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Strategic Marketing

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1.0 Introduction

This report analyses the strategic performance of the Chinese company Build Your Dreams (BYD) across the different sections of the report. As one of the leading manufacturers of green energy solutions, BYD presents a challenging prospect for strategic marketing operations as it is acting in a competitive business environment. The first section analyses the competitive advantages and growth strategies of BYD, through the resource-based view. This is followed by a competitive analysis of the industry rivals of BYD. Following this, the report analyses the customer profile of BYD and considers challenges faced by the company across social and innovation strategies.

2.0 Resource-based view of the company

2.1 Mission/vision

The report prefaces the development of the strategic market practices of BYD as an opportunity that is identified in the growing environmental concerns regarding the sustainability in infrastructure and transportation activities. In particular, this is identified in the growth of the electric vehicle industry which is characterised by using sustainable electric energy to generate fuel for the vehicle (Sha, 2022). This has disrupted the traditional automotive industry by creating the demand for alternative energy solutions which are also positioned to be more affordable and sustainable compared to gas and petrol-powered vehicles. The Chinese automotive market has therefore transformed to address this new opportunity, resulting in companies like BYD developing businesses to create a new competitive position for the Chinese automotive industry (Sha, 2022).

2.2 Directional and growth strategies

BYD has established itself as a leading competitor in the electric vehicle segment by producing high-quality vehicles at affordable prices. BYD's market growth has been sustained through popular public support from Chinese consumers as well as the Chinese government (Clifford, 2016), which has invested in the company to secure its domestic market growth (Sha, 2022). BYD is therefore positioned towards a lateral growth strategy as it is producing in-house

innovations that lead to electric vehicle energy solutions, such as batteries. Battery manufacturing is among the most challenging prospects for electric vehicle manufacturers, and BYD's capabilities in this area make it positioned towards positive directional growth. This is evidenced by the internal spending on R&D at BYD, which amounts to over 12% which is more than Tesla (Lu, Xia and You, 2022).

The report notes that BYD's market performance has declined in recent years owing to the widespread impact of the Covid-19 pandemic. As an electric vehicle manufacturer, BYD relies on an intricate supply chain system that is capable of maintaining operations across the board.

2.3 Competencies and competitive advantages

The production of electric vehicles relies on securing such essential components as electric batteries and customised internal components, and therefore the onset of the pandemic led to a disruption in the company's business practices. However, BYD managed to retain its market recovery swiftly owing to strong leadership and strategic directional growth of the firm. This allows BYD to secure a competitive market performance for itself which is based on the growth and swift recovery it has sustained itself. Therefore, there is a scope for wide analysis of the improvement of the firm's recovery and its operations, where strategic competitive advantages will be determined for BYD. This will be determined in the subsequent VRIO analysis, which will secure a thorough insight into BYD's strategic growth and competitive advantages.

2.4 VRIO analysis

Valuable

Firstly, BYD has a valuable advantage in the ownership of its technological knowledge and internal competencies. This was developed through consequential investment into the firm's internal research and development practices. The technological advancements for BYD allow it to develop electrical batteries in-house through a level of vertically integrated supply chain system. Even during the pandemic, the firm introduced the Blade Battery design for electric vehicles, which offers a 600-kilometre mileage based on a single battery charge and is capable of sustaining over 3000 battery charges based on the battery's life cycle (Weiss, 2020). It also improved the safety ratings of the battery thereby reducing its potential safety hazard issue. Other valuable innovations can be listed such as the Xiaoyun engine with DM-i hybrid

technology that is compatible with plug-in hybrid electric vehicles. It offers a brake thermal efficiency of 43% and at 1.5L plug-in capacity, is one of the leading efficient petrol engines. This is just an instance of the many valuable advantages of technological ownership at BYD, as the firm has over 29201 technologies patented in China (Insights, 2022).

Secondly, the diverse portfolio of products at BYD is also a valuable internal resource as it allows BYD to maximise its strategic growth opportunities through different directions. These comprise the IT sector, energy sector, automotive and rail sectors (Clifford, 2016). Within these sectors, BYD manufactures different products ranging from electric cars, and energy-generating plants to electric foundries. Therefore, this valuable market operation allows BYD to be present in different market segments while diversifying its total revenue stream across sectors. It also allows the price to be kept lower, due to the diverse use-case application of BYD products across industries. For instance, lithium iron phosphate is used in manufacturing batteries as it offers the optimal balance of low cost and safety, giving BYD cars a pricing advantage over rival products.

Thirdly, BYD has diverse sales channels beginning with BYD's expansion in 2008 which saw it establish four separate outlets for product distribution. By 2010, this had scaled up to 1100 outlets. Having a large number of retail sales channels helps to increase the brand presence across the retail environment, thereby helping to develop the brand more efficiently in the consumer consciousness.

Rare

Firstly, internal technological competencies are a rare resource as it is a result of positive growth and development over a long-term period. This competency allows BYD to be strategically positioned in a more powerful position, as other companies such as Toyota have not yet achieved a similar internal competency.

Secondly, having a diverse portfolio of products is also a rare resource as many automobile manufacturers do not have a similar degree of diversification of portfolio offerings. Few rivals in the industry such as Tesla have a similar competency in critical areas of electric vehicle manufacturers such as batteries, therefore making this a rare resource for BYD.

Thirdly, a strong sales channel presence is not as rare as this occurrence is also commonly found among the different industry rivals such as global rival Tesla and domestic rival Li Auto.

Imitable

Firstly, the resources of internal competencies are not imitable as it is only a resultant outcome driven by long-term market exposure, investments into research and development and market growth. For rival firms to become imitable in this scenario, they would have to attain a similar level of resources and presence to acquire the same level of internal expertise as BYD.
Secondly, having a diverse portfolio of products is an imitable quality only when the rival firm is capable of diversifying its business offerings profitably. As per Porter's Generic Strategies, the diversification strategy is the most risk-intensive and resource-intensive strategy, therefore this quality is not imitable by BYD's market rivals.
Thirdly, the multichannel sales presence of BYD is an imitable quality as it is not a rare resource among the various industry representatives such as Tesla or Li Auto.

Organisational

BYD's leadership and decision-making at the corporate level have been aligned with maximising the use of its internal resources and advantages to drive market growth for the company. This has seen BYD grow exponentially over the long term and become positioned as a market leader in its energy and automotive segments. Therefore, the firm has ownership of largely VRIO resources with the potential exemption of the large multi-channel retail sales presence.

3.0 Competitive Analysis of the Company

3.1 Tesla

As a market competitor, Tesla offers a challenging prospect for BYD in the electric vehicle industry. This presents the primary competitor for BYD in the industry as Tesla's market performance has allowed it to maintain a continuous growth process, resulting in a record volume of sales and revenue as of 2023. Tesla's early mover advantage in the electric vehicle industry allowed it to develop its internal competencies regarding the manufacturing of electric vehicles, as well as in-house research and development-driven expertise on matters of electric batteries. This development at Tesla allows it to become more capable of operating in a sustainable capacity, as Tesla's energy production efforts have made it capable of operating wholly sustainably as it generates more energy from its solar power plants. The report also notes that Tesla enjoys a strong brand value that has been driven over the years due to the firm's marketing and promotional endeavours under the leadership of CEO Elon Musk, owing to which

it has strengthened its market position over time. From a competitive analysis perspective, BYD is well positioned to sustain its growth and performance over time owing to its advantage of localised supply chain integration in China. Consumers are also more likely to opt for the Tesla brand owing to its marketing and growth strategies, as well as the design of its electric vehicles. Their design is more contemporary and reflective of luxury automobiles in comparison to BYD's standard and economical designs. Tesla is also more efficient at recycling its old vehicles to reuse precious metals such as copper over time and has increased its competencies in creating a new performance in the challenging department of electric vehicle battery recycling. Therefore, Tesla is a key competitor for BYD in the energy sector as well as the electric vehicle sector.

3.2 Volkswagen

Volkswagen is a traditional legacy manufacturer of gas and petrol-powered vehicles and had initially struggled to maintain market prominence in the electric vehicle industry with the disruption of Tesla as an early mover in the industry. However, Volkswagen has been attentive in responding to this market competition and long-term threat by increasing its investment in research and development as well as manufacturing capabilities for electric vehicles. Volkswagen has recently invested over €180 billion into further growing its electric vehicle strategy to grow its production capabilities over the next five years (Johnson, 2023). Owing to these developments, Volkswagen remains a top performer in the hybrid electric vehicle segment in the broader European market, where it has a leading market share. Moreover, its competitive performance has also affected the market share of Chinese-origin BYD, as sales deliveries to Chinese consumers increased by 68% at Volkswagen in the same period (Johnson, 2023). Therefore, BYD faces an emerging threat from market penetration by foreign global rivals in the electric vehicle industry, with Tesla in particular offering strong competition owing to its similar success in creating green energy solutions.

4.0 Customer analysis

4.1 STP analysis

Segmentation

BYD practises segmentation strategies for creating a more efficient targeting of the core consumer groups who would respond more positively to BYD's market offerings. Segmentation, therefore, considers different aspects of consumers such as their psychographic and behavioural tendencies, which is made more easily accessible through contemporary digital technology. Consumer profiles are created with a greater level of detail through the use of big data analytics, where the consumer's digital footprint is analysed to provide essential information regarding their purchasing habits, preferences and expectations. For BYD, this means segmenting the consumers based on their younger age groups across the Generation Z and Millennial categories of earning adults. These consumers are more aligned with the marketing idea of electric vehicles as being more modern and satisfying than legacy gas and petrol-powered vehicles. They are also more inclined to purchase electric vehicles for their sustainability benefits, due to their awareness and belief in living sustainable lifestyles. Therefore, this consumer group is segmented for targeting by BYD.

Targeting

BYD has the market advantage of expertise in manufacturing electric vehicles. This allows it to deliver value propositions to different consumer groups, ranging from affluent households to budget-conscious single earners. This hybrid pricing strategy allows consumers with budget limitations the opportunity to access electric vehicle ownership through BYD's affordable electric vehicles. It also offers consumers higher-quality electric vehicles designed in larger sizes such as BYD ATTO 3, making it valuable for family households (Vinkhuyzen, 2022). This differentiated marketing approach allows BYD to personalise the value proposition to different consumer groups across various price points, thereby increasing the market penetration of BYD and increasing its market share as well. It ensures BYD is capable of streamlining its market performance by targeting such consumer segments to increase the satisfaction of different consumer groups. By being diverse in its segmentation and targeting performance, BYD ensures it is operating at an improved competitive level that ensures its competitive edge against market rivals.

Positioning

The below perceptual map illustrates the market positioning of BYD in terms of brand consciousness with the consumers against market rivals, shown across the grid of quality and price perceptions.

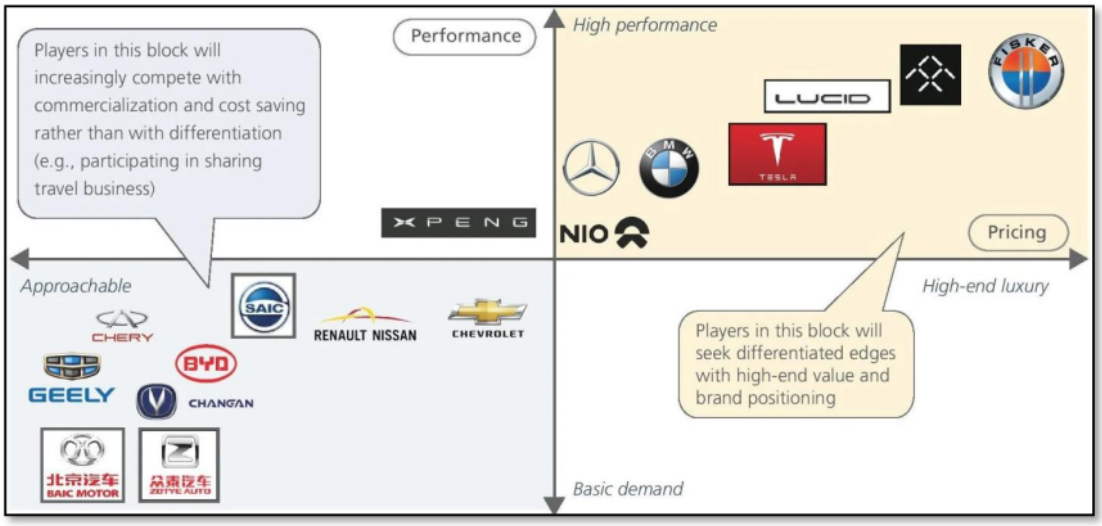

Figure 1: "Perceptual Map of BYD"

(Source: https://www.lek.com/insights/ei/full-speed-forward-game-changing-electric-vehicles-era-coming-soon)

5.0 Considerations of challenges facing the Company

5.1 Social strategies

The social and ethical strategy performance of BYD can be determined by using Carroll's Pyramid model of CSR activities. This will be detailed for BYD across each of the four dimensions of the model as follows:

Philanthropic responsibilities

Firstly, BYD executive vice president Li Ke donated 500,000 BYD shares worth $24 million to the charity for blood disease-related research at Peking University Shenzhen Hospital (Zhang, 2022). These proceedings are conducted through the BYD Charity Foundation, which works actively to provide charitable influence to society. Before this, BYD Charity Foundation donated 10 million yuan to empower control measures across society to control the pandemic in 2020 (Times, 2022). These developments present BYD in a positive position concerning philanthropic CSR responsibilities, as these practices are necessary for corporations to acquire a social licence of support from the greater community.

Ethical responsibilities

Firstly, BYD fulfils its ethical responsibility by being active in funding the social welfare programmes such as Shenzhen Middle School, which is located in the eponymous region of Shenzhen. BYD has been engaged in fulfilling its ethical business responsibilities in this way, which secures a higher level of Environmental, Social and Governance (ESG) performance for the company.

Legal responsibilities

Firstly, BYD ensures it abides by the legal requirements for operations thereby maintaining compliance with established legal systems. This ensures the firm operates in continuity and is not adversely affected by being in non-compliance with legal systems.

Economic responsibilities

Firstly, BYD has been a high-performance stock for its shareholders, investors and owners as the firm has continued to grow over the years. In 2022, BYD reached a 1 trillion Yuan market capitalisation while also maintaining consistent growth in its share price performance (Li, 2023). Furthermore, noted investors such as Charlie Munger have affirmed that BYD is performing more strongly than Tesla in the Chinese market, signifying the long-term economic growth of BYD (Li, 2023).

5.2 Innovation strategies

Using the Ansoff Matrix model, the innovation strategies for BYD can be subsequently understood. This will be presented across the four strategy directions found in the matrix model.

Market Penetration

This strategic direction sees the firm increase its market share and presence in existing markets through the increase in sales of existing products. For BYD, this can mean increasing the sales of its electric vehicles. Such a strategic outcome can be achieved through a low-cost leadership strategy where the firm increases its market leadership through lower costs. This is achievable for BYD, as the firm has the advantages of internal research and development as well as a vertically integrated supply chain network. By incorporating digital technology such as blockchain tracing, extra costs can be eliminated from the supply chain system. In turn, this reduces the net costs incurred in developing an electric vehicle, which allows BYD to reduce the final price thereby passing on the procurement savings to the end users. BYD can also increase

the performance of electric vehicle sales by utilising digital marketing as a strategy that can drive sales of existing products. These approaches will be satisfactory for BYD in the international market as well as the domestic market of China, as social media marketing is a high-value marketing channel in China owing to the digitisation of consumer engagement in the country.

Market Development

Under this strategic approach, the firm takes its existing products to engage with a new market. For BYD, this can include market expansion through internationalisation strategies to increase its global market share. BYD can target emerging economies such as in African countries or Asian regions, as this will allow it to compete more equitably with rival manufacturers in the industry. Developed markets such as the US and EU bloc nations are more competitive, with firms like Tesla and Volkswagen being active in these global regions respectively. Therefore, market development is a feasible opportunity in the long term where electric vehicle-supportive infrastructure will be developed in emerging economies, allowing BYD to maximise market development as well.

Product Development

This strategic approach is comparatively more risk intensive for BYD, as it requires developing new products to engage with consumers in existing markets. However, BYD's advantages and resources can allow it to create new products that will be likely to succeed in the market. For instance, it can create automated driverless electric vehicles in a competitive direction that will allow it to directly compete with industry leaders such as Tesla. BYD can secure incremental innovation development internally by investing continually in its internal research and development department. This will allow BYD to identify market opportunities for product development across its diverse industry sectors, which ultimately ensures that BYD can create new product offerings to maximise its global revenue. For instance, BYD can develop more efficient sustainable energy generators and batteries that will allow it to target long-term macro-environmental goals such as Net Zero 2050, which calls for securing carbon-neutral economic performance across all participating nations under this directive.

Diversification

This strategy is less recommended for BYD at its present stage, as BYD already enjoys a high degree of business diversification. It is active across different industry sectors ranging from energy to automotive manufacturing, and must therefore consolidate its market presence across

these diverse existing segments. Diversifying further at this stage will only divest investment from existing high-value segments into potential risks that will undermine the economic performance of the company. The existing product segments such as energy and automotive manufacturing also have advantages such as synergy across different production contexts such as funnelling expertise and innovations from energy development into creating new battery charging designs for electric vehicles.

6.0 Recommendations

Firstly, BYD must increase its long-term resilience by optimising its value-chain activities to become more environmentally sustainable. This is required according to the Net Zero 2050 directive where other global markets such as the US and UK are participating towards becoming carbon-neutral societies by 2050. While China has not definitively committed to the 2050 target, it is nonetheless developing its internal sustainability qualities to eventually become carbon neutral in the long term (Xue, 2022). Therefore, BYD can incorporate further advancements in digital technology that are designed to create sustainability in businesses, such as supply chain transparency that eliminates waste through awareness of wasteful steps. This will increase the business efficiency of the firm while reducing its net carbon footprint in the global economy.
Secondly, BYD must capitalise on waste and carbon reduction from its value chain activities to offer its products at a lower price point to consumers. This will allow BYD to compete more strongly with major global rivals like Tesla, as it will be able to offer much lower market prices for its electric vehicles. This will satisfy the market needs of consumers who are also budget conscious, which is a common development globally owing to inflation that has impacted global markets variously. It will also shift BYD and the industry towards a circular economy where the supply chain performance is deeply integrated, allowing for fewer new materials to be used in producing new electric vehicles and other products such as batteries (Richter, 2022).
Thirdly, BYD can develop its strategic growth through innovative business offerings based on its existing capabilities. For instance, it can increase its battery recycling capabilities to become more effective in recycling precious metals from discarded electric vehicles and their batteries. This will be a valuable service to other companies in the industry with a comparatively weaker recycling system, thereby creating sustainable value for all stakeholders involved. Another strategic direction for BYD can be in investing towards securing green energy systems in

emerging economies that offer the appropriate advantage for sustainability development. In the long-term, this will be particularly effective in large emerging markets like India and Sub-Saharan African nations, as Net Zero will necessitate future emphasis on clean renewable energy. This will accelerate the need for clean energy, which BYD can supply sustainability through its early mover advantage if it capitalises on the opportunity in the present moment.

7.0 Conclusion

The report has discussed the strategic performance of BYD Energy across its different market positions. The findings were determined through a close analysis that established the market performance of BYD, as an energy company as well as an electric vehicle manufacturer. The advantages of BYD through its VRIO resources make it capable of sustaining itself in the long-term market performance, through which it can continue to expand its market penetration activities. It can also target emerging markets such as India and Latin American countries to provide its long-term electric vehicle and green energy solutions. These developments will allow BYD to secure its global market position in the long term. In the short to medium-term, BYD must compete against rivals in the electric vehicle industry through a low-price strategy that aligns with the value-oriented status of the BYD brand as opposed to the luxury automotive status of Tesla. This will ensure the brand alignment with market demand is maintained, thereby increasing marketing performance as well as securing effective conversion of marketing leads into sales leads. Through the stated recommendations, BYD will become more effective in engaging with the global markets through emerging technologies like circular economy, and ensure it remains competitively high performance.

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