The Positioning Strategy of China Self-owned Car Brands in the Chinese Market

Authors: Hongmi CHEN
          Ji ZHOU

Supervisor: Nazeem SEYED-MOHAMED

Date of submission: Jan, 14th, 2013
Executive Summary

The car sales and market share of China self-owned car brands\(^1\) are decreasing in the Chinese market in 2011. In this paper, the authors aim to find a proper positioning strategy to improve Chinese car’s brand image, and increase the market share in China.

For this purpose, the authors have studied theories about brand positioning, target market and segmentation, brand image, differentiation, and general positioning process. On these theoretical bases, the authors used both quantitative and qualitative data to analyze. The Geely acquisition case is introduced to present Geely’s positioning process. Meanwhile, in order to achieve the objective of this thesis, an online questionnaire is adopted to collect the consumers’ opinions about China self-owned car brands and Geely’s acquisition of Volvo.

After gathering the empirical data, the authors analyzed the strengths and weaknesses of the Chinese car brands, Geely and Volvo, and introduced competitors’ performance to make clear the current situation of China self-owned car brands. From the analysis, a conclusion was reached that the present brand image of the Chinese car is low-price and bad-quality in the consumers’ mind. The authors tried to figure out a proper brand image for the Chinese car to increase the market share in the domestic market. Through in-depth analysis of the Chinese market, the authors found that middle-class market had the enormous opportunity for the Chinese automakers. And consumers prefer safe car of high quality. In conclusion, developing safe car of high quality and targeting the middle-class market is an optimal choice for current China self-owned car brands.

---

\(^1\) *China self-owned car brand* is a proper noun widely used in China to describe the China domestic car brands those own independent intellectual property (Long, 2005).
Abstract

The purpose of this thesis is to find a proper positioning strategy for China self-owned car brands in the Chinese market. For this purpose, the authors used the theory about brand positioning, target market and segmentation, brand image, differentiation and general positioning process. What’s more, the authors conducted a questionnaire research, studied the Geely acquisition case, and collected information from consumers’ perspectives to understand the current positioning situation of the Chinese automakers. In the methodology part, limitations of the quantitative and qualitative data are discussed, and the authors presented suggestions for further studies.

After gathering empirical data, the authors analyzed the strengths and weaknesses of Chinese car, Geely and Volvo, introduced competitor’s performance to make clear the current situation of China self-owned car brands. From the analysis, the present brand image of Chinese car is low-price and bad-quality in the consumers’ mind. The authors tried to figure out a proper brand image for Chinese car to increase the market share in the domestic market. In conclusion, developing safe car of high quality and targeting the middle-class market is the optimal choice for current China self-owned car brands.

Keywords: China self-owned car brands, positioning strategy, target market, brand image


Acknowledgements

This Master thesis was conducted during the spring semester of 2012 at Uppsala University. This thesis could not have been completed without the support of several special people.

The authors would like to devote many thanks to our wonderful supervisor Nazeem Seyed-Mohamed, who gave us invaluable support throughout the writing process.

The authors want to thank the examiners who were always providing valuable suggestions to improve this thesis.

The authors feel very fortunate to be in the same group with other eight students, thank you Amela, Karolina, Tianlin, Maxime, Yue, Shakeel, Salah, Zain. The authors sincerely want to thank all of you for your feedback and advice during the four seminars.

The authors give thanks to the respondents from China for spending valuable time and providing useful information to our questionnaires.
**Table of Contents**

Executive Summary .................................................................................................................................. 1
Abstract .............................................................................................................................................. 2
Acknowledgements .............................................................................................................................. 3
Chapter 1  Introduction ......................................................................................................................... 6
  1.1 The Research Background ............................................................................................................ 6
  1.2 Research Purpose .......................................................................................................................... 7
  1.3 Research Questions ....................................................................................................................... 7
Chapter 2  Literature Review ............................................................................................................. 8
  2.1 Positioning .................................................................................................................................... 8
  2.2 Target Market and Segmentation ................................................................................................. 9
  2.3 Brand Image ................................................................................................................................. 10
  2.4 Differentiation ............................................................................................................................... 11
  2.5 General Positioning Process ........................................................................................................ 11
  2.6 Previous Studies ........................................................................................................................... 12
  2.7 Literature Review Conclusion ...................................................................................................... 12
Chapter 3  Research Methodology .................................................................................................... 14
  3.1 Methodology Approach ............................................................................................................... 14
  3.2 Methods for Data Collection ....................................................................................................... 15
  3.3 Design of Questionnaire .............................................................................................................. 15
  3.4 Validity and reliability ................................................................................................................... 16
  3.5 Limitation and Suggestion ............................................................................................................ 17
Chapter 4  Empirical Data .................................................................................................................. 19
  4.1 Qualitative Data ............................................................................................................................ 19
    4.1.1 Company Description of Geely ........................................................................................... 19
    4.1.2 Mission Statement of Geely ............................................................................................... 19
    4.1.3 Core Competency and Sustainable Competitive Advantage of Geely ........................... 19
    4.1.4 Company Description of Volvo .......................................................................................... 20
    4.1.5 Mission Statement of Volvo ............................................................................................... 21
    4.1.6 Core Competency and Sustainable Competitive Advantage of Volvo ......................... 21
  4.2 Quantitative Data .......................................................................................................................... 21
    4.2.1 Respondents’ Personal Information .................................................................................... 21
4.2.2 Respondents’ View on China Self-owned Car ................................................................. 22
4.2.3 Respondents’ View on Geely Acquisition Case ............................................................. 25

Chapter 5 Analysis .................................................................................................................. 28
  5.1 Brand Analysis .................................................................................................................. 28
    5.1.1 Brand Analysis of China self-owned car ................................................................. 28
    5.1.2 Brand Analysis of Geely and Volvo ......................................................................... 29
  5.2 Brand positioning analysis for Geely after acquiring Volvo ............................................. 31
  5.3 China self-owned car brands’ Competitors Analysis ......................................................... 33

Chapter 6 Conclusion and recommendation ......................................................................... 35
  6.1 Conclusion ....................................................................................................................... 35
  6.2 Recommendation ............................................................................................................ 36

References ................................................................................................................................ 37

Appendix 1 ................................................................................................................................ 42

Appendix 2 ................................................................................................................................ 43

List of Figures

Figure 1 Age groups distribution of the sample ................................................................. 22
Figure 2 Respondents' view on China self-owned car's price range ..................................... 23
Figure 3 Differences between Chinese and JV& Imported vehicles .................................... 24
Figure 4 Difference between Geely and its competitors ..................................................... 27

List of Tables

Table 1 Five types of segmentation ..................................................................................... 9
Table 2 SWOT analysis of China self-owned car brands ..................................................... 28
Table 3 SWOT analysis of Geely .......................................................................................... 29
Table 4 SWOT analysis of Volvo .......................................................................................... 29
Chapter 1 Introduction

This introduction starts from a problem statement to explain what the topic is and why this topic is interesting. After the background part are the research purpose and questions. The definition of self-owned car brand: “Self-owned car brand refers in particular to the Chinese car brand and reflects the national innovation (Long, 2005)”.

1.1 The Research Background

China has developed the national automobile industry vigorously since reform and opening-up in 1978. Now there are several well-known self-owned car brands in China, BYD, Geely, Chery are representatives. In the age of internationalization, people are able to buy cars whether imported or locally made. Chinese automakers are supposed to fully compete with other auto brands in the domestic market. According to the data released by China Association of Automobile Manufacturers in 2011, the total car sales of China self-owned brands was 6.1122 million, down by 2.56% year on year, market share dropped by 3.37% year on year (Yang et al. 2012). Decreasing car sales is a negative signal, indicating Chinese cars are losing their competitiveness in the local market. In this situation, Chinese automakers try to find ways to sustain in the Chinese market.

In this study, the authors found positioning strategy was of particular importance for Chinese car brands to improve the market share in the domestic market. As a powerful manufacturing country China has few world-known car brands (Yu, 2008). In fact, Chinese automakers’ positioning strategies are vague and unclear (Yang, 2012). What kind of positioning strategy should China self-owned car brands have to sell cars successfully? Who are their target consumers? What kind of brand image should they have? Trying to find the answers for these questions, the authors thought it could be interesting and significant to analyze Chinese car brands’ current positioning situation and how the consumers feel about China self-owned car brands.

The Geely acquisition case caught the authors’ eyes after the preliminary research, because Geely is trying to build up its positioning strategy after acquiring Volvo. The privately-owned Chinese brand Geely paid 1.8 billion US dollars to purchase Volvo in 2010 (Tang, 2010). Geely aims to stand higher in the market after this acquisition. As a self-owned brand, Geely is
representative to reflect how Chinese automakers seek for proper brand positioning strategy. The authors used this case as qualitative data to fulfill this research in a more detailed way.

From the theoretical viewpoint, there are several researches about the Chinese car brands (Long, 2005; Larkin, J 2009; Perry, 2011; Zhao, 2011). It shows self-owned brands’ market share is declining compared with the joint venture brand and foreign brand in the Chinese market (Chen, 2009). In the former years, China self-owned car brands keep their own way by surviving at the bottom of the “food chain”. This sad fact makes consumers believe that self-owned brand represents bad quality and low price (Perry, 2011). One important reason why self-owned brand cannot sell well at low price is the Chinese car brands do not have a proper positioning strategy and they always use price strategy to attract consumers (Yang et al. 2012). From these theoretical researches, the importance of positioning strategy is showing up.

1.2 Research Purpose
This thesis is to explore the current positioning situation of China self-owned car brands, and figure out proper positioning strategies in the Chinese market for Chinese automakers. And this study is based on the quantitative and qualitative empirical findings.

1.3 Research Questions
What kind of positioning strategy should China self-owned car brands have in order to increase Chinese market share?
Chapter 2 Literature Review

In this section, theories connected to the research question will be discussed. The first part is about brand positioning. Following are about target market and segmentation, brand image, differentiation, and general positioning process. Then the authors studied the previous researches. The last conclusion part gives a clear exposure how all the concepts are related to each other.

2.1 Positioning

Positioning is a concept in marketing which was first introduced by Jack Trout (1969) and then popularized by Al Ries and Jack Trout (1981) in their book “Positioning, the battle for your mind”. Positioning is an acknowledged marketing tool for coordinating the company’s communication. Its definition is “the process the marketers try to create an image or identity in the minds of their target market for its product, brand or organization” (Aaker 1996; Keller 1999; Bhat and Reddy 1998; Kalafatis et al. 2000; Ries and Trout 2001). After positioning the brand properly, a company could improve the brand image, and therefore increase the market share (Keller, 1999). This function of positioning just agrees with the authors’ purpose in this study.

The positioning theory generated from variety of information dissemination channels, and it can be attributed to the outcome of information explosion affects business operations. The rapid technology progress and economy development almost push consumers to a loss situation where they cannot figure out things fit for them. Therefore, positioning is necessary. Positioning is the first concept that tries to resolve the difficult problem of getting heard in the crowded marketplace (Ries and Trout, 2001). Keller (1999) said that positioning is essential to create a strong brand and should be at the heart of all marketing activities. Positioning could create a positive impression for a product or a company, this kind of impression gives the company an advantage over competitors (Kotler, 2000). For marketers today the major challenge is effectively reach the customer with the right associations (Ries and Trout 2001; Trout and Rivkin, 2000). The companies should plan and communicate how they wish to be perceived by customers (Kotler, 2001). And the companies should integrate product positioning with psychological positioning in order to avoid striving for the level they cannot achieve (Karlsson, 2006).
2.2 Target Market and Segmentation

In terms of the definition of positioning, the central factor is target market (Karlsson, 2006). In the book “Contemporary Marketing” written by Boone and Kurtz, they defined the “target market” as a group of customers that the business has decided to aim its marketing efforts and ultimately its merchandise towards. To mark out a specific range of people to whom the product must be marketed to, the marketers should figure out “what does this product do” and “who is it helpful to”. Lars Perner claimed that a company should determine the target consumers before positioning, select the ones which are worthy to serve. To find out the right customer group, segmentation is essential.

The concept of marketing segmentation is introduced by Smith (1956), he recognized the existence of heterogeneity in the demand of goods and services, based on the economic theory of imperfect competition (Robinson 1938). In Smith’s theory market segmentation involves viewing a heterogeneous market as a number of smaller homogeneous markets, in response to differing preferences, attributable to the desires of consumers for more precise satisfaction of their varying wants (Wedel and Kamakura, 2000). There are five types of segmentation to divide the market into segments based on the Kotler’s research (shown in Table 1). Considering all the criteria, age, income and social class are useful factors to segment the passenger car market.

<table>
<thead>
<tr>
<th>Types</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic Segmentation</td>
<td>Age, gender, family size, income, occupation, education, religion, race and nationality.</td>
</tr>
<tr>
<td>Geographical Segmentation</td>
<td>Nations, states, regions, countries, cities, neighborhoods, or zip codes.</td>
</tr>
<tr>
<td>Behavioral Segmentation</td>
<td>Consumers’ knowledge of, attitude towards, use of or response to a product.</td>
</tr>
<tr>
<td>Psychographic Segmentation</td>
<td>Lifestyle, personality, values and social class.</td>
</tr>
<tr>
<td>Technographic Segmentation</td>
<td>Based on the technology consumers use.</td>
</tr>
</tbody>
</table>

*Table 1 Five types of segmentation*  
(Source: Marketing Management, Kotler, 2009)

It is useful to do investigation before fixing the target segment, such as how well the existing segments are served by other providers. As Lars Perner said “it is more difficult to appeal to a segment that is already well served than to one whose need are not currently being served well”. Once the target segment is decided, the company should make clear how large the segment is and how it goes to grow (Johnson, 2011). The final key issue is to have a veracious self
assessment by asking “do we have strengths as a company that helps to appeal particularly to one group of consumers” to avoid going the wrong direction (Perner).

2.3 Brand Image
The other element in the definition of positioning is brand image. Brand image is one of the fundamental elements of brand building and significant component to differentiate from competitors (Wong and Lau, 2011). Aaker (1991) defined brand image as an association object which the brand strategist hope to cause people a better impression via creation and maintenance. Melin (1999) explains brand image as what the brand stand for, gives it meaning and makes it unique. Brands are not products but they generate product identities and meanings (Kapferer, 2004). A brand image based on a thorough investigation of the industry and has to be resonated with the consumers and differentiate with other brands in the market (Wong and Lau, 2011). A company can easily generate a preference in the market and add value to its product with distinctive and cohesive brand image, and even possible to command a price premium (Schmitt and Simonson, 1997).

The relationship between brand image and consumer loyalty can evaluate positioning strategy’s effectiveness. In 2011, Wong and Lau published a thesis about the role of branding. In this thesis they drew a conclusion that “the relationship between brand image and consumer loyalty is positive based on research”. The brand image is created throughout the positioning process, Aaker (1996) explained this as “the part of the brand image and value proposition that is to be actively communicated to the target audience and that demonstrate an advantage over competing brands”. Customers can be promoters of a company’s brands and service, and display loyal behaviors (Morgan and Hunt, 1994). When the consumers identify with a company, they would have a tendency to buy more and recommend this kind of products to other people more (Ahearne et al. 2005). Previous study showed that consumers identifying with a brand community tend to be supportive and make positive recommendations about the brand (Algesheimer et al. 2005). According to Kuenzel and Halliday’s (2010) study, the better brand image is, the stronger consumer loyalty will be. This indicates proper positioning strategies can improve the market share. Therefore it is imperative for China self-owned car brands.

Both intrinsic and extrinsic attributes of a product can be used to describe a product’s brand image (Riezebos, 2003). Currently, many Chinese automakers use extrinsic attributes to build
brand image, such as price. Three strategies exist for positioning along the price dimension: low cost, premium, and prestige (Karlsson, 2006). Most of the Chinese cars adopt low-cost strategy to win the low-price car market currently; with this strategy the brand adds little value to the product and usually functions becomes a sign of recognition (ibid). If a brand aims to branch out its market, then the company should put more effort on tuning the intrinsic attributes to be more exclusive (Riezebos 2003). Consumers enjoy the meaning a brand provides, and this can be a compelling reason to attract more people to buy (Karlsson 2006).

2.4 Differentiation
In the context of over-crowed business environment, a company should try to create brand image different from its competitors’ (Levi, 2007). It is better if positioning deliver a point of superiority which gives a competitive advantage. Normally, a brand cannot surpass its competitors in all aspects including functional benefit, emotional benefit, organizational attribute, brand personality, and customer relationship (Aaker, 1996). But a company can avoid inferiority on important attributes while maintaining superiority in at least on aspect (ibid). Using superiority factor different from competitors’ as brand image makes a company or a product stands out, contributing to the company’s success and continuing survival. According to this theory, the automakers should consider their image type carefully. For some passenger car consumers, they have the demand of speed and performance, while the others concern more about roominess and safety. To handle the complicated situation, a producer should keep in mind that you can’t be all things to all people. In previous cases, the enterprises specialize in meeting the demands of one group of consumers over another tend turn out to be more profitable (ibid). Generally, a company should figure out their unique brand image to meet the target consumers’ demand.

2.5 General Positioning Process
The research of general positioning process is related to the topic “how to set up a proper positioning strategy” of this thesis. The task of brand positioning is to identify an optimal position for the brand vis-à-vis its competitors in the consumers’ minds to maximize potential benefit. The general brand positioning process involves: first identify the direct competition, understand how each competitor is positioning their brand in the same industry; then make clear what its own brand positioning is in the consumer’s mind; third compare its own positioning to
its competitors’ to identify feasible areas for differentiation; finally develop a distinctive positioning concept and create a statement with key messages and consumer value propositions which are valuable for communications development across the variety of media channels (Aaker 1996; De Chernatony 2001). In this study, the authors set the positioning process to determine the target market first, and then figure out the proper brand image for that market. The research is based on the analysis of Chinese car brands’ positioning situation, the consumers’ viewpoints and the competitors’ positioning strategy.

2.6 Previous Studies
In 2006, Ying Fan published a thesis about the development of Chinese brands. In this thesis he presented the development of marketing and brand in China, discussed the changes from price competition to brand competition. He gathered abundant of secondary data about some Chinese biggest brands, examined their brand developing routes, and analyzed their branding strategies. His writing purpose is to sustain the Chinese brand in domestic competition and also expand in the international market. Ying chose Haier, Changhong, TCL, Lenovo and Galanz as his research sample. All these brands develop earlier and faster than China self-owned car brands. In the authors’ study, sustaining the domestic market is necessary to the Chinese automakers. Their primary task is to increase the market share in the Chinese market. In addition, the authors of this thesis are willing to explore a proper positioning strategy for Chinese automakers rather than just describe the current brand situation of Chinese brand. However, the abundant description of marketing routes and brand strategies of Chinese companies do contribution to our study by adding reliable material.

2.7 Literature Review Conclusion
To sum up, in this section the theoretical foundations of this thesis are elaborated in terms of related theories, items and relationships among them. Firstly, the positioning theory is introduced, helps readers clearly understand what brand positioning and its function are. Following this, the authors presented the theories about target market and brand image, highlighting the purpose of this thesis is to create proper brand image to reach the target market, which is fundamental to the subsequent investigation. After this, the theory about differentiation is explained, aiming to provide theoretical supports for creating brand image difference from competitors’. In the next part, the authors briefly presented the general positioning process, providing theoretical reference
for automakers when they figure out positioning strategy. The above theories about brand positioning can be all used for China self-owned car brands when they formulate the positioning strategy in order to increase the market share in the Chinese market.
Chapter 3 Research Methodology

Based on the problem statement and theoretical knowledge presented above, the methodology of this study will be introduced in this Chapter.

3.1 Methodology Approach

In this thesis, both qualitative and quantitative methodologies are applied, because these two approaches provide the authors with different but potentially complementary ways to investigate the positioning situation (Peng, 2010). Qualitative data is the Geely acquisition case which acts as representative to describe China self-owned car brands’ positioning situation; quantitative data is collected from questionnaires to present consumers’ viewpoints. The authors used SWOT analysis matrix to analyze qualitative data, including China self-owned car brands, Geely and Volvo. A SWOT analysis involves a company’s assessment of its internal position by identifying its strengths and weaknesses (Wang, 2008). In addition the company needs to determine its external position by defining its opportunities and threats. Developing full awareness of the situation helps with both strategic planning and decision-making. Excel is the main instrument to analyze the quantitative data from questionnaires.

In order to support this study, the authors collected both primary and secondary data. After collecting secondary data for the research, the primary data is used to fill the gap in this study (Neel, 2010). When searching for secondary data, some business intelligence and market research tools are employed. This study is carried out through a variety of searching tools, including Google Scholar, Baidu Search, EBSCO, and LIBRIS. The authors used searching words such as: China self-owned car brands, brand positioning in Chinese market, target market, brand image and consumer loyalty, automobile industry, Geely and Volvo’s acquisition, etc. The authors tried to find relative information as much as possible, collecting related data from books (Marketing Management, etc.), journals (Journal of Marketing, etc.), newspapers (China Xinjing Newspaper, etc.), and Internet (i.e. the official website of Geely). To ensure the reliability of the data, all used references are on the reference list. As the authors of this thesis are both native Chinese speakers, and this study is about Chinese car brands, inevitably, some data is in Mandarin. For the sources written in Chinese, the authors tried to find the corresponding English version, while some are still from Chinese website and written in Mandarin. In this thesis, the methodology of survey is conducted to collect primary data. Due to lack of information from the
consumers’ perspective via secondary sources, the authors used questionnaire to gather information. This quantitative research intends to explore the relationship between consumers’ psychology and behavior, and find out how China self-owned car brands positioning in the Chinese market.

Consequently, there are two research methodologies in this thesis: the questionnaire and case analysis. The data from questionnaires present consumers’ view on the Chinese car brands and the Geely acquisition case. And the acquisition case help the authors fully understand a particular situation of China automobile industry.

3.2 Methods for Data Collection

There are many types of data collection, such as interview, survey, documents, etc. (Saunders, 2007). The Appendix 1 provides an overview of the basic methods to collect data. The information in the table is based on the article about data collection method (Ghauri and Gronhaug, 2005). In this thesis, the authors collected both primary and secondary data. Via secondary source, the authors found documentation such as published statistics and texts, personal documents, progress reports, newspaper clippings and articles in mass media. The authors also used archival records about Chinese automobile market which were analyzed by other scholars. As secondary data is basically data collected by someone else, it is seldom as useful and accurate as primary data (Neel, 2010). In order to ensure the validity, accuracy and preciseness, these secondary sources are mostly from published works and official medium (ibid).

3.3 Design of Questionnaire

The design of questionnaire is primarily based on multiple item measurement scales (like Likert scale) and multiple choices questions. Quantifiable data is obtained through a structured questionnaire which has three sections.

The first section (Question 1-5) is respondents’ personal information and their current situation about automobile ownership. Meanwhile, in order to draw up a proper positioning strategy, gender, age and occupation of respondents exactly provide comprehensive information for the authors. All these information could improve the validity and accuracy of primary data.
The second section (Question 6-9) is a quantification of consumers’ view of China self-owned car on a five-point Likert type scale. Question six is about the suitable price range of China self-owned car which is the critical factor of the positioning strategy. The appropriate price can directly affect the competitiveness of China self-owned car brands. Question seven is designed to compare each factor’s importance degree when purchasing a car at the same price. These factors are key points when China self-owned car brands set up positioning strategy. Compared with the joint venture vehicle and imported car, the strengths and weaknesses of Chinese car are presented in Question eight. In Question nine, the authors can figure out the basic requirements for improving the market share. Question 8-9 reflect the respondents’ perception of China self-owned car brands. The information from this section is critical to general positioning process according to the theories of Aaker (1996) and De Chernatony (2001).

The third section (Question 10-15) is a quantification of consumers’ opinion on the Geely acquisition case which rated on a five-point scale. In this thesis, the authors took Geely as representative of China self-owned car brands. Through Geely acquisition case, the authors intended to get relevant information for drawing up positioning strategy for Chinese car. After gathering data from questionnaires, further analysis is carried on with the instruments of Excel. The specific questions of the questionnaire are attached in Appendix 2.

### 3.4 Validity and reliability

In order to check whether the findings are really what they appear to be, the validity and reliability test about the questionnaire are necessary.

The first step is to inspect the accuracy of the questionnaire’s contents. Therefore, the questionnaire is pre-tested among ten persons who have knowledge about the automobile industry in order to improve the quality of questionnaire. There are two parts in the pre-tested questionnaire and each part consist five respondents who are chosen randomly from the master students in Uppsala University. The first part is used to collect comments and suggestions about the contents of the questionnaire. Any missing items and spelling mistakes hit by the respondents would be then incorporated into the second process. The second part is used to test the students’ understanding of the questions. Any misleading and unclear questions are revised and re-tested on the next respondent.
To sum up, the following factors in this questionnaire are important for further research and analysis: the advantage and disadvantage of China self-owned car brands, the selection criteria of consumers when they purchase car, the brand positioning of Geely, etc. Definitely, the most important feature of the respondents should be that they plan to buy car or they have knowledge about the automobile industry. Otherwise, the respondents couldn’t provide precise information for further analysis and affect the reliability of the study.

The authors chose approximately 200 persons from different provinces and regions in China. In order to ensure the validity of the sample, the respondents must finish the questionnaire seriously and completely. Based on this requirement, the authors found the respondents by themselves, without posting the questionnaire on any survey website (i.e. survey monkey). Therefore, most of the respondents are from authors’ social network, the significant point is that they finish every question carefully.

However, the validity of information from questionnaires will be questioned. As the authors selected all respondents from China, this fact may lead the research conclusion biased. In order to reduce this restriction’s negative effect, the detailed information about the respondents will be stated in this part. Even though they are from authors’ social network, this group is from different ages, occupations, and the most important point is that they are from different regions in China and they have different knowledge and background. After that, the authors tried their best to contact the respondents from different provinces in China; different cultural background brought different views on the China self-owned car brands. In this way, most of them do not have connection with each other and surely they cannot be interactive, such as the authors’ classmate and colleague. Consequently, these respondents can exactly represent the majority of Chinese people’s thought about Chinese car brands.

3.5 Limitation and Suggestion

The first limitation lies in the fact that questionnaire may get biased feedback. This research work in some way cannot fully describe the Chinese consumers’ view on China self-owned car brands and the acquisition case. Some questions in the questionnaire request the respondents to have wide knowledge about the automobile market. However, it is difficult to ensure every respondent’s knowledge background. Therefore, the ideas and argumentation in this thesis are far
from perfect and mature. Further studies can be made to get a better understanding of consumers, if time permits, a wider and deeper survey can provide more complete results.

Due to the authors’ limited scope of knowledge, Excel is the main instrument used to analyze the quantitative data. Further studies can employ other instruments (i.e. SPSS) to enhance the validity of data.

The last limitation lies in the fact that the authors couldn’t directly interview the managers of Geely, who in charge of making positioning strategy. At the original design, the authors planned to conduct face-to-face interview to collect primary data for the case study. After trying several ways, the authors failed to contact with relevant staff. However, the authors had tried another way to gather interview information of Geely’s CEO on the Internet (i.e. the official website of Geely). Therefore, the results are not conclusive and complete without enough primary data. Further study could consider more ways to collect data, such as face-to-face interview.
Chapter 4 Empirical Data

In this chapter, the respondents’ answers to questionnaire and the further development of the acquisition case are presented respectively. Consequently, this chapter consists of two parts: quantitative data and qualitative data. Both of them provide useful and detailed information for the further empirical analysis.

4.1 Qualitative Data

4.1.1 Company Description of Geely

Zhejiang Geely Holding Group is one of the four largest independent private car manufacturers in China, along with BYD, Chery and Great Wall. In 2009 Geely sold out 326710 units and its total employee number is 12000 (Automotive Engineer, 2012). Compared with other automobile brands, including both the private and state-owned brands (stated-owned brands are such as the First Auto Works, Shanghai Automobile industry, Dongfeng Motors, etc), Geely gets a rank of tenth in total. This illustrates Geely is a relatively small auto company in China. With a short history of 26 years till 2012, Geely sets the target market as low-end with an annual manufacturing capacity of 300,000 engines and transmissions (ibid). As a private company, its founder chairman Li Shufu plays a dominant role in the company. Thanks to his non-stop entrepreneurship spirit, he leads the company from zero to annual production capacity of 300,000 units (ibid). And from Li Shufu’s interview he stressed Geely would keep on going in the domestic market, and set an ambitious goal of growth in the market share for Geely to improve its production capacity to 2000,000 units per year at 2015, in the domestic market increased the market share from 4.3% in 2009 to 10% in 2015 (ibid). With this entrepreneurship leadership and ambitious goal Geely is on its way to future success.

4.1.2 Mission Statement of Geely

Geely aims to be the best in automobile industry, providing a wide range of models to its customers, with the after sales services that exceed the customers’ expectations (Geely’s official website). Therefore, Geely’s goal is to achieve a long-term growth in the future, and this target is supposed to be in synchronization with several factors: the domestic market environment, the marketing strategy, and the relationship with customers, etc.

4.1.3 Core Competency and Sustainable Competitive Advantage of Geely
Geely is a victorious product adapting to the favorable and explosive development of domestic Chinese automobile market. China has a huge market of cheap cars. Geely performed well in increasing the sales volume from 200 units in 1998 to 326,710 cars in 2009, thanks to its low price strategy, most Geely cars’ sale prices are under 100,000 RMB (Geely’s official website). On the way to middle-end market or even higher, Geely stepped out cautiously by producing the new brand Englon in 2007, although the total sales volume was only 263 in 2009 (Geely’s financial report, 2009), this is a big go-ahead for this self-owned brand. Facing the intense competition in the low-end auto market, Geely is planning for transforming its competitive advantage from price competitive to technology and performance competence. From 2001 Geely had self-developed engines, automatic transmission, safety system, etc (Automotive Engineer, 2010). With the entrepreneur leadership, Geely’s innovation culture is not only reflected on its technology progress but also on the market expansion. Geely’s finance situation was good in the past years with the net profit increased year by year reached 1.3 billion RMB. Benefit from the special feature in China, Geely gets a lot support from the local government of its production plant although it is a private company. Attribute to sufficient profit storage and government support, Geely goes well during expanding operation domestically.

4.1.4 Company Description of Volvo

Volvo car corporation, or Volvo Personvagnar AB in Swedish, is a car manufacturer with its headquarter in Gothenburg, Sweden (Volvo’s official website). Volvo Cars was acquired by the Ford Motor Company as part of its Premier Automotive Group in 1999. Then in 2010 Geely Holding Group bought Volvo from Ford (Larkin, 2009). Generally speaking Volvo produces heavy trucks, buses, construction equipment, etc. In this acquisition Geely just owned the Volvo Cars, therefore in this thesis, the authors used Volvo refer to Volvo Cars to be simplification. Volvo Cars produce a range of models from SUVs, station wagons and sedans (ibid). As an international automobile corporation, it has more than 100 national sales companies worldwide. The biggest market is America, followed by Sweden, the UK, China and Germany (‘Volvo' Event, 2010). In 2010 the global sales volume of Volvo was 373,525 (Volvo’s financial report, 2010). Volvo is well known for its high safety standards and attainable high mileage. According to its premium properties, the sales price of Volvo cars is relatively high and it targets the premium segment as main market. Volvo mainly competes against the luxury brands of Mercedes, BMW and Audi; however it is in the lower end of luxury automobile market. Before
the year of finance crisis in 2008, Volvo sold well with the sales volume always above 400,000 units per year. While in 2009 just the year after finance crisis, the sales volume rapidly decreased to 350,000 units. Because of the reduced sales revenue, Volvo ran into bad finance performance of losing money triggered Ford sold it to Geely in 2010 (‘Volvo’ Event, 2010).

4.1.5 Mission Statement of Volvo
Volvo seeks to create value for both its customers and shareholders. Therefore it tries to provide transportation related products and services with superior quality, safety and environmental care to demanding customers in selected segments. Keeping this goal in the long developing process makes Volvo people always work with energy, passion and respect for the individual (Volvo’s official website).

4.1.6 Core Competency and Sustainable Competitive Advantage of Volvo
Volvo has its main competency of a highly prestigious brand with good reputation of technology advance in safety. It is extraordinary famous for safety, solidity and reliability, particularly attribute to Swedish government strong safety regulation (‘Safety first’, 2007). Since founded in 1927, the Volvo Company has kept innovative in its safety standards.

4.2 Quantitative Data
4.2.1 Respondents’ Personal Information
This section presents the personal information of respondents. In this survey, 62% of the respondents are men and 38% are women. The majority of the respondents are between the ages of 20-39 years old. Because of their occupation and salary, most of Chinese people in this age group do not have a car, but they have a plan to buy a new car. The age distribution of the respondents is shown in Figure 1.
Question 3 is about the occupation of respondents: 37% and 40% of respondents are students and corporate staffs, respectively. Government or public institution staffs occupy 11% of the respondents. The 8% of interviewees are individual business household and private business owner. The rest 4% of the respondents are freelancer and retired employee. Question 4 presents respondents’ current situation of car ownership, among the 200 respondents, there are 56 persons have a car, 24 people of them plan to buy a new car; the other 144 respondents clarify they don’t have a car, 72 people of them have a plan to buy a car. From the above data, there are around 50% of the respondents have the demand to buy a new car. This indicates there is a huge potential automobile market in China. From Question 5 “what automobile do you have”, the authors found, just 23% of respondents chose the option that “my car is China self-owned brand”. Most of them buy joint venture and imported car, which respectively occupies 46% and 31%. Their views on China self-owned car will be showed in the following part.

4.2.2 Respondents’ View on China Self-owned Car

After gathering the respondents’ personal information and their current situation about automobile ownership, the authors realized that most respondents didn’t like to purchase a China self-owned car. Further research on respondents’ perception is taken to figure out why consumers don’t choose Chinese car, which is helpful to improve the market share. Question 6 is about respondents’ view on the suitable price range of the China self-owned car. Most respondents think the Chinese car should be cheap, ranging from 70,000 to 150,000 RMB. The selection results on each price level are presented in Figure 2.
In Question 7, the authors assumed when choosing a car at the same price, the consumers would consider the importance of seven factors: appearance, brand reputation, automobile power, car configuration, fuel efficiency and environmental friendly, safety and after-sale service. The importance degree of each factor can contribute to create a suitable brand image. The results indicate that safety, after-sale service, fuel efficiency and environmental friendly occupy the biggest percentage of the most importance part, which separately present 25%, 19% and 16%. This means that the majority of the respondents pay more attention on these three factors when purchasing the same price car. Simultaneously, only 6% and 9% of the respondents chose brand reputation and automobile power, respectively. In addition, the rest 25% of the respondents are equally divided by choosing appearance and car configuration. Consequently, in the same price, the majority of the respondents concern more about safety and after-sale service, while brand reputation and automobile power are the least important.

As China self-owned car competes with both joint-venture car and imported car in the Chinese market, the differences between the Chinese car and the other two are well worth exploration. Question 8 is about the differences between them and evaluate its relevant alternatives on a Likert scale from -3(most disadvantage of China self-owned car) to 3(3 is most advantage of China self-owned car), while 0 is the equal of disadvantage and advantage. These seven differences are: appearance, brand reputation, automobile power, car configuration, safety, fuel efficiency and environmental friendly, after-sale service.

In Figure 3, each bar stands for one difference, reading the bar from down to up: the bottom three colors represent respondents choose this factor as disadvantage of Chinese car compared with JV
& Imported car, the lighter the color is, the more disadvantage; the middle color means the respondents believe Chinese car is as good as JV & Imported car; the top three colors imply Chinese car have advantage over JV & Imported car, the darker the color is, the more advantage.

The results in Fig.3 show that there is a large gap between China self-owned car brands and JV & Imported vehicles, especially in brand reputation factor. 81% of the respondents choose brand reputation as disadvantage of China self-owned car brands, simultaneously only 10% of the respondents oppose this view. More than 65% of the respondents selected safety and appearance are disadvantages of China self-owned car brands, meantime, just around 15% of the respondents disagreed with this idea. Most respondents thought after-sale service, fuel efficiency and environmental friendly factors are on the equal level of disadvantage and advantage. From these results, the authors figured out the strengths and weaknesses of Chinese car from consumers’ perspective.

Figure 3 Differences between Chinese car and JV & Imported vehicles

Question 9 is designed to evaluate the importance of basic requirement of China self-owned car to improve the market share. There are totally seven main aspects: good brand reputation in China, product quality, cost production, grasping the core technology, marketing capability, human resource and management. The respondents believed product quality and grasping the core technology are the most important factors, which separately occupies 21% and 20%. Furthermore, only 9% and 6.5% of the respondents expressed that good brand reputation in
China and cost production are the most important factors, respectively. It happens that the last 33% is almost equally divided by the last three factors.

### 4.2.3 Respondents’ View on Geely Acquisition Case

Question 10 “Do you know Volvo was acquired by Geely Group”: only 15% responded that they do not know this acquisition case. Consequently, there would be 85% of the respondents (170 persons) continuing to finish the further investigation.

Question 11 is about the commercial value Geely get from this acquisition, and there are several benefits: improving the brand image, access to advanced technology, increasing market share, entering Europe and American market, defining brand positioning. 36% of the respondents answered, the most valuable benefit is getting the access to advanced technology. The secondary helpful factor is improving the brand image of Geely, 24% of the respondents selected it. 18% of the respondents chose “increasing market share”, and 14% of respondents selected “entering European and American market”. The rest 8% of the respondents thought the acquisition could help Geely define its brand positioning.

After this, Question 12 is about Geely invest more on which car type to sell better in the Chinese market. It is a multiple-choice question and most of the respondents chose family car, with the percentage of 72. Business car and SUV are favorable choices by the respondents as well, which occupy separately 42% and 40%. Sports car is the least favorable choice with only 13% supporters.

It is important to find out the competitors, and understand how they are positioning their brand. Question 13 “Which brand is Geely’s main competitor in the Chinese market (One Choice)”, almost half of the respondents (46%) thought the Japanese car is the main competitor of Geely Group. European car is the secondary competitor, which occupies 25%. Another 12% and 10.5% of the respondents choose American car and South Korean car, respectively. The rest 6.5% of the respondents took Indian car for the main competitor.

To get the comprehensive information about the differences between Geely and its competitors, Question 14 is about the differences between them and evaluate its relevant alternatives on a Likert scale from -3(most disadvantage of Geely car) to 3 (most advantage of Geely car) as well,
0 means the equal of disadvantage and advantage. There are totally eleven factors to compare their differences: price, appearance, automobile power, car configuration, safety, fuel efficiency and environmental friendly, after-sale service, brand meaning, market positioning, research and development capability and support from government.

In Figure 4, each bar stands for one difference, reading the bar from down to up: the bottom three colors represent respondents choose this factor as disadvantage of Geely compared with its competitors, the lighter the color is, the more disadvantage; the middle color means the respondents believe Geely is as good as its competitors; the top three colors imply Geely have advantage over its competitors, the darker the color is, the more advantage.

The result in Fig.4 displays that there are some obvious difference between Geely car and its competitors, especially in price, support from government, automobile power and brand meaning. According to the respondents’ answers, price is the main advantage of Geely, that almost 80% of the respondents supported this factor, while just 8% of the respondents opposed this view, the rest 12% supposed it is an equal of disadvantage and advantage factor. The same situation happens on “support from government” factor: around 70% of the respondents regarded it as a major advantage of Geely car, while only 13% disagreed with it. However, the result shows in more factors Geely keeps disadvantageous compared with its competitors, such as automobile power, brand meaning. The amount of respondents who support disadvantage is almost three times more than the opposition respondents. Specifically, 61% of the respondents thought brand meaning is the disadvantage of Geely car, while only 16% disagreed with it. The same situation appears on research and development capability, safety, appearance and car configuration. It means if Geely wants to improve its competitiveness, more investment is required in automobile power, brand meaning, R&D capability, safety, appearance and car configuration.
Question 15 “which kind of Geely car brand image should be promoted in the future” is designed to identify the Geely’s distinctive, differentiating and value-based brand image. It is a multiple-choice question and the options are: popularization; young, energetic and individualization; mature and steady; elegant and well temperament; luxury and honorable; safety and energy-saving. Popularization, safety and energy-saving are the most favorable factors, separately chosen by 61% and 66% of the respondents. Young, energetic and individualization are also the main choices which selected by 49% of the respondents. Furthermore, only 6.5% and 11.5% of the respondents chose the “luxury and honorable” and “elegant and well temperament”, respectively. The last factor “mature and steady” occupies 26.5% of the respondents. Consequently, most respondents prefer that Geely car is safety and good value for this price, inversely, the luxury and honorable brand image is not suitable for Geely car from the respondents’ perspective.
Chapter 5 Analysis

In this chapter, three analyses will be presented which are based on the above empirical data, research methodology and literature review. They are brand analysis of China self-owned brands, Geely and Volvo; brand positioning analysis for Geely after acquiring Volvo; China self-owned car brands’ competitors analysis.

5.1 Brand Analysis

When analyzing brand information of China self-owned car, Geely and Volvo, the authors used SWOT analysis matrix. In the brand positioning process, the authors should identify the positives and negatives both inside and outside environment of Chinese car. Only grasping the advantage, disadvantage, opportunity and threaten of the Chinese car brands, the companies can draw up a proper positioning strategy. Developing full awareness of the situation helps with both strategic planning and decision-making (Wang, 2008).

5.1.1 Brand Analysis of China self-owned car

<table>
<thead>
<tr>
<th>Internal environment</th>
<th>Internal advantage(S)</th>
<th>External disadvantages(W)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. good market prospects</td>
<td>1. backward in design and technique</td>
</tr>
<tr>
<td></td>
<td>2. strong manufacturing capacity</td>
<td>2. low innovative</td>
</tr>
<tr>
<td></td>
<td>3. low cost advantage</td>
<td>3. bad brand reputation</td>
</tr>
<tr>
<td>External environment</td>
<td>Potential external opportunities(O)</td>
<td>Potential external challenges(T)</td>
</tr>
<tr>
<td></td>
<td>1. government support</td>
<td>1. fierce competition with local brand,</td>
</tr>
<tr>
<td></td>
<td>2. seek to develop new-energy vehicle</td>
<td>joint venture brand and foreign brand</td>
</tr>
<tr>
<td></td>
<td>3. new market segmentation</td>
<td>2. boycott from foreign countries</td>
</tr>
</tbody>
</table>

Table 2 SWOT analysis of China self-owned car brands

Table 2 is the SWOT analysis of China self-owned car brands which clearly shows the current and future situation by carefully determining and classifying its strength, weaknesses, opportunities, and threats. Normally an entity does not need to benefit from all its opportunities, nor try to deal with all its threats (Wang, 2008). In addition it is not necessary for the entity to strengthen all its weaknesses or too smug about all its strengths. All of these four elements must be evaluated in the context of each other; therefore the entity can make full use of this planning information.
As for the Chinese brands it is an obvious feature that it gets a lot support from government in the developing process. Since 2009 Ministry of Finance and State Administration of Taxation issued the “purchase tax reduction policy on the 1.6 liters and below passenger vehicle”. This preferential policy made China self-owned brands rapidly developed in 2009, the sales of self-owned car got to 13.64 million, becoming the world’s first automobile production and sales power. However, this preferential policy was stopped from 1 January 2011 onwards (Lei, 2011). The decreasing market share of the self-owned brand during 2011 was mainly resulting from the exit of industrial driving policy (Yang et al. 2012). Moreover, due to the inescapable fact many Chinese cities suffered the problem of traffic jams; the governments turned to policies such as limitations on car purchases, license-plate control and traffic restriction to solve this problem (Zhao, 2011). From the authors’ perspective, the government should pay more attention to infrastructure construction rather than utilizing car usage restrictions which curb the development of the automotive industry (ibid). The decreasing market share of Chinese car gives a chance to the joint venture brands and imported car, they are occupying more market in the Chinese market. In February 2012, the Chinese government issued the annual official vehicle list draft. There are 412 kinds of short-listed cars and they are all china self-owned brands (China automotive business daily, 2012). The government planned to support self-owned brands in the domestic market.

5.1.2 Brand Analysis of Geely and Volvo

<table>
<thead>
<tr>
<th>Internal environment</th>
<th>Internal advantage(S)</th>
<th>External disadvantages(W)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. well-established sales networks in China</td>
<td>1. image of lower-end brand</td>
</tr>
<tr>
<td></td>
<td>2. emphasis on R&amp;D capabilities</td>
<td>2. less advanced technology</td>
</tr>
<tr>
<td></td>
<td>3. acquisition of Volvo and enhanced green technology</td>
<td>3. unsatisfactory sales in export markets</td>
</tr>
<tr>
<td>External environment</td>
<td>Potential external opportunities(O)</td>
<td>Potential external challenges(T)</td>
</tr>
<tr>
<td></td>
<td>1. continuous growth of China sedan market</td>
<td>1. fierce competition from both domestic and</td>
</tr>
<tr>
<td></td>
<td>2. government policy support</td>
<td>foreign brand</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. possibility of overcapacity in China auto</td>
</tr>
<tr>
<td></td>
<td></td>
<td>market</td>
</tr>
</tbody>
</table>

Table 3 SWOT Analysis of Geely

<table>
<thead>
<tr>
<th>Internal environment</th>
<th>Internal advantage(S)</th>
<th>External disadvantages(W)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. good market position</td>
<td>1. declining operational performance</td>
</tr>
</tbody>
</table>
Table 4 SWOT Analysis of Volvo

<table>
<thead>
<tr>
<th>External environment</th>
<th>Potential external opportunities(O)</th>
<th>Potential external challenges(T)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. increasing demand for hybrid electric vehicles</td>
<td>1. intense competition</td>
<td></td>
</tr>
<tr>
<td>2. strengthening presence in Asia</td>
<td>2. economic slowdown in the US and Eurozone</td>
<td></td>
</tr>
<tr>
<td>2. weak margins and returns</td>
<td>3. the ELV directive²</td>
<td></td>
</tr>
</tbody>
</table>

The data from questionnaire and case study shows there are many disadvantages of Geely in the previous situation. The main weaknesses are brand meaning, safety, research and development capability, which more than 80% respondents agreed with this (Question 14, Figure 4). Undoubtedly, Geely learn a lot from Volvo in different areas, such as safety and engine, technology, product development process, product and brand management, and human resources etc. All these values attract Geely to acquire Volvo. Conversely, Volvo can also learn from Geely. Normally people believe Volvo is better than Geely in almost every aspect. However, Volvo should learn from Geely in entrepreneurial leadership and cost control, Geely is really good at these two aspects. Therefore, the learning process is actually mutual for Volvo and Geely, and how to use the benefits to help Geely’s positioning process becomes the top task for every staff in Geely Group.

As mentioned above, Geely can learn a lot from Volvo, particularly in the following sections which Volvo cars’ advantages are. Firstly, Volvo is famous for its safety technology and design. As people know, the majority of Geely’s products haven’t reached the global safety standard. Because of the high cost of Volvo’s safety technology, Geely cannot afford to use it directly. However, Geely can learn from Volvo safety technology step by step, or Volvo can develop a simple and low-cost system for Geely. Volvo’s R&D technology will benefit Geely’s future development. The purpose of this thesis is to set up a proper positioning strategy for the Chinese car. Volvo has a long history in developing brand, good at brand positioning. Geely should learn from Volvo’s positioning experience, understanding its positioning process.

² The ELV Directive: the End of Life Vehicles Directive (ELV) which directly affects the automobile manufacturers of three and four wheel vehicles and their importers, direct suppliers, subcontractors and contract electronic and electrical manufacturers in the Member States of the EC. Its purpose is to reduce the waste in vehicles and encourage more recycling.
5.2 Brand positioning analysis for Geely after acquiring Volvo

Sustaining the Chinese market is the plan of each Chinese self-owned brand. According the current situation, decreasing market share and stronger competitors in the domestic market, all of these remind the Chinese automakers try to increase the market share in China. China self-owned car should win the Chinese market first. In this situation, positioning properly to increase market share in China is necessary.

In 2007, Geely started strategy transition from “produce affordable best cars for ordinary people” to “produce the safest, best environmental-friendly, and most energy-saving cars”. This goal involves good wish for Geely, but as an old Chinese saying “it’s much easier said than done”. To finish this transition, it is full of uncertainties.

In the brand positioning process, a company should figure its target market first. From the quantitative data, 86.5% of respondents are in age of 20-39. Because of their occupation and salary, most of Chinese people in this age group do not have a car, but they have a plan to buy a new car. The finding from Question 4 shows more than 50% of the respondents plan to buy car. What’s more, most of these respondents chose the price range for Chinese car is 70,000 to 150,000 RMB. According to the salary level and psychological price, the authors concluded that people in middle-class were the target consumers. That is to say, Chinese car should target middle-end market. Similarly, this target market is suitable for Geely.

Then is to find out a suitable brand image, considering being different from competitors. Based on the whole market, if just focusing on Geely, what it has but others doesn’t for the middle class is “safety”. After summarizing the respondents view about Geely’s positioning in the future, it is not difficult to find that safety and energy-saving are the most favorable choices, which occupy 66% of the respondents. Most of the respondents prefer to see Geely can produce much more cars which are safe and good value for this price, inversely the luxury and honorable car was not expected by the respondents. From the answers of which kind of car should be more invested by Geely group in order to sell better in the Chinese market, most respondents chose the family car, with the percentage of 72. Hence, the best brand positioning for Geely is safe and energy-saving family car according to the respondents. Geely should better enlarge its “safety” feature during brand promotion to catch the market.
Geely gets benefit from the corporation with Volvo, because Volvo has a brand image of high-safety worldwide. “Borrowing” this impression of high-safety makes it easier for Geely to be accepted by the middle class consumers to recognize its security. Geely can be positioned as the safest car in the middle-end market. This positioning strategy is just in line with function demand of mid-market. There should be some criticize behind Geely positioning strategy such as borrowing the high-safety impression from Volvo is like cheating, the consumers wouldn’t pay for it. The consumers would tolerate and understand the young brand; Geely is trying its best to make self-improvement. In December 2010, Geely Panda became China’s first independent mini-car won Five Star in the collision test, and it was appraised as the safest mini-car in China.

From the answers of 200 respondents, the safety and quality problems of Geely’s products, bad brand meaning, weak research and development capability, old design and unclearly brand positioning are the disadvantages of Geely. As many other Chinese enterprises, Geely does not have a wealth of experience and competence to manage its brand (China automotive business daily, 2012). After the acquisition, Geely get some benefits of promoting its brand image and became well-known worldwide, attracting more consumers to Choose Geely car (Yang et al. 2012). With the help from Volvo, Geely climbs higher in the auto market. Even though Volvo has an excellent experience in marketing and it can certainly offer some suggestion to Geely, Geely still need to find its own core competence and suitable brand positioning in the Chinese market.

To sum up, in order to sustain in the Chinese market, the authors suggested Geely to build up safe and energy-saving brand image. Consequently, with the aim of grasping Volvo’s opportunities and reduce the risk of failure, the suitable brand positioning strategy must be effectively implemented by every staff in Geely. From this case analysis, the authors absorbed experience for the development of China self-owned car brands. Because of the low innovation ability, China self-owned car brands must learn from foreign brands’ design and technology. Otherwise, the Chinese car cannot be consumers’ optimal choice. This means high quality cars become a necessary requirement of the positioning strategy.
5.3 China self-owned car brands’ Competitors Analysis

As the authors have mentioned in the literature review, target consumer was the central factor of positioning (Karlsson, 2006). When positioning for a brand, the company must figure out the places its competitors have in consumers’ mind. Therefore the competitor analysis is necessary. When one customer is making the decision to buy a car, the country of origin is an important issue. According to the Harvard Business Review it says the provenance paradox has an effect on a brand’s positioning, and provenance paradox is the factor that affects how consumers assess a brand according to the country of origin. As to Geely, its country of origin China is famous for producing low-cost, low-quality products. Obviously, Geely need to get rid of brand judgment according to the origin. In Geely’s development route, it adopts the strategy of purchasing a higher reputation brand Volvo. Geely uses this smart upward stretch strategy to sell more up-market cars for higher price, and at the same time hiding the identity of the parent company. This method is smart because more people are aware of Volvo rather than Geely.

According to the quantitative data, around 46% of the respondents chose Japanese car as the main competitor of Chinese car. Japan’s top automakers Toyota, Honda, and Nissan have long history marketing in China. They are familiar with the Chinese auto market and understand consumer psychology here. Japanese car’s positioning process in China is valuable information, providing reference for the authors to set up positioning strategy for the Chinese car. The authors would like to choose Toyota as representative of Japanese car. It is a widely-recognized brand in China. Toyota products are well received in the China, attributing the success to it’s a proper positioning strategy in the Chinese market.

When Toyota first broke into the Chinese market, it conducted a thorough market research about the Chinese auto market. During that time, Toyota had a premium brand Lexus, this brand sold well in America (Hiroshu, 2003). While in China, the premium market was occupied by German automakers like Mercedes, BMW and Audi at that time (ibid). To succeed in the Chinese market, Toyota altered its value proposition after market research. It found an enormous growth opportunity, the rising middle-class in China (Manuel, et al.). Then Toyota did a lot to find out the middle-class requirement and car taste. The consumers in middle-class prefer family car because of its utility. According to this found, Toyota started to capitalize on its strength, synonymous with quality. This strategy is effective, helping Toyota occupy the middle-class
market in China quickly. Toyota adopts high-quality strategy to appeal to the middle-end market. It provides more benefits for the same price compared with other competitors. Toyota successfully wins the Chinese market especially the middle-end market with right brand positioning appealing to the consumers’ demand.

Although both Japan and China are powerful manufacturing countries, they have totally opposite brand images. Generally, people believe made in Japan is usually high quality while China-made products always been labeled as low-end. This is one of the facts causes Geely adopts different strategy from Toyota. Improving brand image from low-quality to high-quality requires significant, long-term investment during the whole process. For China self-owned car brands, the positioning process will be more complex, especially competing with numbers of famous foreign brands. In order to improve brand image, acquiring another high reputation brand is a good way.
Chapter 6 Conclusion and recommendation

6.1 Conclusion

China as a huge emerging market with enormous potential, a lot of companies are trying to explore this market. For the Chinese car brands, they need to make clear the exact market segmentation. At the present time, China self-owned cars are mainly targeting low-end market; the high-end automotive market in China lies in the hands of American and European brands. The question about where is the future for Chinese brands becomes the urgent problem to be solved.

Through detailed subdivision, the authors found the middle-end market was the best choice for Chinese automakers. The mid-market will be incredibly huge in the nearly future. According to the McKinsey data, just for China in 2025 the middle class would account for about 80% of the total population. Consumers in the mid-level will consider about these three factors most: external appearance, brand image and price. From the quantitative data, the respondents reflected what the Chinese brands lack of are good external appearance and brand image. Talking about the price, the Chinese brands have the advantage of low price compared to its competitors. Therefore the Chinese auto manufacturers should pay more attention to external appearance and brand image in order to satisfy the middle-class consumers.

Frankly speaking, people will give comments on the Chinese car brands as cheap and low-quality at present. Based on the questionnaire data and the case study, consumers prefer to choose high-quality cars. For Chinese cars, the best way to be high-quality is to highlight the safe and energy-saving brand image. Safety is what the consumers highly recommend and the energy-saving feature is what the government requires now. This kind of brand image is fit for the mid-market demands.

Another important suggestion for the Chinese car brands is they should strengthen inter-industry linkage. Because the overall image of Chinese cars has a great impact on each self-owned brand in the market. The competition of the Chinese car brands should be healthy sometimes even can corporate with each other. Consequently, it can improve Chinese brands image then get right position in the consumers’ mind. The last but not least, from the acquisition case, the means of
acquisition could be taken into consideration when China self-owned car brands seeking for a quick way to improve brand image.

Generally speaking, developing safe cars of high quality for the middle-class market is an optimal choice for current China self-owned car brands positioning. The Chinese automakers who want to sustain or increase the market share in China can take this reliable suggestion into consideration. The authors hoped that these findings could help the Chinese car manufacturers make better positioning strategies in order to attract more consumers in the Chinese market.

6.2 Recommendation
The economy environment for China self-owned car brands becomes severe and harsh, more powerful competitors, strict regulations, and finicky consumers. In order to survive in the Chinese market, the Chinese automakers need efficient marketing strategies. In this thesis, the authors aimed to set up a proper positioning strategy to increase the market share in China. This investigation is based on relevant quantitative and qualitative data collected from Internet, books, former research reports, academic journals, etc. The effectiveness of this result waits for verification in the Chinese market. Further studies could be conducted to evaluate consumers’ response after automakers adjust their brand positioning. Meanwhile, in the thesis, the authors focused on the brand positioning of general China self-owned car brands, in a further research, positioning analysis of detailed subdivision of the China self owned car brands could be taken into consideration.
References


Kotler, P. 2009, Marketing management.


Melin, F. 1999, Varum ärkesstrategi, *Författarna och Liber AB.*


Perry, M. 2011, China is now world’s No.1 manufacturer, but it requires 9-10 times as many workers as U.S.


Tong, Z. 2012, Whether the new official vehicle list can save the self-owned brand or not, *China Automotive Business Daily*, 7 March.


Trout, J. Rivkin, S. 2000, Differentiate or die, *John Wiley & Sons, Inc*.


Wong, C. Lau, N. 2011, The Roles of Branding for a Brand Entering Overseas Markets—A Case Study of a Danish Butter Launching in Hong Kong with Success, *KTH (Kungliga Tekniska högskolan)*.


Zhao, F. 2011, China has responsibility to study proper industry policies for self-developed enterprises, *Globaltimes*. 
<table>
<thead>
<tr>
<th>Method</th>
<th>Target</th>
<th>Advantages</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires and Surveys</td>
<td>gather data and information about individuals</td>
<td>-easy to compare and analyze</td>
<td>-might not get careful feedback</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-administer to many people</td>
<td>-are impersonal</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-can get lots of data</td>
<td>-doesn't get full story</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-many sample questionnaires already exist</td>
<td>-------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Interviews</td>
<td>gain some more depth and insight and really know how something is affecting someone</td>
<td>-get full range and depth of information</td>
<td>-use too much time</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-develops relationship with client</td>
<td>-difficult to analyze and compare</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-can be flexible with client</td>
<td>-can bias client’s responses</td>
</tr>
<tr>
<td>Desk Study</td>
<td>the collation and review of information already available about the report topic</td>
<td>-collect and use conveniently</td>
<td>-the limitation of resources and study</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-huge amount of data</td>
<td>-the accuracy of data</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-low cost of collecting data</td>
<td>-------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-easy to compare</td>
<td>-------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Observation</td>
<td>recording the behavioral patterns of people, objects and events in a systematic manner</td>
<td>-view operations of a program when they are actually occurring</td>
<td>-can be difficult to interpret behaviors</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-can adapt to events as they occur</td>
<td>-can influence behaviors of program participants</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-can be expensive</td>
</tr>
<tr>
<td>Focus Group</td>
<td>useful for in-depth exploring of a group’s perceptions on a particular topic</td>
<td>-quickly and reliably get common impressions</td>
<td>-can be hard to analyze and compare</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-can be efficient way to get information in short time</td>
<td>-difficult to schedule many people together</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-can convey core information about programs</td>
<td>-------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Case Studies</td>
<td>fully understand a particular end-user’s experience of a product, project, etc.</td>
<td>-fully depicts client’s experience in program input, process and results</td>
<td>-usually much time consuming to collect, organize data</td>
</tr>
<tr>
<td></td>
<td></td>
<td>-powerful means to portray program to outsiders</td>
<td>-just represents depth of information</td>
</tr>
</tbody>
</table>
Appendix 2

QUESTIONNAIRE

1. Your Gender:
   A. Male               B. Female

2. Your Age:
   A. Below 20 year-old
   B. 20-29 year-old
   C. 30-39 year-old
   D. 40-49 year-old
   E. Above 50 year-old

3. Your Occupation:
   A. Student
   B. Corporate staff
   C. Freelancer
   D. Retired employee
   E. Individual business household or private enterprise’s owner
   F. Government or public institutions staff
   G. Others (_____________)

4. Do you have a car and do you want to buy a car? (After this question, if you have a car, please continue to answer question 5; if not, please jump to question 6)
   A. I have a car and plan to buy a new car
   B. I have a car, but I do not plan to buy a new car
   C. I don’t have a car, but I want to buy a car
   D. I don’t have a car and don’t want to buy a car

5. What kind of automobile do you have?
   A. Self-owned car
   B. Joint venture vehicle
   C. Imported car

6. What do you think is the suitable price range of China self-owned car? (Currency Unit is Euro)
   A. 4000-6000
   B. 7000-10000
   C.11000-15000
   D.16000-20000
   E. 21000-30000
   F. Above 30000
7. What is the most important factor when purchasing a car at the same price? (Please evaluate its relevant alternatives on a scale of 1-5, which 1 is least important and 5 is most important)

1 2 3 4 5

A. Appearance  
B. Brand reputation  
C. Automobile power  
D. Car configuration  
E. Safety  
F. Fuel efficiency and environmental friendly  
G. After-sale service

8. Comparing with joint venture vehicle and imported car, how much difference does the China self-owned car have? (Please evaluate its relevant alternatives on a scale of -3 to 3, which -3 is most disadvantage of China self-owned car, 3 is most advantage of China self-owned car, 0 is the equal of disadvantage and advantage)

-3 -2 -1 0 1 2 3

A. Appearance  
B. Brand reputation  
C. Automobile power  
D. Car configuration  
E. Safety  
F. Fuel efficiency and environmental friendly  
G. After-sale service

9. What is the basic requirement of China self-owned car to improve the market share? (Please evaluate its relevant alternatives on a scale of 1-5, which 1 is least important and 5 is most important)

1 2 3 4 5

A. Good brand reputation in China  
B. Product quality  
C. Cost production  
D. Grasping the core technology  
E. Marketing capability  
F. Human resource  
G. Management  
H. Others (___________)
10. Do you know Volvo was merged by Geely Group? (If yes, please continue to answer question 12; if not, please jump to question 13)
   A. Yes, I know
   B. No, I do not know

11. Which benefit can Geely Group get from the acquisition of Volvo? (Please evaluate its relevant alternatives on a scale of 1-5, which 1 is least helpful and 5 is most helpful)

   A. Brand image
   B. Access to advanced technology
   C. Increasing market share
   D. Entering European and American market
   E. Defining brand positioning
   F. Others(______________)

12. Which kind of car do you think should be more invested by Geely Group? (Multiple Choice)
   A. Family car
   B. Business car
   C. SUV
   D. Sports car
   E. Others (__________)

13. Which brand do you think is Geely’s main competitor in Chinese market? (One Choice)
   A. American car
   B. European car
   C. Japanese car
   D. South Korean car
   E. Indian car
   F. Others (__________)
   G. Joint Venture car

14. Comparing with its competitors, what are the competitive advantages Geely have? (Please evaluate its relevant alternatives on a scale of -3 to 3, which -3 is most disadvantage of Geely car, 3 is most advantage of Geely car, 0 is the equal of disadvantage and advantage)

   A. Price
   B. Appearance
   C. Automobile power
   D. Car configuration
   E. Safety
   F. Fuel efficiency and environmental friendly
   G. After-sale service
   H. Brand meaning
I. Market positioning
J. Research and development capability
K. Support from government
L. Others (__________)

15. Which kind of brand image should Geely promote in the future? (One Choice)
   A. Popularization
   B. Young, energetic and individuation
   C. Mature and steady
   D. Elegant and well temperament
   E. Luxury and honorable
   F. Safe and energy-saving
   G. Others (__________)