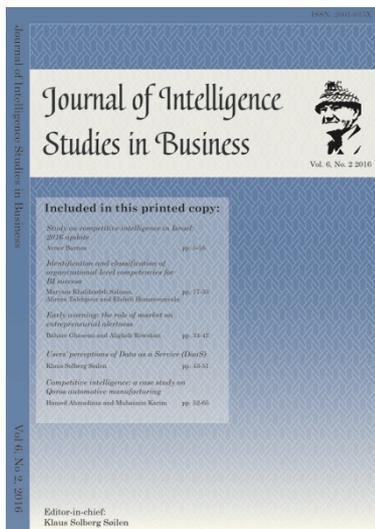


# Journal of Intelligence Studies in Business



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### Competitive intelligence: a case study on Qoros automotive manufacturing

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## Competitive intelligence: a case study on Qoros automotive manufacturing

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**ABSTRACT** In this paper, Qoros automotive manufacturing company, which is aiming at expanding their market in Europe, will be analyzed. In this case, the challenges that the aforementioned company has faced will be explained and some recommendations regarding marketing, strategy, production methods and other related issues based on competitive intelligence models like SWOT, Porter's Five Forces Analysis, ADL Matrix, and other related theories will be provided.

**KEYWORDS** Qoros automotive, competitive intelligence, market analysis

### 1. INTRODUCTION

Qoros Auto Co., Ltd. established in 2007 as a Chinese automotive manufacturing company headquartered in Shanghai, China. The company design and produce different cars, which specialize in international quality, design, safety, and other remarkable connected services. The company aims at hiring the most talented personnel either in the field of engineering or business to gain competitive advantages in terms of having the most creative and talented people in their production and marketing teams. (Bloomberg, 2015)

They are trying to offer the best products for the current markets by having such a creative team. The company has two main offices in Germany and China, with their

operational hub in Shanghai. The company has several international partners such as Bosch, Microsoft, Harman, and Neusoft-Alpine. The main idea behind this is that the company is trying to have world-leading technology and use the best service companies to keep their competitive advantages in a close

and long-term partnership with their key collaborative partners. These partnerships play a vital role for the company to be a creative, innovative and internationally recognized car factory that provides the highest quality cars and services for their customers<sup>1</sup>.

In order to have a better analysis of the case, we provide more information related to the company structure in the following parts of this report.

### 2. BRAND

The company sold their cars under four main brand names: Chery, Karry, Rely, and Riich<sup>2</sup>. The company embedded in their brand a changed driver progressive production method by which they try to drive the changes within an upward and progressive trend in the car industry. In the company, they share values such as that the technology that they are using in their production process must make life simpler and better for their customers. They are trying to implement the aforementioned spirit to be the first premium Chinese car brand that provides the highest

<sup>1</sup> <http://www.qorosauto.com/en/Company>

<sup>2</sup> "Chery's "Outstanding 4+1" Pattern Exhibits the "Chinese Power"". Chery Inc. 2010-04-23.

possible quality cars to make their customers feel that they are “living in a modern metropolitan lifestyle with a customer experience that goes beyond driving”<sup>3</sup>.

### 3. PRODUCTS

The main products of the company could be categorized into small box-shaped passenger vans, passenger cars, and high-performance four-wheel drive cars built on a truck chassis. These cars sell under either the Chery or Karry brands (Xing, 2002). The most significant progress in these cars, compared with other chic cars, is that the Qoros 3 sedan has become the first Chinese-developed car with a five-star safety rating by Euro NCAP, which plays a role as a key competitive advantage for the company<sup>4</sup>.

Moreover, the company is considered to be the largest Chinese passenger car exporter and the tenth-largest Chinese car manufacture, since 2003 and 2012, respectively (The Global Times, 2012). The assembly of the cars and their component manufacturing facilities are mainly in China and approximately fifteen other countries all around the world. Moreover, the main company location has two local R & D research centers and the company allocate about 7% of their total income to the process of product development (Dyer, 2006). As a significant development in their products, the company also designed and developed some hybrid and electric vehicles<sup>5</sup>.

### 4. TECHNOLOGY

The company uses state of the art technology introduced by Microsoft to offer new stylish, safe, international quality standard cars to the global market. The company, with this collaborative production, introduced a new idea into the car manufacturing industry: the “connected car”. This term refers to using internet technology via various means such as mobile phones and tablet, so that the user has the opportunity to access different driving services<sup>6</sup>. Apart from this technology they also offer a new electronic bike, known as “*Ebike*”.

It is an electric bike that offers several electronic facilities and applications to its

rider. These facilities are available via a permanent 3G internet connection and a five inch touchscreen monitor<sup>7</sup>. The main idea behind these bikes is more than having an electronic engine; the new concept mainly targets new technologies to offer a modern navigation system and to be ready to ride in any off-road situations as well<sup>8</sup>.

### 5. PRICE AND SALES

The company considers several developments in expanding their markets in various parts of Europe, to cope with the company vision and long term target of the company to be recognized as a successful brand in the car manufacturing industry. In this case, the Executive Director of Sales, Marketing and Product Strategy at Qoros Automotive Co mentioned that “The value is not a matter of price, but mostly the combination of product and services in line with customer requirements” (Pietro, 2014). He also argued that this value is estimated by the level of satisfaction that the company’s cars will offer to the buyers. For example, the price of their cars ranges from 22,470 to 28,900 USD for the Qoros 3 City SUV, and 19,000 to 27,000 USD for the Qoros 3 Hatch<sup>9</sup>.

### 6. FUEL

Recently, most car manufacturing companies are trying to offer new cars with alternative fuel powered engines. In this case, we consider them to fall into seven engine groups: diesel, gasoline, bi-fuel-CNG, bi-fuel – LPG, hybrid – gasoline, battery electric vehicles (BEV) – owned batter, and BEV – leased battery (Valeri, and Danielis, 2015). Qoros Auto Co., like other car manufacturers, offer cars with petroleum fuel engines; however, they recently allocated considerable fund to their R & D department to develop modern hybrid and full-electric cars. In this case a new technology called the “start-stop system or stop-start system” is used in the recent products of the company to reduce fuel consumption and emissions from gas as a new step toward the expanding process of green marketing in the company. Therefore, the car automatically

<sup>3</sup> <http://www.qorosauto.com/en/aboutqoros/brand>

<sup>4</sup> <http://www.caradvice.com.au/253375/qoros-3-sedan-first-five-star-euro-ncap-rated-chinese-developed-car/>

<sup>5</sup> “China's fuel subsidy costs the world”. Reuters. 2008-06-04.

<sup>6</sup> <http://blogs.microsoft.com/business-matters/2015/03/04/automakers-innovate-connected-cars-with-microsofts-tech/>

<sup>7</sup> <https://www.electricbike.com/qoros-ebike/>

<sup>8</sup> <http://www.qorosauto.com/en/newscenter/news/article41>

<sup>9</sup> <http://www.carnewschina.com/tag/qoros/>

shuts down and restarts the internal combustion engine, and the amount of time the engine needs to spend ready will be decreased and consequently less fuel will be consumed in general<sup>10</sup>.

## 7. MARKETING

The company has different marketing strategies in different parts of the world. On one hand, the Executive Director of Sales, Marketing and Product Strategy at the company expressed that for European markets they promote the Qoros 3 sedan, hatchback, cross and now also the suburban utility vehicle and the station wagon. Furthermore, the company has a gradual marketing plans to introduce the Euro 6 TGDI and diesel engines onto the market. On the other hand, the company has a special marketing plan for China. In this case, they are targeting the starting development in metropolitan areas by having special partnerships with recognized expert dealers. Through this collaboration the company can provide technical support and IT platforms for the management of the information from both technical and customer points of view (Montagna, 2014).

## 8. STRATEGY

The recent marketing strategy of the company announced at the 2015 Geneva International Motor Show indicated that “the company has a plan to export some selected models to Central Europe and the Middle East within 12-18 months” (Gedalyahu, 2015). Furthermore, the company representative argued that they are going to expand their markets through a step-by-step plan. However, their current target is to expand their market thorough their sales network in China. Not to be left behind, the chief executive of the company mentioned that another significant change in the long-term strategy of the company is hiring more Chinese staff as local employees rather than having many costly international expert personnel who are working as catalysts to market the company’s cars (Murphy, 2015).

## 9. AFTER SALES

The company has three main after-sales support methods for their customers, as follows:

1. One touch system as an innovative sales services for the customers, by which they can be in touch with the car service department of the company, register for an appointment with a chosen company service center, and have all the relevant information about the car’s current situation on-screen. This system has several merits, such as time saving for servicing the car with less effort from the customer, which brings a new service experience to them.
2. The product is covered by a 36 month or 100,000 km warranty for all terms.
3. Finally, the company implemented special facilities to support their customers, such as “roadside assistance,” which is available via a special phone number, 24 hours per day year-round<sup>11</sup>.

## 10. SUSTAINABLE BUSINESS MODEL

The company has an especially environmentally and user friendly business model for its productions. The main idea of the company is not only to produce a brand new car for the market, but the company also aims at producing a different one. For this, the company implemented a new approach, which should be more user-friendly for the drivers and should bring a better driving experience to them. Therefore, the company developed a new digital eco-system business model for their value chain.

The business model has the following benefits to the customers:

1. Provides interactive information in the car without any stress for the driver.
2. Expresses any relevant information to the driver through universal gestures for all critical actions that don't require looking t the screen.
3. Easy access to any of the key areas in the software such as navigation and entertainment.
4. Simple and contextual information (Villanti, 2013).

In this part of the report we discuss the European automotive market, its size, key players and current trends. It is undoubtedly

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<sup>10</sup> "Chery wins three awards including "Influential EV Manufacturer of the Year"". Chery Inc. 2011-12-31. Archived from the original on 2 April 2012.

<sup>11</sup> <http://www.qorosauto.com/en/aftersales-service/Overview>

important for Qoros management to analyze the European automotive market before planning to penetrate it. This analysis will help the company to understand the industry size, key players, opportunities and the current trends in product design and customer preferences. Having a proper analysis of the industry and the pocket market of Slovakia will help them understand their own position. The management can then assess their strengths, weaknesses, opportunities and threats. A proper analysis of the industry and self-assessment has a better chance of producing a more appropriate business plan.

## **11. THE EUROPEAN AUTOMOBILE MARKET**

The European automobile market is the largest automobile manufacturing market in the world. The European Union is the largest automobile market with an annual passenger car registration of approximately 13 million per year by its manufacturers; close to one quarter of all cars in the world are manufactured in Europe. It is needless to say that the industry also experiences fierce competition in terms of sales volume, market share and profitability. The major companies also compete in terms of design, technology, CO<sub>2</sub> emissions and safety. In order to analyze this industry from Qoros's perspective we will focus on the passenger car segment and exclude commercial vehicles. The objective of this phase of the report is to have a clear understanding how promising or otherwise the market is for Qoros.

The European automobile industry is large and sophisticated. They boast about their cleanliness, safety and speed. The turnover generated by the automotive sector represents 6.9% of EU GDP. Hence it has ripple effects throughout the economy, supporting a vast supply chain and generating an array of business services. Automobile manufacturers operate some 290 vehicle assembly and production plants in 25 countries across Europe. In total, 16% of worldwide passenger car registration is done in Europe. However, there exists a big challenge in this particular region. Unlike the US market, there has been a decline in the sales figures for a prolonged period of time. Russia experienced a sales drop of 25% and the whole of the region is emerging

fitfully from a six-year sales period with noticeable deterioration in performance and quality. However, on the contrary, some business analysts argue that the European automobile market still holds the potential for 6% annual growth in the passenger car segment (Campestrini, & Mock, 2011).

However, it is evident that the market and the consumers are changing. Three powerful forces driving the change are shifts in consumer demand, expanded regulatory requirement for safety and fuel economy, and expansion of the availability of data and information<sup>12</sup>.

## **12. SHIFTS IN CONSUMER DEMAND**

The consumers have recently shifted from being extremely loyal to the brands and have started considering them to be a transportation machine; so they are looking for more comfort, safety and sophistication in a competitive price. This might not directly affect the sales but it has an effect on the consumers' willingness to pay. This basically indicates that the customers have become more demanding. Customers are becoming more "value for money" centric, where they want additional value for the additional expenses<sup>13</sup>.

## **13. EXPANDED REGULATORY REQUIREMENTS**

Regulators are mandating the most safety-related facilities. For example, features in the cars, such as backup cameras are recognized as standard equipment on new models, adding further to costs. Globally, the regulatory bodies have started being more concerned and are giving substantial importance to the safety and security of citizens. As a result, they are also implementing stricter road and traffic laws and they require the vehicle manufacturers to comply by producing vehicles that have technology and designs that provide enough safety. Moreover, they are concentrating on CO<sub>2</sub> emissions and imposing laws that force car manufacturers to produce more environmental friendly vehicles<sup>14</sup>.

## **14. INCREASING AVAILABILITY OF DATA AND INFORMATION**

Availability of information is creating a big change in consumer behavior. These days,

<sup>12</sup> <http://www.strategyand.pwc.com/perspectives/2015-auto-trends>

<sup>13</sup> <http://drmsriram.blogspot.com/2015/02/business-special-2015-auto-industry.html>

<sup>14</sup> <http://www.chinapartsfactory.com/2015-auto-industry-trends/>

consumers are exposed to all sorts of information about the car, its brand, price, specifications, discounts, quality and performance. All of these factors relate to the automotive value chain and are interested in collecting more customer and car data, but uncertainty about how to use it is still considered to be a matter of doubt. These driving forces are creating an impact on the entire automobile industry. In order to manage them and satisfy both the customers and other stakeholders, it is imperative to understand how these forces are affecting the other variables of the industry (Campestrini, Mock 2011).

### **15. INCREASED ELECTRONICS AND SOFTWARE CONTENT**

In the past few decades the cost of software and electronics was only 20% of the entire cost while now it has risen to 35%. Now 90% of the innovations and new features are contributed by the electronic systems and new software. Infotainment supplies an opportunity for OEMs and suppliers to differentiate their products. The latest Consumer Reports survey showed that infotainment equipment was the most difficult to deal with feature in 2014 for vehicles, making a proposal for a powerful upside for companies that can arrange superior systems<sup>15</sup>. The increasing popularity of infotainment and telematics is forcing the traditional OEM and suppliers to change their business thinking and become more innovative and comply with the products and services of the industry's key players. Recently, developments in software are considered to be as important as hardware innovations, and global competition also emphasises nontraditional factors. Ever more vital software content has also accelerated the pace of change in products and features. Whereas the time frame for new vehicle launches is typically three to four years, the cycle for new software iterations, often driven by interactivity with mobile devices, is measured in months (Campestrini, Mock 2011).

### **16. PRODUCT-MIX CHANGES TO COPE WITH REGULATORY NEEDS**

Regulations and laws are becoming stricter and more concerned about the environment. As a result, the governments and other regulatory bodies are creating pressure on the car

manufacturers to comply more with sustainability issues. In order to create a greener environment and to reduce CO<sub>2</sub> emissions, the governments are encouraging companies to manufacture hybrid and environment friendly cars. For instance, CAFE standards in the United States that will go into effect in 2016 are planned to add as much as US\$1,000 to the production cost of a vehicle, according to the National Automobile Dealers Association. However, the challenge is that only a few of the automobile buyers are willing to pay more for environmentally friendly choices. Thus the cost pressure is falling heavily on the OMEs. This, however, paves a path towards innovation. In order to make the car more fuel efficient, the companies are reducing the weight of the cars. This is dramatically evidenced by Ford's decision to allocate a considerable amount of steel with aluminum to the 2015 version of its F-150 pickup truck.

### **17. NEW DEVELOPED PLATFORMS AND MODULARIZATION**

The pressure of consumer preferences has made car manufacturers become more responsive and flexible. In order to reduce cost and to cater to the want of segmented vehicles, the OMEs are adding a number of models at the same time, reducing the number of vehicle architectures and thus improving product commonality. Volkswagen, GM and many other companies are increasing their number of platforms. It might initially increase the cost but the additional expense is outweighed by savings from the sharing of common components between cars and platforms, and increased volume.

### **18. THE CHANGING FACE OF RETAIL**

Along with the core product and technologies, the sales channels are also changing. Customers want a smooth purchase experience including financing, insurance and all other formalities. While most of them are interested in taking a test drive some are looking for an instant purchase from the internet. Although it is an emerging sales channels, the dealers prefer a sale through a test drive. Accommodating these shifting attitudes about buying a car will require equal changes to

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<sup>15</sup> <http://www.chinapartsfactory.com/2015-auto-industry-trends/>

dealers' processes, including investment in new technology<sup>16</sup>.

Apart from these forces responsible for the above mentioned changes, some additional historic data trends might also be important for Qoros in order to design strategy. In this phase we discuss the current trends in the industry and major concerns such as passenger car industry size, price, market share and major players, annual sales volume and sales trends, CO<sub>2</sub> footprint and technologies.

## 19. NUMBER OF VEHICLES:

After a major decline in sales in 2009, registration of passenger cars steadied in 2012 and 2013 to 12 million, which is still 20% below the volume before the economic crisis. Before this crisis, the average volume hovered around 15.5 million annually. For some countries like Spain and Russian, the dent was even higher; 50% for Spain and 25% for Russia. The historic data says the market is more concentrated in a handful of countries. In total 75% of the total new car registration is taking place in Germany, France, UK, Italy and Spain and 50% of the market is captured by the top seven brands. Germany holds the title of market leader, having 25% of the total new car registration volume (Campestrini, & Mock, 2011).

## 20. FUEL CONSUMPTION AND CO<sub>2</sub> EMISSIONS

Under the new EU regulations, 95% of the new vehicle fleet must comply with the 95 g/km target by 2020 (Campestrini, Mock 2011). 2013 was the first year in which the target of CO<sub>2</sub> emissions from passenger cars dropped to 130 g/km. From 2021, the manufacturers' average will be monitored. In percentage term, all manufacturers are given a target of reducing CO<sub>2</sub> emission by 27% from 2015 to 2021 (Campestrini, & Mock, 2011).

## 21. TECHNOLOGIES

EU or Europe is yet to gain maturity in the environmentally friendly hybrid car segment. There are significant differences among the member countries; Belgium, France, and Spain have diesel take-up rates of around 65%, while in the Netherlands the rate is much lower, 29%. Surprisingly, 53% of cars newly registered in 2013 were powered by diesel, which is quite different from the US, Chinese

and Japanese markets, which are dominated by gasoline powered cars. On the other hand, hybrid car registration is experiencing growth and reached a level of 1.4% in 2013. However, it is still relatively low compared to the Netherlands (5.7%) and France (2.6%). If we look into the hybrid shares, brand wise, one-fifth of all new Toyota vehicles sold in the EU were hybrid-electric. Plug-in hybrid (PHEV) and battery-electric vehicles (BEV) make up about 0.4% of vehicle registration in the EU, with notable differences among the member states. In the Netherlands, a stunning 4.1% of all new sales were PHEVs in 2013, and another 1.4% were BEVs (Campestrini, Mock 2011). The underlying reason for this shift in manufacturing is directly correlated with the government imposed CO<sub>2</sub> based vehicle taxation scheme where vehicle that emit less than 50 g/km of CO<sub>2</sub> receive tax rebates. PHEVs and BEVs accounted for 5.8% of all new car sales in Norway in 2013. And in 2014, that market share further increased to 14.6% during the first half of the year (ICCT, 2014d). This makes Norway the world's leading market for electric vehicles (in terms of market share, not absolute number of vehicles). Underlying reasons are, again, fiscal incentives provided by the Norwegian government. However, it is worth mentioning that the Europe market has experienced a sharp increase in gasoline direct injection (GDI) to obtain greater efficiency and lower CO<sub>2</sub> emissions. By 2013, the share is assumed to reach 30%. The top brand of hybrid cars is Toyota Prius. (Campestrini, & Mock, 2011).

Ninety percent of the vehicles in EU-28 are passenger cars and largely dominated by Germany, France and UK, holding 60% of all registrations of new cars. Germany holds the largest market share with 25%. After a dent in sales due to a government imposed scrappage scheme, the country has remained stable at around 3 million vehicles per year. For the first time in years, vehicle sales in Spain increased again in 2013.

The European market is very diverse in terms of brands, with the most registered brand, VW, commanding only 13% of the market. The top-five companies dominate about 65% of the market. The VW Golf remains the most popular car model in Europe. It accounted for about 3.8% of all new vehicle sales in the EU in 2013. The biggest segment

<sup>16</sup> <http://www.strategyand.pwc.com/perspectives/2015-auto-trends>

of the market is the small and lower medium segment, comprising almost 65% of the entire industry while luxury cars are only 10% of the total. A steady hike, however, is being observed in SUV and off road cars since 2009. After the crisis in 2009 where most of the brands either declined or stagnated, BMW and Audi continue to have a positive upward trend. (Campestrini, & Mock, 2011).

## 22. PRICE

Sales taxes in the EU are between 18% and 27%. In addition to the general tax, some member states have also introduced a special sales or registration tax for new cars. The price figures from 2001 to 2013 show that there has been a steady growth in price. The luxury brands, Audi, BMW and Mercedes-Benz, are the most expensive brands followed by VW and Ford. A positive picture is observed in the hybrid electric segment, where greener vehicles are in a declining price trend (Campestrini, & Mock, 2011).

## 23. MARKET IN SLOVAKIA

Slovakia is a small country in Europe born in 1993. It joined the EU in 2004 and the Euro Area in 2009. From 2001 to 2008, the economic growth of Slovakia was among the highest in the EU, heavily fueled by foreign direct investments especially in the automotive and electronic Sectors. The country has cheap skilled labor with low taxes and liberal labor laws along with a favorable geographical location.

The Qoros management has decided to first launch their product in Slovakia as a stepping stone to penetrate the European automotive market. Hence, learning about the Slovakian automotive market is as important as learning about the European automotive market. The Slovakian market started to grow more drastically when it welcomed new plants, and production grew to over one million units. The market comprises 70% of passenger cars. The downfall in the economy has maintained the market decreased of 4.7% from 2012. Skoda is the market leading brand with 19.9% market shares, followed by Volkswagen at 9.7%. Apart from that, the market has new entrants such as Hyundai and Kia, who have already managed market shares of 8.1% and 7.5% respectively<sup>17</sup>.

Not only is the automotive industry growing but so is the entire economy of Slovakia. The main driving forces are rebound investment and an expansion in private consumption supported by improved labor market conditions. From the end of the 1st quarter of 2015, the automotive industry in Slovakia started to grow, with 11% growth from 2012. If Qoros can successfully penetrate the EU market and create a strong foothold there highly depends on five major forces. How the market is behaving, how the major players are performing, how the consumers are behaving, how the regulations are changing and how Qoros complies with these forces. It is of paramount importance for the Qoros management to analyze the industry, its target market and its competitors to design a well thought out strategy. Every activity Qoros management undergoes should be backed by a well-designed strategy that address the current trends and market demands and has a solution to those<sup>18</sup>.

In the following phase we will discuss is how Qoros can use competitive intelligence methods and techniques to respond to the dynamic market and plan their next attempts<sup>19</sup>.

## 24. MARKET IN THE UK

Another big part of the Europe market is the United Kingdom (UK) automotive market. Of all UK suppliers, more than 70% manufacture their products in the UK. At present, about 80% of all component types required for vehicle assembly operations can be procured from UK suppliers. The UK automotive supply chain typically generates £4.8bn of added value annually. There are around 2,350 UK companies that regard themselves as 'automotive' suppliers, employing around 82,000 people (2009 data). (SMMT, 2012).

It is estimated that every job in the UK vehicle assembly supports 7.5 elsewhere in the economy. UK-based OEMs are actively committed to increasing local sourcing practices to support new model programs and facility expansion. The UK boasts a production of 1.6 million cars and more than 2.5 million engines yearly. 1.58 million vehicles and 2.5 million engines were produced in the UK last year, and of these, 81% of the total vehicles and 62% of engines were exported. UK automotive is an important part of the UK economy and

<sup>17</sup> <http://focus2move.com/slovakia-car-industry-2014-outlook/>

<sup>18</sup> <http://focus2move.com/slovakia-car-market-outlook-at-july-2012-skoda-wins-in-a-flat-market/>

<sup>19</sup> <http://focus2move.com/slovakia-light-vehicle-sales/>

normally generates more than £55 billion in annual turnover, along with £12 billion in net value-added to the economy. The automotive industry is the UK's largest sector in terms of exports by value. It generated £27 billion of revenue for the UK in 2011. On average, the sector exports to over 100 markets worldwide and accounts for around 11% of total UK exports yearly<sup>20</sup>.

Average new car CO<sub>2</sub> emissions fell to a new low of 133.1g/km in 2012, and have fallen by over 20% in the last 10 years. UK automotive is at the forefront of the low carbon agenda, investing in R&D and new technologies that will deliver ever cleaner, safer and more fuel-efficient cars. The automotive industry is subject to numerous national, EU and global laws and regulations, including those relating to vehicle safety and environmental issues such as emissions levels, fuel economy and manufacturing practices.

## **25. KEY ENVIRONMENTAL LEGISLATION**

There are several recent environmental policies that are now impacting the automotive industry including: in 2009, legislation was passed that committed European car manufacturers to cut fleet average CO<sub>2</sub> emissions from new cars to 130g/km by 2015 and 95g/km by 2020. From November 1, 2011 all new types of approved vehicles were required to have electronic stability control fitted as standard and from November 1, 2014 all newly-registered vehicles must also comply.

The highest selling car in the UK is Nissan followed by Land Rover. The most popular model is Ford Fiesta. UK car manufacturing peaked in 1972 at 1.92 million units, and 2003 saw the highest car output in recent years, totaling 1.65 million units. Although car manufacturing levels have not yet matched pre-recession levels, full year 2012 figures verify that UK car manufacturing reached its highest since 2008 and broke all-time export records<sup>21</sup>. The volume of cars export to other countries exceeded 1.2 million units, up 8% on 2011. The highest registrations of new cars are observed in west midland followed by Scotland. The supermini and lower medium segments are the biggest segments, comprising 60% put together. The mini segment is led by Hyundai i10 followed by Volkswagen. The supermini segment is led by Ford Fiesta followed by

Volkswagen Polo. The lower medium segment is led by Ford Focus.

Overall, there has been an increment in the usage of cars in the UK market. Compared to 2011, 2012 experienced 0.4% more traffic on the roads on average with a maximum spike of 0.9% in the south-west region. A recent study showed 12.6% of CO<sub>2</sub> emission is caused by cars in the UK. Addressing that a concern in 2011, UK vehicle manufacturers reduced energy consumption per vehicle produced by 14%. In addition to producing ever more efficient powertrains, manufacturers have designed various innovations to help drivers save fuel and lower CO<sub>2</sub> emissions. Stop-start technologies automatically cut the engine when a vehicle is stationary. The engine is re-started by releasing the brake or depressing the clutch. Tire pressure monitoring systems measure the pressure of each of the tires and will give a warning through the dashboard display if they become underinflated. Gear shift indicators show the driver the optimum time to change gear (up and down) while driving. Low rolling resistance tyres are designed to improve the fuel efficiency of a vehicle by minimizing the energy wasted when the tyre rolls down the road. The new industry tire labeling scheme indicates fuel efficiency using a rating scale from A (most efficient) to G (least efficient). The difference between an A rating and a G rating could be a reduction in fuel consumption of up to 7.5 % (SMMT, 2013).

## **26. QOROS AUTOMOBILE-IMPLEMENTING COMPETITIVE INTELLIGENCE MODEL TO ASSESS: STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT)**

Founded in 2007, Qoros Automobile, the Chinese car manufacturing company, has decided to penetrate and gain a foothold in the European automobile industry. It is worth mentioning that several attempts to penetrate the European market were made by different Chinese car manufacturers in the past few years. However, most of them did not succeed. Learning from the past, the Qoros management has crafted its strategy well considering all the probable pros and cons. In this phase of the report we will make a SWOT analysis in order to understand the current position of the company and how it can plan to

<sup>20</sup> <http://www.cordantrecruitment.com/cordant-focus/driving-the-automotive-industry>

<sup>21</sup> <http://blogs.matchtech.com/engineering/automotive/beginners-guide-uk-automotive-industry/>

overcome its threats and weaknesses and capitalize its on its opportunities and strengths. This competitive intelligence method will help the company to narrow down its plans and implement appropriate business activities where necessary.

### 26.1 Threat

Qoros, being a Chinese brand, will experience heavy competition from the other key players in the industry. Brands like Volkswagen, BMW and Mercedes Benz have been operating in the European market from the beginning. This means the company needs to compete with the world's greatest car manufacturers in their own market. This means the company needs to focus on product differentiation and out of the box marketing and communication plans.

At the moment, the timing is not the most appropriate. The European market is experiencing a slight decline, while the Chinese market is also stagnant. This might create a liquidity crisis for the company.

Another threat is that, making radical innovations in gasoline powered engines is not easy. This implies that the company should also concentrate on hybrid or green powered cars.

### 26.2 Opportunity

Starting business in Slovakia on a test basis was a smart move. This country can be quite a big market. With 324 cars for every 1000 citizens, the market has yet to grow and Qoros can take the opportunity. However, it will have to face Skoda, which happens to be the top choice there.

The company has initiated an activation plan of describing the cars to its customers over a cup of coffee. This has somewhat positive feedback. The conversion rate of Qoros is 6% to 8% while the industry average is not more than 5%.

There is a market for a social car. The new customers require comfort, sophistication and digital connectivity. The Qoros cars have a digital ecosystem that allows the car to connect with the owner's mobile devices via an app and features a touchscreen "infotainment" system.

### 26.3 Strength

Qoros has a state of the art manufacturing facility with the capacity of making 350,000 cars. They have strong experience in this market as a player in the largest automobile market: China. They also have a sophisticated

design center in Munich and engineering facilities in Austria.

The hatchback introduced has twice the power of VW Golf, the most popular brand in the EU. The sedan has a competitive price, considering the power and the features. The price is around 20K, while a car with that power usually prices around 27K. Apart from that, they designed unique connectivity with an eight-inch touch screen and a cloud connected platform that enables customers to access social networks and book service appointments.

Qoros has integrated leading talent around the world across all engineering, commercial business functions and at all levels of management. The management team has been crowned by various automobile business experts and veterans working for long periods in organizations such as Volkswagen, BMW and Mercedes Benz.

The company has already achieved a 5 star score in the Euro NCAP safety testing in 2013, which marks the first time for any Chinese brand to gain this ranking.

They have also received the Red Dot Design honor award. This means the cars and the brand are in the process of gaining more acceptability and credibility for their end users.

Unlike other Chinese companies, Qoros is a venture between Israel's richest man and the state owned Chinese automaker Cherry Automobile.

It has advanced and modular architecture to enable the rapid development of a full range of new models and variants and to allow for the adoption of hybrid technologies.

It is supported by major global suppliers including Magna Steyr, TRW, Continental, Bosch, Valeo, Microsoft and Icon Mobile.

### 26.4 Weaknesses

Qoros could not make online purchases easy. It is rather complex and not user friendly.

This is due to too much emphasis on engineering, and less effort in business and brand building. This refers to the fact that the company made less effort in marketing and communications.

The biggest weakness that Qoros will face in the European market is the deeply rooted social stigma against a "Chinese brand". This reflects the lack of trust and confidence in the brand, and thus the core product itself.

After a detailed analysis of the company, its desired market and its assessment, we will now

discuss how we can use competitive intelligence and its various methodologies to create a dynamic strategy for Qoros. In this part of the report we will discuss a few competitive intelligence techniques that the management of Qoros could use to analyze the industry structure and competitiveness, customer intelligence, growth path analysis and competitive strategy exploration.

## 27. INDUSTRY STRUCTURE AND COMPETITIVENESS

### 27.1 ADL Matrix

This analysis helps one understand how an industry's maturity and competitive position affect strategy. It compares two axes: industry maturity (ranging from embryonic, growing, mature, to aging) and competitive position (from dominant to weak).

From the discussion of the European automotive market and Slovakian automotive market we can conclude that while the EU market has reached maturity, Slovakia is still in the growth stage. On the other hand, with the SWOT analysis, we can state that in this particular situation Qoros is in a favorable position in Slovakia but in a tenable position in the EU market. There are a number of challenges due to the social stigma against a Chinese brand but it has got an outstanding product portfolio with a five star rating and a very positive conversion rate. According to the ADL matrix, the management will have to consider the European market and the Slovakian market separately. Slovakia is a growing market (324 Vehicle for every 1000 citizens) and Qoros has a favorable position, the management will have to concentrate on an attempt to improve its position and push for a market share.

In order to improve its position in the market, the management will have to craft outstanding marketing and communication strategy. The aim of these activities will mostly include attempts to reduce the social stigma against Chinese brands and highlight the five star rating to increase credibility and trust. They would have to remember that Qoros will be facing Skoda, which has been the favorite brand for a long time with an enviable market share. In order to acquire a market share, it is important to have some similarities and some points of differences with Skoda. The parameters could be price, design or more infotainment and electronic features. Going for hybrid cars in this market might not be the

smartest step at the moment. Although there is an opportunity, the market may get price sensitive when it comes to hybrid vehicles.

On the other hand, the EU Market, being a mature one and Qoros being in a tenable position, the management must act a bit less aggressive. The company must gradually build its brand image, slowly and steadily. The best choice at the beginning might be to create a comparatively smaller niche and build the trust of that group. This would disseminate positive word of mouth, which would complement the international ranking scores they are awarded. Repeated communication about credibility and quality can help build up the trust of the end users, which might mitigate the negative social stigma.

### 27.2 Porter's Five Forces Analysis:

We also analyzed the case via Porter's five forces as a conceptual framework, which will examine the level of competition within the industry.

In the following part of this essay, the position of the company compared to its competitors via Porter's five forces theory is analyzed:

1. **Buyer Power:** As statistics show, for example, in China the company could sell only 7,000 models while the total number of sold cars in the same year exceeded 19 million units (Fusheng, 2015); It is strongly suggested to the company to allocate considerable funds to increase their production rate per year. Therefore, they will be able to draw more customers to their products. However, the company must keep the price of production as low as possible, compared to other manufactures in the luxury car market to have the competitive advantages as to the highest cost for buyers to switch from their products to those of the others providers. Moreover, eventually the company will be able to increase the number of cars sold per year. In this case, the company will be able to cope with the market demands in terms of their state of the art cars.
2. **Supplier Power:** The main car manufactures operating in the European market that provide competition are Volkswagen, BMW and Mercedes Benz. In this case, the company needs to provide specific cars

with state of the art facilities to cope with the market demands in this really competitive market (Lanza, 2014). Also, it is suggested to the company to allocate considerable funds to expand its public advertising and special plans for marketing its products. Not to be left behind, as a Chinese firm the company should focus on both the quality and cost of production to gain and keep its position in the market as a brand new international car manufacturer. In this case, the company can achieve a competitive advantage over these main suppliers by focusing their strength and control over businesses through high-tech cars as well as the lowest cost of production. Finally, the cost of switching from one car manufacturer to another one for the customers will be really competitive for the company.

3. **Industrial Rivalry:** There is a significant rivalry among the company's cars and the other car manufacturers in terms of price and productivity. For instance, Qoros 3 hatchback will compete directly with VW's Golf, while the sedan takes on the German automaker's Jetta (Tschampa, 2014). In this case, it is strongly suggested to the company to focus more on expanding their products and state of art facilities in daily operations by hiring the most talented staff. Therefore, as the company has many competitors that offer equally attractive products and services, keeping an upward trend in product quality and facilitating the latest technology will bring them more competitive power compared to their competitors. This is because suppliers and buyers will go somewhere else if they don't get a good deal from the company. On the other hand, if none of the other companies can provide the same quality cars as the company is providing, then the company can have enormous strength in the market.
4. **Threat of Substitution:** As is mentioned in the "Industrial Rivalry" section, the company must put more emphasis on their production technology and their products' state of the art technology, as well as productivity and user friendliness of

their cars. In this case, the company can have the merit of making it hard for their customers to find an equal substitution for their cars in terms of productivity and user friendliness. For instance, it is expected that average fuel economy (CAFE) standards will be 54.5 miles per gallon (23.2 kilometers per liter) by 2025. Fuel economy is about maximizing the number of miles your vehicle can travel on a gallon of fuel. The cost of fuel has a major impact on fuel economy. Consequently, it is really important for the company to work on expanding such technologies in their production line. In this case if they can make the substitution for their cars easily possible, then this will be a big strong point for the company.

5. **Threat of New Entry:** By using some local raw materials provided in China (as a country full of natural and human resources needed in car production) the company would make a big challenge for a new entry into the car industry. Also, it is really good practice if the company focuses more on the Chinese's market which has a really big market of approximately 1.3 billion consumers, which could impact the biggest manufacturers and retailers in the world. Furthermore, China's huge population would bring a strong competitive advantage for the company against the most dominant players in the outsourcing industry (Evans, 2014).

## 28. CUSTOMER INTELLIGENCE

### 28.1 Journey Map

"Customer journey maps allow you to walk in your customers' shoes by traveling with them as they interact with your company. When based on sound research, they provide an accurate outside-in view, focusing on desired outcomes from the customer's perspective. You'll see what customer needs are at each interaction, how well you meet them, and where opportunities for improvement lay. With this understanding, these are 10 points any company contemplating, planning, or already undertaking a customer journey mapping initiative should consider:

- **"Be clear on what you want to accomplish:** Having a precise strategy.

- **“Know whose journey you are mapping:** Being more customer centric and using their point of view.
- **“Talk to your people:** Gather information about customers from the front end employees.
- **“Talk to your customers:** Clear, transparent and frequent interaction with customers and potential customers.
- **“Must-haves:** The most important matter in this process; understanding what the need of the customer is. What are the “must have” attributes they are looking for?
- **“Nice-to-haves:** This part discusses the wants of the customers. How they think and feel and what are the features they consider to be “nice to have” and are willing to pay for.
- **“The importance of design:** This is a customer analysis tool to gather information and turn it into intelligence. So designing this entire process to be simple and easy to understand is very important. This will ensure more qualitative data, which can be very vital in product designing.
- **“Socialize and share:** This study needs to be communicated throughout the organization with a pivotal aim. First, all employees must have a clear idea about the target customers and what they want and need. Second, it will keep all the employees on the same page when giving the customers any service. This helps an organization to be more customer centric and responsive.
- **“Take action:** This is not a customer entertainment tool. So after proper analysis, actions should be taken in order to fill the gaps and implement improvements where necessary.
- **“Avoid analysis paralysis:** Too much analysis not only wastes time but can also dilute the aim of the study and can shift the focus. The aim of this too is to find out what’s most important to them—bringing the data (and your customers) “to life” as they pursue their

goals. Hence it will have to be quick and simple yet effective”<sup>22</sup>

The reason this competitive intelligence method will be instrumental for the Qoros management is that, as a new entrant in the market, it is imperative for them to understand the core customers’ needs and wants. Without a thorough knowledge of customer preferences, this company can never achieve its goals.

## 29. COMPETITIVE STRATEGY EXPLORATION

### 29.1 Innovation Ambition Matrix

The innovation matrix in competitive intelligence is often called an Ansoff matrix<sup>23</sup>. This model helps an organization to understand where to compete and how to compete. This model consists of three innovation horizons and three levels of ambition.

In this matrix, when the organization is operating in an existing market with its existing products the strategies can be a line extension or optimization of the existing products. This strategy can be useful for Qoros while maintaining business in China. China is the largest automotive market and Qoros can concentrate more on optimizing its existing brands/products by introducing new series of its existing models of the hatch back and the sedan. They might also consider revitalizing the market of the electronic bike they manufacture.

The second horizon consist of an adjacent market with existing business. This is Qoros in Slovakia. Since it is a new market and there are opportunities to grow, the management will have to consider expanding with their existing brands. Here more focus is needed in marketing and communication in order to create awareness and buzz.

However, Qoros’s long term plan is to enter the European automotive market, which is a new one for the organization. This market has strong players, hence there will be entry barriers. In order to overcome these hurdles, the company will have to develop breakthroughs. The management will have to consider that this market is not necessarily price sensitive, so low pricing might not help and will rather damage the brand image. In this case they will have to add features to their

<sup>22</sup> <http://www.mcorgpcx.com/customer-journey-mapping-10-tips-for-beginners/>

<sup>23</sup> <http://www.strategyhub.net/2012/05/framework-of-week-81-innovation.html>

products, which will be unique and at the same time they will have to be competitive in price. Along with this, proper communication about the brand, its safety and its features should be continuously communicated through proper channels.

### 30. CONCLUSION

From the overall discussion we can observe Qoros is planning to penetrate the biggest automotive region in the world that has fierce competition amongst famous brands like Volkswagen, BMW, Ford and Mercedes Benz. The market overall is huge, hence it still has the opportunity to grow (6% annually) in the passenger car segment. It is not price sensitive but it has a very demanding customer pool. Moreover, the regulatory bodies are concerned about sustainability and instructing the OMEs to manufacture more environmentally friendly automobiles with lower weight, higher mileage and lower CO<sub>2</sub> emissions. On the other hand, Qoros, being a Chinese brand, will have to penetrate the market while facing the challenge of a negative social stigma. Moreover, the structure of the UK automotive market is completely similar to the European automotive market. Therefore, the company can use the same strategy for the European car market. Not to be left behind, the consumer base might be totally different from the UK market and that might be considered to be a powerful factor in changing its marketing and communicational strategy of the company. The customer engagement plans need to be changed accordingly. Therefore, the company's management team might keep the penetration strategy unchanged, but customer engagement and communication will have to be tailored. In this case, managing the social stigma against Chinese brands might be even higher, as this is mainly due to the fact that people from the UK tends to have a strong preference for products made in their country or region and are less open to brands from other countries. In order to enter this market and have a strong foothold, the company needs to develop a precise and sustainable business plan. They have shown sensibility by starting with a smaller market where opportunity exists. This will help them create a niche and create awareness. Qoros management should analyze both the EU and the Slovakian markets very carefully. Learning from Slovakia will help it to be more effective and smart in the EU market. The company should also analyze the end consumer and should add features to its

products that will give them a new experience. The idea of the café was brilliant and can have a positive outcome since vehicles are high involvement products. So, along with improvements in technology and design, the company should also engage different regulatory authorities to test their quality and safety levels. Later these testimonies will be instrumental for building trust in the consumer's mind. Regular communication of the brand would mitigate the bad reputation of a "Chinese brand". These strategies might not get them an immediate piece of the market share but they can create a niche market and Qoros can then capitalize on that.

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