

Analysis of BYD Green Marketing

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Abstract

Due to the requirements of society, more and more manufacturers begin to pay attention to green marketing. As the world's leading manufacturer, BYD has started to research new energy vehicles and already received some results, but it still has some problems. Several suggestions are given. BYD should master core new energy technology for its further development, attach importance to multiple marketing methods, strengthen efforts to build a green brand and get the support of R&D from the national government.

Keywords: *Green Marketing; New Energy Vehicles; BYD*

INTRODUCTION

Green marketing is a subset of marketing, which reflects a company's corporate social responsibility (CSR), environmental production and long-term sustainability (Jaderná and Příkrylová, 2018). Green marketing is also considered as ecological marketing and environmental marketing (Zhu and Sarkis, 2016). According to the auto companies, it is a tough task and duty to be green, therefore, they are expected to be eco-friendly during the entire production chain and reduce emissions. Thus, many auto manufacturers have started to produce eco-friendly new energy vehicles (NEVs), which is a new field in the auto industry and possibly would face a lot of challenges. This report aims to analyze the green marketing of BYD limited company and then put forward the proposal based on the existing problems including developing a hybrid power market, pay more attention to the charging system, upgrade batteries, cooperate with Uber and DiDi. This report has four sections. The first section is the overview of BYD limited company and its current position in NEVs, along with the explanation of new energy vehicles (NEVs). The next section tells some problems BYD faces. The third section is about some solutions and recommendations based on these problems. And then some impacts and trends are written in the final section.

SITUATION

BYD is now the world's leading manufacturer. BYD Company Limited (2019) reported in the company profile that BYD whose history could be traced back to 1995, had the main business in the sale of automobiles and related products, running subsidiary companies in Europe, America, and India in addition to China. BYD was established in 1995 by Wang Chuanfu with twenty employees, went into auto business in 2003, and now there are more than 190,000 employees around the world with various business in the area of Information Technology, photovoltaic business, new energy vehicles (NEVs), and rechargeable battery (Masiero et al, 2016). The company focuses on its research and development (R&D) sector in FY2017, investing CNY3,739.5 million (BYD Company Limited, 2019). Due to environmental protection, many countries including China are trying to develop new energy, and BYD is the domestic head of manufacture in this area. Zhang and Qin (2018) found that with the rapid development of the economy in China, the consumption of energy is increasing and environmental pollution is getting worse, which lead to climate change. New energy vehicles (NEVs) can help decline emissions because they operate by battery instead of fossil fuel. As a result, many countries carried out the strategies that NEVs could be considered as the alternative of common vehicles, and more research and development (R&D) should be conducted. However, Masiero et al (2016) stated that NEVs in the global green market which had great significance in vehicle fleets to replace gasoline vehicles needed to overcome many challenges to be accepted successfully. For example, the products should have an affordable price with a high production cost. Due to the demanding need of new energy in China, with support from

the government and its efforts in research and marketing, BYD is a leader in China, located in the area of the low-tech vehicle and public transport, in contrast, Tesla contributes to the luxury market and Toyota positioned in a hybrid car. At the moment, BYD's main popular environmental production products of public buses and taxi are K9 and E6 (Liu and Meng, 2017). According to Masiero et al (2016), though there is no official data, experts demonstrate that China, Japan, Germany play the most important role in the field of new energy technology, and Japan and America have the largest market of NEVs. This is due to the advanced battery production industry in these countries. It is explored that batteries can be considered as the most difficult part of the production chain of NEVs. Nevertheless, BYD is in the top ten firms of the rank of development of the battery industry, as the unique Chinese firm.

PROBLEM

The development of BYD's green marketing is outstanding now, however, it still has a lot of problems including technology needs to be improved, lack of green marketing concept, customer cognition and acceptance, government-related problems and fierce competition. First, BYD's NEVs business does not have their mature core technology, many of their technologies and patents are imitated or bought from advanced foreign auto companies, which leads to little competitiveness and high production cost. And also, imitation could not only result in the distrust of consumers about the quality of cars but also make it difficult to promote the brand. It cannot be ensured the safety of the driving process due to the incomplete technology of the new energy power system. Second, BYD company keep path with the conception of environmental protection as well as new energy vehicles, but because of the lack of green marketing conception, it is eager for the short-term benefits and do not attach importance to the long-term market, for instance, they pay little attention to R&D. And due to its lack of green marketing experience, the sales approaches and channels are mainly traditional, thereby causing loss to the company as well as fewer opportunities to develop. Third, Lou, Wang and Yang (2017) examined that the majority of consumers only heard of new electrical cars before but do not understand them profoundly. Actually, many consumers are lack green consumption concepts so that they would not be aware of the significance of purchasing green products. Consumers may pay attention to product performance and the price, for instance, there are not many charging stations for consumers to charge conveniently and the price of NEVs may be higher. Thus, consumers who care about environmental protection and green products would not purchase due to these aforementioned factors (Cohn and Vaccaro, 2013). Fourth, Zhang and Qin (2018) explored that according to government, there were some policies about NEVs development and research which could guarantee the safety and quality of cars mandated by the national government, but were not conducted efficiently. As a matter of fact, whether national or provincial levels, the government gave a lot of subsidy and welfare to BYD company. Furthermore, the government has reduced the subsidies in recent years which is also a challenge for BYD NEVs to develop. Finally, BYD company (2019) reported in the weakness part in its company profile that BYD depended on China for revenues heavily which is not benefiting BYD to compete in the international market and easily affected by domestic economics and policies. At the same time, with the increase of welfare policies and support implemented in the Green industry, more and more traditional auto firms will probably get into the green market, competing with BYD and then segment its original market shares. In addition to domestic vehicle companies, there are many other competitive international NEVs companies such as Tesla. Therefore, focusing on one market increases business risk and decreases international competitiveness.

SOLUTION

For the above a series of problems BYD faces, there are five solutions. First, my suggestion is that it is necessary for BYD to master core new energy technology for its further development. Imitating other companies is not only bad for their brand image and profit but also cannot guarantee the safety of vehicles. Actually, it indeed has benefits after mastering core technology, for instance, it can be found that the Saic motor group received great achievements of the increased sales in 2015 after they determined the core technical route of "three electric vehicles". Therefore, BYD NEVs business should invest capital in R&D to gain irreplaceable core technology to improve its competitiveness. Second, I think that instead of traditional marketing strategies, BYD should attach importance to multiple marketing methods. By December 2015, the popularity rate of Internet users in China reached 50.3%,

therefore BYD should pay more attention to the online shopping method, a huge potential market, which is a good idea to attract consumers' attention and purchase by online advertisements and sales. At the same time, in terms of product promotion, BYD could take different regional factors into consideration, put forward attractive promotion strategies differing from others such as free maintenance, so as to attract ordinary consumers. Third, I suggest that it could be significant to strengthen efforts to build a green brand, in order to build a great image to consumers. BYD should participate in public welfare activities and pay more attention to corporate social responsibility related to environmental protection, so as to win the trust and support from customers and stand out from other competitors. In addition, in order to overcome the question of consumers' lack of awareness of green vehicles, BYD should make more knowledge announcement activities such as advertisements and TV shows. And in order to improve the charging system, BYD should negotiate and cooperate with local offices to add more charging stations for electrical cars. Fourth, my opinion is that the national government needs to enhance the policy of supporting R&D of NEVs. Fig.1, which reflects the classification of national NEV policies, shows that national support in R&D occupied the smallest percentage at the macroscopic level. Therefore, not only the government should pay more attention to R&D policies but also the firm ought to invest more. Furthermore, because of the decrease in subsidies, the product cost increases, as a result, the price of product increases. However, as some managers of auto companies in China said, subsidy retreat is not necessarily a bad thing. For one thing, some companies without strength would be eliminated, so that the market could be cleaned up because government subsidies always focus on low tech products. For another, it may be an opportunity for BYD to get into the middle and high market and move towards marketization by producing extremely great products resembling Tesla instead of overly relying on government support.

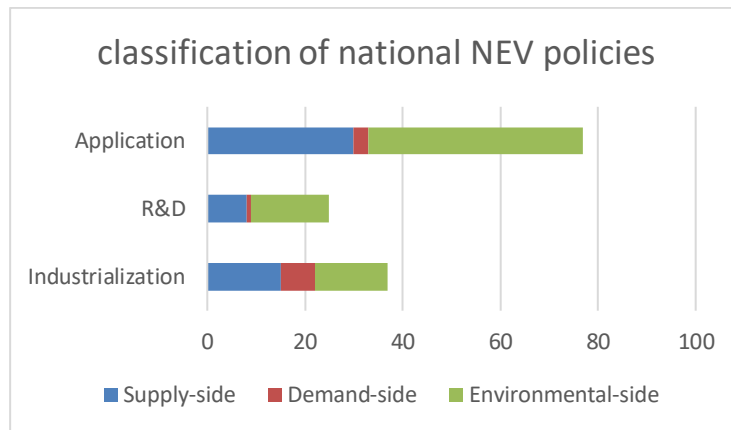


FIG.1 CLASSIFICATION OF NATIONAL NEV POLICIES (CHART FROM ZHANG, QIN (2018))

Finally, according to Table 1 and Fig.2, it can be seen that the market share of BYD NEVs is half that of Tesla, and the main sales regions are distributed in North America and Europe apart from China, occupying more than thirty percent. Therefore, I suggest that BYD could not ignore another market besides China. Cooperating with other brands is a good method for a win-win. Collaborating with other overseas brands could get more recognition in the overseas market and meanwhile raise the quality and safety of vehicles with new and better technology.

TABLE 1 TOP10 GLOBAL SALES OF ELECTRIC VEHICLE MODELS IN THE FIRST HALF OF 2019 (DATA FROM EV SALES)

Rank	Models	2019 · June	2019 · January-June	Market shares
1	Tesla MODEL 3	39632	128372	11%
2	Baic EU series	17916	49076	4%
3	BYD yuan EV	6566	43484	4%
4	Nissan leaf	5242	35038	3%
5	Mitsubishi outlander	5949	26888	2%
6	BYD e5	3793	26095	2%
7	Renault Zoe	4990	24594	2%
8	BYD Tang PHEV	2996	24174	2%
9	Geely emgrand EV	4465	23715	2%
10	Roewe Ei5 EV	4377	22455	2%

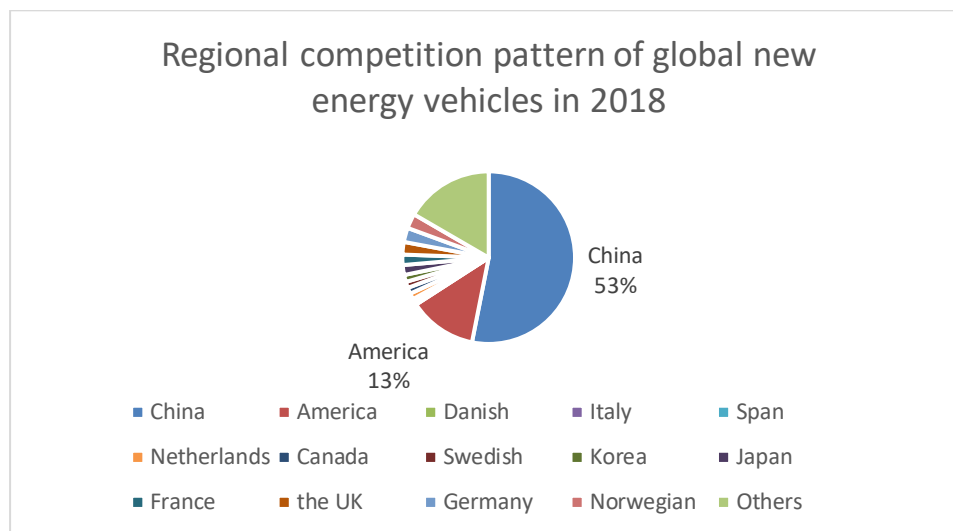


FIG.2 REGIONAL COMPETITION PATTERN OF GLOBAL NEW ENERGY VEHICLES IN 2018(CHART FROM MARK LINES)

EVALUATION

Although the previous paragraph shows some solutions based on the problems affecting the development of BYD NEVs, these solutions have some impacts, nevertheless positive or negative. First, because of the increasing cost of developing core technology, the price of vehicles will increase as well, which will lead to a decrease in consumers and revenues. Second, in the short term, a strong promotion strategy has a positive impact, but it is not a long-term strategy due to too much cost, for instance, BYD cannot give consumers free maintenance all the time because the company also needs to pay for the employees and auto parts. Third, it is positive to cooperate with other overseas auto companies to enhance technology and enlarge the global market with other companies' influence and support at the same time. Furthermore, below are some recommendations of BYD could do in the next step. First of all, it is necessary for BYD to develop a hybrid power market because the production and sales of hybrid electric vehicles have increased so quickly recently years, and it would be the new trend globally. While the subsidies from the government mainly focus on pure electrical vehicles, the developing trend of hybrid power auto cannot be surpassed. Thus, it is suggested that BYD company should expand its business in a hybrid vehicle business while keeping its pure electrical vehicles. Secondly, Zhang, Wang and Wang (2018) reported that the maintenance of NEVs charging system has not been focused on so far while the charging system of NEVs is not stable enough, as a result, as a matter of fact, NEVs sometimes break down due to the unsteady charging technology. Because the charging system is the core of NEVs, meanwhile, it will affect the user experience as well, so actions should be taken to attach importance to it to guarantee the high quality of these vehicles in the future. In addition, in terms of technology trends, BYD should find the method of balancing the high production cost with the investment in technological innovation. Obviously, batteries are the key point of new energy, there are various batteries for NEVs to use in green auto market, for example, nickel-metal hydride (Ni-MH) batteries are normally used by a majority of NEVs because they are durable, not costly and create less pollution, but they are not suitable for pure batteries energy vehicles. Thereby BYD ought to be more positive in batteries research to upgrade batteries to occupy more market shares in the worldwide market. Finally, apart from the taxi market, BYD could cooperate with Uber and DiDi to enlarge its NEVs business in the public transport market.

CONCLUSION

In summary, with the development of new energy and more attention to environmental protection, more and more auto companies attach importance to NEVs including BYD. However, several problems of BYD green marketing should not be ignored though it has great market shares in China market. BYD needs to improve its core technology and marketing strategies to compete in the global market while China government should pay more attention to NEVs R&D. I gave some suggestions on BYD green marketing, but this report mainly focuses on the extensive analysis, so further study is needed for further research.

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