

The Competitiveness Analysis of Geely Automobile Group

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Abstract

The purpose of this research is to discuss the development history and future strategy of Geely Automobile Group Co., Ltd. Founded in 1997, Geely Automotive Group has grown from a small workshop to one of China's leading automakers after nearly three decades of development. This paper first reviews the development of Geely Automobile, from the initial small-scale production to the current global layout and diversified product line. Secondly, it analyzes the challenges and opportunities faced by Geely Automobile, including the intensification of market competition and the changing demand for technological innovation. And put forward the future development strategy of Geely Automobile, including improving the quality of products, expanding the international market and promoting the development of new energy vehicles. By analyzing the development history and future strategy of Geely Automobile Group Co., Ltd., we can better understand the company's position and future development direction in China's automobile industry.

Keywords: Geely Automotive Group, Development History, Technological Innovation, SWOT Analysis, Growth Strategy

1. INTRODUCTION

In today's fiercely competitive global automotive landscape, manufacturers are confronted with unprecedented challenges and opportunities. While China's automotive industry had its inception in the early 1950s, trailing behind the global car sector for over half a century[1], it has now surged into the spotlight, capturing attention worldwide. However, despite the prominence of BYD as a leader in the Chinese auto industry, numerous other companies are also experiencing rapid growth, notably the Geely Automotive Group. Geely Automotive has not only demonstrated remarkable prowess in product innovation and marketing but has also expanded rapidly, introducing a slew of automotive products, resulting in a continual uptick in profitability and market share.

Propelled by shifts in the global automotive market and the ongoing technological revolution, Geely Automotive is actively forging new paths for development and strategic direction. Technological innovation stands out as a primary catalyst for Geely's ongoing evolution. The company has significantly bolstered its

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investment in intelligent, new energy vehicles, as well as intelligent driving and related fields, consistently unveiling new products featuring cutting-edge technology to cater to the burgeoning needs of consumers. Empowered by intelligent technology, Geely Automobile not only enhances the competitiveness of its offerings but also establishes a robust foundation for the sustainable growth of the enterprise.

Simultaneously, Geely has implemented a global strategy that revolves around establishing a comprehensive value chain spanning R&D design, manufacturing assembly, and marketing services[2]. The company actively engages in international collaborations, expands its presence in overseas markets, and elevates the brand's international reputation and influence. Through partnerships with renowned international automotive firms, Geely Automobile has successfully penetrated traditional automobile markets and made significant strides in emerging markets and new energy vehicles. The execution of this internationalization strategy has not only ushered in new growth opportunities for Geely Automobile but has also positioned the enterprise to compete effectively in the global market.

The objective of this study is to enhance understanding of the Chinese automobile industry by analyzing Geely Automobile's developmental trajectory, strategic planning, and competitiveness. Through a successful case study of Geely Automobile, this research aims to delve into the roles, strategies, and challenges faced by Chinese automotive enterprises in global competition. Concurrently, the study aims to provide valuable insights to aid Korean companies in better comprehending and responding to the developmental trends within China's automobile industry, thereby attaining a competitive edge in future market endeavors.

2. HISTOTY OF GEELY AUTOMOTIVE

Geely Automotive, as one of the leading companies in China's automotive industry, has attracted extensive academic attention and research. Previous research has focused on a number of areas, including market analysis, brand development, technological innovation, corporate management and social responsibility. In terms of market analysis, the researchers explored Geely Automotive's competitive position, market share and brand image-building strategies in domestic and foreign markets. Research on brand development focuses on Geely Automotive's brand positioning, image communication and market expansion strategies to reveal its advantages and challenges in fierce competition. Technological innovation is one of Geely's key drivers of automotive development, and researchers conducted in-depth studies of its technological innovation capabilities, product R&D investments and new product launches to assess its competitive strength in the automotive industry. In addition, research in corporate management and strategic planning focuses on Geely Automotive's management practices, organizational culture, and leadership style to reveal its successful management models and strategic decisions. As society's focus on sustainability and corporate social responsibility continues to grow, researchers are also focusing on Geely's performance in environmental protection, social welfare and economic development to assess its sustainability strategy and social responsibility practices.

2.1 History of Geely Automotive Group

Founded in 1986, Geely started with refrigerator parts under Li Shufu's leadership. With initial capital accumulation, Geely entered the automobile industry in 1997, investing 500 million yuan to become China's premier private automotive enterprise. Initially lacking technical expertise and resources, the company innovatively studied imported Charley cars, reverse engineering them to enhance production. Over time, Geely has successfully lowered production costs, expanded market share, and lessened dependence on imported technology[3].

China's own brand cars face many challenges in the early stages of the market. Due to the monopoly of joint venture brands, independent brands can only rely on low-cost strategies to compete for market share, which also leads to limited profit margins. Geely Automobile acquired production licenses through the

acquisition of bankrupt manufacturers, however, the low-cost strategy left it at a disadvantage compared to the joint venture brand. Nevertheless, Geely has always adhered to the concept of "building a good car that Chinese people can afford" and strived to improve product quality..Since it entered the field of sedan in 1997, it has become one of the major manufacturers of China's independent automobile brands[4].

In May 2007, Geely announced a strategic transformation from cost-leading to product differentiation, with a series of new models. In March 2009, Geely acquired Volvo passenger cars, acquired high-end core technology, and improved research and development capabilities. Geely Group invested heavily in Volvo Passenger Cars to turn a profit after the merger and acquisition, consolidating its position in the European and American markets. This series of initiatives has gradually established Geely Automobile in the market competition and achieved market expansion on a global scale.On April 16, 2017, Geely Automotive Group announced the new car brand Lynk & Co[5]. The first model, the LYNK 01, is scheduled to hit the Chinese market in the fourth quarter of 2017, enter the European market in 2019, and then the U.S. market. The Lynk & Co brand was developed by more than 2,000 engineers from more than 20 countries at the European R&D center CEVT for more than three years, based on the new intermediate vehicle infrastructure CMA led by Volvo Cars.It combines European advanced research and development concepts and international cutting-edge technology, injecting new vitality and vitality. Lynk & Co Automotive will share its manufacturing base with Volvo in China, providing lifetime free warranty, road rescue and data flow services, and adopting a transparent price system and order system to maximize the user experience.This new standard and business model will bring strong competitiveness to the Chinese automotive market and help Geely Automotive Group achieve sales growth.

2.2 Development and status of Geely Automotive Group

In the first half of 2023, Geely's cumulative sales of 694,000 vehicles, up 13.1% year-on-year, achieved operating income of 73.18 billion yuan, up 25.8% year-on-year.Among them, sales of new energy products (including Geely, Lynk & Co, Extreme Krypton, and Rui Lan) in the first half of the year increased by 43.9%, and the proportion of new energy vehicles increased from 17.9% to 22.7% in the same period last year. For the first half of the performance, Geely Automobile said that it is basically in line with management's expectations, and the growth of revenue is due to the continuous improvement of brand image and the rapid growth of new energy models. In addition, Geely Automobile is currently in a critical transition period to new energy models, and the management level is still facing various challenges during the transition period. However, thanks to the solid profitability of the Group as a whole and the ability to actively respond to challenges, Geely Automotive has ensured the sustainable development of its business.

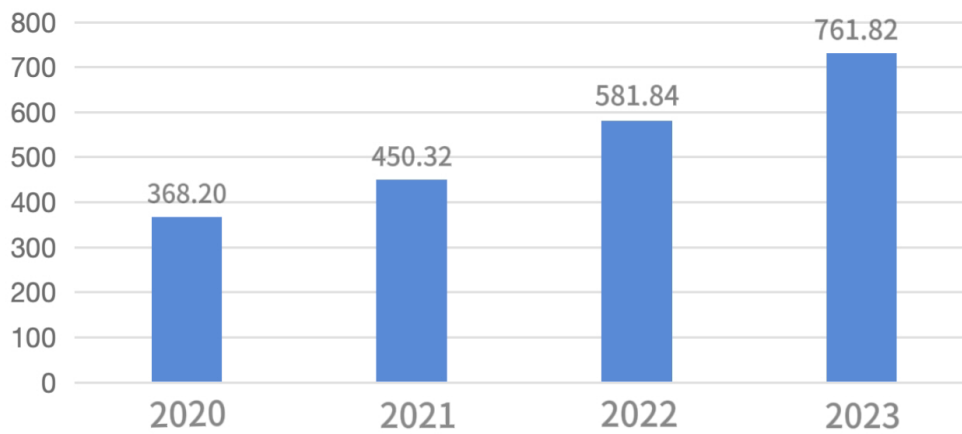


Figure 1. 2020-2023 Geely Automobile's total income (billion yuan)

source: Genius Finance, Annual Report

Creativity is a key source of competitive advantage and sustained success in the current dynamic and highly competitive business environment[6]. Technological innovation is a driving force of the continuously developing new energy vehicle (NEV) industry[7]. Geely Automotive Group has a strong layout in the new energy sector, focusing on technology research and development and product innovation. Among them, the Extreme Krypton brand performed well in the luxury smart pure electricity market, delivering 42,633 units in the first half of the year, an increase of 124%. Extreme Krypton 001 has become the world's fastest delivery of more than 100,000 luxury cars, with an average order value of more than 336,000 yuan, continuing to be the "Chinese brand pure tram sales champion". Flagship model Extreme Krypton 009 is more than 500,000 luxury MPV category sales crown, the average order amount reached 527,000 yuan. In addition, Lynk & Co brand continued to lead the upward development of Chinese automobile brands, with sales reaching 82,000 units in the first half, an increase of 6% year-on-year, and cumulative sales exceeding 900,000 units. The product planning is mainly based on EM-P super-extended electric scheme, supplemented by BEV, focusing on more than 200,000 categories and high-end markets. Moreover, the Galaxy brand focused on super hybrid, extended hybrid and pure electric products, launched the hybrid model Galaxy L7, which sold 19,731 units in two months, quickly entering the first camp of the market. In terms of future planning, Geely Automotive Group said it will continue to maintain its sales target of 1.65 million units and plans to launch the industry's first AI smart hybrid sedan Galaxy L6 and E8 to continuously improve its competitiveness and market position in new energy vehicles.

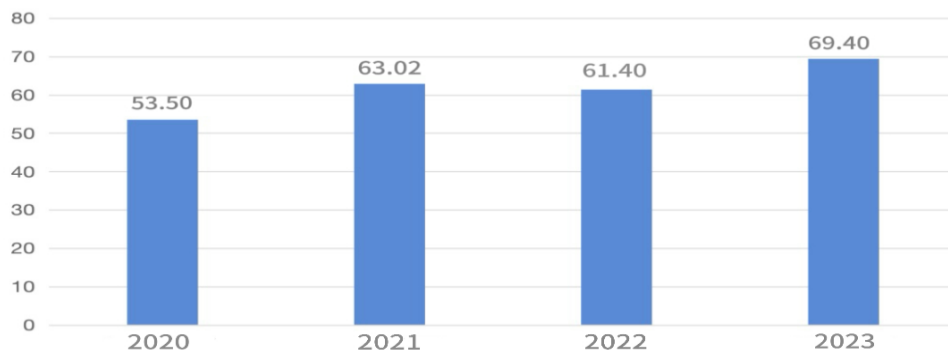


Figure 2. 2020-2023 Geely Automobile Sales Performance (10,000 units)
 source: Genius Finance, Annual Report

According to the report, Geely Automobile invested a lot of R&D resources in the field of intelligent electrification, and the total R&D investment in the first half of this year increased by 62.8% year-on-year to RMB 5.91 billion yuan. At the same time, Geely Automotive also made it clear in its earnings report that the company's R&D investment will continue to focus on the development of new energy vehicles and key technologies, especially forward-looking technologies such as smart connectivity and digitalization. Under the tide of intelligent electricity, the development of automobile industry is no longer limited to single-wire technological innovation, and multi-technology of artificial intelligence, senseless interaction, heaven-earth communication, cross-border interconnection. Based on new opportunities brought by cutting-edge digital technology, Geely Automobile has actively laid out the entire industrial chain of intelligent electric vehicles and established full-stack self-research capabilities in the field of intelligent cockpit and intelligent driving. In this year, Geely made significant progress in the field of human-vehicle interaction. Its distributed operating system Galaxy N OS has been applied to Geely Galaxy L7 and Geely Galaxy L6 models, enhancing the vehicle's operational performance. At the same time, Lynk & Co and Meizu jointly developed Flyme Auto OS, and the first model with this system, Lynk & Co 08, has been released. In addition, Geely has introduced several innovative technologies, such as intelligent driving and voice interaction training optimization support in Xingrui Intelligent Computing Center. These initiatives will further enhance Geely

Automotive's competitiveness and provide users with a safer and smarter driving experience.

2.3 Overseas multi-regional deepening layout

Geely brand increased its layout in the Middle East, Asia-Pacific, Africa, Latin America, pan-Europe and other regions, and launched 12 new products in 29 overseas countries in the first half of the year. By the end of June 2023, a total of 490 sales and service outlets have been opened worldwide. New Geometry C and new part of the market are entering the Middle East, pan-European and Latin American markets one after another. In terms of overseas exports, Lynk & Co's shipments reached 16,732 vehicles, of which 96% were new energy models. In addition to the Lynk & Co 01 and Lynk & Co 05 that have already entered overseas markets, the Lynk & Co 03 performance family and the flagship Lynk & Co 09 will also officially land in the Middle East market in 2023, adding new members to Lynk & Co's overseas product line. In addition, Proton's wholesale sales reached 80,000 units in the first half of the year, up 34% year-on-year (terminal sales of 77,000 units, up 28.6% year-on-year). The Proton X90 went public in June 2023, marking the beginning of Proton's new energy transformation. In the field of automotive power research and development, Geely Holdings and Renault have established a power joint venture to reduce the proportion of the production of internal combustion engine products and accelerate the transition to new energy.

3. DEVELOPMENT STRATEGY OF GEELY AUTOMOTIVE GROUP

3.1 SWOT Analysis

SWOT analysis is a comprehensive analysis of the advantages and disadvantages of the enterprise. Match internal conditions with external environmental analysis to: (1) seize market opportunities that match the company's resource capabilities; and (2) build relevant resource capabilities to defend against external threats that affect the company's business.

Table 1. SWOT Analysis of Geely Automotive Group

Opportunities (O)	Threat (T)
<ul style="list-style-type: none"> * National policy to support the development of independent brand cars * New energy vehicle development prospects * Resident income growth drives auto consumption upgrade * "One Belt, One Road" construction to promote automobile exports 	<ul style="list-style-type: none"> * The automotive market is slowing down. * Increased competition in automobile companies * Entry of emerging automobile companies * The threat of suppliers to the profits of the entire vehicle company
Advantage (S)	Disadvantages (W)
<ul style="list-style-type: none"> * Perfect brand layout and product coverage * Innovative business model * Human resources advantages * Independent R&D Capability * Perfect sales network and after-sales service capabilities. 	<ul style="list-style-type: none"> * Low brand image * short board of production capacity * New energy vehicles are weak. * Weak quality control

source:<https://kns-cnki-net-ssl.glibproxy.gachon.ac.kr/KCMS/detail/detail.aspx?dbname=CMFD201901&filename=1018136559.nh>

Through the SWOT matrix analysis, it can be seen that the opportunities facing Geely Automotive Group are still greater than the threats. Although the growth rate of the automobile market is slowing down, the threat of fierce competition among automobile enterprises is increasing, and the entry of emerging automobile

enterprises and suppliers are threatening to the profits of automobile enterprises. Through analyzing the internal resources and conditions of Geely Automobile Group, it is found that the overall advantages of Geely Automobile outweigh the disadvantages. At present, Geely Automotive has formed a perfect brand layout and product coverage, with strong independent R&D capabilities and human resources advantages, with a perfect sales network and after-sales service capabilities. These have laid a solid foundation for Geely Automotive Group's future development and growth.

3.2 Growth strategy

According to the opportunities and threats in the external environment of the enterprise found by SWOT analysis, as well as the advantages and disadvantages of the enterprise itself, Geely Auto Group can seize the external opportunities such as the increase of residents' income to promote the upgrading of automobile consumption and the huge potential market demand through its own perfect brand layout and product coverage, as well as relatively perfect sales network and after-sales service capabilities. Carry out multi-brand and product diversification layout, and continue to carry out market penetration to expand Geely Auto's market share; Geely Auto Group can also, through its perfect brand layout and product coverage, relatively perfect sales network and after-sales service capabilities, and innovative business model, defend and avoid external environmental threats, and adopt market development methods to expand Geely Auto's existing products to a new market, not only to regions in China, but also to enter the international market.

4. CONCLUSION

With the rapid development of the economy and the continuous expansion of opening to the outside world, the automobile industry has gradually developed into the world's largest automobile market. At the same time, Chinese automakers are looking to the international market, and they will also have to adjust their strategies. They have to understand their brand reputation and positioning to leverage their strengths while understanding their target markets and demographics[7]. Geely Automotive Group's development strategy is a success story full of innovation and struggle. For a company to maintain continuous innovation, creative performance through various ideas must drive its success[8]. From the beginning of manufacturing refrigerator parts to entering the automotive industry, Geely has always adhered to the spirit of innovation and tenacity. Through reverse engineering, technology learning and continuous improvement, Geely has successfully built its own automotive brand and achieved significant growth. Its Adhering to the road of international management has set an example for China's automobile industry[9].

Multinational corporations (MNCs) are looking for ways to extend their businesses into new countries as globalization accelerates[10]. Given the ongoing major environmental crises, governments and organizations must take action to reduce negative environmental impacts[11]. In terms of development strategy, strengthening the development and application of new energy vehicles, and continuously improving product quality and technical level are the key to Geely Automobile Group's future development. Through international layout, expand global market share and enhance international brand awareness. At the same time, pay attention to corporate social responsibility, actively participate in environmental protection and sustainable development, and establish a good corporate. Through the integration of industrial chain resources, to achieve production efficiency improvement and cost optimization.

Geely Automotive Group's development path reflects the challenges and opportunities faced by China's automobile enterprises in the international market competition, providing important reference for understanding the development of China's automobile industry. Its strategic transformation and market layout provide valuable experience and inspiration to other Chinese automobile companies, especially in product innovation, brand building and international development. Studying Geely Automotive also helps enrich the theory and practice of enterprise development, providing new research topics and ideas for academia, and promoting academic research and knowledge output in related fields. Geely's successful experience and challenges provide valuable references for the development of China's automobile industry and provide

important inspiration for Chinese automakers to gain a greater competitive advantage on the global stage.

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