

Success Factors for Emerging Brands in China's New Energy Vehicle Market: The Case of Li Auto

Yixiu Xie

*Hua Dong Kang Chiao International School, Kunshan, Suzhou, 215300, China
Yixiu_xie1207@hhu.edu.cn*

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Abstract: With the rapid rise of the global new energy vehicle industry, several high-profile emerging brands are emerging in the Chinese market, such as Azera, Xiaopeng and Li Auto. They have become the highlight of China's new energy vehicle market, shaping the new trend of future mobility. Li Auto has a high market capitalization among China's electric vehicle manufacturers and is one of the leaders in electric vehicle market. This study delves into the success factors of these emerging brands, using Li Auto as a case study. This study analyzes the key success factors of Li Auto, including clear market positioning, diversified marketing strategies, excellent customer service, and an experienced management team. It also explores whether other emerging brands can emulate Li Auto's operational and management approach and provides practical advice on succeeding in the highly competitive new energy vehicle market. This study provides insights into the rise of emerging brands in China's new energy vehicle market and will be valuable to companies seeking to break through in this market.

1. Introduction

In recent years, the world has generally faced severe air and environmental pollution problems, one of the main causes of which is carbon dioxide emissions due to the excessive burning of fossil fuels such as oil [1, 2]. To address this challenge and protect the environment, there has been an aggressive global push for developing new energy products, one of the most notable of which is the electric vehicle [3]. This trend has prompted some of the most famous century-old automakers, such as Mercedes-Benz, to venture into electric vehicles and has also given rise to new electric vehicle brands like Tesla. The electric vehicle market has received great global attention, and the actual sales figures have been outstanding [4]. A new edition of the Global Electric Vehicle Outlook report released by the International Energy Agency (IEA) shows that global electric vehicle sales are expected to exceed 10 million units in 2022 and are projected to grow by 35% by 2023 to reach 14 million units. This explosive growth means that the share of electric vehicles in the overall automotive market has risen from about 4 percent in 2020 to 14 percent in 2022 and is expected to increase further to 18 percent this year in 2023, according to the IEA's latest forecast.

China is leading in the EV market, accounting for about 60% of global EV sales and more than half of global EVs traveling on Chinese roads. The rapid development of China's electric vehicle market is attributed to a series of policies introduced by the Chinese government to support the

development of new energy vehicles, such as the purchase tax exemption policy. In addition, some major cities, such as Shanghai, have implemented policies restricting license plates for traditional fuel vehicles while encouraging the use of new energy vehicles, which has also contributed to the promotion of electric vehicles. Implementing these policies has significantly boosted the sales and development of new energy vehicles and given rise to numerous new energy vehicle brands in China, such as Li Auto, Azure and Xiaopeng. Among these emerging automakers, Li Auto stands out. According to the official data released by Li Auto, as of June 2023, Li Auto has delivered more than 30,000 units, making it the fastest brand among China's emerging automakers to achieve monthly deliveries exceeding 30,000 units and the first to achieve monthly deliveries ranging from 10,000, 20,000, to 30,000 units in a short period [5-7].

However, Li Auto's success raises several questions: Why does it stand out in China's emerging automotive market? Why have other emerging automakers failed to achieve similar success? Can other new energy vehicle manufacturers in China learn from Li Auto's operational and management experience to realize their development and growth? These questions will be the focus of this article.

2. Case Analysis

Li Auto has become a high-profile new energy vehicle brand not only because it benefits from policy support but also because of its outstanding advantages in product technology, marketing and service, and management team. This study analyzes these advantages into the following four areas.

2.1. Product and Technology

The success of Li Auto cannot be separated from its excellent products and technology because an automobile brand needs excellent technology and products to be invincible. First, RISO has shown high accuracy and wisdom in market positioning, always focusing on Chinese family users. Given that Chinese family users are more concerned with spaciousness and ride comfort, Li Auto's product lines focus on SUVs. According to the 2022 figures, SUVs and large cars have become the main choice for electric vehicles, accounting for 60% of the electric vehicle market in China and Europe. This reflects the growing demand for SUVs and means that Li Auto has a significant advantage in meeting users' needs for comfort and luxury.

In addition, Li Auto has a competitive advantage in product differentiation as it focuses on SUVs, thereby reducing direct competition with rivals. Additionally, Li Auto utilizes add-on electric system technology, which means that the vehicle can run on either electric power or conventional fuel, attracting the attention of different types of consumers. While many competitors primarily use pure electric technology, the add-on technology provides Li Auto with a competitive differentiation.

In the new energy vehicle market, range has always been a major consumer concern. Li Auto's add-on system gives it an impressive range of 1,080 kilometers, far exceeding the range of other new energy vehicle brands, giving Li Auto a competitive advantage in the market. In addition to its range, Li Auto has also made significant progress in technological innovation, including innovative features such as Magic Carpet Air Suspension, Intelligent Driving, and Intelligent Space. Li Auto continues to upgrade these technologies to provide safer and more convenient products and services for home users.

Li Auto also released Mind GPT technology, a cognitive grand model based on natural language processing. It allows for deeper, smoother and more interesting conversations with users, enhancing their driving experience. In addition, Li Auto has also launched its High Voltage Pure Electricity Technology, which realizes a 5C charging efficiency of 9 minutes and 30 seconds and a range of 400 kilometers, which means that users only need to make a short stop of about 10 minutes to complete a charging session during long-distance trips, greatly saving charging time and enhancing

the convenience of users. These outstanding products and technologies make Li Auto stand out in the fierce market competition.

2.2. Marketing and Services

Li Auto has successfully established its brand image through clever marketing techniques, positioning itself as a family car brand so that its brand is easy to remember. In terms of marketing, Li Auto adopts a combination of online and offline modes and has established diversified marketing channels nationwide.

The online sales model is through the official App, designed and generously and is easy to understand. Among them, the Li Auto community section plays a key role, where users can get official information and feedback from real car owners, thus increasing potential sales opportunities. This community also helps build the automotive community, increasing user interaction and stickiness.

The offline channel includes more than 500 directly managed retail centers and showrooms, 80 city delivery centers, 260 self-managed service centers, and more than 240 authorized third-party sheet metal spray centers. Li Auto also utilizes social media apps for marketing, such as Jieyin and Weibo. On Jieyin, Li Auto works with well-known car bloggers to introduce and promote its models to increase brand awareness. On Weibo, Li Auto posts articles related to its models to promote them.

Li Auto's service system is also highly acclaimed. They provide delivery inspection, including inspection of 67 parts and functions, to ensure the delivery quality of new cars and give car owners peace of mind when purchasing a car. In addition, they provide 7x24-hour dedicated customer service, which can answer owners' after-sales calls on a one-to-one basis and provide professional replies to solve owners' problems, enhancing the brand image. In addition, Li Auto operates 276 repair centers in 205 cities, providing owners with convenient repair services.

Li Auto also frequently organizes Li Auto Owner events to attract car owners. These events are usually held on weekends and important festivals, allowing car owners to communicate offline, improve mutual understanding and build a closer social circle. The organization of such events enhances owners' goodwill towards the brand and strengthens their satisfaction with their cars, further reinforcing the brand image.

2.3. Management Team

The success of Li Auto cannot be separated from its outstanding management team, which is led by veteran Internet and automotive industry professionals such as Li Xiang, with rich entrepreneurial experience and excellent management talent. Mr. Li has more than 20 years of entrepreneurial experience in China's technology and automobile industries, having founded the world's most visited automobile website, AutoNavi, and successfully listed it on the stock market. This shows he possesses a keen Internet mindset and a deep insight into user needs. He also clearly understands market trends and which car types dominate the market and incorporates these insights into product design and operations.

Li Auto's management team has keen market insights and understands that there may be better strategies in the highly competitive new energy market than unthinkingly competing with other new energy vehicles. Therefore, they decided to focus on the family car market, which received less attention then, creating an opportunity for Li Auto.

Three key factors have made Li Auto a popular brand: superior products and technology, an experienced management team, and timely market positioning. Of course, policy support also played a role in the road to success. Still, more importantly, Li Auto survived in an era suitable for

developing new energy vehicles - the new energy era.

3. Market Comparison Analysis

Azalea, Xiaopeng and Li Auto, as the "Royal Three" of China's new car manufacturers, play an important role in China's new energy vehicle market. However, recent market performance shows Azalea and Xiaopeng are losing some of their competitive edge while Li Auto is steadily taking the lead. Next, we will analyze the market status of Azera and Xiaopeng separately in depth.

According to official statistics, total deliveries of Xiaopeng in the fourth quarter of 2022 amounted to 22,204 units, down 46.8% from 41,751 units in the same period last year. This clearly shows the trend of gradual decline in sales of Xiaopeng Automobile. The fundamental reason is that Xiaopeng Auto has certain problems in product positioning, brand positioning and pricing strategy. First, Xiaopeng's car was initially intelligent as a selling point. However, this selling point needs to be clarified in the actual marketing process, and product features are difficult to highlight. Taking Xiaopeng's G9 as an example, the publicity claimed it is a luxury intelligent SUV. However, this vague market positioning makes it difficult for consumers to understand the core value of its products. Secondly, Xiaopeng needs help with its pricing strategy. At first, Xiaopeng launched the G3, which cost about 100,000 yuan, to create a cost-effective product. However, the subsequent launch of the 300,000 RMB G9 made consumers feel the drastic price fluctuations, which made the brand's pricing strategy seem wavering and lacking in stability. Overall, Xiaopeng Auto needs clarity and wavering in product positioning and pricing, leading to unclear consumer perception of its brand and affecting its market competitiveness [8].

Azera Motors has performed well in terms of service. However, some things could be improved. Azalea has invested a lot of money to provide the ultimate service, but this has also impacted its financial position. According to the financial report disclosed on March 1, 2022, Azalea's full-year loss reached 14.4 billion, nearly tripling year-on-year. This was mainly due to Azalea's excessive investment in services and R&D, which caused a drag on its revenue performance. In addition, Azalea's market value has also suffered somewhat, shrinking by \$20 billion at one point since the March 1, 2022 earnings report. This has caused consumers to question Azalea's prospects and led to some customer loss [9, 10].

To summarize, the competition in China's new energy vehicle market is very fierce. For brands to stand out, they must have clear product selling points, stable brand positioning, and outstanding features in the marketing process. Of course, all of this presupposes a high-quality product. Otherwise, consumers will not buy it.

4. Suggestion

The current Chinese energy vehicle market is highly competitive, and without unique product advantages, it will be extremely difficult to survive. Therefore, new energy vehicle brands must find their unique selling points. This can be achieved through clear brand positioning, such as focusing on the family car market, making breakthroughs in technology and service like Azera, or choosing cost-effective products. When marketing, it is important to subtly highlight its selling points to ensure that consumers will remember what makes the brand tick. Of course, all of this must be based on a high-quality product. Consumers will only be interested in something other than the brand.

5. Conclusion

This study provides an in-depth discussion of emerging brands in China's new energy vehicle

market, focusing on the success factors of Li Auto as a leading brand. Through the case study of Li Auto, we draw the following conclusions:

First, a clear positioning and brand identity are crucial to the success of emerging brands. Focusing on the family car market and insisting on producing SUV-type models, Li Auto accurately meets the needs of family users for space and comfort, thus successfully creating a brand identity. Secondly, diversified marketing strategies and excellent customer service are important factors for brand promotion. Li Auto has actively promoted its brand awareness and provided consumers with a quality car-buying experience through online and offline sales models, social media advertisements, and regular customer events. Finally, having an experienced management team is critical to the brand's successful growth. Li Auto's founders and management team have extensive experience in the automotive and internet sectors. They can make informed decisions that have helped the brand on its path to success.

Other emerging brands of new energy vehicles can draw inspiration from Li Auto's success. However, to stand out in a competitive market, they need to find a unique brand positioning, build high-quality products, develop smart marketing strategies, and provide excellent customer service. In addition, having solid financial backing and a long-term vision for growth are also key factors for success. In conclusion, the new energy vehicle market is highly competitive, but with smart strategies and determined execution, emerging brands are expected to succeed in this space.

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