

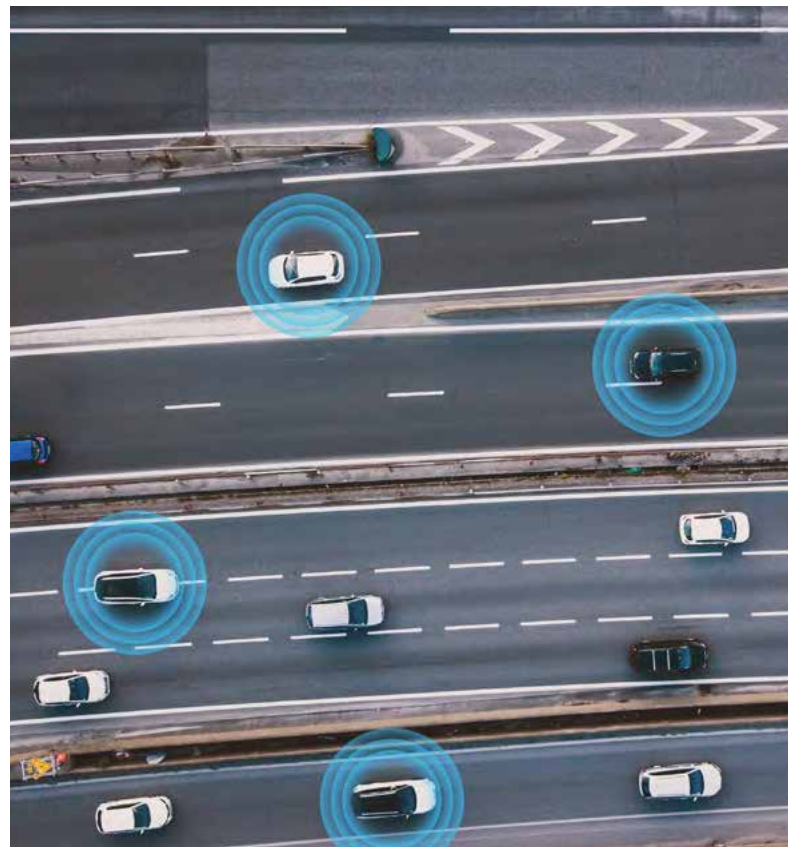


Emerging giants: the competitive rise of Chinese EV brands against established manufacturers in Europe

As Europe's electric vehicle (EV) adoption accelerates, the continent is poised for a transformative shift, with the market expected to grow from \$119.44 billion in 2022 to a staggering \$492.87 billion by 2030.¹ Amid this burgeoning landscape, Chinese EV manufacturers are making significant inroads, driven by a robust battery market and surging consumer demand. These new entrants aren't merely dipping their toes but are set to capture 11% of the battery electric vehicle (BEV) market this year, with projections reaching 20% by 2027.²

The push for a carbon-neutral future, underscored by zero-emission vehicle (ZEV) mandates in the UK and various national incentives across other countries, has positioned Europe as an ideal testing ground for these brands. Despite initial consumer wariness, competitive pricing and cutting-edge technology has enabled Chinese EVs to steadily gain market share, aligning with growing consumer readiness in countries like the UK and Germany. In fact, our recent survey of European auto buyers conducted with the Harris Poll revealed that across both countries acceptance of EV-only models when shopping for a vehicle is expected to reach 46% and 39% by 2030, respectively, and continue to climb to 57% and 50% by 2035. As Chinese EV brands stake their claim, the competitive landscape of the European automotive market is set to become more dynamic than ever.

In 2023, a remarkable 11.2 million BEVs and plug-in hybrid electric vehicles (PHEVs) traversed European roads, marking a substantial milestone.³ New EV registrations surged to nearly 3.2 million, representing an almost 20% increase compared to 2022. Within the European Union, sales reached 2.4 million, mirroring similar growth rates observed in China, underscoring the resilience of the market as it matures. Impressively, EVs accounted for 25-60% of car sales in various European countries. Even in Norway, where the overall market contracted, EV sales shares rose slightly, maintaining its position with nearly 95% market share.



Reflecting on 2023 European EV sales⁴:

25%

France & United Kingdom

30%

Netherlands

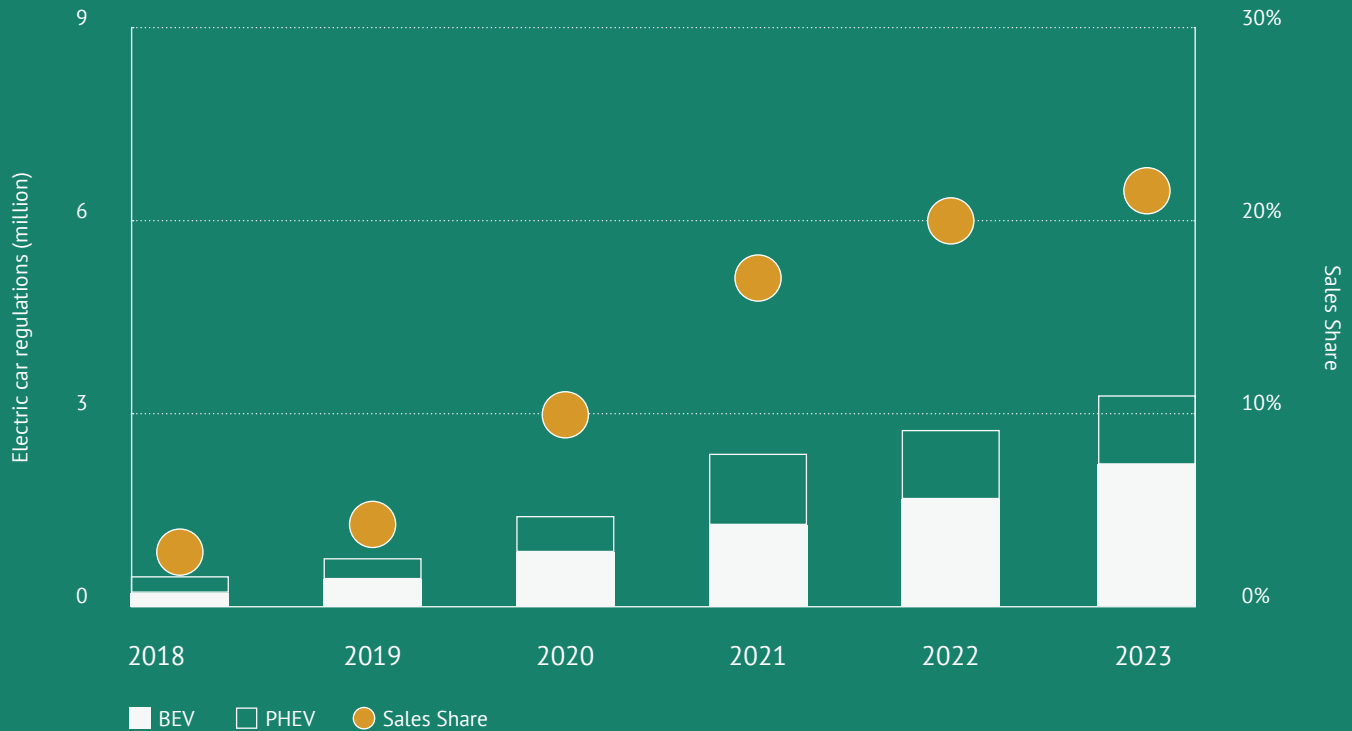
60%

Sweden

95%

Norway

Electric car registrations and sales share in Europe (2018-2023)



UK, France, Italy and Spain EV sales have grown by 20% or higher year over year, indicating a growing willingness to adopt.

In Germany, the sales share for electric cars fell from 30% in 2022 to 25% in 2023.

The trend of 20% EV market share increases across the European new vehicle sales market indicates robust and accelerating EV adoption. Traditional automotive manufacturers still command the lion's share of EV sales, accounting for three-quarters of the market, but their dominance is facing challenges, evidenced by around a 6% EV market share loss in France and Italy, alone. However, traditional automakers can leverage their established brand trust and consumer loyalty, especially in regions where brand identity is deeply valued, to counteract these losses. In contrast, Chinese new entrants are making notable strides, even challenging established players like Tesla for market share dominance. Experts agree that EU tariff bumps will not prevent China's automakers from taking market share, and identify four key success factors for new entrants: price, technology, scale and brand recognition. While tariff concerns may be causing trepidation, Chinese brands have not indicated stepping back; instead, the tariffs may accelerate the localization of their production.

Chinese automakers' success hinges on their ability to offer competitively priced vehicles, gain and maintain a technological edge in software and digital experience, tactically scale their operations and build brand recognition. Price remains a key driver, with Chinese brands able to offer lower-priced vehicles compared to established automakers. Additionally, they are sometimes perceived to excel in technology, particularly in software and digital experience, which appeals to younger generations. However, scale and brand recognition remain significant hurdles for Chinese entrants. They must build awareness and deliver high-quality aftersales service to avoid reputational damage and encourage repeat sales. Regarding aftersales networks, established automakers have a significant advantage here with their comprehensive aftersales networks across Europe helping maintain customer satisfaction and loyalty over the long term. With as many as 20 new Chinese brands clamoring for attention, the competition will be fierce and consumer choices potentially confusing.

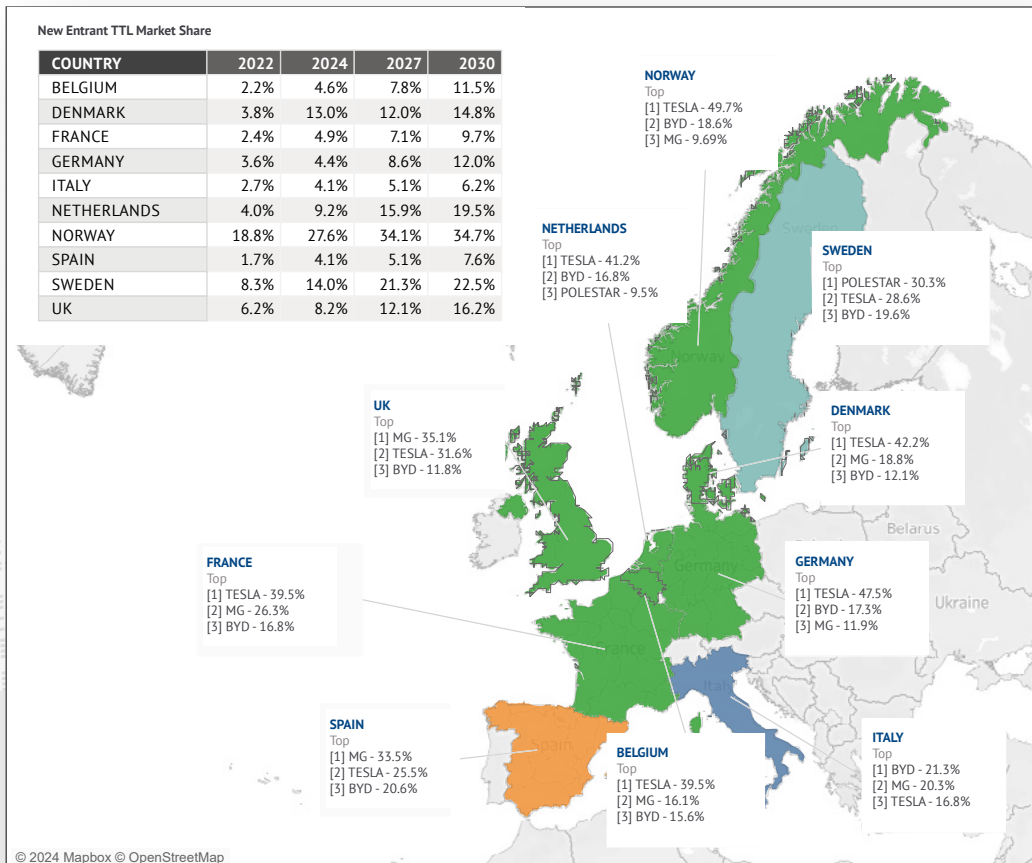


Envisioning 2030: predictions based on today's trends

By 2030, Chinese EV manufacturers are set to capture a notable portion of the European EV market for new entrants, while established automakers are expected to regain their market share by aggressively expanding their model and powertrain offerings. Across Germany, the UK and France, a 3-4% growth is forecasted for established automakers, essentially bringing them back up to 2023 market share levels. In Italy and Spain, established manufacturers are expected to hold a strong and growing EV market share, surpassing 90% from their current positions of 84% in Italy and 82% in Spain.

According to GlobalData forecasts, the European EV market will experience intense competition among new entrant EV manufacturers, particularly from Chinese companies, as they strive to establish and grow their sales networks. These new entrants are leveraging competitive pricing, advanced technology and strategic partnerships with local firms to penetrate the market. In Germany, Chinese brands are expected to achieve an 8% market share, demonstrating their ability to close the gap with established players like Tesla. In the UK, their market share is projected to reach 14%, while Tesla's share declines to 7%, highlighting the effectiveness of their aggressive expansion strategies. In France, Chinese manufacturers will incrementally grow their share to 7%, while Tesla's dropped to 6% from 12% in 2023. A market share battle will arise in Italy and Spain, where their market presence will fluctuate marginally, while Tesla's remains stagnant at 2%. This overall trend signifies a growing acceptance and competitiveness of Chinese EVs.

New Entrant Winner By Country



These dynamics underscore a rapidly evolving market where new entrants aren't only challenging Tesla but also positioning themselves as formidable contenders against established automakers. As we approach the end of the decade, the European EV market will be characterized by fierce competition, reshaping the future of mobility on the continent.

Strategic planning for diverse and evolving markets

This rise of EV adoption in Europe shows no signs of slowing, gaining even more momentum with mass market acceptance. Europe collectively reached a 21% total EV market share in 2023, significantly surpassing the early adoption benchmark of 15%. As the EV landscape evolves and competition intensifies, the strategic decisions made today are crucial for capturing future market share and ensuring long-term success. To navigate this dynamic environment, businesses must prioritize understanding market trends, fostering omnichannel shopping experiences and breaking down barriers to EV adoption through education.

The importance of optimal planning

A pillar for future EV success is accurate sales forecasting, which is essential for identifying current hotspots and future growth areas. This involves not only understanding where the market is thriving but also recognizing areas with the potential for expansion. Given that EV sales are expected to remain geographically clustered, retailers will experience diverse market conditions depending on their locations. Successful planning hinges on strong forecasting to determine the specific types and quantities of EVs, along with related services, necessary to meet consumer demands effectively. Manufacturers must confidently navigate the complexities of the EV market, making informed decisions on allocation, inventory and marketing to balance current sales with future opportunities. By employing detailed and adaptable sales forecasting, they can proactively address consumer needs, tailor strategies to each market's unique dynamics and ensure success in the rapidly evolving EV landscape.

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Balancing in-person and digital preferences

To meet the diverse needs of consumers, manufacturers must establish robust omnichannel shopping networks. According to our research, in Germany, 51% of auto buyers perceive traditional retailers as optimized for the future, a sentiment echoed by 40% in the UK. Furthermore, the traditional in-person retailer experience remains the preferred choice for 87% of German auto buyers and 89% of auto buyers in the UK.

However, the importance of face-to-face interactions varies throughout the vehicle purchasing journey. For instance, over 80% of auto buyers in both Germany and the UK prefer conducting vehicle setup and orientation in person. Additionally, a significant proportion – 71% of UK auto buyers and nearly 80% of their German counterparts – favor negotiating vehicle prices in person. Despite these preferences, digital platforms wield considerable influence, with approximately 29% of UK auto-buyers and 32% in Germany preferring online vehicle selection. Moreover, 45% of UK auto buyers prefer online avenues for learning about vehicle features and specifications. This nuanced interplay between in-person and digital preferences underscores the imperative for businesses to embrace an omnichannel approach to effectively meet and surpass consumer expectations.

Education overcomes EV adoption barriers

Lastly, education is crucial in overcoming barriers to EV adoption. 46% of auto buyers in both countries strongly agree that retailers should offer individualized guidance for customers transitioning to EVs. The primary barrier to EV adoption in key markets is the concern about the distance that can be traveled on a single charge, with 38% of auto buyers in the UK and 35% in Germany citing this as a top concern. Other major concerns include the time it takes to recharge, the high initial cost, a lack of charging infrastructure and the necessity of installing a home charging station. Safety concerns are particularly prominent in Germany at 21%, compared to the UK's 12%, highlighting regional differences in perceived barriers to EV adoption. Addressing these concerns through targeted education and personalized customer service can help ease the transition to EVs and foster greater market penetration.

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The objective power of science.

Since our founding over 45 years ago, our proven, scientific approach to retailer planning has continued to improve and evolve. It's an approach that stays ahead of the technological curve to help improve the performance of retailer networks – and it continues to be the industry standard.

If you'd like to talk to someone at Urban Science about your EV strategy, call or email me. And let us show you how we can apply the power of science to your challenges.

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1. [Europe Electric Vehicle Market Size, Share & Trends \[2030\] \(fortunebusinessinsights.com\)](#)

2. [Chinese EVs to grab 11% market share in Europe in 2024: NGO · TechNode](#)

3,4. [Trends in electric cars – Global EV Outlook 2024 – Analysis - IEA](#)

Urban Science Online Consumer and Dealer Studies, February 2024. These surveys were conducted by The Harris Poll on behalf of Urban Science