

# Chinese Competitors in Global Markets:

## Different rules, different goals, different answers

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

## Chinese companies are on the move...



### Chinese companies emerge as strong, global competitors

- Technology and quality gap is closing
- 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 other competitors

- They prioritize market share over profit
- They are guided by business and political goals
- They rely on financial state-support, in part specifically designed to push exports
- They are strengthened by political backing



## ...and European companies need to prepare



### European companies need to understand their Chinese competitors

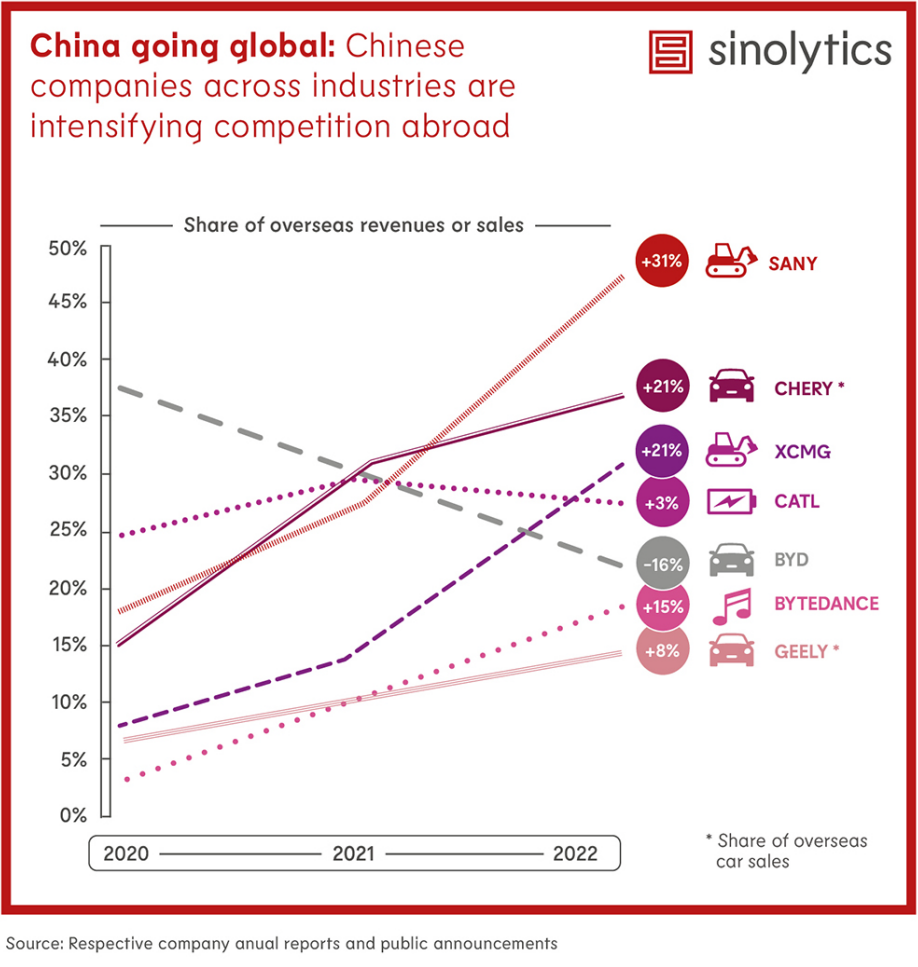
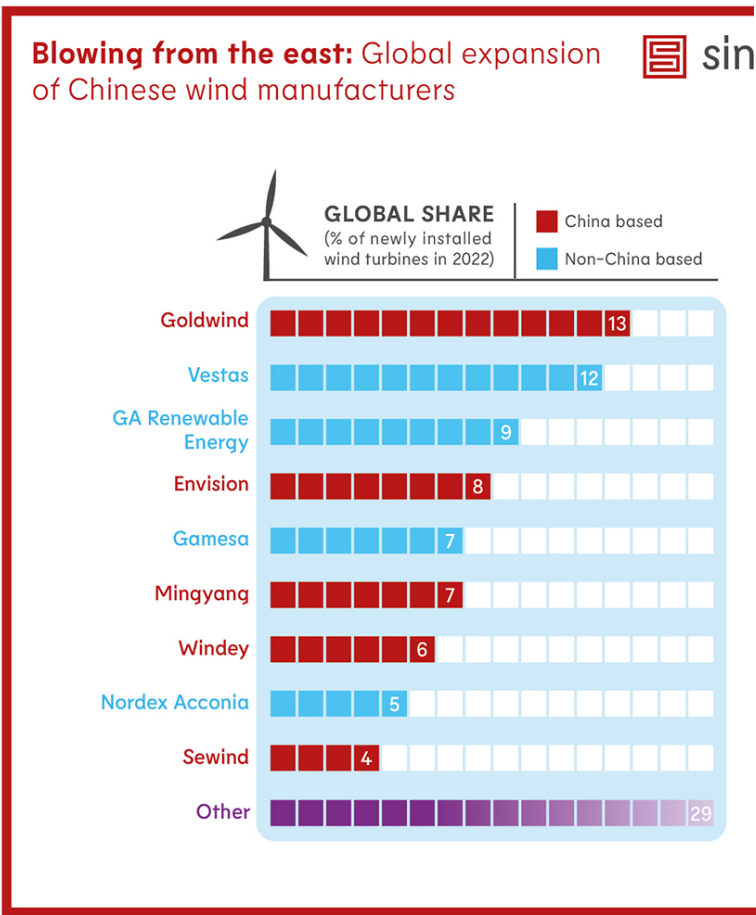
- For new competitors, old responses are insufficient
- EU companies need to see CN intentions, capabilities
- Understand how political support changes business
- Deep analysis of how this new competition operates is indispensable



### 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 CN competitors
- As well as tailoring for specific local markets and product groups

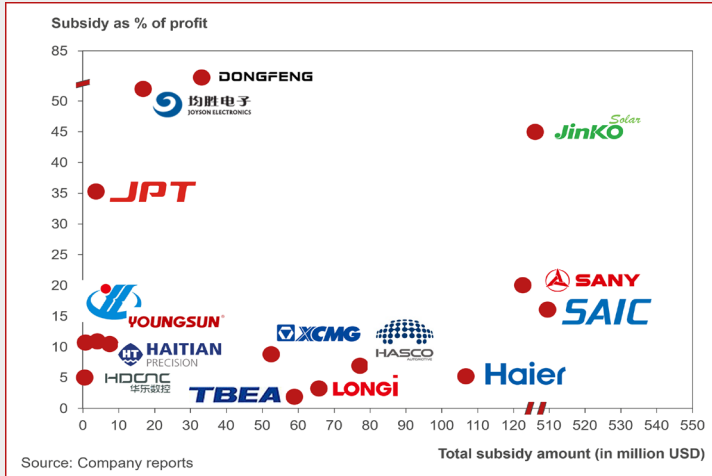
# Clashing in new places: Chinese and EU companies meet increasingly outside China



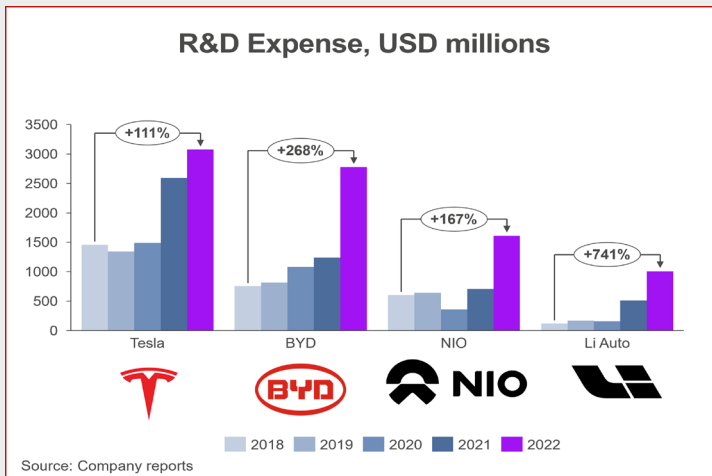
- China's longstanding "going global" strategy is entering a new phase
- Driven by low domestic demand, overcapacities, political ambitions and increased competitiveness, Chinese companies are expanding abroad
- Chinese companies already had a first wave of "going global" some years ago
- Most did not succeed due to lack of quality, technology, reliability, reputation
- But the new wave is different: Chinese companies have learned from past shortcomings
- 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 markets but also in the EU and US

# Different strategies: Staying competitive means understanding new type of competitors

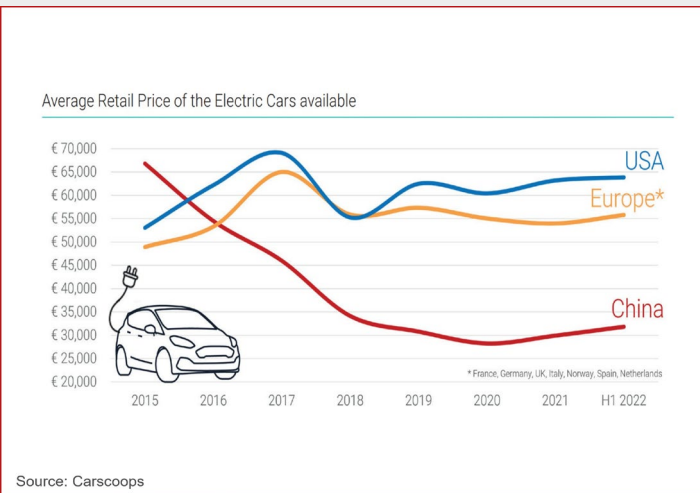
## Strong political & financial support



## Fast catch-up in tech & quality



Enable a low price, high quality, fast delivery, **“market-share-over-profit”** business strategy



- Chinese competitors meet customers' **quality expectations for attractive price**, financing and payment options
- Strategic market share expansion is often the primary objective, **being profitable can be secondary**

Delivered through a highly **localized and targeted** marketing and sales approach

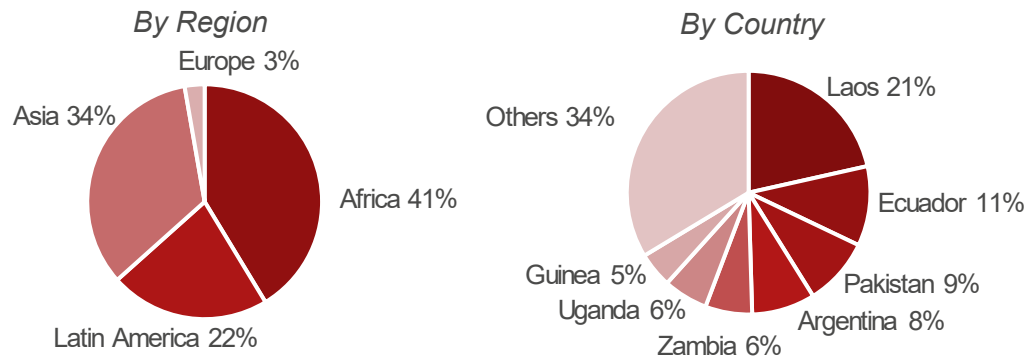


- “China-speed” adapted to global markets: **fast and deep localization** (e.g. via P2P channels, etc.)
- Maximum **flexibility and pragmatism** in market positioning, image and branding

# Not “One Chinese competition”: Chinese competitors differentiate market strategies

## Fierce pricing competition in markets of the “Global South”

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



Source: BU Global Development Policy Center (BUGDPC)

- In price sensitive markets of Southeast Asia, Africa, Latin America, Chinese competitors fully utilize their strategy of **attractive financial packages**: low prices, attractive loan and leasing options, favorable payment terms and low interest rates
- Rapid increase in sales volume, squeezing out competition and **quickly establishing market dominance** is the main objective, also accepting loss-making operations for some period

## Entry-door approach to “Home turf markets” in EU and USA

Investment expansion announcement in 2023

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

- Mature markets of the EU and US still represent a challenge for Chinese brands due to strong market position and **brand reputation of traditional players** plus high customer loyalty
- Chinese competitors **strategically identify demand gaps** that EU and US companies leave insufficiently covered and try to use them as **initial entry doors** into mature markets, for example in areas like electrification and digitalization



# 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

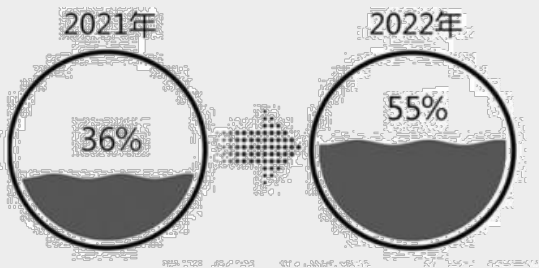


**Accelerate the pace** of “Made in China” going global and **create a friendly policy environment** for “Made in China” to go global.

- 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

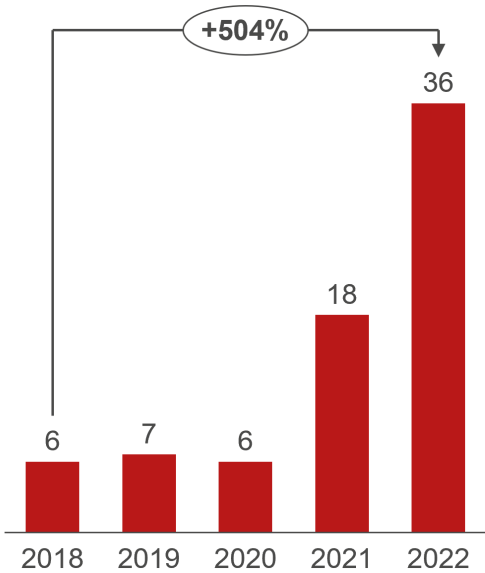


...but the political and financial support for global expansion has **accelerated and intensified in recent years**

## Government subsidies encourage export expansion

Government subsidies for export activities of SH-listed machinery companies (in mn USD)

Selected examples of local gov. support to promote export business of Chinese companies



Source: Company annual reports (n=91)

General export	Export volume of > 200 mn USD = 140k USD subsidy
FDI	Foreign investment awarded with 15k USD subsidy
International exhibitions	80% of booth fees and support for travel / transportation costs
Export credit insurance	Expansion of Sinosure credit; coverage of up to 60% of fees
International certificates	Up to 80% of registration, certification and testing fees (e.g. for CE marking)
Logistics	For shipping companies: One-time subsidy of 200k RMB for each new foreign trade route

# Our service: “Pricing gap” cannot be fully closed, so find other levers to stay in the game

## 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
- Maneuvering of geopolitical barriers
- 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 priorities

- Differentiate and prioritize markets depending on competitive edge
- Include effects of geopolitical shifts
- Invest preemptively to counter Chinese competition, e.g. close tech “entry doors”
- Build alliances to offer stronger “package deal options” as Chinese competitors do

### Market positioning

- Develop product portfolios fit to counter competitors’ offers in different markets
- Improve tailored, localized marketing
- Optimize supply chains, cost structures
- Build local partners for production, R&D, sales, investments

### Government Affairs

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

# **Our service:** Combining 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	

