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From Underdogs to Market Leaders

**What Chinese OEMs Can
Learn Today from Japanese
Carmakers Conquering
Germany in the 1970s-1990s**

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INTRODUCTION

Chinese car manufacturers are trying to gain a foothold in the German market. This proves to be a difficult endeavour, yet the story sounds familiar: In the 1960s, Japanese carmakers also faced a tough road breaking into West Germany's car market. Yet by 1990 they had become a significant presence.

Initially hampered by consumer scepticism, high import barriers, and weak brand recognition, manufacturers like Toyota, Nissan (Datsun), and Honda slowly built credibility.

Key turning points – notably the 1970s oil crises – played to Japanese strengths in fuel-efficient, reliable cars, accelerating their acceptance. Over three decades, Japanese Original Equipment Manufacturers (OEMs) adapted their products and strategies to German tastes and regulations, establishing robust dealer networks and a reputation for value.

This history offers valuable lessons for today's Chinese OEMs eyeing the German market. We conducted a structured analysis of how Japanese automakers gained traction, the challenges and strategies involved, and how Chinese automakers today can draw on those insights.

JAPANESE CARMAKERS' DIFFICULT START IN GERMANY (1960s)

Postwar Scepticism and Market Barriers

In the 1960s, West German consumers were leery of unfamiliar "Made in Japan" cars, often dismissing them as inferior "rice bowls." Japanese brands were virtually unknown and had to overcome stigma from cheap postwar imports.

Additionally, Europe's trade barriers were steep – the European Economic Community's import tariff on cars stood around 24%, making Japanese vehicles costly. Unlike Americans who embraced imports early, many Europeans (especially Germans) stuck with domestic or European makes.

Germany's market was dominated by Volkswagen, Opel, Ford and others, leaving little room for outsiders. Early Japanese entrants like the tiny Honda S800 sports car (arriving in 1967) generated curiosity but not mass appeal.

A handful of Datsun and Toyota models trickled in via independent importers in the late 1960s, but volumes were negligible. Japanese manufacturers also had to navigate regulatory differences – for example, adapting vehicles to Germany's high-speed autobahn driving. Toyota delayed its first deliveries until it could upgrade cooling and performance for sustained speeds, reflecting careful prep for local conditions.

Building a Beachhead

To overcome these challenges, Japanese OEMs laid groundwork in the late 1960s. They established footholds in smaller European markets (Toyota began selling in Switzerland in 1967) and then Germany by setting up local sales companies.

Toyota, for instance, founded Toyota Deutschland GmbH in October 1970, initially operating from a tiny office in Cologne. It took until 1971 for the first Toyotas (Corolla and Carina models) to reach German customers. The company expanded aggressively: by the end of 1972 it had 332 dealers – an impressive network for a newcomer.

Early on, Japanese brands competed on value and practicality. Their cars were

simple in design (often with robust, if rudimentary, components) and came well-equipped by the standards of the day. Notably, Japanese models included features as standard that German cars charged extra for.

Toyota's early imports boasted an extensive standard equipment for the time, from radios to creature comforts, whereas a comparable VW might lack basics like a passenger-side sun visor or floor mats. This "more car for the money" approach helped crack initial buyer resistance.

Still, through the late 1960s, Japanese automakers remained on the fringes – battling tariffs, scrambling to sign up dealers, and trying to persuade sceptical German drivers that their small, unfamiliar cars could be trustworthy.

TURNING POINTS IN THE 1970S – GAINING TRACTION

Tariff Reduction and Market Opening

A major turning point came around the turn of the decade when trade barriers eased. The European Community halved its car import tariff from 24% to 12% in the early 1970s. This sharp reduction triggered a "dam breach" in imports – suddenly Japanese cars were far more price-competitive. Practically overnight, models that had been too pricey gained a foothold.

Honda (then a minor player) was actually the first Japanese OEM in postwar West Germany – the tiny Honda N360/600 city cars and S800 sports car appeared by the late '60s – but larger rivals soon followed.

Toyota officially launched in 1971 and Datsun (Nissan) in 1972 as tariffs fell. Within a few years, Japanese brands went from curiosities to genuine competitors in the import segment. In fact, by the mid-

1970s the influx was so rapid that Japanese automakers collectively were selling in higher volumes than some German brands.

Analysts at the time noted that Japanese manufacturers had volume-wise overtaken German makers within about seven years of serious market entry, thanks to this more level playing field.

1973 Oil Crisis – Fuel Efficiency as a Catalyst

The first oil shock in 1973 proved to be a boon for Japanese car acceptance. As fuel prices skyrocketed and queues formed at gas stations, German consumers urgently sought more fuel-efficient cars. Japanese automakers were uniquely positioned to respond – their lineups consisted largely of small, economical models developed for Japan's efficiency-minded market.

When gasoline became expensive, a thrifty Datsun 1200 or Toyota Corolla suddenly looked very attractive next to the big sedans many Germans were driving. Japanese companies seized the moment, rolling out new models and marketing their mileage advantages. By 1974-75, buyers noticed that Japanese cars delivered superb fuel economy and reliability, addressing the crisis-era needs perfectly.

This combination was irresistible to many cost-conscious consumers. For example, a VW Polo of the mid-1970s was sold with very bare-bones trim, while Japanese rivals included radios and even electronic gadgets as standard. These "technological extras" – gadgets and features that felt cutting-edge – appealed to buyers and helped overturn the notion that Japanese cars were cheap or low-tech.

Changing Perceptions and Early Successes

Several high-profile successes in the 1970s also shifted public opinion. Sports cars like

the Datsun 240Z, introduced in Germany around 1973, showed that Japanese manufacturers could produce exciting, desirable vehicles. The 240Z offered performance and styling reminiscent of far pricier European sports cars, forcing sceptics to reconsider their disdainful attitude towards Japanese cars.

Although niche in sales, such halo models boosted the image of Japanese engineering. More mainstream, the little Datsun Sunny 1200 and Toyota Corolla were steadily climbing the sales charts by the late '70s. These cars proved durable and low-maintenance, winning over drivers who found they simply didn't break down as often.

By the end of the decade, Japanese brands had earned a reputation for reliability that contrasted with some European rivals (Indeed, in subsequent decades ADAC breakdown statistics frequently showed Japanese models as top performers in reliability).

Equally important, Japanese firms invested in advertising and motorsports to bolster their brands. They participated in rally competitions and promoted customer testimonials of reliability. The cumulative effect of these efforts was clear: German consumer scepticism waned by the early 1980s as many drivers had either owned a Japanese car or knew someone who did. Word spread that brands like Toyota, Mazda, and Nissan offered honest quality and value.

ADAPTING TO THE GERMAN MARKET AND 1980S EXPANSION

Product Adaptation and Compliance

As their foothold grew, Japanese OEMs learned to tailor products to German preferences and regulations. One

adaptation was performance – Japan's home-market cars were not built for sustained 150+ km/h autobahn speeds, so engineers upgraded engines, cooling systems, and brakes for European versions.

Toyota's careful pre-delivery modifications in 1971 were an early example of this technical adaptation. Styling and design were also tweaked over time. Initially, some Japanese models were criticized as stylistically odd or too utilitarian for European tastes.

By the 1980s, however, Japanese automakers had opened design studios in Europe and were hiring Italian and German designers to refine their cars' appearance. They also added body styles popular in Germany – for instance, hatchbacks and station wagons – to compete directly with Opel Kadetts or Ford Escorts on their own turf.

Compliance with European safety and emissions standards was another hurdle. Japan's safety regulations had lagged slightly, so to meet German TÜV requirements Japanese cars gained features like stronger bumpers and improved lighting (e.g. rear fog lights, headlamp adjusters) when needed. Emissions became a focus in the late 1980s as Germany pushed catalytic converters; Japanese brands, already experienced with US emissions rules, successfully integrated catalyst technology into European models by 1989. These moves demonstrated flexibility and commitment to the local market rather than a one-size-fits-all approach.

Building Infrastructure and Local Presence

Alongside product tweaks, Japanese firms expanded their business infrastructure in Germany. Dealer and service networks continued to grow – by 1974 Toyota had

500 dealers in Germany, and other brands followed suit in establishing widespread authorized service centres.

This meant customers in any region could find parts and service, addressing early worries about maintaining an unfamiliar import. To further ingratiate themselves and bypass remaining trade barriers, Japanese automakers began investing in local production within Europe.

While not in Germany itself, Nissan's 1986 opening of a car plant in Sunderland (UK) and Toyota's later factories in the UK and France were strategic moves to become "European" producers and sidestep import quotas. German consumers saw this as a sign of long-term commitment.

Moreover, by manufacturing on European soil, Japanese companies could advertise their cars as "built in Europe," reducing any nationalist bias among buyers. By the late 1980s, Japanese market share in West Germany hovered around 10% – a remarkable rise from near-zero two decades earlier.

This success did provoke pushback: domestic manufacturers lobbied for import restrictions once Japanese penetration hit double digits. Although West Germany never instituted formal quotas like France or Italy did, the political pressure was ever-present. Japanese OEMs responded by exercising restraint (voluntarily limiting exports growth) and emphasizing the jobs their European investments created.

Lessons from Missteps

Japanese automakers also learned from failures in adapting. A clear example was the attempt to sell large luxury sedans in Germany in the 1970s. Toyota introduced its top-of-the-line Cressida sedan to Germany in 1977, hoping to compete with Mercedes and BMW. The effort flopped –

German buyers preferred a used Mercedes "Strichachter" (mid-70s E-Class) over a new Toyota Cressida.

Nissan's similar forays with the Laurel also saw limited success. These setbacks taught Japanese firms that brand prestige in upscale segments would take much longer to achieve. In response, they refocused on their strength in compact and midsize family cars through the 1980s, leaving the premium battlefield mostly to German marques (until the launch of Lexus in 1989, which was initially aimed at the US market).

Instead of directly attacking the luxury segment, Japanese OEMs in the '80s doubled down on quality improvements, reliability, and customer satisfaction in the segments they were already winning. This steady approach paid dividends – by 1990, Japanese cars were no longer seen as cheap alternatives; they were often benchmarks for reliability and build quality, albeit still generally cheaper than German cars. In summary, the Japanese path in Germany by 1960–1990 was one of gradual, adaptive growth: from a shaky start through the fuel-economy boom, to broad acceptance built on meeting local needs better each year.

CHINESE OEMs TODAY VS. JAPANESE THEN: PARALLELS AND KEY LESSONS

Fast-forward to today, and Chinese automakers find themselves in a position strikingly similar to the Japanese in the 1970s. Brands like BYD, Nio, MG (SAIC), and Great Wall (ORA, Wey) are trying to establish themselves in the German passenger car market – now the biggest in Europe.

Initially, they too were met with smirks and scepticism. Only a few years ago, Chinese cars were derided for low safety ratings or

copycat designs, much as Japanese cars were once belittled as knock-offs.

German industry leaders tended to underestimate the newcomers; indeed, German automakers have a history of “first laughing, then fearing” Asian challengers. Japanese competition in the 1970s and Korean competition in the 1990s were initially shrugged off by Volkswagen, BMW, and Mercedes – until reality caused naked fear and a rude awakening.

We are witnessing a repeat: Chinese EV makers were initially dismissed, but as their sales and technology prowess grow, German executives are alarmed at how quickly the “underdog” can become a serious threat.

Market Context Differences

There are, of course, differences between the eras. Today’s Chinese entrants are largely focusing on electric vehicles (EVs) – a technology where even German incumbents are relatively new. In contrast, Japanese firms in the 1970s were competing in a mature technology (internal combustion cars) but differentiated by efficiency and quality.

Chinese automakers also face a somewhat more unified European market in terms of regulations (thanks to the EU), whereas Japan faced a patchwork of quotas/tariffs in each European country. Tariffs still exist (the EU applies ~10% import duty on cars, similar to the 12% in the 1970s, but Europe today is more open overall.

In fact, Chinese cars are already making inroads: surveys show German consumers are increasingly open to Chinese brands, especially younger buyers and EV shoppers. A 2024 ADAC survey found 59% of German drivers could imagine buying a Chinese-made car, with that number

jumping to 80% among those considering an EV.

This suggests less initial scepticism at the consumer level than the Japanese faced decades ago (likely due to globalization and the normalization of buying electronics from China). However, concerns remain around unknown resale values, uncertain dealer support, and long-term reliability of Chinese brands. In many ways, these are the same *trust hurdles* Japanese companies had to clear.

Additionally, Chinese OEMs must be mindful of potential political backlash if they rapidly gain share. The European Commission has introduced anti-dumping tariffs on Chinese EVs, echoing the protectionist pressures Japanese automakers encountered in the ’80s.

Key Lessons from the Japanese Experience

Despite differences, Chinese automakers can glean several timeless strategies from the Japanese playbook:

Emphasize Value and Standard Features:

Competing on price alone is not enough; offering *more for the money* is crucial. Japanese brands succeeded by combining affordable pricing with generous standard equipment and solid quality. Chinese brands are already targeting this: in surveys, 83% of potential buyers cite a lower price as the top reason to consider a Chinese car, followed by innovative tech (55%).

To capitalize, Chinese OEMs should continue bundling high-tech features (advanced infotainment, driver aids) as standard, undercutting German competitors who often charge extra. This strategy mirrors how Japanese cars in the ’70s included things like radios or power accessories that cost more on German cars. The goal is to make the value

proposition so obvious that even sceptical buyers take notice.

Build a Reputation for Reliability and Quality: Nothing wins over cautious consumers better than a track record of reliability. Japanese manufacturers eventually overcame the “cheap” image by delivering cars that simply ran without trouble for years – turning owners into brand ambassadors.

Chinese OEMs must prove their durability and service quality in the same way. Offering strong warranties (5-7 years or more) and achieving high scores in independent reliability and safety tests (like TÜV reports or Euro NCAP crash tests) can accelerate trust-building.

“Chinese OEMs must prove their durability and service quality.”

Just as Toyota and Honda gradually “purchased” consumer trust through consistent quality (to the point that Japanese cars became synonymous with reliability in the 1980s, Chinese brands should prioritize durability over short-term cost-cutting. Early missteps can be costly – a few widely reported failures could revive old stereotypes. Thus, focusing engineering and quality control on exceeding German standards is a must.

Adapt to Local Preferences and Regulations: Japanese automakers won in Germany by tailoring their products – Chinese companies should do the same. This means tuning EVs for German driving patterns (for instance, ensuring battery thermal management and range hold up at autobahn speeds, a modern parallel to Toyota reinforcing its cars for high-speed runs.

It also means providing body styles and design cues that resonate with European tastes. Several Chinese firms have already hired European designers; this should continue so that styling feels on par with local brands. Compliance with all EU regulations (safety, emissions for any hybrids, etc.) is just the baseline – going further to obtain German certifications (like DEKRA quality seals) can provide extra reassurance.

In the 1970s, Japanese models that failed to match what Germans expected (e.g. underpowered engines or lack of a station wagon option) struggled, whereas those adapted for Germany (such as offering a station wagon Corolla or a diesel option later on) did well. Chinese OEMs should study those patterns.

For instance, if German EV buyers demand reliable charging and service infrastructure, Chinese brands might partner with local charging networks or include home charger installation – adapting their sales model to local needs just as Japanese firms adapted their cars.

Invest in Dealer Networks and Aftersales Support: One of the Japanese automakers’ smartest moves was rapidly building extensive dealer and service networks to give buyers peace of mind.

Chinese brands should ensure that customers have easy access to maintenance, parts, and warranty service across Germany. This might involve partnering with established dealership groups or service chains to represent their brand (much like Japanese brands often used local importers at first). We already see Chinese EV makers opening flagship showrooms (e.g. Nio Houses in major cities, but coverage must extend beyond urban centres

The ADAC survey highlighted that while price is a plus, uncertainties about repair and resale linger for Chinese cars. By offering transparent service costs, training German mechanics, and stocking parts centrally in Europe, Chinese OEMs can remove this barrier. Notably, providing mobile service or concierge support for EV software issues can turn a potential weakness (lack of dealer ubiquity) into a differentiated service model.

Essentially, match or exceed the support network the German buyer expects – the Japanese did this by the late 1970s with hundreds of outlets, and the Chinese must find a 2020s way to do the same (possibly with fewer physical dealers but strong online and mobile support).

Leverage Technology and Innovation as a Selling Point: Just as Japanese cars rode the wave of

reason they'd buy a Chinese EV.

Maintaining that edge (and marketing it well) will help Chinese OEMs, as it did for Honda and Datsun when they wowed the public with reliable little engines or the latest transistor radios in-car.

However, technology must be user-friendly and reliable – Japanese automakers ensured their new features still prioritized reliability, and Chinese brands should do likewise (software glitches or EV battery recalls can quickly erode goodwill).

Manage Trade Relations and

Demonstrate Commitment: To avoid severe pushback as their market share grows, Chinese OEMs can learn from the Japanese approach to international relations. In the 1980s, Japanese firms defused some European protectionism by investing locally – creating jobs building cars in the UK and elsewhere.

“Emphasizing their leadership in innovative tech like battery range, charging speed, and autonomous features, Chinese OEMs can distinguish themselves from legacy German brands.”

fuel-efficient technology during the oil crises, Chinese automakers should ride the EV technology wave sweeping Europe. Many Chinese brands are tech leaders in battery range, charging speed, and autonomous features. Emphasizing these innovations can distinguish them from legacy German brands now transitioning to EVs.

The historical lesson is to offer something the incumbents aren't: for the Japanese it was fuel economy and gadgetry in the 1970s; for the Chinese it could be advanced battery tech (such as BYD's blade battery safety) or novel services (like Nio's battery swapping). German consumers already recognize Chinese strength in innovation – over half in one survey noted advanced technology as a

Chinese companies might similarly consider local assembly or joint ventures in Europe to show they are stakeholders in the regional economy, not just importers. This could mitigate EU concerns about one-sided trade and blunt arguments for punitive tariffs.

Additionally, engaging in dialogue with regulators (as Japanese companies did through industry groups) and voluntarily ensuring a “fair” competitive stance can be wise. For example, a Chinese OEM could commit to sourcing a percentage of components from European suppliers or establishing R&D centres in Germany.

Demonstrating long-term commitment can sway public opinion too – Germans are more likely to embrace foreign brands that

invest in their country (as seen by the positive view of Japanese companies creating jobs in places like Düsseldorf's "Japantown" community).

In short, becoming a part of the local industrial fabric was key to Japanese success and will be for Chinese entrants as well.

ACTIONABLE INSIGHTS FOR CHINESE OEMS

Drawing on the above analysis, here are specific strategies Chinese automakers can deploy in Germany, inspired by how the Japanese won over this market:

Offer Unbeatable Value Packages: Ensure that entry-level models come packed with features (safety tech, infotainment, warranties) at a price point significantly lower than German rivals. This echoes the 1970s Japanese formula – e.g., a 2025 BYD or MG offering at least the range and space of a VW ID.3 but with more standard equipment, akin to how 1970s Toyotas out-equipped their VW counterparts.

Focus on Quality from Day One: Launch with models that pass German quality tests with flying colors and consider providing 5+ year warranties to underscore confidence. Early Japanese imports built a reputation by *not* breaking down; Chinese EVs should aim to top reliability and customer satisfaction surveys within a few years of entry. For instance, rigorous pre-launch testing on German roads (much like Toyota's 1971 autobahn preparations) can catch issues before customers do.

Localize and Listen: Set up local design and engineering teams to continuously adapt products based on German consumer feedback. This could mean tweaking suspension for better high-speed stability or adding features like heated seats tailored for European winters.

The Japanese eventually tailored even their marketing (advertising reliability and resale value in Germany); Chinese brands should similarly craft campaigns addressing German buyers' specific concerns (such as battery longevity and resale value guarantees).

Expand Footprint Through Partnerships:

Until they can build their own extensive dealer network, Chinese OEMs might partner with existing dealer groups or use innovative sales models (online sales with mobile servicing). They should also heavily invest in training German technicians and ensuring parts logistics so that even a buyer in a smaller city feels confident that their car can be serviced easily. Offering things like pickup/drop-off servicing or over-the-air updates will appeal to tech-savvy customers and reflects the kind of extra-mile service that builds loyalty.

Leverage Early Adopters and Build Brand Image:

Encourage satisfied customers to become ambassadors – much as Japanese brands benefited from word-of-mouth on reliability. Chinese automakers can facilitate this by engaging with EV owner clubs, providing excellent customer support, and maybe organizing long-distance EV rallies or challenges to showcase their cars' capabilities.

Additionally, consider motorsport or high-visibility projects to boost image (the way Nissan's performance cars and rally wins boosted the Japanese image in the '70s). For example, entering European touring car championships or EV racing series could demonstrate performance and durability under stress, helping dispel any remaining doubts about Chinese engineering.

Plan for Long-Term Integration: Finally, adopt a long-term view. Japanese firms didn't grab 20% market share overnight – they grew it steadily by reinvesting in the

market. Chinese OEMs should be prepared to weather a slow build and possible setbacks, continuing to improve their offerings and maybe even exploring local manufacturing if sales volumes justify it.

Engaging with European policymakers proactively – showing willingness to create local jobs (battery factories, assembly plants) – can turn potential political resistance into support.

In essence, show Germany that you're not just arriving to sell, but arriving to stay.

By following these strategies, Chinese automakers can accelerate the acceptance of their vehicles in Germany. The Japanese experience from 1960 to 1990 demonstrates that even against initial odds, foreign automakers can succeed in Germany through persistence, adaptation, and delivering genuine value to customers.

Chinese OEMs, armed with cutting-edge EV technology and lessons from the past, are well positioned to repeat that history – and perhaps even write a new chapter of automotive “Wirtschaftswunder” on German roads.



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✉ contact@automodicted.de

Michael Putz

Dr. Michael Putz
Managing Partner automod**icted** Consulting

