analysis, I put forward my own opinions and suggestions on the development strategy of Chinese auto companies entering the overseas market in Chapter 6, such as correctly selecting the open market and paying attention to the development of new energy vehicles, etc.

1.3 Literature Review

1.3.1 International Market Entry Theories

The primary challenge for enterprises to enter the international market is that they must face fierce competition in the current irreversible economic globalization. In the book "Entry Strategies for International Markets", Root(1987) proposes that companies cannot guarantee that their products and operations can cover all domestic markets. With the development of the global economy and the development of enterprises themselves, all enterprises will enter overseas markets. To participate in the competition, they must also prepare and deploy their own overseas markets early. When entering the international market, companies need to comprehensively consider their own advantages and development, optimize the company's products, technology, management experience, and other resources and deploy them in overseas markets, and choose the appropriate entry strategy. He divides the factors to be considered into external factors and internal factors. The external factors include the political and economic environment in which the target city sings. The internal factors include the product quality of the enterprise itself, the production mode and the future development plan, etc.

The Uppsala model of gradual incremental steps to international business expansion is based on a series of incremental decisions. Their successive steps are based on learning and knowledge acquisition about the foreign market and operation. Based on four case studies of Swedish firms, Johansson and Weidersheim-Paul (1975) distinguished four successive steps in the international expansion process of the firm. These stages in a country-specific market are (1) Sporadic export, (2) Export via independent representatives (agents), (3) Sales subsidiary, and (4) Overseas production/manufacturing. Johanson and Vahlne (1977) further refined the approach in a dynamic model in which the outcome of one cycle of events becomes an input to the next.

Hill, Hwang and Kim(1990) believe that the first problem that enterprises need to face and solve when investing abroad is the entry mode of overseas markets. The appropriate entry mode will have a positive impact on the management and profit level of enterprises in overseas markets.

Qu Jie(2013) proposed that internationalization is an inevitable choice for a country's automobile industry to develop to a certain stage, and is an important standard for demonstrating the international competitiveness and international status of the country's automobile industry. Although the internationalization of China's automobile industry has made remarkable achievements in recent years, the overall development of China's automobile enterprises is still in its infancy throughout the global automobile market, and there are still some deficiencies in terms of export product structure, parts export volume and the scale of overseas factory construction. Zhou Jingbo and Huang Sheng(2009) conducted research on the decision-making methods of entering the international market, and classified the factors affecting the entry of the international market according to the environment, organization, winter and decision-making bodies.

1.3.2 Strategic Management Theories

(1) Corporate Strategic Management Theories

Chandler(1962) studied corporate strategy issues in “Strategy and Structure: Chapters in the History of the Industrial Enterprise” . He regarded a corporate strategy as the link between the enterprise and the external environment. By analyzing the relationship between the environment, strategy and organization, he proposed that “structure follows strategy”. By analyzing the environment in which the company is located to determine its further development direction, the development requirements of the enterprise are consistent with the environmental requirements, and the enterprise follows the strategic setting to ensure its own match with the environment.

Later, the scholars were divided into design schools and planning schools. Design schools treat strategy as a designed set of decisions while planning schools deem strategy as the process of planning. In " Business Policy: Text and Cases ", Professor Andrews(1982) of Harvard Business School, one of the representatives of the design school, advocates that the company's business strategy is based on the company's own conditions and externally provided opportunities, through some sort of strategic model combines the development goals, policies, business plans and activities of the company. Among them, as the designer of the strategic layout, the senior management of the enterprise not only needs to supervise and guide the implementation of the strategy, but also needs to ensure that the enterprise can form the strategic attributes and the advantages of the enterprise with the corporate culture in the process of implementing the strategy. One of the representatives of the planning school, strategist Ansoff(1988) said in his " The New Corporate Strategy" that internal analysis is an extremely important part of the development of strategic planning. He believes that the starting point of the company's strategy formulation is to adapt to the external environment through strategic behavior and realize the internal structure of the enterprise, thereby realizing its own survival and development in the market.

(2) Competitive Strategy Theories

The theory of competitive strategy proposed and constantly improved by Michael Porter(1980,1985) is systematically elaborated in his book "Competitive Strategy" and "Competitive Advantage". His competitive strategy theory consists of five parts: the Five-force Model, Generic Strategies, Value Chains, Diamond Systems, and Business Cluster Theory. Among them, generic strategies describe how a company pursues competitive advantage across its chosen market scope. Porter proposes: (1) Overall cost leadership strategy, that is, by controlling the cost of the product to achieve the price advantage of the company's products in the same kind of products, and gaining higher than the average profit level of the industry, and thereby achieving the company's competitive profit. (2) Differentiation strategy, that is the company provides customers with products with unique competitiveness or special advantages. Specifically, it differentiates the functions, styles and services of the products, and encourages the loyalty of the customers to the brand to achieve the competitive profit of the company. (3) Focus strategy, that is the company conducts research on market segments and finds the same customer groups, or a certain market segment, or a quality product in a series of products. Then the sales force and service team of the company are concentrated to market vigorously on this market segment. Finally, gain recognition from customers and the market by taking absolute control over the market segments and creating absolute advantages.

Prahalad and Hamel(1990) proposed in the "The Core Competencies of the Corporation " that enterprises will effectively accumulate resources and technologies in the development process, and gradually form a "core competence school." Moore(1996) puts forward the new concept of “business ecosystem” in “ The Death of Competition: Leadership and strategy in the age of business ecosystems”. He used several ecological metaphors to suggest that the company survives in a business environment and needs to coexist with other companies. And, “the particular niche a business occupies is challenged by newly arriving species.” This meant that companies need to develop mutually beneficial ("symbiotic") relationships proactively with their customers, suppliers, and even competitors. According to the linkage-leverage-learning (LLL) framework developed by Mathews (2006), when enterprises choose to enter the international market strategy, they need to first construct the external resource network, make adequate preparations, and make good use of the leverage effect. He highlighted how companies in developing countries that lack the capabilities and advantages of transnational operations should choose strategies for foreign investment.

Ge Weimin et al.(2012) define a company’s overseas market strategy as a long-term plan for enterprises to take the international market as the guide, actively participate in the international division of labor and international competition, actively explore and explore the global market, so as to allocate production factors in the world, expand their share in the world market, and promote the internationalization process of enterprises. When companies enter overseas markets, the strategic activities they choose to implement generally include: direct export trade, establishing of branch offices or other branches overseas, establishing of overseas assembly plants and production bases, transfer of technology licenses to promote overseas production, and mergers and acquisitions, etc. Li Zhuo et al. (2006) based on China's current economic status in developing countries, proposed to consider and optimize the optimal overseas market strategy from the perspectives of transportation cost, resource allocation, target customers and target markets, and innovation capabilities of enterprises.

1.3.3 Research on Automobile Industry

Wang and Kimble (2013) studied Geely, BYD and other Chinese automobile enterprises newly entering the world automobile market and proposed that Chinese automobile enterprises with weak competitiveness, as new entrants, can achieve leapfrog development in the competitive market through technological innovation and even replace the existing industry leaders. Based on the development characteristics of Chinese automobile enterprises, Kim (2011) analyzed the factors influencing the competitiveness of Chinese automobile industry, and put forward suggestions on the further development strategies of Chinese automobile enterprises by analyzing the competitiveness of the group of automobile manufacturing enterprises in Changchun, China.

Zhang Wenguang (2011) studied the development status of China's own-brand auto companies and the strategic choices of Chinese auto companies entering overseas markets, and analyzed the internal and external environment of enterprises entering overseas markets. By analyzing saic's strategy of entering the global market through m&a and joint venture, he summarized the development process of SAIC and put forward relevant suggestions. Chen Xiaomei (2006) outlines the “going out” strategy of Chinese auto companies and the orientation of overseas mergers and acquisitions from the perspective of the strategic development of the national auto industry. She analyzes the status quo and obstacles of overseas mergers and acquisitions, and proposes the development strategy of overseas mergers and acquisitions of Chinese enterprises. Jiang Xuewei et al. (2015) classify Chinese auto companies as state-owned-joint ventures, state-owned independent enterprises and private-independent enterprises. They detail the similarities and differences between the internationalization process and overseas strategies of various auto companies. Zheng Weijun (2009) used the Porter Five Force Model and the SWOT Model as the theoretical tools to analyze the current market environment of Geely Group and put forward suggestions for the future strategy formulation of the company, such as multi-brand strategy and overseas market merger and acquisition strategy.

1.4 Research Methods

(1) **Literature research:** Through consulting a large number of documents, look for the materials related to the research content of this paper, and summarize and organize them. Through the "China Automotive Industry Yearbook", "Annual Report on Automotive Industry in China", China Association of Automobile Manufacturers statistics, WTO database and relevant websites of China Customs and the National Bureau of Statistics, collect the required data and then classify, integrate and process them according to country, year, product category and other indicators to analyze the status quo of Chinese automobile enterprises entering overseas markets.

(2) Comparative analysis: Vertical (historical) comparison: according to the timeline, analyze and compare the export situation of Chinese cars in recent years. Horizontal comparison: differentiate and compare the strategic choices and investment scales of various types of Chinese auto companies entering the international market.

(3) **Case analysis:** Select domestic and foreign well-known automobile companies as the research object, analyze the strategy of automobile enterprises in the process of internationalization by example, understand the international deployment of China's existing automobile enterprises under the current economic situation and policies, and provide a reference for other enterprises. Among them, the international automobile group is Toyota and Volkswagen, and the Chinese automobile companies are Geely and SAIC.

Chapter2 The Status Quo of Chinese Auto Companies Entering Overseas Markets

2.1 The status quo of China's automobile exports

2.1.1 Export Quantity

China's auto industry started late, but by actively responding to the market demand, China's auto industry has expanded in size over the past 60 years and achieved leap-forward development. It has become a major automobile production and sales country and the world's largest auto market. China's auto production increased from 8.88 million in 2007 to 29.02 million in 2017. The export value of the auto industry increased from 41.2 billion U.S. dollars in 2007 to 83.4 billion U.S. dollars in 2017. The export volume of automobiles was only 26,000 in 2001, and then it surpassed 1 million for the first time in 2012 and grew nearly 50 times in ten years.

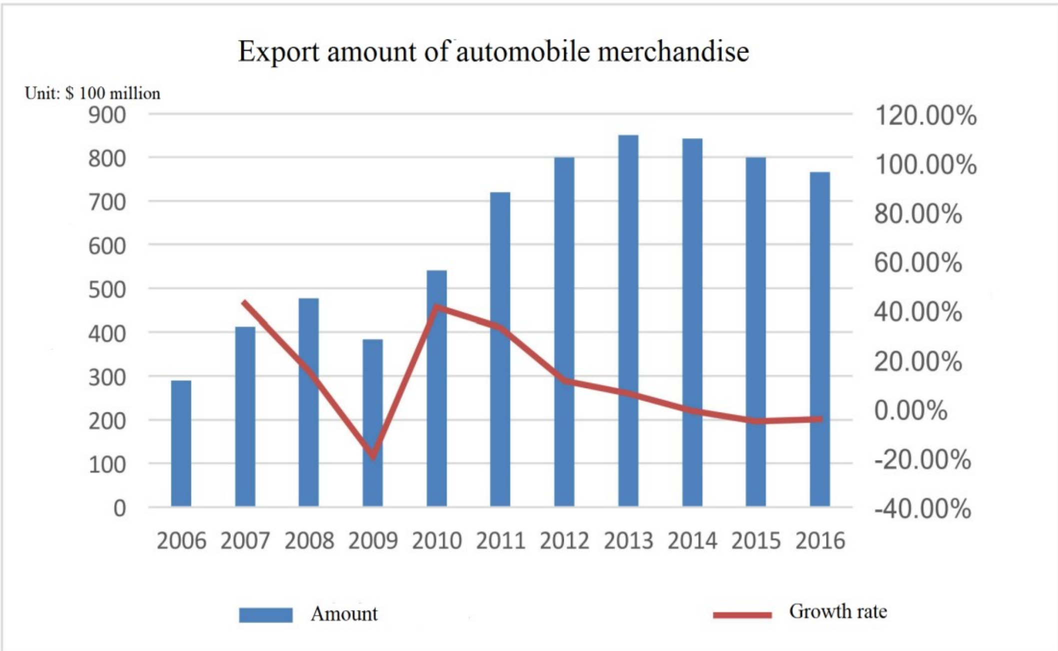
After experiencing the rapid development of the automobile industry, China's auto export growth rate continued to decline due to the disappearance of the demographic dividend[3], rising production costs, the weakness of the global developing country auto market and the continued rise in the RMB exchange rate. From 2013 to 2014, the export growth rate fell below 10%. In 2015, the export volume of automobiles decreased by 12.51%. Despite the slowdown in the declining trend in 2016, China's auto industry still faces problems such as a decline in export volume and a low international market share, which puts higher demands on the comprehensive strength, product quality and international marketing capabilities of auto companies.

[3] From the economic perspective, demographic dividend refers to a country where the working-age population accounts for a large proportion of the total population and the dependency rate is relatively low, creating favorable population conditions for economic development. The economy of the whole country presents a situation of high savings, high investment and high growth.

Figure 2-1 Finished-vehicle export volume of China in recent 10 years

Source: Annual Report on Automobile Industry in China (2017)

Figure 2-2 Export amount of automobile merchansise in resent 10 years



Source: Annual Report on Automobile Industry in China (2017)

Global car exports by country were valued at US$740.1 billion for 2017. Below are the 10 countries that exported the highest dollar value worth of cars in 2017: Germany, Japan, United States, Canada, United Kingdom, Mexico, South Korea, Spain, Belgium, and France.[4] China's share of the world's auto export market does not exceed 2.7% and its share of the world's auto trade is still small, auto exports account for only about 3% of domestic production. There is no international influence matching the domestic market and is still a lot of room for improvement. According to the predictions of domestic research institutions, the annual compound growth rate of global automobile production and sales will be about 3.2% in the next five years. It is estimated that by 2022, global automobile sales will increase by 114 million.[5] Under the prospect of the continued expansion of the global automotive market, Chinese auto companies need to gradually upgrade their own strength and increase market acceptance, in order to succeed in a larger market space.

2.1.2 Structure of Export Products

According to the export data in 2017, the export volume of coaches was 56 thousand, with a year-on-year decrease of 2.6%, and the export of trucks was 205 thousand with a year-on-year decrease of 0.04%. The export volume of passenger cars and trucks still showed a downward trend. The increase in the export volume of passenger cars has turned from negative to positive, which has led to a substantial increase in the export volume of passenger cars, mainly due to the excellent sales performance of SUVs and MPVs in the Indian and American markets. On the whole, all types of Chinese autos still need to find sustainable export breakthroughs and establish a solid growth point for the Chinese auto industry.

[4] AutoJosh, Top 15 Car Exporting Countries In The World, https://autojosh.com/top-15-countries-that-export-cars-in-the-world/

[5] China Industrial Information http://www.chyxx.com/

Chart 2-1 Summary of China's automobile export structure from 2010 to 2017

Exports	2010	2011	2012	2013	2014	2015	2106	2017	Growth rate -2017
Passenger car	282,368	470,990	587,700	553,339	507,723	423,433	423,438	754,719	78.24%
Sedan	179,940	372,083	495,456	424,471	370,943	307,992	330,468	507,871	53.68%
Trucks	232,081	322,053	355,450	310,673	329,528	252,108	205,410	205,319	-0.04%
Coaches	36,517	42,415	54,450	63,089	88,071	59,173	57,908	56,406	-2.59%
Others	15,687	14,350	18,129	21,448	22,587	20,581	17,417	42,724	145.30%
Total	566,653	849,808	1,015,729	948,549	947,909	755,295	704,173	1,059,168	50.41%

Source: Annual Report on Automobile Industry in China (2018)

2.1.3 Market for Export Products

At present, although the technical level of China's automobile production still has a large gap with well-known enterprises in the same industry, it has already reached the average requirement of the industry. China's vehicles are exported mainly to the non-developed regions of the Middle East, North Africa, Southeast Asia, etc. The corresponding price advantage makes China's automobile products occupy a certain market share in developing countries. The Iranian auto market has continued to expand since 2014, and in 2016 it maintained its position as China's largest auto export market with a market share of 19.3%. India has jumped to the second largest auto export market in China with a growth rate of 320%.

Judging from the data in 2016, the “One Belt, One Road” policy has brought new opportunities for the export of auto companies. In addition to India and Iran, many countries along the “Belt and Road” have become emerging markets of China’s automobile export with large increases in volume. The growth rate of exports to Russia, the Philippines and Egypt also reached 65%, 45% and 14% respectively.

Chart 2-2 China's automobile exports by country from 2012 to 2016

	Quantity, share					Growth Rate of quantity (2016)
	2012	2013	2014	2015	2016	
Total	1,020,000	948,000	948,000	755,000	812,000	8%
Iran	7.70%	5.50%	12.00%	14.40%	19.30%	45%
India	0.10%	1.20%	0.40%	2.40%	9.50%	320%
Vietnam	1.40%	1.90%	4.00%	9.60%	6.80%	-23%
U.S.A	0.20%	0.20%	0.30%	0.70%	6.60%	913%
Egypt	3.40%	3.80%	5.60%	5.10%	5.40%	14%
Chile	6.20%	8.30%	4.20%	5.20%	5.00%	2%
Russia	8.80%	9.50%	6.60%	2.30%	3.50%	65%
Columbia	3.10%	4.00%	4.90%	4.10%	3.40%	-11%
Peru	3.70%	4.20%	2.90%	3.50%	3.10%	-6%
Bangladesh	0.60%	0.20%	2.30%	3.20%	2.50%	-16%
Philippines	0.70%	0.80%	1.10%	1.80%	2.50%	45%
Myanmar	1.30%	1.90%	2.40%	2.90%	2.40%	-10%
Saudi Arabia	2.80%	2.50%	3.30%	3.30%	2.00%	-34%
Bolivia	0.70%	0.80%	0.90%	1.20%	1.60%	43%
North Korea	1.10%	1.20%	0.90%	1.20%	1.60%	45%

Source: China Passenger Car Association

2.2 The ways Chinese auto companies enter overseas markets

2.2.1 Direct Export and Establishing of Assembly Plants

As the easiest way to export automobile products, direct export has become the primary choice for most auto companies to enter overseas markets, and to realize a rapid development of auto companies' overseas markets by means of international trade. In addition to exporting the entire vehicle directly, larger auto companies generally choose to build factories and assemble locally in the target market. SKD(Semi Knock Down), refers to the simple assembly of a car assembly that has been produced in China into a finished-vehicle in the host country. CKD(Completely Knock Down), means that the production of components and parts and the assembly of the car are both done locally in the exporting country.

Chart 2-3 Examples of major Chinese auto companies assembling and building factories overseas

Auto Enterprises	Assembly Plant
Chery	It is the first self-owned brand enterprise for passenger cars entering Iran. Its factories cover Asia, Europe, Africa and Latin America and have 14 overseas production bases.
Changan	In 2016, it became the first Chinese car brand to enter Peru and is building overseas production bases in Mexico, Brazil, Russia and Iran.
BYD	Established bus factories in the United States, Brazil, Hungary, France and other places.
Geely	It has established factories in Indonesia, Uruguay, Egypt, Sri Lanka, Belarus, and established new energy taxi factories in the UK. Volvo (owned by Geely) will enter the US and Indian markets.
Jianghuai	It has cooperated overseas to establish 18 KD factories covering the Middle East, Southeast Asia, Central Asia and South America.
SAIC	It focuses on the Indian and Thai markets and has established overseas factories in Egypt, the United Kingdom, Indonesia and other countries.
Brilliance	It has established six overseas KD factories, with Iran as its main overseas market.
Dongfeng	It has established several KD plants in Iran with a focus on KD projects in Algeria and Syria.
FAW	It has established factories in 13 countries including South Africa, Iran, Pakistan and Vietnam, and has put into operation 15 production cooperation projects.
BAIC	It has established regional industrial bases in South Africa, Mexico and Iran. Its sub-brand, BAIC BJEV, is established in Malaysia, and BAIC Foton focuses on global factories in India, Russia, Brazil, Mexico and Indonesia.
Changcheng	It has established factories in 12 countries including Brazil, Russia, Malaysia and Bulgaria.

Source: Public Information

2.2.2 Joint Venture and Cooperation

A joint venture (JV) is a business entity created by two or more parties, generally characterized by shared ownership, shared returns and risks, and shared governance (Alexander et al., 2014). Overseas joint venture refers to cooperating with local enterprises in the overseas target market, or other companies have an intention to enter the same target market with certain resources. Overseas cooperation means that the cooperation between the two companies does not involve the relationship between property rights and equity.

Generally, fixed and cooperative forms and deadlines are not established and project cooperation is the mainstay, including cooperative production of certain types of automobile products or cooperation in the development of a certain special technology. Overseas cooperation has a relatively obvious short-term advantage and is often used by companies for short-term projects or as an aid to expanding overseas markets.

Another way is that overseas auto companies choose to cooperate with domestic auto companies to establish joint venture brands in China. Domestic auto companies exchange technology with the market and began exporting to foreign countries after the technology and quality were up to standard. The joint venture brand no longer targets the domestic market, but transfers domestic production capacity to foreign markets to achieve internationalization of Chinese manufacturing. The export of joint venture brand products will help to increase the influence of China's automobile manufacturing industry. For example, Chevrolet's new Sail exports to South America and the Middle East, SAIC-GM will export Encore to the North American market, and Changan Fox will soon enter the US market. In the case that domestic brand cars are difficult to enter the developed countries, joint-venture brand cars account for an increasing proportion of China's automobile exports. As a way to promote Chinese auto companies to enter overseas markets, joint venture manufacturing and exporting will indeed help expand the share of Chinese autos in the world market and enhance the image of Chinese brands.

2.2.3 Overseas M & A

Overseas mergers and acquisitions refer to the purchase agreement between a domestic auto company and one or more foreign companies to acquire all or part of its assets or stocks and obtain ownership or control over the acquired assets or enterprises. They can choose to continue to operate on the original basis, or to form a new company.

The current cross-border M&A activities of Chinese auto companies have the following characteristics:

(1) The scale of mergers and acquisitions is upgraded and the value is expanded.

SAIC's acquisition of Ssangyong, Geely's acquisition of Volvo and its shareholding in Daimler, and Dongfeng's stake in Peugeot Citroen show that the scale of mergers and acquisitions of Chinese auto companies continues to expand, and the brand value of mergers and acquisitions is also growing.

(2) The acquirers include state-owned enterprises and private enterprises.

In the early days, state-owned enterprises SAIC and Nanjing Automobile carried out overseas mergers and acquisitions in the form of capital operation. Later, private enterprises Wanxiang Group and Zhejiang Geely Group began to enter overseas markets through cross-border mergers and acquisitions.

(3) The choices of M&A targets are relatively concentrated.

The M&A targets selected by Chinese auto companies are mainly based on auto companies in developed countries such as Europe, America, Japan and South Korea, and they intend to acquire the technology and market through the merger and acquisition behavior. But recently, in order to open up the market, auto companies in emerging markets have also begun to become targets. For example, Geely has chosen Malaysian auto companies as a target for mergers and acquisitions since 2017.

(4) The objects of M&A are not limited to finished-vehicle companies.

In recent years, the scope of overseas mergers and acquisitions of Chinese auto companies has continued to expand, in addition to finished-vehicle companies, including overseas factories, market sales channels, and confidence in intellectual property and assets.

Chart 2-4 Examples of overseas M&A of major Chinese auto companies

Auto Enterprises	M&A events
SAIC	-In 2002, it acquired a 10% stake in GM Daewoo for US$59.7 million. -In 2004, it acquired 48.92% of the shares of South Korea's Ssangyong for 500 million US dollars (unsuccessfully) -In 2004, it purchased the property rights of two models and all its engines of Rover -In 2007, it acquired Nanjing Auto and obtained Rover, MG (the brands used to owned by Najing Auto)
Geely	-In 2006, it entered the British Manganese Bronze, held 19.97% of its shares, and acquired all the shares of the London Taxi Company in 2013. -In 2009, it acquired the Australian auto transmission company DSI. -In 2010, it acquired 100% stake in Volvo for US$1.8 billion and acquired an 8.2% stake in Volvo Group in 2017, becoming the largest shareholder. -In 2017, it acquired a 49.9% stake in DRB's Proton and 51% of the luxury sports car brand Lotus, and acquired the entire business and assets of the US flying car Terrafugia. -In 2018, it acquired a 9.69% stake in the Daimler Group.
Dongfeng	- In 2012, it acquired the Swedish T Engineering AB Company - In 2014, it subscribed for a 14% stake in the Citroen Group
Yongman	- In 2006, it purchased the relevant passenger car technology of the British Lotus. - From 2008 to 2014, it strived to acquire Saab and its related technologies and eventually failed. After that, it acquired a 74.9% stake in German VIA. - In 2012, it invested 10 million euros to subscribe for a 29.9% stake in the Dutch Spyker.
BAIC	- In 2009, it acquired Saab's core intellectual property rights. - In 2014, Beiqi Foton acquired the German car brand Borgward.

Source: Public Information

2.2.4 Establish overseas R&D center

After reaching a certain stage of development, in order to meet the needs of overseas markets, Chinese automobile enterprises have chosen to establish R&D centers overseas to improve their product advantages. Through the establishing of overseas R&D

centers, Chinese auto companies are able to integrate high-quality foreign resources and shorten the R&D cycle by increasing R&D investment to gain support from the world's leading technologies. This not only marks the expansion of the overseas market strategy of Chinese auto companies into deeper areas, but also narrows the gap with the world's leading auto companies. In addition, the participations of outstanding overseas R&D personnel have helped Chinese auto companies to design cars that are more suitable for the international market and enhance their international competitiveness. At present, the R&D centers of Chinese companies are mostly dedicated to the improvement of automotive core technology and the design of automotive exteriors.

Changan and Jianghuai set up R&D centers for design in Turin, Italy, in an effort to increase the appeal of the exterior of the companies' automotive products to consumers. The overseas R&D centers set up by BAIC and BYD focus on new energy vehicle technologies: BYD has set up an electric bus factory and R&D center in Sao Paulo, Brazil, mainly providing technical support for electric buses and iron battery modules; By setting up overseas R&D centers to integrate global high-quality resources, BAIC is based on the global market to produce new energy vehicles.

Chart 2-4 Examples of overseas R&D centers of various Chinese automobile companies

Auto Enterprises	Overseas R&D center
GWM	In 2016, it established Techno Co., Ltd. in Japan.
Jianghuai	In 2005, it established a design center in Italy. In 2006, it established the JAC Design Center in Japan.
SAIC	In 2007, it established a research and development center in the UK.
BJEV	In 2015, it established the Silicon Valley R&D Center and the Aachen R&D Center. In 2016, the US Detroit R&D Center was established to develop motor drives.
BYD	In 2015, it established the R&D Center in Sao Paulo, Brazil.
Changan	In 2003, the Italian Design Center was established to be responsible for the design of the vehicle. In 2008, the Japan R&D Center was established to be responsible for vehicle interior design. In 2010, the UK R&D Center was established to be responsible for the development of the powertrain. In 2011, the US R&D Center was established to specialize in automotive chassis technology.
NextEV	In 2015, it established the San Jose R&D Center to develop pure electric vehicles.

Source: Public Information

2.3 External factors affecting Chinese auto companies entering overseas markets

2.3.1 Support of National Policies

In recent years, with the rapid growth of China's auto industry, many auto companies have accelerated their pace of entering overseas markets. Various national policies and government work reports have also indicated that relevant measures will be taken to encourage Chinese auto companies to cultivate their own competitiveness, and the development of the automobile industry will be included in the "going global" strategy, so as to seize the commanding heights of market competition in the process of "going global". In the successive policies and plans such as "Intelligent Manufacturing Equipment Development Special Project", "Made in China 2025" and "13th Five-Year Plan", the automobile industry has been included in China's top ten "key development areas" in order to promote the transformation and upgrading of the whole automobile industry. The Chinese government encourages auto companies to enter overseas markets through policy support and further improved regulations, actively pursuing cross-border mergers and acquisitions through capital cooperation, realizing resource allocation in the context of globalization of production and market, and realizing the deployment of global production and service networks to enhance international management capabilities and competence of corporate.

The "One Belt One Road" strategy is a deepening implementation of China's "going global" strategy. At present, "One Belt And One Road" member countries and regions have provided numerous regional markets with a great potential for overseas business of Chinese automobile enterprises. Among them, many countries are in the rising stage of their economic development, which brings a new round of development opportunities for China's automobile industry. The “One Belt One Road” policy will promote economic exchanges and trade cooperation between Chinese automobile enterprises and member countries and regions, seize the policy dividend, and continuously enhance the recognition of Chinese automobile enterprises in overseas markets, so as to expand the scale of overseas production and export.

2.3.2 Complex External Environment

Chinese auto companies must face complex and unstable political and economic factors when exploring overseas markets. For example, local political issues such as the

Libyan civil war have caused huge losses for Chinese auto companies in their local assembly plants. The Crimean problem has devastated the Ukrainian and Russian economies, which in turn has affected the export business of Chinese auto companies with their main battlefields. The Chinese auto companies that once had great presences in the Brazilian market were also affected by Brazil’s severely declining economy, and the sales fell. Other factors, such as local laws and labor relations, will also cause problems for Chinese companies.

The downturn of the world economy in recent years has led countries to adopt trade protectionism against overseas enterprises to protect domestic enterprises and employment. Frequent trade restrictions have made it difficult for Chinese enterprises to export. While entering the overseas market, Chinese auto companies need to face technical trade barriers set up in the target market, such as local environmental regulations and product technology testing and certification. At the same time as the rapid development of China's auto industry, intellectual property rights have increasingly become a "tool" for foreign governments and auto companies to suppress Chinese auto companies, such as the "377 Investigation" in the United States. In the future development of China's auto industry, international intellectual property barriers, technical barriers and a fierce international competition are still the main obstacles facing Chinese auto companies' exports.

2.3.3 Huge International Market Demand

From the perspective of the demand for automotive products, both traditional fuel vehicles and new energy vehicles with obvious technological advances, as well as the promotion of shared vehicles and driverless technologies, have enormous room for development. Affected by factors such as geographical environment, human environment and economic level, the global automotive market has different needs for automotive products, customized services with strong adaptability will have great needs in the future. From the perspective of the market, the automobile markets in developed countries such as Europe, America and Japan are almost saturated, and the automobile markets of developing countries such as China and India, which have developed automobile industry, face fierce competition. Emerging and underdeveloped regions have become major growth points in the global automotive market. Chinese auto companies should pay attention to the huge demand that still exists in the international market, and increase their competitiveness with cost advantages and evolving technologies.

Chapter 3 Strategic Analysis of Chinese Automobile Enterprises Entering Overseas Markets

From the perspective of enterprise development, the exploration in overseas markets is the only way for Chinese automobile enterprises to seek further development and gain profit growth points. From the perspective of the development of the automobile industry, it is an important step for China's automobile industry to cross the bottleneck and achieve overall development. From the perspective of national development, it is one of the best solutions for China to achieve industrial level improvement and high-end manufacturing output under the new economic normal. The strategy for Chinese companies to enter overseas markets, which is related to the sustainable development of enterprises, must form a correct and clear strategic thinking after fully understanding the company's own situation and target market conditions, and prepare for various possible situations.

Chinese auto companies have adopted a variety of strategic models and entry methods when exploring the international market. Whether a simple trade model or a merger and acquisition transformation model, they are constant attempts by Chinese auto companies in the process of “going global” of products and brands. In this process, domestic enterprises need to combine their own development and external environment, and make reasonable strategic choices according to their own development stage, relying on their own markets, and implementing overseas development strategies on a down-to-earth basis to realize the internationalization of enterprises.

This chapter analyzes the overseas development strategies of Chinese auto companies from the perspectives of strategic objectives, strategic periods, strategic markets and strategic models.

3.1 Strategic Objectives

Considering the goals that need to be achieved in overseas markets is the company’s top priority. The strategic objective is the pre-set values of the profit and market size that the company can generate from its strategic business activities. The setting of strategic goals will help the company to carry out the next business plan and clarify and define the social mission of the company in detail. When companies decide to enter overseas markets, they will face greater obstacles and resistance than domestic ones, which requires companies to invest more energy. Therefore, determining the goal of entering overseas markets is a top priority. In general, the strategic objectives are:

(1) Gain economic benefits and achieve product export

This is the goal that runs through the business and is the ultimate goal. However, if they only take the economic benefits as short-term goals and try to achieve rapid growth in corporate revenues through overseas markets, they should carefully choose the way of overseas development. Direct sales in the right markets are relatively inexpensive. However, if they want to build a factory solely overseas to achieve local factory construction, local employment and local sales, it is not only time-consuming and laborious, but also requires a lot of integrated resources (Tian Xin, 2015). If the company's own strength is limited and the short-term strategic goal is to improve the company's operating conditions, it is necessary to carefully consider this approach.

(2) Realize long-term operations in overseas markets and marketing channels

When companies are interested in the development potential of the overseas market and have confidence in the quality and development prospects of their products, they will be committed to strategic deployment in overseas markets to achieve long-term market share. If this is a strategic objective, the establishing of marketing channels and after-sales systems for enterprise products will become a key task in opening up overseas markets. Enterprises must strictly control the quality of products, maintain the reputation of products in the target market in order to obtain the recognition of consumers, and achieve the long-term interests of enterprises in this market.

(3) Obtain brands, technologies, managements and talents

When companies are not satisfied with the slow development of the country, they are expected to gain access to overseas markets to gain international experience in technology, talent and management. If the strategic goal is this, then choosing the right market for overseas mergers and acquisitions and establishing an overseas R&D center will help achieve the goals quickly. Realizing the absorption of foreign technology and talents in the mode of capital investment will help enterprises achieve leap-forward development.

(4) Expand the scale of the company to support the domestic market

If the goal of an enterprise to develop the overseas market is to ultimately support the domestic market with the improvement of its strength in the overseas market and help the enterprise to better grasp the domestic huge sales market, then it should choose the overseas market and entry mode according to the domestic market. While paying attention to overseas markets, enterprises should strive to build a domestic market and timely feedback the experience and achievements absorbed in foreign markets to the domestic market.

These objectives run through all stages of the company's entry into overseas markets and at all stages of business development. In the process of overseas development, enterprises should distinguish between primary and secondary, and pay attention to the main strategic objectives in a certain period of time, instead of expecting to achieve all the goals at one time. The core mission of the strategic objectives is to identify the trade-offs of the business, which is helpful for the choice of the strategic period and the strategic market.

3.2 Strategic Periods (Business Lifecycle)

Companies should strive to seize the best opportunities, such as when market conditions are ripe or when policies are promoted. In the selection of strategic period, enterprises should take their own development stage as the basis to choose the period conducive to the entry of products into overseas markets. Every business goes through four phases of a life cycle: startup, growth, maturity and renewal/rebirth or decline. Understanding what phase you are in can make a huge difference in the strategic planning and operations of your business (Brandon, 2018). Enterprises at different stages of their life cycle have a sustainable organizational structure and business model that is compatible with their development.

Enterprises in different periods should give full play to the main advantages of enterprises when choosing strategies, extend the period when enterprises can generate profits, and help enterprises achieve sustainable development.

(1) Enterprises in the startup period can first probe the overseas market and accumulate capital through the direct export trade of automobile products. Enterprises with insufficient strength can form strategic alliances with other auto companies, and use the resources of the enterprise alliance to jointly develop the market and improve the development speed of their own.

(2) Enterprises in the growth stage have accumulated a certain capital and manufacturing experience, and may consider establishing assembly factories and production bases in overseas sole proprietorship or joint venture, so as to realize the assembly and sales of spare parts in the target country.

(3) The automobile enterprises in the mature stage have already possessed considerable scale and strength. The quality of their products has basically met the high-end technical standards, and their brands have a wide range of customer recognition and stable markets. When developing to this stage, automobile companies will choose high-end automobile markets in developed countries such as Europe and the United States to compete with global multinational automobile companies. They can not only realize the overseas leap-forward development of enterprises through capital operation, but also occupy overseas market share by setting up overseas production bases and branches. At this time, enterprises have achieved a stable position in the domestic market, and the export of automobile products and technologies will help enterprises achieve sustainable development in overseas markets.

(4) It is difficult for enterprises to further expand the production scale and market share of enterprises in their decline periods. Enterprises can maintain their profitability points through overseas mergers and acquisitions or deepening localized operations. The company's international management and management experience will help it stabilize the market.

3.3 Strategic Markets

The strategic target market is the market that enterprises decide to enter. We can classify the global market according to major factors such as economic development level, geographical location, economic community, and automobile industry status, etc. Enterprises analyze and select market segments based on their own development needs and strengths. Competitors, market potential and resource allocations that can be achieved by enterprises are different in different market segments. Enterprises should combine their own strategic objectives to select the target market that is most suitable for the development stage of the enterprise to conduct overseas operations. Generally speaking, the choices of strategic market for enterprises are biased towards countries or regions with development potential, controllable market risks, and possible competitiveness of their own.

The type of target market and its own development stage will affect the strategy of foreign auto companies operating locally. From the perspective of the layout of global auto companies in overseas markets, factors such as the maturity of the target market, the level of development of the local economy, the openness of overseas trade, and the competitiveness of local similar enterprises will all affect the strategy of Chinese auto companies entering the market.

From the perspective of market type, the automobile market of developed countries has higher requirements on the quality and technology of imported automobile products, and there are usually mature local automobile enterprises. With the current product performance and brand recognition of Chinese automobile enterprises, a direct export may be difficult to be effective. M&A or alliances with mature auto companies, or a joint venture to sell back into developed markets, would be a more advantageous option. The automobile market in developing countries pays more attention to the cost-performance ratio of automobile products, which is favorable for Chinese automobile products with cost and price advantages.

However, there are fierce competitions in the markets of developing countries with higher levels of openness, and Chinese auto companies need to invest more than the more well-known international auto brands. Markets with higher closures are relatively difficult to access and there are more trade protection measures.

From the perspective of market maturity, emerging markets can be the focus of Chinese auto companies' overseas business. The “One Belt, One Road” policy also makes the export of enterprise products and the establishing of overseas factories feasible. In the highly developed automobile market such as India, Japan and South Korea, internationally renowned auto companies have already occupied large market shares. Chinese auto companies need to carefully consider whether to participate in the competition and how to compete.

When an enterprise completes the selection of strategic market, it needs to conduct research on the market segments and lock the target market into one or several sub-markets based on the differences in customer demands of the target market. The main categories of automotive products include heavy trucks, light trucks, commercial vehicles, sedan cars, off-road vehicles, electric vehicles, etc. Enterprises can choose market segments based on their own product and technology advantages, combined with local consumer preferences.

The models, that companies may consider, include:

(1) Concentrated marketing. It is also primarily known as niche marketing, which means that firms are using all their resources and skills on one particular niche (Caragheer,2008). Enterprises believe that they have a considerable competitive advantage in a certain market segment, so they choose to conduct concentrated

marketing in this market segment, to transform the customer's centralized demand into the understanding and purchase of products, in order to obtain a solid position in the market and customer recognition.

(2) Specialization. Based on the special needs of a certain customer group, the enterprise realizes the profit of the company by providing specialized and professional services. For example, the production of special vehicles or buses, taxis.

(3) Mass marketing. Undifferentiated marketing/Mass marketing is a method which is used to target as many people as possible to advertise one message that marketers want the target market to know (Ramya & Subasakthi, 2013). The company abandons its pursuit of market segments, expands the strategic market to cover all customer groups, and meets the needs of various customers with all types of products to achieve the widest possible product coverage. The choice of such strategic markets is generally only applicable to large-scale enterprises, such as Volkswagen, GM and other multinational auto companies.

3.4 Strategic Modes

3.4.1 Export-oriented Strategy

In the early days of entering the overseas market, auto companies usually preferred direct export trade, via the export of finished-cars and knocked down. This kind of mode has several advantages: it can (1) control over selection of foreign markets and choice of foreign representative companies, (2) gain good information feedback from target market, developing better relationships with the buyers, (3) get a better protection of trademarks, patents, goodwill, and other intangible property and (4) create potentially greater sales, and therefore greater profit, than with indirect exporting (Yoshino, 1995). The disadvantage is that higher investments of time, resources and personnel and also organizational changes are needed (Foley, 1999). Without long-term benefits, it is difficult to form economies of scale. In order to ensure the smooth implementation of the export-oriented strategy, enterprises need to conduct detailed market research on the target market in advance, comprehensively consider marketing measures and competitive means, and adopt marketing combination strategies including product development, pricing strategy, and distribution strategy.

Chinese auto companies often try to enter overseas markets with an export-oriented strategy. When the target market is small or the trade barriers are low, the export-oriented strategy makes the company face lower risks, less cost of investment, and lower requirements for the comprehensive strength of the enterprise. In this case, companies are relatively easy to achieve product output and obtain short-term benefits in overseas markets. Enterprises can choose to establish business relationships with local trading companies, distributors, and agents. The business model is relatively simple.

Since 1998, Great Wall Motor has started exporting pickup trucks to the Middle East such as Iraq and Syria. For more than ten years, its export volume and export value have been the top among Chinese auto enterprises. Great Wall Motor has laid a solid foundation for the company's overseas trade by means of finished-vehicle export and knockdown assembly. Its products are exported to more than 100 countries and regions, and its Haval SUV is regarded as the world's fourth greatest SUV brand.

3.4.2 Foreign Investment Strategy

When an automobile company has a certain strength and the exploration of an overseas market has a certain scale, the enterprise can realize the localization processing of parts by means of wholly-owned or joint venture establishing of a factory. That is to make full use of local open policies, market environment and resources to expand overseas business. When the export trade of the enterprise is relatively mature, the international market has certain stability, and the automobile assembly plant can be established in the target market by means of SKD or CKD. Based on automotive products and the domestic market, the company continues to improve its overseas production lines and marketing networks and gradually stabilize its share in overseas markets. The advantage of this strategy is that it can reduce the costs of tariffs and transportation, and ensure the control over core technologies. It helps to develop the local market and facilitate the promotion of the brand. But at the same time, there is also a high risk existing.

In fact, for the target market, the local government expects to increase local employment through local investment and factory construction by foreign enterprises, while the national or regional governments lacking corresponding technologies and mature enterprises are more expecting overseas investment with leading technologies and financial support to stimulate the development of local industry.

From a direct export to establishing assembly plants overseas, companies need to not only pursue commercial interests, but also gradually gain a market share and a customer recognition in overseas markets. In order to grasp the local market and establish and maintain the brand image, Chinese auto companies have started to establish factories in major auto markets around the world on the basis of the previous export trade. Take Jianghuai Automobile Group as an example. It established the first overseas light truck production base in 2005. Now it has gradually established 18 assembly production plants through the foreign investment strategy, achieved localized manufacturing in the target market and initially completed the global production of its light trucks. By transforming the export growth mode, JAC achieved a win-win situation between its light truck products and the local economic development of the target market.

However, while the strategy of establishing factories overseas has stabilized the market and expanded market coverage, the risks faced by enterprises have also increased. The political situation, economic and policy stability of the target market will have a great impact on the overseas production of the company. In addition, this strategy is not only time-consuming and labor-intensive, but also requires a large amount of resources to be integrated. In essence, it is to copy domestic factories overseas, but they cannot use overseas superior resources such as brand, technology and management to feed themselves (Fuquan Zhao, 2016).

3.4.3 M&A-oriented Strategy

While the company is developing steadily, it expects to find new ways of business growth through capital investment. The transformation of economic growth through acquisitions, mergers, holdings, and equity participation allows companies to cultivate or explore corporate strengths and build sustainable competitiveness.

The M&A-oriented strategy enables companies to quickly acquire overseas resources and advanced technologies to diversify their markets and products. In addition to equity and assets, companies can also obtain non-material values such as customer resources, international management and marketing experience, sales skills and channels from acquisition target. In addition, it can help companies effectively solve the problems of cultural communications that may arise and have a good relationship with the local government. When the company finds that it is difficult to achieve its goal of opening up overseas markets only through overseas trade, the M&A strategy can bring the mature products and technologies of the acquirer to the enterprise in the form of capital investment, and it is easy for the enterprise to co-ordinate resources at home and abroad and find another way occupying foreign markets. Especially when it is difficult to obtain local resources in the target market through other channels, the M&A strategy can complement each other and accelerate the development of the company overseas.

At present, no matter in terms of market size or core technology, Chinese automobile enterprises are in a weak position compared with international competitors. In the absence of geographical advantages and competitiveness, they can consider adopting merger and acquisition strategy to achieve leapfrog development.

The M&A behaviors of Chinese auto companies can be broadly divided into:

(1) Horizontal M&A

It is the M&A between two or more companies that produce and sell the same or similar products. In a short period of time, it is difficult for Chinese auto companies to keep up with the pace of internationally renowned auto companies through independent innovation in technology and market scale. Therefore, through horizontal mergers and acquisitions, capital investment can be used to obtain the resources and brands of excellent auto companies, and to enhance corporate reputation and recognition.

This mode is more common in overseas M&A of Chinese auto companies. For example, Geely's innovative acquisition of 100% of Sweden's Volvo in 2010 has enabled the Group to complete its strategic transformation from producing low-cost cars to producing higher-value products, which has completed a new round of coporate branding and image building. Today, Geely's Lectra has successfully entered the US luxury auto market, achieving a major leap forward for Chinese auto companies to explore overseas markets.

(2) Vertical M&A

It is the M&A of two or more companies involved at different stages in the supply chain process for a common good or service. The behavior of Chinese auto companies to acquire overseas excellent auto parts companies is vertical M&A. Through vertical mergers and acquisitions, enterprises will integrate upstream and downstream enterprises that are related to the value chain of the enterprise, in order to increase synergies, gain more control of the supply chain process, and increase business. Also, it often results in reduced costs and increased productivity and efficiency. However, the excessive pursuit of short-term benefits brought about by vertical mergers and acquisitions may lead to the expansion of the company's core competitiveness by expanding into the excessive field and investing too much resources while developing the main business.

The acquisition of the engine and gearbox factory of the Rover Group by Nanjing Auto and the acquisition of the transmission company in Australia by Geely are all vertical acquisitions.

3.4.4 Strategic Alliance

Strategic alliances are cooperation agreements between different companies, usually in the form of shared research, formal joint ventures or minority participation. Modern forms of strategic alliances are becoming increasingly popular and have three distinct characteristics: (1) they often occur between companies in industrialized countries. (2) The focus is often on creating new products and/or technologies rather than distributing existing products and/or technologies. (3) They are often created only in the short term. In non-equity-based agreements, companies are separate and independent (Bartett, 2009).

There are many Chinese auto companies and the quality of their products is uneven, which has caused the chaos and disorder of the export market and reduced the reputation and competitiveness of Chinese auto brands. In the face of overseas markets, Chinese auto companies should form alliances to expand the economy scale, increase market share, and avoid being eliminated by increasingly fierce market competition. In addition, the alliance can also obtain intellectual property rights through joint participation in technology research and development to promote the overall development of the automotive industry and improve the competitiveness of export products.

In order to realize the interoperability of information resources in the domestic market, Chery Automobile and Guangzhou Automobile Group have become strategic partners. The two parties established China's first automotive strategic alliance in 2012. Three auto enterprises, Dongfeng group, Chang 'an Automobile and FAW Group, signed a strategic cooperation agreement in 2017 to conduct cooperative research in forward-looking technological innovation and other fields, and commit to building China into a powerful auto country.

Cooperation and investment in the form of strategic alliances usually involve two orientations:

(1) Technology-oriented: At present, Chinese auto companies lack innovative technologies and corresponding R&D capabilities. Through strategic alliances with multinational auto companies, they integrate domestic and foreign advantageous resources and technologies and absorb them to develop their own brands. Major automobile companies such as FAW and BAIC have occupied the domestic market through strategic alliances and foreign brand joint ventures, in order to develop the strength of their own brands and open up the international market. At the same time, the alliance can also feedback foreign

markets, and seek common interest growth points with overseas investment companies in the globalization strategy to achieve common development of all parties in overseas markets. Technical cooperation has always been one of the strategic choices of Chinese auto companies. At the beginning of its commercial vehicle project, JAC established a ten-year partnership with Hyundai Motor Co., Ltd. to develop JAC's commercial vehicle models in a collaborative mode.

(2) Market-oriented: It refers to the strategic alliance to conditionally leverage the successful experience of foreign well-known auto companies, brand influence and sales network to help companies enter overseas markets. SAIC and GM cooperate to develop markets in India, Egypt and South America. Foton Motor and Mercedes-Benz set up a joint venture to introduce Mercedes-Benz's heavy-duty engine technology to produce heavy-duty trucks under its own brand, and to develop overseas markets with Mercedes-Benz's commercial vehicle brand image and global sales network. In 2017, Geely acquired a 49.9% stake in Proton, becoming its exclusive foreign investment strategic partner, and intended to open the Southeast Asian market.

3.4.5 Characteristic Strategy

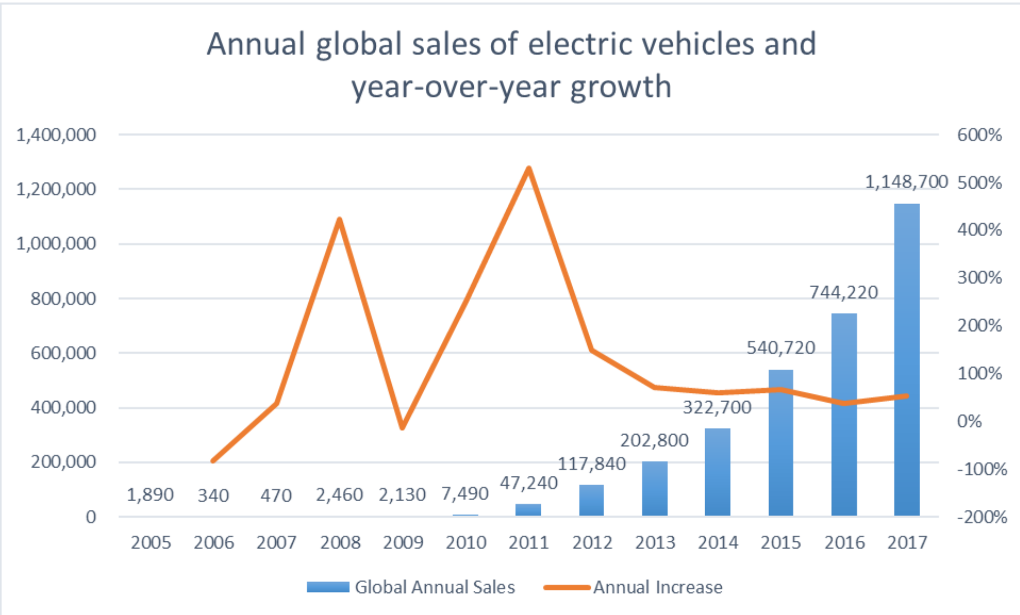
Enterprises should integrate their unique strategies into the macro-strategic model according to their own advantages and resources, and form a unique competitive advantage. According to its own product positioning and development model, entering the overseas market with a distinctive strategy will add luster to the business in the overseas market, enabling the company to take the lead in occupying new market development opportunities and contributing to the cultivation of unique competitiveness.

At present, the global energy shortage, environmental pollution and driving safety challenges are increasing. In the new round of science and technology and the industrial revolution, the global automotive industry is moving towards electric, intelligent, networking and sharing orientation. Especially in recent years, the international mainstream enterprises generally have accelerated the transformation to the electric, and there has been a new wave in the development of the global electric vehicle industry. Such countries as Norway, the Netherlands, Ireland, France and the UK have proposed the fuel vehicle sales ban schedule motion, which has become a catalyst for the accelerated development of electric vehicles. The scale development speed of the new energy vehicle market in such typical countries as China exceeds the general expectation.

In 2017, global electric vehicles (including battery electric vehicles and plug-in hybrid electric vehicles) sold 1,418,700 units, accounting for 1.19% of global vehicle sales. This is also the first time the ratio has exceeded 1%. In terms of the absolute sales volume by country, China, the United States, Norway, Germany, Japan, the United Kingdom, France and Sweden rank the highest in terms of annual sales volume of electric vehicles.

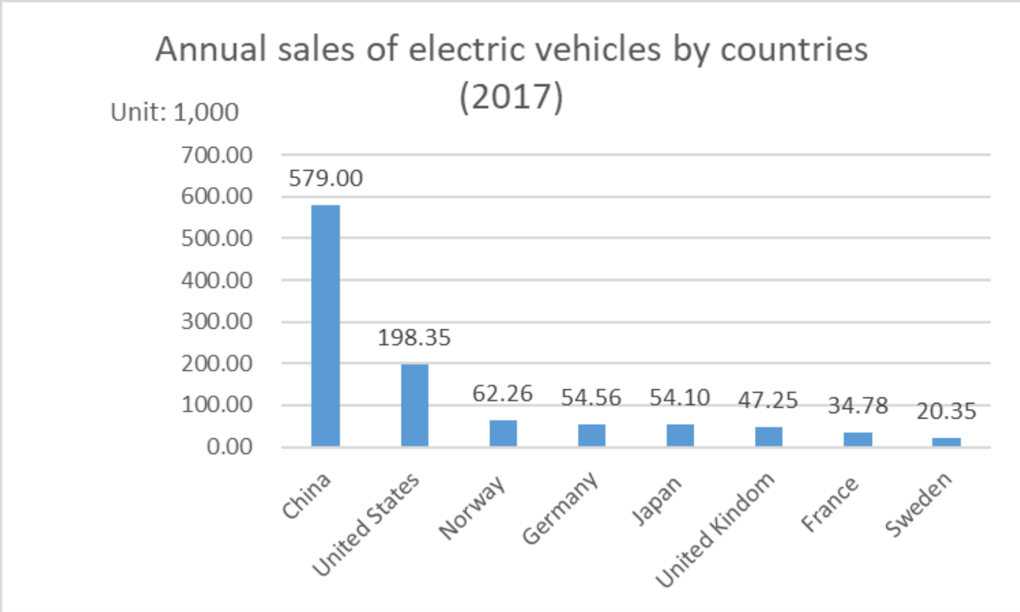
Among them, Chinese auto company BYD has become the largest share of the global new energy vehicle market with 113,669 sales per year. When Chinese auto companies were difficult to enter the European and American markets due to technical defects and trade barriers, BYD drove its electric buses into the European and American markets with its new energy technology advantages. In 2013, BYD pure electric bus was certified by the European Union. Its electric buses and E6 models entered the markets of European countries such as the United Kingdom, Germany, Sweden and Finland. Iron batteries and electric bus factories were also established in the United States. The newly-emerged NIO debuted on the world stage with a new energy sports car. Its flagship product EP9 actively participated in various world competitions after its launch, striving to show the strength of its electric car products in the international league, and publicize its high-end electric car brand positioning in a high-profile way.

Chart 3-1 Annual global sales of electric vehicles and year-over-year growth



Source: International Energy Agency, Global EV Outlook 2018

Chart 3-2 Annual sales of electric vehicles by countries (2017)



Source: International Energy Agency, Global EV Outlook 2018

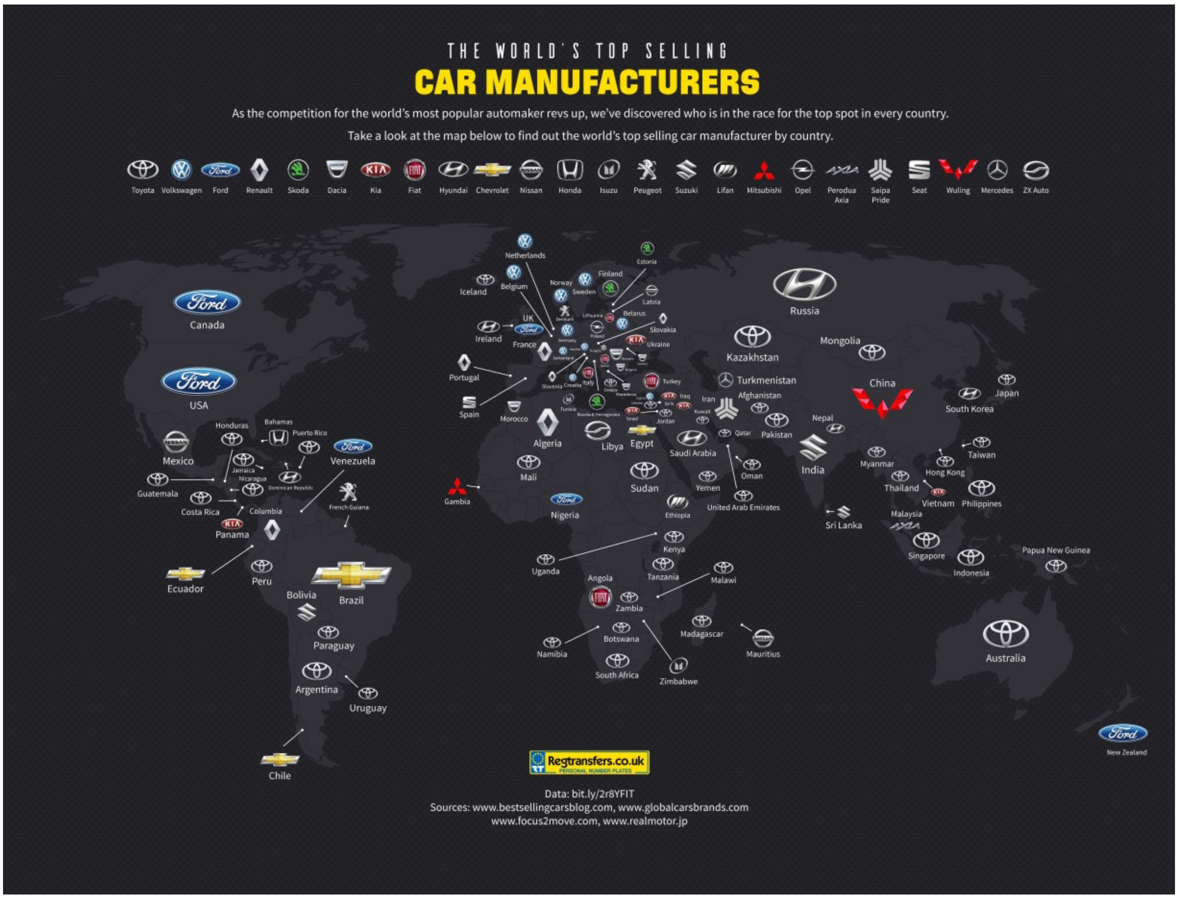
To sum up, the Chinese automobile enterprises in choosing to enter overseas market strategy, should fully consider the target market, combined with their own development and stage as well as the development of the target market, choosing the right strategic mode, with sensible strategy to guide the development of the enterprise, in order to less detours in the process of opening up overseas markets.

Chapter 4 The Comparisons of Automobile Companies Entering Overseas Markets

4.1 The strategies of internationally renowned auto companies entering overseas markets

4.1.1 Toyota's international strategies

As the largest automobile group in Japan, Toyota has the highest sales volume in the world. Today, Toyota's production and sales in overseas markets have already far exceeded domestic levels, and it has been successfully deployed globally. According to the statistics of Regtransfers in the United Kingdom in 2016, Toyota won the new car sales championship in 49 countries and regions, and firmly occupied certain market shares in Asia, Africa, Australia and Europe and the United States.



Source: Regtransfers.co.uk

Since its founding in 1933, Toyota has become a fast-growing integrated automotive industry group, benefiting from its early expansion into the international market and its international strategic vision. The success of Toyota's overseas market expansion depends on its efficient operation and clear global development strategy. In the strategic choice to enter the overseas market, Toyota determines its milestones according to the characteristics of the target market and chooses the timing to enter the market to adapt to its development strategy. Its internationalization process is from the export trade of automobile products, the establishing of a global marketing network, to the establishing of overseas-owned enterprises and global research and development centers. When making strategic choices in overseas markets, Toyota group first chose United States and developed countries in Europe, and then entered other emerging markets after making certain achievements. Its strategies to enter overseas markets are as follows:

(1) Export-oriented strategy.

Active export was the main feature of this stage. After exporting through dealers and exporting by itself to deploy marketing network overseas, Toyota group has carried out its export business under the support of the government's export policy. During the oil crisis of the 1970s, Toyota quickly gained a market share in the United States by introducing fuel-efficient cars. For the European market with high tariffs and fierce competition, Toyota has been striving for the European market through licensing and trade, with its price and technical advantages.

(2) Foreign investment strategy

Toyota Group's operations in the United States have been hampered by high local tariffs. In the face of the high demand in the US market, Toyota and GM have carried out strategic cooperation, established joint ventures in the United States, and established a fully-owned factory after a period of its development. When it first entered the European market, Toyota set up factories in Hungary, the Czech Republic, Poland, and established a European design center in Belgium, quickly mastering Europe's advanced production design concepts. On the one hand, it is the demand of enterprise development; on the other hand, it is the restriction of policies. Toyota has made strategic changes to avoid trade frictions by overseas direct investment.

(3) Localization strategy

As Toyota's overseas business entered a period of rapid growth, in order to ensure its market share, Toyota aimed at the local market demand, made full use of resources, and constantly accelerated the product research and development process for local customer groups.

From Toyota's internationalization strategy, we can get the following inspirations:

(1) Differentiation of overseas market strategies

After selecting the right overseas market, Toyota conducted detailed analysis of the political situation, competitors and upstream and downstream manufacturers in its target markets, so as to formulate and implement the following overseas development strategies. The key to Toyota's differentiation strategy is to formulate different market strategies for the characteristics of different stages of development, in order to minimizing the constraints of the local market and ultimately completing the localization of the brand.

(2) International management experience

As the scale of overseas market expands continuously, enterprises must respond to the management needs of different countries with the management mode conforming to the requirements of the development of transnational enterprises. Toyota adopts an independent management approach to overseas business units, simplifying management levels and procedures, and effectively integrating the work of the departments responsible for related businesses. At the same time, Toyota also strengthens the communication between different management levels to avoid the negative impact of delayed information transfer on the company's business.

(3) Focus on local market demand

With the promotion of overseas business, the fierce market competition requires multinational companies to pay more attention to the local demand of overseas markets. The product development in the market where the enterprise is located cannot be promoted to all markets. Toyota has continuously strengthened its national R&D system by setting up overseas R&D centers. Its channel development strategies (by localization marketing) and consumer satisfaction-oriented localization service strategies have achieved great success. The production strategies based on Toyota's philosophy and its resource allocation strategies complement each other.

4.1.2 Volkswagen's international strategies

The Volkswagen group was founded in Wolfsburg in 1938. Between 2016 and 2018, Volkswagen topped the list of global light vehicle sales for three consecutive years. Today, it owns a large number of well-known brands, such as Audi, Lamborghini, Volkswagen, Skoda, Bentley, Bugatti, Porsche and so on. The group's business covers the four major regional markets of Europe, North America, South America and Asia Pacific, with a number of wholly-owned and joint-venture companies, whose products are spread over more than 150 countries and regions.

World Best Selling Light Vehicles					
Rank 2018	Brand	Sales 2018	Sales 2017	+/- 2018	Share 2018
1	Volkswagen Group	10,810,349	10,603,433	2.0%	11.6%
2	Toyota Group	10,435,420	10,316,632	1.2%	11.2%
3	Renault Nissan Alliance	10,346,982	10,256,350	0.9%	11.1%
4	Genreal Motors	8,643,003	8,999,852	-4.0%	9.2%
5	Hyundai-Kia	7,416,346	7,302,810	1.6%	7.9%
6	Ford Group	5,632,734	6,283,780	-10.4%	6.0%
7	Honda Motor	5,234,818	5,264,860	-0.6%	5.6%
8	F.C.A	4,825,446	4,837,246	-0.2%	5.2%
9	P.S.A	4,084,845	4,245,218	-3.8%	4.4%
10	Suzuki	3,306,242	3,174,057	4.2%	3.5%

Source: Global Auto Database of Focus2move https://focus2move.com/world-car-group-ranking/

The international development of Volkswagen group has experienced the stages of export, foreign investment and active merger and acquisition. Its globalization strategies are as follows:

(1) Export Orientation

In 1947, Volkswagen group exported to the Netherlands and began its international development. In just two years VW sold 1/7 of its cars to European countries. In 1949, the Volkswagen group exported the Beetle to the United States and then to the global market. Subsequently, Volkswagen expanded its business in South America and entered important markets such as Brazil and Canada to respond to the Volkswagen Group's overseas market strategy and achieve the Group's global business and marketing layout.

(2) Foreign investment

Volkswagen's overseas export business has achieved good results. With the opening of its America, Africa and Asia Pacific markets, Volkswagen's global production and sales pattern has gradually formed.

(3) Transnational M&A

In order to develop itself into a transnational large automobile group, Volkswagen has carried out a series of transnational mergers and acquisitions in the process of entering the overseas market, including the acquisition of Bugatti, Lamborghini, Bentley, Porsche and other brands, realizing the layout of all products from luxury cars to economy cars. Later, it penetrated the Asia-Pacific market through overseas acquisitions and cooperation. In the process of exploring overseas markets, Volkswagen has developed a forward-looking vision and targeted the huge automobile market of China, demonstrating its determination of global strategic development.

From VW's internationalization strategy, we can get the following inspirations:

(1) Have strategic vision to develop new markets ahead of time

In order to realize its profit requirement in overseas markets, Volkswagen explored emerging markets in advance and took priority to seize the market before other international automobile companies started to compete fiercely. Volkswagen group further determined its market share by implementing its market development strategy in developing countries and using local policy support to develop joint venture brands. When other auto companies entered the developing market, Volkswagen had already become an early occupant of the market. Volkswagen's experience in emerging markets such as China and Brazil shows that the first or early entry into emerging markets requires lower costs and faces fewer obstacles.

(2) Pay attention to the construction of sales network and service network

Volkswagen not only focuses on the overseas export of products, but also increases capital investment to ensure the establishing of the overseas marketing network and the service network, especially in the strategically important American market and Canadian market. Volkswagen's success is closely related to its internal parts supply system and strong service network. It gains customer trust through the construction of sales networks and improved service quality, thereby increasing market share.

4.2 The strategies of Chinese auto companies entering overseas markets

4.2.1 Geely's international strategies

At present, Geely group, as the leader of China's private automobile enterprises, owns Boyue, Borui, Emgrand and many other brands, and its products cover a variety of models such as sedans, SUVs and new energy vehicles. While gaining a firm foothold in the domestic auto market, Geely group has made significant progress in the process of entering overseas markets. In the list of China's top 500 private enterprises in 2018, Zhejiang Geely Holding Group Co., ltd. ranked 11^{th} among the country's private enterprises with the revenue of about 2,782 trillion Yuan, ranking first in the private automobile manufacturing industry. In the 2018 Fortune Magazine World Top 500 list, Zhejiang Geely Holding Group ranked 267^{th} with a revenue of 41.172 billion US dollars.

Geely's strategic layout for opening up overseas markets is as follows:

(1) Export trade and establishing factories overseas

In 2003, Geely signed a cooperation agreement with Mallouk, a Syrian company, to realize the first step of its international strategy by exporting cars to the Arab market. Since 2005, geely group has established production plants or assembly plants in Belarus, the United Kingdom, Egypt, Indonesia, Uruguay, Sri Lanka, Ethiopia and other countries, gradually shifting from simple export trade to localized production, and established more than 200 sales and service outlets worldwide.

(2) Acquisition of British Manganese Bronze and Australian DSI

The British Manganese Bronze Holding Group has a relatively mature production technology and marketing network, and its "The London Taxi" has strong brand influence in Europe and America. On February 1, 2013, Geely Holding Group acquired the British Manganese Bronze, using Geely's capabilities and technology to promote the business development of the British Manganese Bronze Holding Group and create synergies with Geely. In 2017, London taxis launched the new model TX5, which is the first car produced by Geely's funds and new energy technology combined with London Taxi, and officially served the London taxi industry in 2018. At the same time, Geely used the new London Taxi to export, expanding overseas markets in a new path with taxi business. In 2009, Geely acquired Australia's DSI, which was the world's second largest transmission manufacturer. After the acquisition, Geely introduced its technology and products to the Chinese auto industry. DSI's product advantages were further enhanced by Geely's capital injection, and the world's advanced automatic transmission was used by Chinese automobile enterprises in the form of mergers and acquisitions.

(3) Acquisition of Volvo Car Corporation

In March 2010, Geely took the most important step in its internationalization process, that is, the formal signing of the acquisition of Volvo Car Corporation with Ford Company of US$1.8 billion and the acquisition of 100% equity and related assets of Volvo. After completing the acquisition of Volvo, Geely successfully completed the strategic transformation of the company with Volvo's high-end brand and mature technology, and helped the development of Geely's new models. In 2017, Geely and Volvo Group established two joint ventures: Geely-Volvo Technology Joint Venture and Lynk&Co Joint Venture. As a joint venture between Geely and Volvo, the company's automotive products can directly use Volvo's chassis, engine and gearbox. The advent of Lynk&Co symbolizes the official opening of Geely's design and production of its high-end products. Geely will also rely on the high-end brand of Lynk&Co to enter the automotive market in developed countries such as Europe and the United States.

(4) Acquisition of the shares of Proton in Malaysia and Daimler in Germany

In May 2017, Geely Group acquired a 49.9% stake in Proton, a subsidiary of DRB, and a 51% stake in the luxury sports car brand Lotus. After careful consideration, Proton chose Geely as its exclusive foreign investment strategic partner. In 2018, Geely Group acquired 9.69% of the voting shares of Daimler AG in the secondary market through the overseas business entity, and became the largest single shareholder of Daimler, and will hold the equity for a long time.

Through the rapid development of Geely for nearly two decades, we can get the following enlightenments:

(1) Digestion and absorption after overseas investment

Compared with the superficial significance brought by the so-called most successful overseas acquisition of Chinese automobile enterprises, Geely's all-round development in the eight years after acquiring Volvo is more praiseworthy. The completion of cross-border M&A is the first step for a company to implement its strategy of entering the overseas market. The resource integration after merger and acquisition is the test of the comprehensive quality of the enterprise, and ultimately determines whether the overseas expansion of the enterprise can achieve the expected results. After the M&A, Geely made efforts to further digest and absorb the core resources it acquired in the Chinese market. Volvo's corporate culture and management model were brought into the subsequent integration by Geely after the M&A to achieve the resource symbiosis of both of them.

(2) Open up new markets through equity acquisitions

The distribution of products in the Southeast Asian market is dominated by Japanese cars, and Chinese auto companies cannot enter it only through overseas trade. Geely's acquisition of Proton was intended to open the door to the Southeast Asian market by means of equity acquisitions and expand its overseas business. From the perspective of population and market potential, ASEAN is the fifth largest auto market in the world, and its member countries are emerging markets that Chinese auto companies can choose to enter. The population of ASEAN is about 623 million. In 2016, the sales volume of new cars was 3.16 million. Geely started from Malaysia and intends to gradually penetrate the

ASEAN market. It not only values the huge sales market, but also focuses on market policies and tax exemptions.

(3) Adhere to the technology-oriented strategies

Whether it is the acquisition of DSI transmission company or the subsequent acquisition of Volvo, we can see that Geely group, as an excellent private automobile enterprise in China, stresses a great importance of technology and makes great efforts. After becoming a shareholder, Geely is also looking forward to synergies with Daimler, a leader in electric, intelligent, driverless and shared mobility.

In recent years, Geely's business performance in overseas markets has been less eye-catching than in previous years, and export sales have declined. With the acquisition of Proton and the launch of Lynk&Co, Geely is facing new development opportunities with the support of the "One Belt One Road" policy. Further improving the strategic planning of its overseas market is the focus of Geely Group's development.

4.2.1 SAIC's international strategies

Shanghai Automotive Group Co., Ltd. is the largest listed auto company in China's A-share market with a total share capital of 11.683 billion shares. At present, SAIC's main business includes the research and development, production and sales of passenger cars, commercial vehicles and parts. In addition, automotive-related insurance, finance and investment businesses, as well as overseas operations and international commerce, are also within the scope of SAIC's business.

Passenger Car Company, Commercial Vehicle Company, SAIC Volkswagen, SAIC-GM, SAIC-GM-Wuling, SAIC Shenwo, Nanjing Iveco, and SAIC Iveco Hongyan jointly formed the SAIC Group's finished-vehicle business. In 2018, SAIC Group ranked 36th in the Fortune Global 500 with a sales revenue of US$128.82 billion, which is the 13th time it was selected in the Fortune 500. SAIC strives to gain insight into the development trend of the industry, accelerate the strategic transformation of the company, change the traditional manufacturing model, and strive to provide consumers with a full range of automotive products and travel services to build a comprehensive automotive industry. Its strategic deployments are as follows:

(1) Access to technology through strategic joint ventures

Before the active global strategic activities, SAIC Group was limited by its own strength and must enhance its competitiveness through strategic cooperation with internationally renowned auto companies, thus achieving passive globalization. Since 1985, SAIC has successively cooperated with Volkswagen and GM to establish joint venture brands. Through the digestion and absorption of core technologies and management models, SAIC promoted the development of the brand itself through the localization of joint venture brands. After successively obtaining management rights over the joint venture company, SAIC further cooperated with well-known brands such as Cadillac, Buick and Chevrolet.

(2) Develop independent brands after M&A

In 2000, SAIC began its strategy of entering the overseas market. After completing its own strength improvement, SAIC began its active globalization. Through the acquisition of Daewoo Motor (Korea), SsangYong (Korea), Rover (UK) and MAXUS (UK), SAIC has accumulated resources for the development of the Group's own brands. With the merges of Nanjing Automobile, all of Rover's intellectual property and resources were included in SAIC, and Roewe, MG and SAIC Chase began to enter the market and gradually become international.

(3) Promote its own brands overseas through strategic combinations

Along with SAIC's overseas strategy, brands such as Roewe, MG and MAXUS are exported to southeast Asia, Africa, Australia and Latin America to generate overseas profits through export trade, KD assembly and joint venture factories. In 2012, SAIC entered into the ASEAN market through establishing a joint venture with Charoen Pokphand group of Thailand. Later, SAIC successively set up production and research bases in the UK, Thailand, Indonesia and India, and its auto products began to enter the market of developed countries in bulk. At present, SAIC's sales volume ranks first among many Chinese auto companies exported to developed countries, and its MG has also established a foothold in the Southeast Asian market.

We can get the following inspirations:

(1) Promote the development of owned brands through the “bring in” approach. By introducing foreign capital and advanced technology through joint ventures, the “bring in” strategy brings technology and talents to China's slower-growing enterprises in their critical periods, and at the same time helps to improve the independent research and development capabilities of China's auto industry and promote the formation of a complete industrial systems. As a joint venture brand, SAIC GM has achieved remarkable results, which not only helps SAIC's performance in the domestic market, but also promotes the development of its own brands in overseas markets.

(2) Focus on emerging markets

SAIC became the first Chinese auto company to enter the Indian market through a partnership with GM. It then took charge of the Indian market independently, selling cars through its subsidiary, MG Motor India.

4.3 Comparison and summary

Subject to the level of industrial development, Chinese auto companies lag behind foreign auto companies in both corporate strength and overseas market operations. Mature international automobile enterprises have basically completed the foreign investment and industrial transfer of multinational corporations, and completed the expansion of overseas markets to the establishing and operating of global transnational enterprises. Their R&D and production have shifted from a centralized control to a coordinated control. Although Chinese auto companies still relatively lack the ability to integrate global resources, they have the conditions and potential to join the international auto industry chain. Based on the above analysis of the strategies for domestic and foreign auto companies to enter overseas markets, we compare international multinational auto companies with Chinese auto companies that have outstanding performance in overseas markets, and it can be seen that:

(1) Internationally renowned multinational auto companies usually implement overseas market strategies in a gradual manner. Starting from simple product trade, and waiting until the export share of each market is stable, they will continue to deepen in the form of foreign investment to realize the company's transnational operations. Geely's way of achieving strategic transformation through mergers and acquisitions is commendable, but not easy for any company to follow suit.

(2) Both Toyota and Volkswagen have global strategic layout and vision at the beginning of their development in overseas markets. After completing the accumulation of corporate strength and resources, they aimed at the target market and made strategic adjustments in the process of advancing with the dynamic changes of the global market. In contrast, China's auto companies are often limited by their own strengths, and it is difficult to have an international perspective in their initial overseas strategies.

(3) In terms of technological innovation capability in the automotive field, there is a gap between Chinese auto companies and the international level. At the beginning of enterprise development, they often choose to complete the

introduction of technology through strategic cooperation and mergers and acquisitions. They have invested a lot in the internalization and absorption of technology, and strive to promote the development of independent innovation capabilities after completing the accumulation of basic technologies, helping enterprises to obtain more voices in overseas markets.

(4) International auto companies have technological advantages and preemptive advantages in the choice of strategic markets. Most of them choose the developed countries in Europe and the United States as the beginning of the strategy of entering overseas markets, and use policy opportunities to promote products and deploy overseas marketing networks and service systems. However, Chinese auto companies cannot replicate such a strategy and cannot take the developed country market as their initial strategic goal. In the face of emerging markets such as ASEAN, Chinese companies with corresponding strengths should make early preparations. At the same time, those markets in undeveloped countries that are large in scale but less difficult to enter should be the focus of Chinese auto companies.

Chapter 5 Experience and lessons of Chinese auto companies entering overseas markets

5.1 Experience

5.1.1 Lay emphasis on management and marketing

In the past, Chinese automobile enterprises only paid attention to the export quantity when exporting, resulting in the brand image of low-price and low-quality products. The brand awareness and customer satisfaction are far from the international automobile giants. The weakness of brand influence and the lack of marketing network severely limited the room for the increase of export profit and restricted the transformation of China from a big country to a powerful country in the automobile industry. At present, Chinese auto companies that have developed overseas have begun to realize the importance of the brand, which is also the key to the development of China's automobile industry. From BYD's emergence as a representative of new energy vehicles to Great Wall's reliance on compact SUVs to build its brand image, Chinese auto companies have begun their transformation. One of the key parts of the establishing of the brand images is the after-sales services provided by the companies, which not only help Chinese auto companies to change their impressions in overseas markets, but also promote the sustainability of international business managements. In the process of entering the overseas markets, the management of the brand and the maintenance of the marketing network have become important tasks for various enterprises. Simple export trade or trade activities through professional dealers require enterprises to invest human and material resources and provide complete after-sales guarantee, so as to cover the marketing and service network of local enterprises to ensure customers' loyalty to the brand. Instead of chasing short-term interests, they should take root in overseas markets.

5.1.2 Focus on cultivating independent research and development capabilities

In the process of implementing overseas development strategies, Chinese auto companies are paying more and more attention to the improvement of R&D capabilities. While acquiring technical support through mergers and acquisitions and strategic cooperation, automobile enterprises are investing more and more in technology research and development, striving to achieve the internationalization of products and at the same time to make the technical level reach international standards. According to the data provided by PricewaterhouseCoopers, SAIC's R&D investment in 2020 was 1.7billion US dollars, up 17.5% year-on-year. BAIC Group’s was 0.66billion US dollars, up 12.5% year-on-year. Dongfeng Group’s was 0.52billion US dollars, up 12.7% year-on-year. All of the Chinese auto companies listed in the world’s 1000 largest corporate R&D spenders (by PwC) have maintained a positive growth in R&D investment in recent years. Although there are still huge gaps in R&D investment between Chinese auto companies and internationally renowned auto companies, R&D intensities (the proportion of R&D investment in revenue) are far below the international level, improving the investment and level of R&D has become an important part of the development planning of various automobile enterprises. They began to focus on cultivating independent R&D capabilities, and enhance the importance of R&D personnel.

5.1.3 Focus on localization operation and development

If Chinese automobile enterprises want to successfully implement their overseas strategies, they must ensure that their products can overcome the " un-acclimatized" in the overseas markets. If auto products cannot adapt to the climate, road conditions, customer preferences and auto industry regulations in overseas markets, they will not be able to enter the market smoothly. Therefore, only by realizing the localization of products can they expand sales. Chinese automobile enterprises have regarded localized operation as an important part of their overseas strategy. Instead of only focusing on the export volume in the local market, they have increased their investment to investigate and analyze the customer demand and market prospect of the target market, design corresponding products, and realize the brand's integration into the local policy environment and social culture. Yutong Bus has won the Cuban and Russian markets with its localization strategy. The product performance of bus needs to adapt to the local market climate and road conditions actively. For example, the tropical Marine climate with high temperature and high salt in Cuba requires the car parts to have extremely high corrosion resistance, while the long winter in Russia and the perennial snow on the road require the car to have the performance of cold resistance and anti-freezing. In the early stage of implementing its overseas strategy, Yutong Bus fully investigated the objective situation of the target market and carried out targeted product design, so as to overcome the obstacles in this aspect.

5.2 Problems exposed during the process of entering the overseas market

5.2.1 Lack of awareness and ability to avoid risks

The capital behaviors of Chinese auto companies overseas, whether it is investment or construction or mergers and acquisitions, are faced with policy risks, exchange rate risks and market risks. Whether it is export trade or overseas investment, enterprises need to conduct in-depth research on the target markets, comprehensively consider their policy risk, competitive risk, market risk and operational risk, and choose the appropriate entry mode and development strategy based on their own conditions. After the products successfully enter the target market, enterprises should always pay attention to the possible marketing problems of the products, establish the corresponding risk response mechanism, and launch the recall system of defective products when necessary, so as to maintain the corporate reputation.

Young Man Group spent six years intending to enter the luxury sedan market through the acquisition of Saab, but because GM held the key models and technologies of Saab and had restrictions on the acquisition subject, eventually, not only did the Young Man Group fail to acquire Saab, but it also squandered its own advantageous commercial vehicle business by investing too much in this matter, which hindered the company's development as well. Obviously, the failure of the youth is partly due to insufficient awareness of the risks of cross-border acquisitions.

5.2.2 With speculative psychology, choose the target markets blindly

Some enterprises lack long-term strategic planning when choosing target market, and lack of global strategic vision under the trend of economic globalization. When making decisions to enter the overseas market, some companies did not analyze the development prospect of theirs own based on their current situations. Under the temptation of short-term interests, they make rash decisions and ignore some key issues, such as whether the capital chain of enterprises is smooth, whether the decision-making ability of managers can support the normal operation of enterprises in overseas markets, and whether their products can maintain low-cost advantages in overseas markets to ensure the realization of profits. In addition, the ability of product quality control, international affairs management, and the ability to absorb and integrate the company after merger and acquisition determine the survival of the company to a great extent. Companies without these capabilities will be doomed to failure if they blindly enter overseas markets.

To some extent, these speculative psychology and copycat behaviors result in the relatively concentrated investments of Chinese automobile enterprises in some specific regions in overseas markets, they cannot complement and coordinate with each other globally, which even leads to the situation of self-competitions in some regions, resulting in the loss of profits. At the same time, the excessive concentration of target markets has also increased the risk of overseas trading of Chinese auto companies. Changes in policies and market conditions may have a huge impact on the overseas business of Chinese autos. This puts higher demands on the company's risk response capabilities.

As one of the four BRIC countries, when the Brazilian auto market opened to Chinese auto companies, JAC, as a pioneer, became the sales champion in the Brazilian market and gained huge export profits. Since then, Chinese auto companies such as Geely, Lifan and Foton have successively entered the Brazilian market to invest and build factories to compete for profits. Later, Brazil was in economic recession, many Chinese auto companies have to quit from the Brazilian market in the face of sharp declines in sales.

5.2.3 Lack of experience in international management

The continuous development of Chinese industry and high-end manufacturing requires that Chinese automobile enterprises must realize the globalization of production and marketing. Only by basing on the global market, China can have multinational companies that are comparable to internationally renowned auto companies. Therefore, in addition to technical R&D personnel and sales personnel, senior management personnel with international management experience have become the constraints of overseas development of Chinese auto companies. Well-known Chinese automobile enterprises have successively set up overseas business departments or branches in charge of overseas business, and there is a growing demand for talents with excellent overseas affairs management experience. At present, the degree of internationalization of Chinese auto companies is limited. In the process of gradually expanding overseas business, the experience and concept of international management are lacking, and it is difficult to improve the management level of international companies. When loopholes appear in the management system and mode of the overseas market, it is difficult for enterprises to comprehensively and systematically consider the policy risks, social culture, laws and regulations and other aspects in the local market, resulting in repeated setbacks in the expanding of overseas markets.

SAIC's acquisition of SsangYong ended in a bankruptcy of Ssangyong and SAIC's abandonment of SsangYong's disappointment. One of the important reasons was the labor dispute between SAIC and the Korean trade unions. Due to the lack of an integrated team to support the operation of SsangYong and the difficulty in integrating into the local culture, SAIC failed to overcome the problem of " un-acclimatized". Due to the lack of international management experience, more than 500 million US dollars of investment has become the tuition fee paid by SAIC in the process of entering overseas markets.

Chapter 6 Suggestions on the strategy of Chinese auto companies entering and developing in overseas markets

6.1 Macro level

6.1.1 Properly choose the target markets and develop strategies

Great Wall focuses on SUV segment, and Toyota chose small car market when entering the U.S. market. After a careful market research and planning, they achieved a staged successes. When selecting overseas target markets, Chinese auto companies should conduct detailed investigation and research on local policies and regulations, market competition conditions, transportation conditions, and people's preferences, and select markets according to their own characteristics, rather than blindly choose to enter the “hot market” or the “blind spot market”. Geely entered the U.S. market with the Lynk & Co brand, and BYD entered the British market with its electric buses and other products. However, this does not mean that Chinese auto companies have been recognized in the European and American markets. On the other hand, although the Southeast Asian market is relatively broad, Japanese cars have already had a very high market share. If not under the right opportunity, or without long-term strategic planning, Chinese auto companies intending to enter this market will also face a failure. When developing overseas business, Chinese auto companies should make differentiated strategic plans based on market conditions and fully realize their own development advantages and integrating degree with the target market, choose among the strategic models of export trade, foreign investment, strategic cooperation and mergers and acquisitions, maintain brand image, and expand its influence in the local market to enhance user loyalty.

In addition, Chinese auto companies should focus on diversified market choices and avoid excessive concentration of target markets. At present, the overseas markets of Chinese auto companies are mainly concentrated in developing countries such as Vietnam and Iran. The high concentration of the market has brought greater risks to the overseas trade of automobiles. In order to achieve diversification, Chinese auto companies should strengthen technology research and development, and control the quality level, so as to enter the markets of developed countries such as Europe and the United States. At the same time, they should actively expand the appropriate overseas market, cultivate new strategic markets, and make new progress in emerging markets. A diversification helps to reduce the operating risks of auto companies, so that they can achieve a sustainable and healthy development.

National policies and the international environment have provided good opportunities for Chinese automobile enterprises to enter the overseas markets. For young Chinese automobile enterprises, it is particularly important to carefully choose the strategy of expanding the overseas markets. If following the trend and treating export trade and overseas investment as a one-way bet, they will only end up with setbacks in the complex international situation. Chinese auto companies need to analyze past experiences and lessons, and have correct predictions and grasps of the development of industries and enterprises. In order to achieve international success, they must not only ensure the correctness of the direction, but also formulate correct action strategies.

6.1.2 Enhance the strategic arrangements on the countries along the B&R

Most of the countries along the One Belt And One Road route have limited industrial level or even do not have their own automobile brands, so there are broad automobile markets to be developed. Some of these countries have a relatively simple industrial structure. In the process of economic development, it is urgent to explore new economic incentives from the state and local enterprises. The entry of Chinese auto companies into the local market will boost investment and consumption in the regional market, provide employment opportunities to improve the living standards of local people, and create corresponding demand. The support of policies and the supply of market conditions have provided a new round of development opportunities for Chinese auto companies. By providing quality products to markets in need, enterprises can not only expand their market share in overseas markets, but also take this opportunity to establish a high-quality image of Chinese brands in emerging markets.

In response to the government's call and seize of historical opportunities, from a strategic perspective, companies should:

(1) Improve the industrial distributions in the countries along the "B&R" and radiate emerging markets by building overseas production bases or increasing foreign investment. Enterprises not only need to have targeted market arrangements, but also need to select market segments and cooperation models in a targeted manner.

(2) When formulating strategies for entering overseas markets, Chinese automobile enterprises should strengthen strategic cooperation with auto parts enterprises or other related enterprises in countries along the "One Belt And One Road". For example, building an automobile industrial park and improving the production chain. It can not only promote the overseas business of Chinese automobile enterprises, but also promote the construction of local automobile industry system.

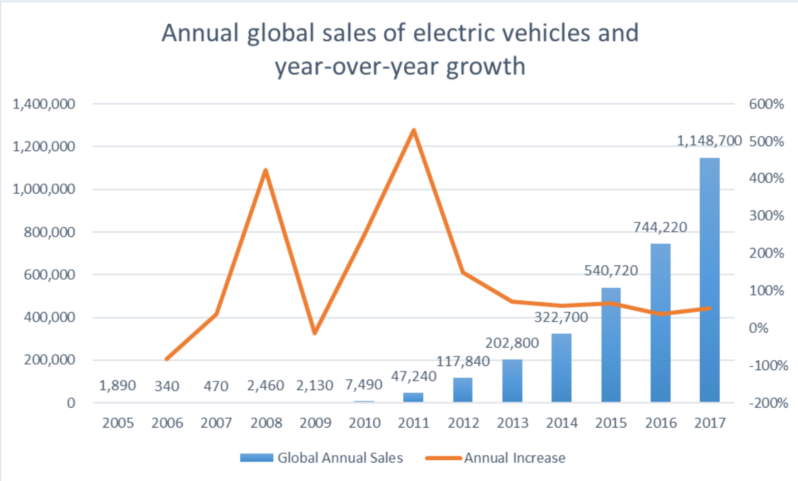
(3) When making foreign investment, enterprises should timely seek a policy support, make full use of the development funds provided by the state to promote the implementation of the "One Belt And One Road" policy, and actively participate in the financial cooperation methods provided by the AIIB, the BRICS New Development Bank, and the Silk Road Fund.

6.1.3 Attach great importance to the development of new energy vehicles

In recent years, some countries have put forward the fuel car ban schedule; some enterprises released the corresponding electrification strategy. New enterprises in the automotive industry generally take electric vehicles as the entry point, which has set off a new wave of the development of the global electric vehicle industry.

(1) In recent years, the global electric vehicle industry has grown faster than expected.

The problems of energy, environment and transportation brought about by the development of traditional fuel vehicles have become increasingly prominent. In recent years, key technologies such as renewable energy batteries have been continuously improved, charging infrastructure has become more and more perfect, consumer awareness has been continuously improved, and vehicle emission standards have become more and more stringent, making the global electric vehicle industry develop rapidly. It is embodied in the following aspects: The annual sales and holdings of electric vehicles have achieved a rapid growth; battery costs have continued to decline rapidly; charging infrastructure has been promoted simultaneously, and the use environment of electric vehicles has been significantly optimized.



Source: International Energy Agency, Global EV Outlook 2018

(2) Bans on fuel vehicle have become boosters for promoting electrification

In recent years, many countries and cities have put forward the timetable of banning the sale of fuel vehicles. Norway's four main political parties have agreed to ban the sale of gas-powered cars from 2025. In October 2017, the new Dutch government proposed a development plan for the next few years, which mentioned that all new cars would be emission-free by 2030, which also means that almost all gasoline and diesel cars will be banned from sale at that time. Paris plans to limit diesel vehicles on the road in 2024, and London has banned fuel vehicles from entering certain roads at specific times.

(3) The world's major auto companies are generally accelerating the transition to electrification

For example, Volkswagen group proposed "Together Strategy 2025", aiming to produce 3 million electric vehicles annually by 2025.BMW group expects the sales volume of new energy vehicles to reach 15%~25% of the whole in 2025.Baic expects to stop producing and selling its own-brand passenger cars in China by 2025. In addition, typical parts companies are following the trend of electrification, such as Bosch, which is committed to developing electrification solutions for automobile manufacturers, and Panasonic, which has seen rapid growth in its battery business in recent years.

(4) The development of electric vehicle industry has changed from optional to necessary

The electrification transformation is an inevitable choice under the influence of many factors. It is the starting point for the reshaping of urban transportation and energy systems. As a result, electric vehicles are no longer just vehicles, but also an important part of the entire urban energy system. In the future, the competition around the development of the electric vehicle industry will become increasingly fierce, and industry reshuffle will be inevitable. This is an excellent opportunity for Chinese autos and new energy companies to achieve “corner overtaking”.

Chen Qingtai said that if China's electric vehicles can maintain the technical advantages in the field of power batteries and constantly improve the finished-vehicle technology, cost-effective electric vehicles can be exported in large quantities to developed countries in urgent need of reducing greenhouse gas emissions. There are already signs that developed countries could become China's fastest and biggest market for electric cars.

6.2 Micro Level

6.2.1 Improve technical capabilities and increase brand value

Compared with the automobile products of developed countries in Europe and America, it is difficult for Chinese autos to obtain the speaking right due to the weak technical innovation ability and the lack of core technologies. Chinese automobile enterprises have a relatively low share in the international luxury automobile market and cannot be recognized in the high-end automobile field. Therefore, it is necessary for them to establish automobile brands with high market value in the international market by improving their technical capabilities and the quality of their export products. At present, the technological development of Chinese auto companies is mainly based on the introduction via the “bring in” policy and M&A. After completing a certain level of basic technology accumulation, Chinese auto companies must increase investment in independent research and development, form an independent research and development system, and regard technological innovation as the core driving force for automobile development. Most Chinese automobile enterprises are still pursuing the international market share with the low-cost competitive strategy, which will undoubtedly reduce the demand for quality control and technologies. With the rise of the demographic dividend and the rise in resource prices, capital conditions cannot continue to guarantee the low-cost advantages of Chinese auto companies in overseas markets. The establishing of technological advantages and the enhancement of brand value are imperative.

If Chinese automobile enterprises want to establish footholds in the overseas market in the long term, they must shift their attention from the front end of sales to the brand maintenance and publicity at the back end. The long-term “low price and low quality” images of Chinese auto companies have caused them to encounter certain obstacles when entering overseas markets. This requires them to use enough patience and capital investment and human resource to cultivate emerging markets, establish brand strategic awareness in the new era of shaping brand value, increase investment in the construction of distribution and service system, and take the establishing and promotion of brand image as the goal of enterprise development to maintain brand value.

6.2.2 Strengthen risk analysis and control

When enterprises choose to enter overseas markets, they should have a correct understanding of the risks faced by overseas businesses and strengthen corresponding analysis and management. In dealing with policy risks, systematic and thorough prior investigation should be conducted in the following areas: the local government's welcome degree for foreign investment, preferential policies that can be provided by the government, whether the business activities are contrary to the local policies and the possible future policy development direction of the target market, etc.

In order to deal with management risks, enterprises must respect the living habits and consumption habits of the country where they are located, and be close to the market demand in the use of language and the setting of marketing network. By increasing investment in recruiting local talents, companies can actively integrate into local social culture.

For financial risks, a single financing method or channel will increase capital risks for automobile enterprises' overseas investment. The combination of various financing methods and the application of financial instruments will help enterprises to choose appropriate financing schemes and reduce financial foreign exchange risks.

For the risks of M&A operations, enterprises should pay attention to the technical level and technical personnel of the target enterprises, make full use the parts that are consistent with the direction of their own technological developments, and timely improve and update the technologies.

Chapter 7 Conclusion and Summary

With the development of China's economy and the deepening of its opening-up, many global multinational auto companies have entered the Chinese market one after another. Through joint venture brands and independent brands with strong technological advantages and marketing advantages, they compete for the Chinese market. Chinese auto companies have to grow under pressure and enter overseas markets to seek development space. On the other hand, the economic model of the automobile industry requires enterprises to achieve large-scale development, reduce the cost of product development and production in the process of internationalization, expand the influence of products and extend the life cycle of enterprises. The starting point of this paper is the strategic requirements for the sustainable development of Chinese auto companies overseas. By combining the international development of Chinese auto companies, the progress and problems faced by these enterprises are analyzed.

Based on the strategic analysis of the international development of Chinese auto companies, this paper studies the experience and lessons of Chinese enterprises entering the overseas market. Combined with the international development experience of Toyota, Volkswagen, SAIC and Geely, this paper proposes corresponding strategic recommendations, as follows:

1. Properly choose the target markets and develop strategies
2. Enhance the strategic arrangements on the countries along the B&R
3. Attach great importance to the development of new energy vehicles
4. Improve technical capabilities and increase brand value
5. Strengthen risk analysis and control

As for the problems faced by the internationalization of Chinese automobile enterprises, this paper only studies them from the strategic development perspective, and lacks further discussion on other aspects such as current enterprise competitiveness, technical advantages and marketing methods. I hope that the conclusions of this paper can be used as an inspiration for more experts and scholars to study the strategic issues of Chinese auto companies entering overseas markets through more systematic and professional research methods, put forward more effective and effective development strategies, and jointly provide a theoretical support and a strategic support for promoting the rise of China's automobile industry. At the same time, I also firmly believe that with the continuous improvement of China's auto business, China will become a great automobile power in the near future.

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