

# Sinolytics Primer

## Chinese Competitors in Global Markets: Analysis, implications and response strategies for European companies

September 2023

### Contact

Luisa Kinzius | Director  
[luisa.kinzius@sinolytics.de](mailto:luisa.kinzius@sinolytics.de)

Björn Conrad | CEO  
[bjoern.conrad@sinolytics.de](mailto:bjoern.conrad@sinolytics.de)

Sinolytics GmbH / [www.sinolytics.de](http://www.sinolytics.de)



# At a glance: Chinese competitors are entering the arena across global markets

## Chinese companies are on the move...



### Chinese companies emerge as strong, global competitors

- Technology and quality gap is closing, also in high-tech
- Slowing growth in China drives global expansion
- Overcapacities fuel low-price global push
- Chinese companies expand across the globe, also in Europe



### Chinese companies follow different rules than known competitors

- They employ different business strategies
- They are driven by political motivations
- Political goals also mean different strategic view
- Enabled by significant policy & financial support at home and abroad



## ...and European companies need to prepare



### European companies need to understand their Chinese competition

- For new competitors, old responses are insufficient
- EU companies need to see CN intentions, capabilities
- Understand how political support changes business
- Deep analysis of how this new competition operates is indispensable

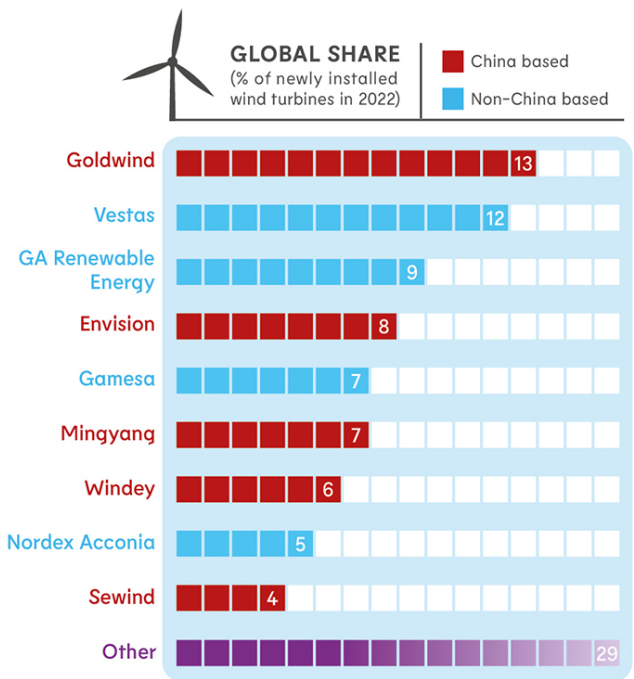


### European companies need smart strategies to face Chinese competition

- EU companies need strategic response options
- Adjust product, pricing, tech, sales, marketing, etc.
- Strategies need tailoring to specific Chin. competitors
- As well as tailoring for specific local markets and product groups

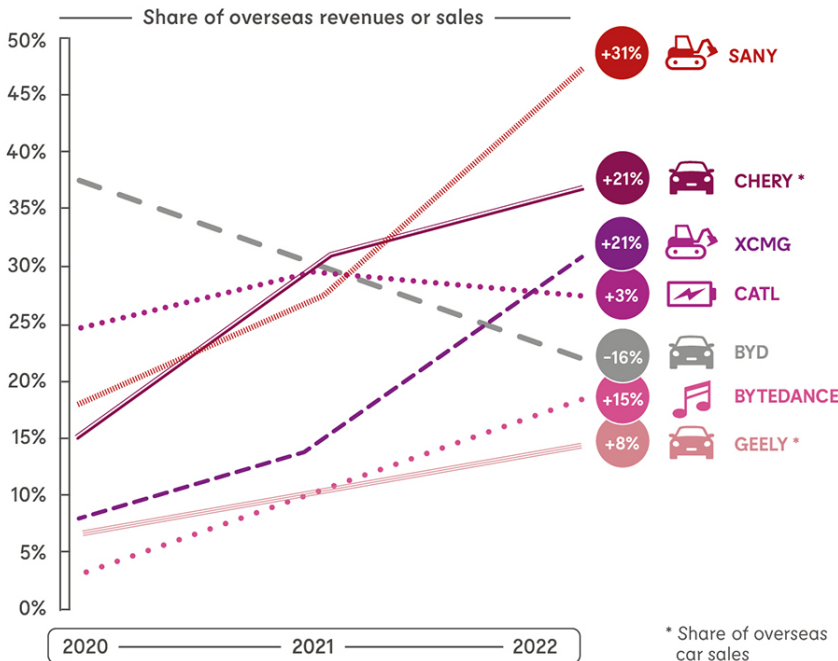
# Clashing in new places: Chinese and EU companies meet increasingly outside China

## Blowing from the east: Global expansion of Chinese wind manufacturers



Source: EVWind, GWEC

## China going global: Chinese companies across industries are intensifying competition abroad






Source: Respective company annual reports and public announcements

- China's longstanding "going global" strategy is entering a new phase
- Driven by low domestic demand, overcapacities, political ambitions and increased competitiveness, Chinese companies are expanding abroad
- Chinese companies already had a first wave of "going global" some years ago
- Most did not succeed due to lack of quality, technology, reliability, reputation
- But the new wave is different: Chinese companies have learned from failures
- They closed the technology and quality gaps, upped their sales and marketing game, became savvy in localizing their image and products
- Combined with political and financial support, this turns Chinese companies into formidable competitors in third markers, in the EU and US

# Competition reaches home markets: Chinese players' massive localization effort in EU

**2010s:** Chinese machinery players enter European market, mostly via **acquisitions**...

	Overseas Rev %	Overseas factories	Europe HQ	M&A deals
	24%	5 countries	Milan (2018)	CIFA (2008)
	30%	5 countries	Krefeld (2011)	Schwing (2012)
	46%	5 countries	Bedburg (2011)	Putzmeister (2012)

...**2023:** expansion of Chinese auto and battery manufacturers in Europe via **greenfield**

*Investment  
expansion  
announcement  
in 2023*

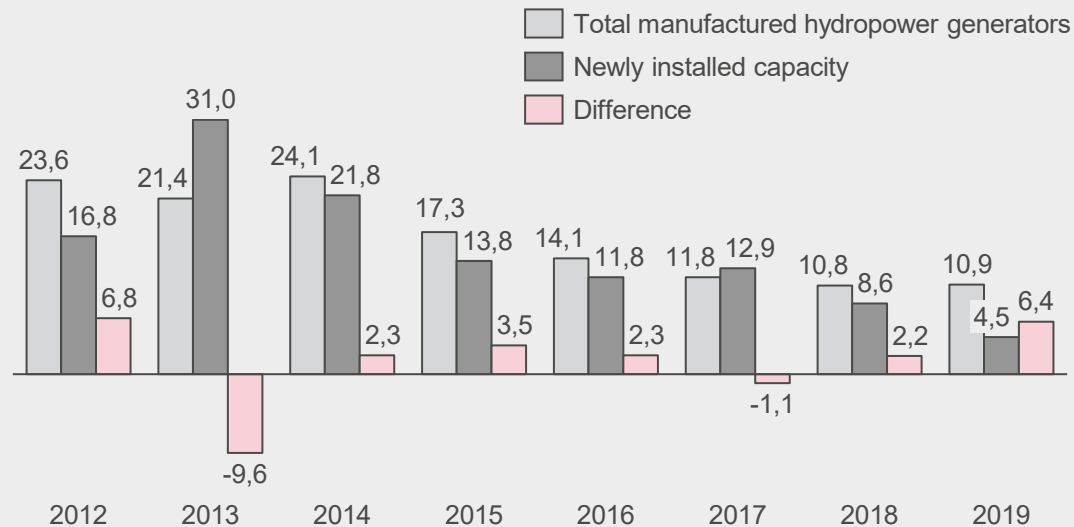
	EVE Energy: Battery plant in Hungary, 1.3 bn EUR
	Sunwoda: Battery plant in Hungary, 274 mio EUR
	Putailai: Anode Plant in Sweden, 1.3 bn EUR
	Svolt: Three more battery plants in Europe planned
	Great Wall Motors: Production plant in DE/CZ or HU
	SAIC: Scouting production site for MG car production

- Chinese competitors increase proximity to European B2B customers through production footprint expansions in Europe
- Chinese greenfield investments in Europe larger than M&A investments in 2022 for the first time (4.5 bn EUR)
- Case study: Politically more aligned Hungary is becoming a hub for Chinese battery supply chain investments

# Fierce competition in “Global South”: Domestic overcapacities drive Chinese expansion

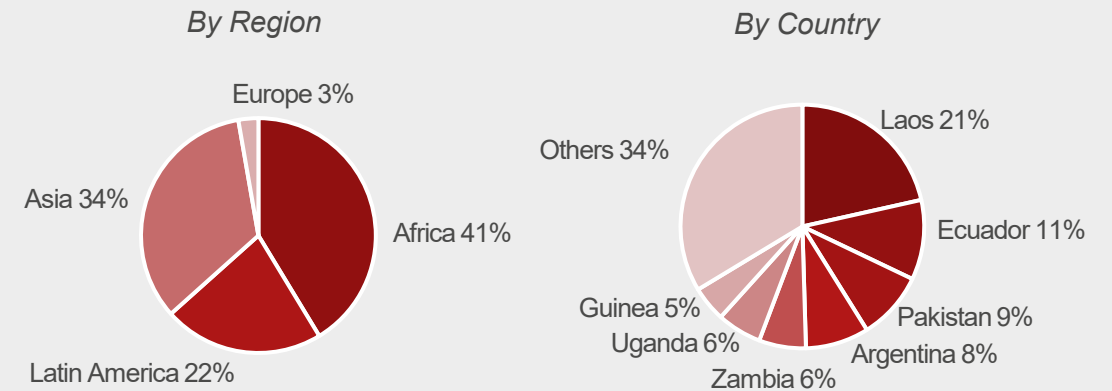
## Slowing growth and increasing overcapacity of hydropower production in China...

China's estimated excess capacity in hydropower generator manufacturing from 2012-19 (GW)



## ...drove Chinese players overseas, turning China into a major exporter of hydropower equipment

China policy banks\* overseas hydropower lending by value, 2000-2020



Source: BU Global Development Policy Center (BUGDPC)

\*According to Kong of BUGDPC, projects financed by CDB or Ex-Im Bank are all tied to Chinese hydropower equipment export

- Period of overcapacities at home accelerated expansion of Chinese hydropower manufacturers into overseas markets
- Southeast Asia and Africa are prime target regions for China's hydro export, facilitated by the Belt and Road initiative (BRI)
- China's BRI-enhanced dominance in the global trade of renewable energy equipment is raising concerns of price dumping

# Power of politics: Being part of overarching political agenda changes business logic

“Going global” has long been key part of China’s political vision...

“Building an **internationally competitive manufacturing industry** is the only way for our country to enhance its comprehensive national strength, ensure national security, and build a world power”

- Made in China 2025

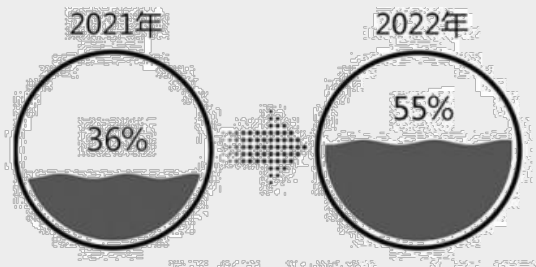


**Accelerate the pace** of “Made in China” going global and **create a friendly policy environment** for “Made in China” to go global.

- Lihua Liu, Dep. Min. of Industry and IT, 2021

In 2022, **55% of surveyed Chinese manufacturing companies reported a >20% share** of overseas business, up from 36% in 2021.

- 出海领航 Survey



...and financial support along the value chain shapes the business logic at home and abroad

**Govt. support for Chinese E-mobility** players along entire value chain:



**Materials**

- Local govt. **rebates for equipment procurement**
- Manufacturers of advanced batteries **exempt** from 4% **consumption tax**



**R&D**

- Local govt. subsidies for companies taking on local **S&T projects**
- Local govt. subsidies for firms with “**Little Giants**” status
- Local govt. subsidies for firms setting up **R&D centers**
- Investments in key S&T projects, e.g. via **Natural Science Foundation fund**



**Production**

- Local govt. subsidies for firms with “**green factories**” status
- Interest subsidies to incentivize financial institutions to **increase credit support**
- Preferred & subsidized access to **land for production**



**Sales**

- **Exemption of Vehicle Purchase Tax** for EVs
- Subsidies for roll-out of **charging infrastructure**
- **Purchasing subsidy** of up to 13k RMB in 2022 per new PV; estimate of totally 31 bn RMB in 2022
- **Nat. High-Tech Enterprises** pay reduced CIT (15%)
- **Public procurement** favors domestic companies

State Capital, such as via the Advanced Manufacturing Investment Fund, invested into strategic sectors



# Old recipes don't work: Staying competitive means understanding new type of competitor

**Competition from China structurally differs from “traditional” competition:** European companies need to understand the different business logic of Chinese companies and design tailored response strategies to defend their market position

## Strong political backing

Chinese government forcefully supports national enterprises politically and financially in their global expansion



- Government support allows for **long-term strategic approaches**
- **Expanding market shares** is often most important objective
- **Being profitable can be secondary** for extended periods of time

## Quality-price balance

Chinese manufacturers are increasingly closing the quality and technology gap with EU/US competitors

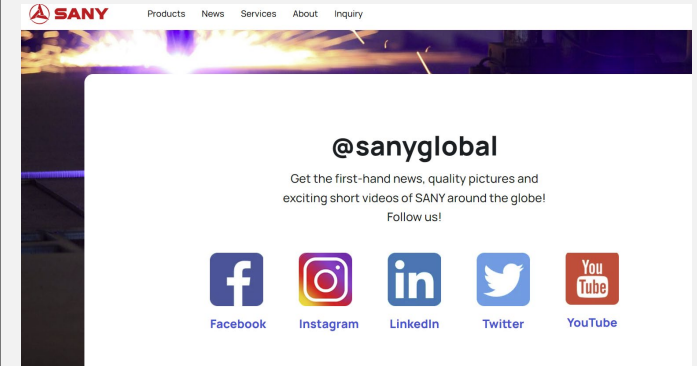


Automotive INNOVATIONS Award 2023:  
CATL Honored as the Most Innovative

- Chinese companies **fulfill customers' quality requirements**
- Combine this with **attractive pricing offers and financing terms**
- Attack established brands on the **quality-price balance of the product**

## Innovative sales strategies

Untraditional, highly localized ways to market entry and new innovative instruments for sales and marketing



- **“China-speed”** adapted to non-Chinese markets
- Surprisingly **fast and deep localization** e.g. via P2P channels
- Maximum **flexibility and pragmatism** in market positioning and image

# Case in point: SANY's overseas success with strong political support and business tactics



**Production site in Bedburg, Germany**

**Deep ties to Chinese political elites and agenda**

**Supported as “poster child of going global”**

**Flexible and pragmatic market entry strategies**


**Forceful marketing and sales tactics**



**Founder & Chairman Liang**, richest man in China in 2011 and an enthusiastic CCP member; member of National People’s Congress; famously known as the **Communist cadre-businessman**

- SANY Group direct government support received in FY2022:
-  **Direct subsidies**  
¥ 674.2 million
  -  **Industrial Park Construct.**  
¥ 550.8 million
  -  **VAT Refunds**  
¥ 238.8 million
  -  **Tech Transf. Projects**  
¥ 233.1 million

Heavy social media presence and massive image localization:



- 
- 
- 
- P2P maketing tailored to developing country markets
  - Free tours to SANY factories in China for purchasing managers
  - Public image campaigns (e.g. *SANY sent free building machines for rescue efforts in Chile after mining accident*)



# Our service: Designing smart and tailored responses to Chinese global competition

## I Sinolytics conducts **in-depth analysis** of your specific Chinese competitors:

### Company profile

- Operating principles, logic & culture
- Business models and performance
- Product portfolio & quality
- Future technology paths & R&D focus
- Overseas market positioning & footprint

### Overseas Strategy

- Priority markets & embeddedness
- Market-specific product & tech priorities
- Supply chain and sourcing strategy
- Local marketing & sales strategies
- Pricing & payment terms

### Political Support

- Strategic alignment with political goals
- Political capital: network & contacts
- Role & function in government view
- Type & level of political/policy support
- Business impact assessment

## II Sinolytics supports design of tailored, targeted and effective **response strategies**:

### Strategic adaptation

- Strategic alignment and adaptation in Business Units and at Group-level
- Pre-emptive tech investment countering Chinese competition
- Adjusting customer base according to competitive pressure

### Market positioning

- Product prioritization: based on market segment, quality, technology, etc.
- Tailored and differentiated marketing
- Supply chain and cost optimization
- Local partnership strategy: production, R&D, sales, investments

### Lobby & Advocacy

- At home: Political lobbying and advocacy for (if necessary) shaping trade measures and policy support
- In third-markets: Enhance local government relations to maximize business opportunities

# **Our value:** Complementing deep industry know-how with strong Chinese policy expertise

## **In-depth policy analysis**

- Experts with decades of experience in interpreting China's political intention
- Unique expertise on China's industrial policy and support instruments (formal & hidden)
- Based on in-depth primary source research and extensive in-country know-how

## **Tailored business implications**

- Specialized on policy-business nexus
- Designing business strategies in response to political challenges in and beyond China
- All projects fully tailored to client-specific needs with high level of interactive engagement



## **Excellent insights on competitors**

- Long-standing experience in deep-dive analysis of Chinese competitors
- Comprehensive, multi-channel approach to detailed competitor examination
- In-depth industry expertise as context to interpret competitors' business strategies

## **Longstanding experience**

- Established track-record among European MNCs and hidden champions as outstanding China strategy consulting
- 100+ clients, covering automotive, machinery, semiconductor, energy, chemical sector, etc.

# Sinolytics: A European research-based consultancy focused on China

Profile	Key services		Approach
<ul style="list-style-type: none"> <li>• Offices in <b>Berlin</b> and <b>Beijing</b></li> <li>• Nexus between <b>policy and business</b></li> <li>• Blending <b>in-depth research</b> with <b>management consulting</b> approach</li> <li>• Bridgebuilders: <b>Diverse team</b> with European &amp; Chinese perspectives</li> <li>• Advising companies <b>across sectors</b> with focus on automotive, machinery, energy, chemicals, semiconductors</li> <li>• <b>100+ clients</b>, including many of the largest and most respected foreign companies operating in China</li> <li>• Founded in 2017</li> </ul>	<b>Strategy Building</b>	➤ Policy-driven strategy development, strategic positioning, Chinese competition globally	<b>Primary source and Chinese-language research</b>
	<b>Geopolitical Advisory</b>	➤ Geopolitics monitoring & forecasting, scenario building, impact assessment and mitigation	<b>Problem-solving and developing tailored solutions</b>
	<b>Supply Chain</b>	➤ Definition of critical supplies, mapping tier-X supply chains, delivery failure assessment	<b>Dedication to deep research, cutting through complexity</b>
	<b>Policy Monitoring</b>	➤ Continuous, tailored policy and regulatory monitoring, trend detection and forecasting	<b>Depth in content, while strong in contextualization</b>
	<b>Regulatory Compliance</b>	➤ Data-/Cybersecurity Regulation, Social Credit System, Environmental compliance	<b>Extensive expert network and research partners</b>
	<b>Market Analysis</b>	➤ Market intelligence for Automotive, Chemicals Semiconductors, Manufacturing, Machinery	

