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Fumbling for Footing

Why Chinese OEMs Face Barriers In The German Market And How To Overcome Them

Deep Dive Analysis | Munich | April 2025

Contents

Management Summary

- Chinese OEMs (COEMs) started entering the German market with the goal of **capturing market share quickly**
- In a comprehensive scenario analysis, we estimate a combined potential COEM market share in Germany of up to **20% in 2035**, yielding a revenue potential of up to **€34.55bn** ($36.17bn)
- However, sales performance does **not fully meet expectations** yet (market share of all COEMs combined in the German market 2024: **1.1%**)
- We conduct a deep dive analysis of the **challenges obstructing COEM success** and find **13 major "headwinds"** in four categories: Market Characteristics, Customer Perception, Finance & Operations, and Regulation & Infrastructure
- In contrast to these headwinds, we analyse **nine chances ("tailwinds")** in four categories supporting COEM **success in the German market**: Policy & Market Direction, Market Opportunities, Customer Trends & Preferences, and Competitive Advantages
- Building on this analysis and utilising a **data-driven, science-backed** approach, we derive **twenty-two measures for success** in four main clusters:
  - Localise
  - Communicate & Collaborate
  - Update Your Financial Strategy
  - Think Big
- To successfully enter the German market, **Chinese OEMs must refine their strategies** and excel in these four clusters

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INTRODUCTION

Starting in the early 2020s, several Chinese Original Equipment Manufacturers (COEMs) launched an ambitious initiative to penetrate the European automotive market, with Germany as a primary focus. Germany, renowned as one of the world's most sophisticated and competitive automotive markets, represents more than a geographic expansion; it is a rigorous test of these manufacturers' global viability and strategic resilience.

By early 2025, however, COEMs continue to grapple with the complexities of the German market. Despite their obvious potential, they have struggled to align ambitious sales targets with actual performance, leaving billions of euros in potential revenue unrealised. This whitepaper dissects the factors contributing to these challenges, offering an analytical lens to identify and address the barriers that hinder COEM success, leverage favourable factors in support of COEMs, and craft a winning strategy.

Leveraging the latest market data and industry insights, we examine the European and German automotive landscapes (Chapter 2) and assess the headwinds obstructing COEM progress (Chapter 3). We then explore the opportunities—or tailwinds—that could facilitate market entry and growth (Chapter 4).

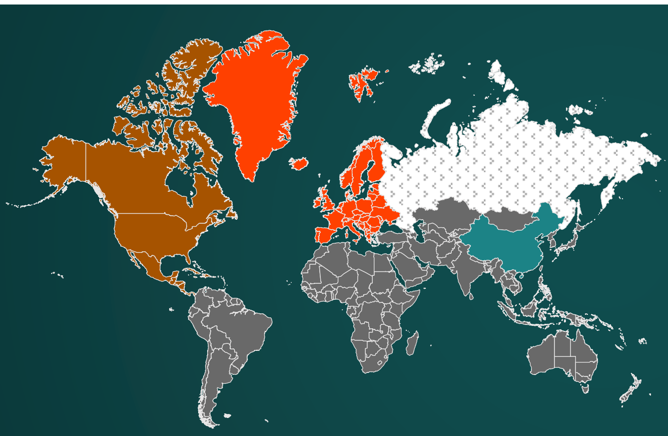
Building on these insights, we present a comprehensive suite of strategic recommendations tailored to help COEMs achieve sustainable success in Germany (Chapter 5). Finally, a forward-looking summary concludes the discussion (Chapter 6).

To fully understand the significance of Europe as a market, it is essential to place it within the broader context of global automotive sales.

Among the major automotive regions worldwide, China leads by volume, with approximately 30 million vehicles sold in 2023. North America follows with 18 million units. Roughly 20 million units are sold in a fragmented array of smaller, diverse markets around the world, while Europe accounts for around 13 million units[i].

China, as the COEMs' home base and largest sales market, is naturally critical to their operations. However, intense competition and an ongoing price war have created a challenging environment. Declining battery prices and significant production overcapacity have exacerbated the situation, with some estimates suggesting that up to 70% of Chinese carmakers face severe financial distress, potentially leading to closures within the next two to three years[ii].

This challenging domestic environment has prompted COEMs to seek opportunities abroad. North America, the second largest



Region	Units[1]	COEM challenges
China	30M	Intense competition, price war
North America	18M	High tariffs, sales restrictions
Other markets	20M	Numerous markets, high heterogeneity
Europe	13M	Saturated market, strict regulation

1 New passenger car sales volume 2024, rounded | Source ACEA. Illustration: automo**dicted**

automotive market, appears lucrative but is largely inaccessible due to prohibitive tariffs. In early 2025, the US government additionally introduced a ban on Chinese connected vehicle software from 2027 and on Chinese connected vehicle hardware from 2029[iii]. These barriers effectively lock COEMs out of the region for the foreseeable future.

Other, smaller markets around the world, while offering considerable aggregate potential, present their own challenges. Their diversity—in terms of legislation, consumer preferences, and logistics—results in high costs for tailoring products and operational processes. This heterogeneity renders them economically unattractive for foreign OEMs.

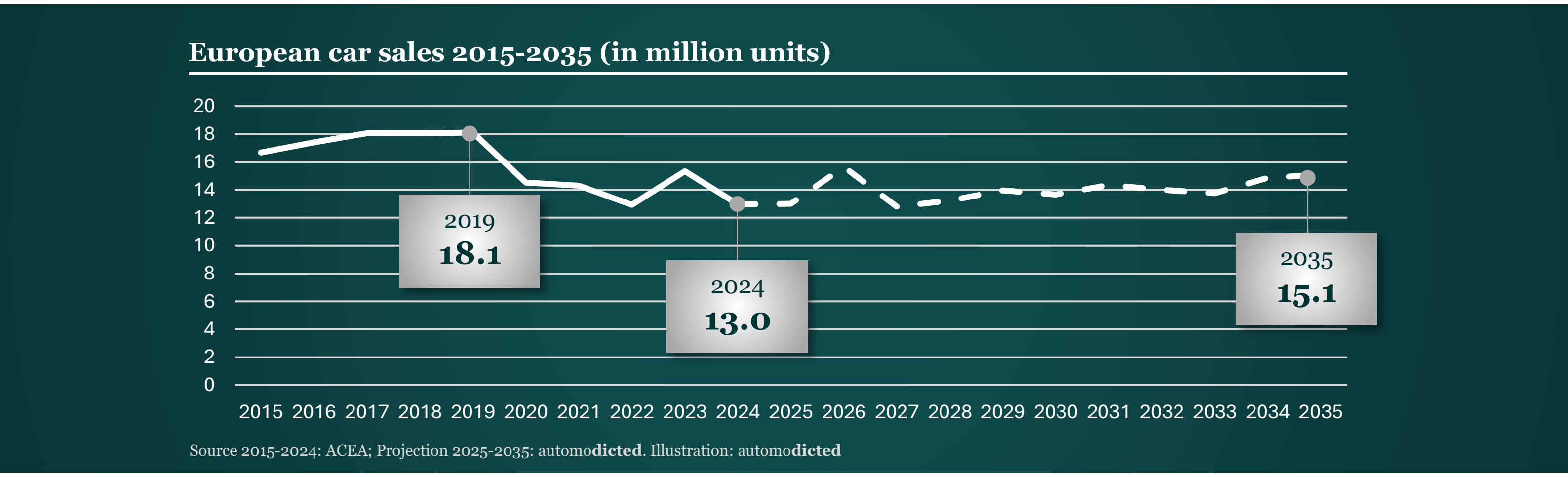
Europe as the last remaining sales region serves as a sheet anchor for COEMs.

Europe emerges as the logical focus for COEM expansion. With 13 million vehicles sold in 2024 and a market value approaching €1 trillion, the region offers a compelling opportunity. At first glance, Europe appears relatively homogenous, with affluent consumers and a growing openness to non-European brands—evidenced by a 22% rise in non-European brand sales from 2022 to 2023[iv]. However, this growing competition amplifies the challenge for new entrants.

The European market is anything but uniform, with significant variation across its constituent countries in consumer preferences, regulatory landscapes, and market dynamics. Understanding these nuances is crucial for COEMs aiming to establish a foothold. Germany, as Europe's largest automotive market and a gateway to broader regional success, serves as the focal point for this whitepaper.

Through a detailed examination of market conditions, this analysis equips COEMs with the insights needed to navigate the complexities of Europe, leverage its opportunities, and address the challenges unique to its markets.

The European and German Automotive Landscape



The European automotive market is saturated and highly competitive, with both established and new players vying for market share.

In 2024, vehicle sales and associated services generated a revenue of around €921 billion[v] across Europe[1]. This reflects a gradual recovery from the COVID-19 impact of 2020.

However, growth over the next decade is expected to remain moderate, with annual sales figures projected to stabilise at approximately 15.1 million vehicles by 2035, below 2019's pre-COVID levels (18.1 million). This equates to an estimated revenue potential of approx. €1 trillion by 2035.

Consumer preferences in Europe continue to evolve, with a pronounced shift towards electric vehicles (EVs) and hybrid models. In 2024, these categories accounted for over 50% of new car sales, underscoring the accelerated move away from internal combustion engine (ICE) vehicles[vi].

While this transition aligns well with COEMs' focus on exporting EVs, none of the top 10 brands in Europe in 2024 were of Chinese origin. Instead, European legacy OEMs dominate, alongside select non-European brands such as Tesla[vii]. Meanwhile, Chinese brands continue to struggle to establish a foothold in this competitive environment.

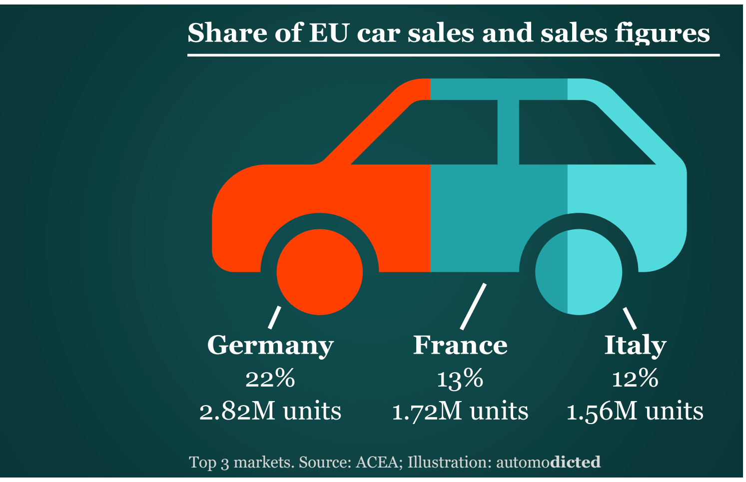
The market environment for vehicles in Europe is not as homogenous as it may seem at first glance.

Despite its apparent uniformity, the European automotive market comprises over 40 individual markets, each with distinct characteristics. These include variations in geographical conditions, consumer expectations, and regulatory frameworks. Such heterogeneity necessitates tailored strategies for product design, pricing, distribution, and marketing.

Given these complexities, new entrants are advised to focus on one or a few key markets that align with their offerings or, conversely, adapt their products to suit the specific needs of their target markets. Germany, as Europe's largest automotive market, offers a strategic entry point and is the focal country of this whitepaper.

[1] EU, EFTA, UK, Turkey

Germany is a key European market, with car sales almost two thirds higher than France, the next largest market.



Top 3 markets. Source: ACEA; Illustration: automodicted

Despite its overall relevance in the European market landscape, COEMs continue to face a tough road breaking into Germany's car market.

Of 2.82M new car registrations in Germany in 2024, only 1% were Chinese brands. 20% were brands mainly of Japanese, Korean and US-American origin. The vast majority (79%) of new car sales were accounted for by European brands.

A distinguishing feature of the German automotive market is its robust fleet segment, which accounted for 68% of new vehicle registrations in 2024[viii].

This dominance of business-to-business (B2B) sales—spanning enterprises, car rental companies, and taxi services—presents both challenges and opportunities.

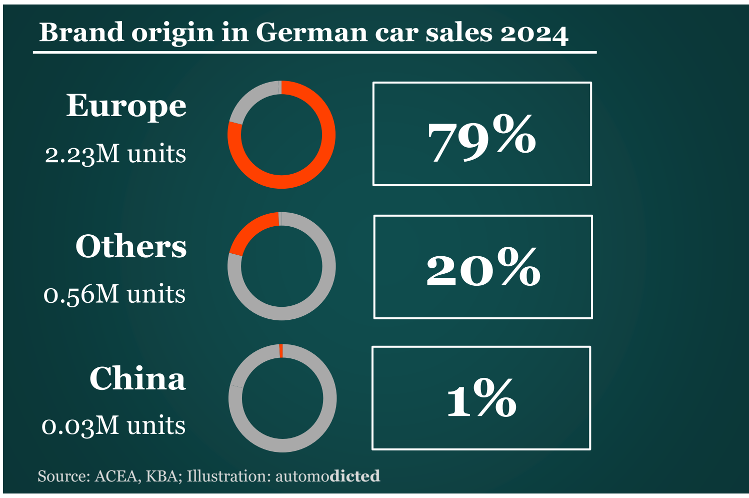
On one hand, the fleet market demands high standards of reliability, cost-effectiveness, and comprehensive service packages, raising the bar for new entrants. On the other hand, successful penetration of this segment can yield substantial sales volumes and bolster a brand's reputation for quality and value.

German car buyers increasingly switch to electrified or fully electric vehicles.

Germany is experiencing a rapid transition towards electrified and fully electric vehicles. The share of electric and electrified vehicles in new registrations has surged from 8% in 2019 to around 50% in 2024, representing a remarkable growth of more than 550%. Fully electric vehicles accounted for 14%, plug-in hybrids for 7%, and other hybrids for 33% of new registrations in 2024[ix].

The German automotive market is distinguished by an exceptionally high density of dealerships and workshops, a characteristic that has profoundly shaped consumer expectations over the past decades.

The German market boasts over 36,000 such establishments employing approximately 430,000 individuals[x]. This infrastructure has fostered a culture of personalised service and convenience, earning the loyalty of German consumers. Surveys indicate that 70% of customers remain loyal to their dealership[xi], and 80% emphasise the importance of face-to-face interaction during the sales process[xii].

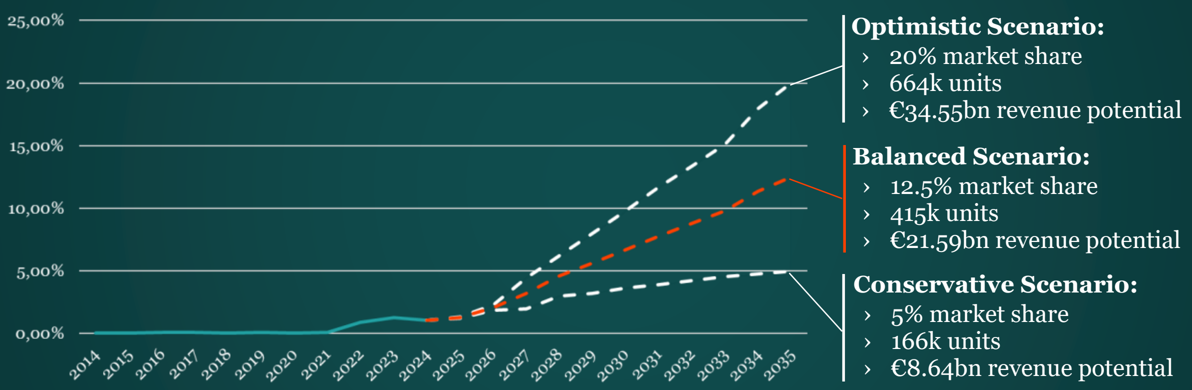


Source: ACEA, KBA; Illustration: automodicted

However, the entry of new competitors is reshaping this traditional distribution model.

Brands such as Tesla, Nio, and Lynk & Co. have introduced internet-based direct-to-customer (D2C) distribution models, complemented by centralised brand showrooms in high-traffic

Combined market share of COEMs in Germany 2014-2035 (in %)



Source: CAM; Figures 2014-2024: KBA; Projection 2025-2035: automo**dicted;** Illustration: automo**dicted**

urban areas, thereby challenging the established dealership-based approach. While this streamlined model appeals to modern buyers, it disrupts long-standing consumer expectations of accessibility and personalised service.

Germany's regulatory environment is among the most stringent globally, emphasising carbon emissions reduction, vehicle safety, and sustainable mobility.

The European Commission has proposed a ban on new petrol and diesel vehicles by 2035 and introduced the Euro 7 emissions standard in 2023, imposing strict pollutant limits.

Non-governmental bodies like Euro NCAP further complicate compliance. For example, from 2026, the highest safety ratings will only be awarded to vehicles with certain functions accessible via hardware controls rather than touchscreens.

Navigating these regulations requires significant investment in compliance and innovation.

Bureaucratic complexity, compounded by national and EU-level requirements, creates additional challenges for market entrants. Tariffs add to the cost burden, with EU import duties on vehicles manufactured in China reaching up to 35.3% in addition to the standard 10% rate. At automo**dicted**, we are monitoring ongoing policy discussions closely.

By 2035, COEMs could hold a significant market share in Germany.

Building on the PESTLE-framework[2], our comprehensive scenario analysis shows different pathways for COEMs in the German market.

We estimate three discrete scenarios: an *Optimistic Scenario* with mainly favourable developments for COEMs, a *Conservative Scenario* where most influence factors show negative manifestation for COEMs, and a *Balanced Scenario* in between the former two.

In essence, these three scenarios create a space between 5% and 20% combined COEM market share and a maximum revenue potential of €34.55bn in Germany in 2035.

[2] Framework for scenario analyses scrutinising a comprehensive array of **P**olitical, **E**conomic, **S**ocial, **T**echnological, **L**egal, and **E**nvironmental influences

Headwinds: Challenges for COEMs

To realise the enormous potential in the German market, COEMs are well advised to understand the German market and its peculiarities.

Entering the German automotive market presents significant challenges for new Chinese competitors. While some obstacles are unique to specific COEMs, others are shared by all market participants. These challenges can be grouped into four primary categories: Market Characteristics, Customer Perception, Finance and Operations, and Regulation and Infrastructure. The following sections provide a concise overview of the most critical headwinds within each of these clusters.

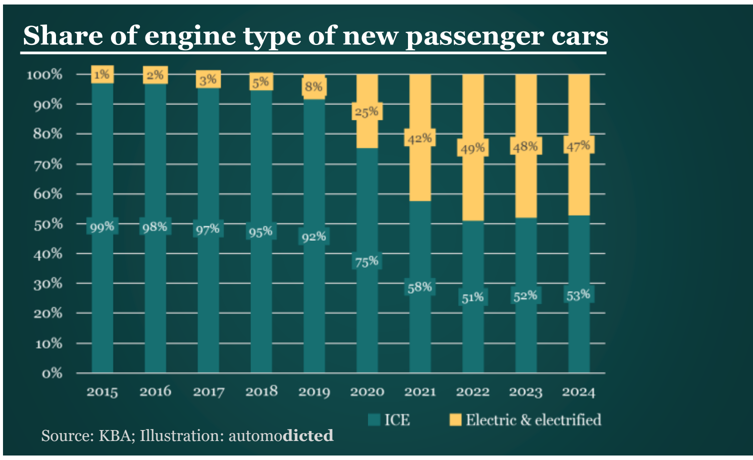
Market Characteristics

The German automotive market is defined by intense competition within a saturated landscape, further compounded by a growing number of market participants.

Over the next decade, car sales in Germany are expected to remain relatively stable, with an estimated 2.92 million new vehicles sold annually by 2035—well below pre-COVID levels. This stagnation, combined with a deep-seated loyalty to (mostly European) legacy OEMs, presents significant challenges for non-European and new entrants seeking to establish themselves.

Despite the growing influx of non-European brands, demand for such vehicles has not risen proportionally. In 2024, non-European brands accounted for approximately 20% of total sales, a figure that has remained largely unchanged since 2008. Meanwhile, the number of non-European brands in the German market increased by 107% in the same period[xiii]. Consequently, new players face intensifying competition for a relatively small share of the market, making it increasingly difficult to achieve profitability.

Overall, the German car market shows signs of advanced saturation. From 2014-2024, the compound annual growth rate (CAGR) of extant passenger cars in Germany (“car park”) was a mere 1.1%. In the same period, CAGR for new passenger car registrations was even negative, at -0.75%.



EV sales growth has slowed significantly due to the expiration of governmental subsidies and early adopter saturation.

The initial surge in EV adoption, driven by governmental subsidies and early adopters, is now slowing as the market matures. EV sales figures have decelerated significantly. This poses a substantial challenge for COEMs, whose export fleets to Europe predominantly consist of fully electric (BEV) or partially electrified (HEV/PHEV/EREV) models[xiv]. Nearly 100% of the vehicles imported by COEMs fall into these categories, making them particularly vulnerable to this slowdown.

Compounding this issue, European and other legacy OEMs are rapidly catching up in the EV space. For example, BMW's BEV sales increased by 74.1% in 2023 compared to the previous year, intensifying competition and eroding COEMs’ early mover advantage[xv].

Global price wars require deep financial reserves – conditions hardly suitable for costly expansion strategies.

A persistent global price war in the automotive sector has created additional challenges, particularly for COEMs operating in an already competitive and cost-sensitive environment. The stagnation of global automotive markets, coupled with fierce competition among legacy and new players, has necessitated aggressive pricing strategies to attract customers—especially in unfamiliar markets where COEMs lack an established base.

In China alone, EV prices have dropped by 50% over the past eight years[xvi], with Tesla's aggressive pricing strategies since 2022 amplifying the pressure. Tesla reported an operating margin of 16.8% in 2022, far outpacing Chinese competitors such as BYD and Great Wall Motors, which recorded margins of 5.1% and 4.8%, respectively. This disparity leaves COEMs with limited room for price cuts, creating financial constraints that hinder their ability to fund expansion into high-cost markets like Germany.

The pricing environment in Germany is equally challenging. Tesla, for example, has significantly lowered prices for its vehicles, including its Model 3, which was priced several thousand euros lower in 2024 than the previous year. This strategy has heightened competitive pressure, forcing other players to reconsider their pricing models to remain viable. For COEMs, whose financial reserves may already be stretched, matching such aggressive price reductions represents a critical challenge.

Customer Perception

Customers are reluctant to switch brands, and dealership loyalty is high.

German car buyers exhibit exceptional loyalty to established brands, creating significant barriers for new entrants. For instance, approximately 70% of Mercedes-Benz customers remain loyal to the brand[xvii], repeatedly choosing its vehicles. In stark contrast, COEMs experience conquest rates in the low single digits, highlighting the difficulty of luring customers away from their preferred brands.

This loyalty extends to dealerships, with 70% of German consumers remaining committed to their existing dealership relationships[xviii]. Many COEMs operate with minimal or non-existent dealership networks, facing the dual challenge of overcoming both brand and dealership loyalty. Together, these factors significantly impede COEMs' ability to gain traction in the German market.

Source: NielsenIQ/GfK; Illustration: automodicted

There is resistance to direct sales models due to established consumer preferences for traditional dealerships.

The German automotive market is slow to embrace direct-to-customer (D2C) sales models, largely due to entrenched consumer preferences for traditional dealerships. While OEMs such as Mercedes-Benz and Audi have experimented with hybrid approaches like the Agency Model—where customers purchase directly from the manufacturer but maintain dealership interactions for services like test drives and handovers—these initiatives have encountered resistance.

Fears of alienating customers have already led brands like Mercedes-Benz, Volkswagen, and Ford to pause or scale back Agency Model rollouts. For COEMs, which often rely on fully digital D2C models with no physical sales presence, these consumer preferences present an even greater challenge. German buyers continue to prioritise personal interaction with sales agents, which stands in stark contrast to COEMs' predominantly online strategies.

While younger demographics are typically more open to online car purchases, around half of German new car buyers are older than 55 years. Only around one in five is younger than 40[xix], explaining part of the overall preference of German new car buyers for offline interactions.

Adding to the complexity, dealerships are hesitant to incorporate new brands into their portfolios. Many are bound by legacy contracts that restrict the addition of unfamiliar marques, creating further obstacles for COEMs looking to establish physical sales networks.

Deteriorating political relationships and cultural bias lead to a negative image transfer to COEMs.

Geopolitical dynamics between China and the European Union further complicate COEMs' efforts in Germany. Recent EU measures have raised import tariffs on Chinese vehicles from 10% to as high as 45.3%, significantly diminishing COEMs' pricing advantages. These regulatory changes, combined with a lingering sense of cultural bias, exacerbate the challenges faced by Chinese manufacturers.

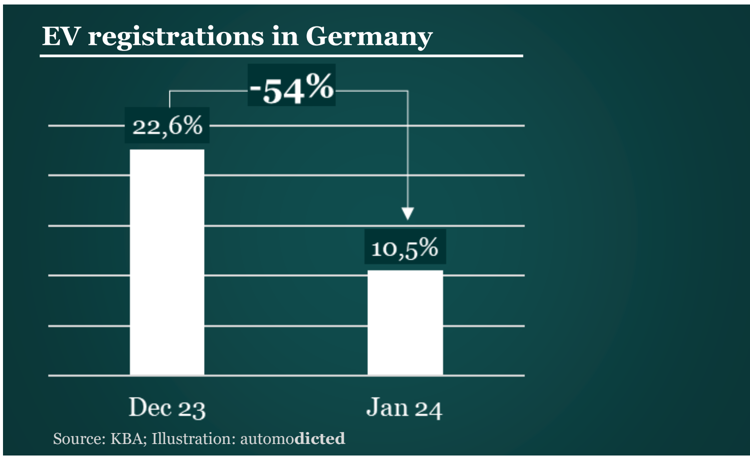
Low brand familiarity adds to these difficulties. Only 17% of European consumers can correctly identify a Chinese car brand in a blind test, with many mistakenly associating them with South Korea, Japan, or France. Furthermore, negative perceptions persist: a recent survey revealed that 45% of respondents regard Chinese brands as low-quality, reflecting a bias that COEMs must actively work to overcome[xx].

Finance and Operations

EV subsidies decrease and EVs are generally perceived as being too expensive.

EVs in Germany are widely perceived as prohibitively expensive, with 68% of consumers citing price as the primary reason for preferring internal combustion engine (ICE) vehicles[xxi]. On average, EVs are approximately 20% more expensive than their ICE counterparts, creating a significant barrier to adoption.

To mitigate this cost gap, the German government, in collaboration with certain OEMs, previously offered generous subsidies to incentivise EV purchases. However, with these subsidies ending in December 2023, consumer interest has declined sharply. The share of EVs in new car registrations fell from 22.6% in December 2023 to just 10.5% in January 2024. Over the full year of 2023, fully electric vehicles accounted for 18.4% of new registrations, compared to only 13.5% in 2024[xxii]. This steep decline represents a significant challenge for COEMs, whose fleets are heavily reliant on EVs.



Low EV residual values and high interest rates challenge financial models, particularly as fleet sales and leasing are popular in Germany.

The financial viability of EVs is further undermined by lower residual values compared to ICE vehicles. Recent studies indicate that EVs depreciate approximately 20% more over three years than their ICE counterparts. This discrepancy poses challenges for both business-to-consumer (B2C) and business-to-business (B2B) sales[xxiii].

In the B2C market, where leasing is increasingly popular, lower residual values translate into higher leasing rates, making EVs less attractive to consumers. In the B2B segment, fleet operators place significant importance on residual values. For example, Sixt, a major international car rental company based in Germany, reported a €40 million loss in 2023 due to the depreciation of its EV fleet[xxiv]. In response, the company temporarily reverted to ICE vehicles, highlighting the financial risks associated with EV adoption[xxv].

Quality control issues, logistics challenges and the cost of rework impact margins.

The fully built-up (FBU) approach adopted by many COEMs—where vehicles are assembled in China and shipped to Europe—introduces logistical and quality control challenges that impact profit margins. Vehicles transported via sea routes face issues such as rust caused by prolonged exposure to salty sea air. This often necessitates extensive and costly rework upon arrival at German ports, particularly if vehicles remain parked there for extended periods.

In addition to these issues, broader quality control problems further erode margins, as rework becomes a recurring expense. These challenges emphasise the need for robust quality assurance processes and streamlined logistics to minimise post-shipment defects.

After sales service and customer support need further development.

After-sales service is a critical determinant of customer satisfaction and loyalty in the German automotive market, yet many COEMs have underinvested in this area. Quality and other issues that arise post-delivery often require workshop intervention, but the limited density of workshop networks and extended waiting times for spare parts frequently result in customer dissatisfaction.

German consumers expect a highly personalised after-sales experience, typically involving face-to-face or telephone interactions. However, many Chinese competitors fail to meet these expectations, with hotlines often falling short in terms of availability, accessibility, and responsiveness. Addressing these gaps is essential for improving customer satisfaction and fostering long-term brand loyalty[xxvi].

Regulation and Infrastructure

Navigating Germany's complex regulatory landscape poses a significant barrier to COEM expansion.

All vehicles in Germany must adhere to an array of regulations spanning safety, environmental standards, type approvals, supply chain management, cybersecurity, and data privacy, among others. This multifaceted legal framework creates formidable bureaucratic hurdles.

COEMs must comply not only with German regulations but also with broader EU and UNECE mandates. For instance, supply chain regulations include Germany's "Act on Corporate Due Diligence Obligations in Supply Chains" and the EU's "Corporate Sustainability Due Diligence Directive." While these frameworks share similarities, their differences necessitate adherence to both, intensifying the legislative burden, particularly for COEMs targeting multiple European markets simultaneously.

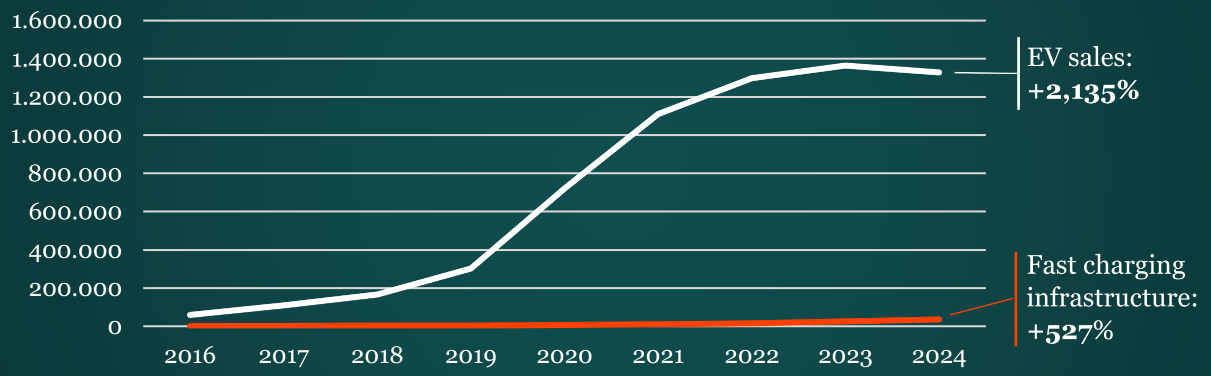
Compliance demands substantial time, financial resources, and cross-departmental coordination. Moreover, legal requirements often necessitate modifications to product designs, such as lighting or labelling. If these adaptations are addressed late in the development process, costly redesigns can further impact profitability and time to market.

Adding to these challenges, the EU recently increased tariffs on Chinese-made vehicles to between 7.8% and 35.3%, on top of an existing 10% duty[xxvii]. This forces COEMs into a strategic dilemma: either absorb the additional tariffs and compromise profit margins or pass the costs onto consumers, risking customer churn.

Classic export business is vulnerable to logistics issues and cost fluctuations.

The logistics of exporting fully built-up (FBU) vehicles from China to Germany is fraught with

EV sales vs. charging infrastructure development in Germany 2016-2024



Source: KBA, VDA; Illustration: automo**dicted**

challenges. Vehicle shipments rely on sufficient cargo carrier capacity, which is often constrained. Limited space drives shipping costs for FBU vehicles, ranging from several hundred to several thousand euros per car, depending on capacity availability, timing, and market competition.

Additionally, the most direct naval route through the Red Sea takes 30–40 days but has recently become increasingly dangerous due to piracy.

This has necessitated routing changes, extending transit times by up to 20 days and further increasing shipping costs. These uncertainties, compounded by the complexity of negotiating with logistics providers, add significant strain to COEM operations.

The lack of public charging infrastructure inhibits EV adoption.

Beyond cost considerations, the limited availability of public charging infrastructure is a critical impediment to EV adoption[xxviii]. Given the strong correlation between BEV sales and the availability of charging facilities, a substantial increase in investment is required[xxix] to meet demand[xxx].

Urbanisation trends exacerbate the challenges of public charging.

By 2045, approximately 70% of Germans (58 million people) are projected to live in urban areas[xxxi]. However, city dwellers often lack charging networks that are less dense per vehicle in urban centres than the national average. For instance, Berlin has 17 electric vehicles per public charging point compared to the national average of 10[xxxii xxxiii].

This disparity inhibits BEV sales in urban areas, where demand is concentrated. The ongoing migration to cities, coupled with insufficient expansion of public (fast) charging infrastructure, is expected to widen this gap, underscoring the need for accelerated investment and innovative solutions.

Tailwinds: **Chances for COEMs**

While the German market presents numerous obstacles, COEMs can leverage several favourable trends and policy directions to establish a foothold. These "tailwinds" align with the broader push for sustainable mobility and offer strategic opportunities for growth.

Policy and Market Direction

Despite ongoing debates, Europe's commitment to EV adoption remains resolute.

Under a proposed regulation, the sale of new internal combustion engine (ICE) vehicles will be banned across Europe from 2035. Even if this timeline is adjusted, EVs are expected to dominate car sales in Germany by then. This shift is driven not only by regulatory measures, such as the stringent EU7 emissions standards, but also by rapidly evolving consumer preferences favouring electric and electrified vehicles.

The German market's clear and ambitious goals set a definitive direction for automotive manufacturers. For COEMs, aligning with this transition offers a unique opportunity to tap into a growing segment poised to become the cornerstone of automotive sales in Germany.

Infrastructure development is on the political agenda.

As Germany strides for more sustainable transportation, the development of charging infrastructure is a top priority on Germany's political agenda. Recognising the importance of addressing this critical barrier to EV adoption, the German government has set an ambitious target of establishing one million public charging points by 2030 (status quo Q4/2024: approx. 155,000). To achieve this, several billion euros in subsidies have been allocated through initiatives such as the "Masterplan Ladeinfrastruktur II," the Federal Ministry for Digital and Transport's / EU's "Deutschlandnetz" initiative.

These substantial investments aim to create a robust, nationwide charging network, ensuring that EV drivers have easy access to reliable charging facilities. By casting these efforts into well-funded programs and initiatives, the German government has laid out a comprehensive and actionable plan to eliminate one of the primary hurdles for EV adoption.

For COEMs, this focus on infrastructure development represents a crucial enabler, providing the necessary ecosystem to support the widespread use of EVs and ensuring long-term market viability.

Market Opportunities

Traditional manufacturers scale down dealership spaces, providing an opportunity for COEMs to occupy these spaces.

By migrating to Agency Model distribution systems and under severe pressure to cut costs, legacy manufacturers like Mercedes-Benz are scaling down their dealership footprints by up to 20% by 2028.

This shift creates a strategic opportunity for COEMs. Since most dealerships operate as independent businesses, they are motivated to optimise their operations. Partnering with promising new brands allows dealerships to maximise the utilisation of their sales areas while diversifying their portfolio.

For COEMs, establishing agreements with these dealerships provides an invaluable pathway to physical market presence, which is critical for consumer engagement and brand recognition in the German market.

The strength of Germany's business-to-business (B2B) automotive sector offers COEMs a significant avenue for rapid market traction.

Approximately two-thirds of new car sales in Germany are attributed to B2B transactions, including enterprise fleets, taxi services, and car rental companies[xxxiv].

Although B2B sales typically involve higher rebates, they provide an unparalleled opportunity for brand-building. For instance, Nio offers the ET7 at a 30% discount below MSRP for taxi companies, complete with taxi-specific modifications. Similarly, BYD has partnered with Uber to deploy 100,000 vehicles across Europe and South America. Such initiatives not only boost sales volumes but also enhance brand visibility.

For COEMs, leveraging the scale of B2B sales can speed up establishing a presence on German roads. Greater vehicle visibility fosters consumer familiarity with the brand—an essential step toward successful market penetration. Furthermore, B2B sales generate reliable revenue streams through after-sales services such as maintenance plans, creating long-term profitability and reinforcing market presence.

Consumer Trends and Preferences

Technological leadership is a key purchasing factor in Germany.

Cutting-edge technology matters around seven times more than other factors when shopping for a new vehicle[xxxv]. COEMs are well-positioned to capitalise on this, offering technologically advanced vehicles equipped with cutting-edge sensors and systems. These features are often prominently displayed in their designs, embodying the concept of “proud tech,” where technology is intentionally highlighted rather than concealed (e.g., sensors). Effectively communicating this technological edge to consumers presents a significant opportunity for COEMs to differentiate themselves and gain a competitive advantage.

Moreover, COEMs’ strong emphasis on digitalisation aligns with Germany’s ongoing digital transformation. Today’s consumers demand seamless, integrated, and holistic digital experiences. While traditional OEMs frequently prioritise design and integrate software as a secondary consideration—often resulting in compromises—COEMs adopt a "software-first" approach. This paradigm shift allows for superior digital experiences, frequent over-the-air updates, and enhanced user satisfaction, giving COEMs a decisive advantage in the market.

The importance of fostering a sense of community and employing customer-centric strategies is particularly pronounced among younger demographics.

Recognising this, many COEMs actively develop user communities as part of their brand-building efforts. These communities extend beyond current customers, welcoming interested individuals to participate in workshops, road trips, and other social activities.

In addition, COEMs are establishing centralised brand hubs in city centres, which transcend traditional showroom functionality. These hubs feature co-working spaces, childcare facilities, cafés, and other amenities, attracting both existing and prospective customers. By creating spaces that offer value beyond vehicle presentation, COEMs build vibrant, engaged brand communities that reinforce loyalty and enhance customer experiences.

This strategy aligns with principles outlined in Social Identity Theory, which emphasises how belonging to a group enhances self-esteem, fosters normative influence, and strengthens social identity. These factors contribute to increased brand loyalty and, potentially, higher sales. Developing and maintaining active brand communities is thus a powerful tool for COEMs in the evolving automotive landscape.

Competitive Advantages

The Chinese government has established a robust framework to support its domestic automotive industry, particularly in the e-mobility sector.

Through targeted state intervention, including tax relief, discounted energy, and significant subsidies, COEMs benefit from substantial cost advantages.

These state-backed investments enable COEMs to price their vehicles competitively in international markets while maintaining attractive profit margins. This pricing advantage becomes even more pronounced when combined with the generally higher vehicle prices in the European market compared to China. While this has sparked debates over potential tariff increases for COEMs in the EU, it remains a key competitive edge that COEMs can strategically leverage in their market expansion efforts.

COEMs have streamlined their vehicle development & production processes, significantly reducing the time needed to bring new models to market.

For example, Xiaomi claims to have developed their SU7 model in just 24 months—roughly one-third of the time required by traditional OEMs. This accelerated timeline not only conserves resources but also enhances the ability to respond quickly to shifting market demands and technological advancements, such as innovations in battery technology.

By shortening development cycles, COEMs can introduce cutting-edge technologies more rapidly, aligning with consumer expectations for modern, feature-rich vehicles. This agility provides a distinct advantage in a fast-evolving automotive landscape.

COEMs' software update cycles are significantly shorter than traditional OEMs'.

Today's consumers, particularly EV drivers, demand continuous updates and enhanced connectivity in their vehicles, akin to the experience of owning a smart device. Approximately 50% of consumers indicate a willingness to switch brands for better connectivity, highlighting the growing importance of digital features in vehicle selection.

COEMs are at the forefront of this trend, offering frequent over-the-air (OTA) updates that deliver new functionalities, improve connectivity, and enhance user experiences. Brands like NIO and XPeng have set new benchmarks for OTA frequency, mirroring Tesla's innovative approach to software-defined vehicles. These updates are particularly impactful for electric vehicles and smart-driving technologies, ensuring that vehicles remain technologically up-to-date long after purchase.

In contrast, traditional OEMs are slower to adopt OTA capabilities, often providing updates on a less frequent basis, if at all. This disparity underscores COEMs' technological leadership in digitalisation and their ability to meet the growing demand for software-defined, connected vehicles.

Given these headwinds and tailwinds, Chinese OEMs should adopt a multi-pronged strategy. In the next section, we outline 22 concrete measures under four themes to capitalize on tailwinds and mitigate headwinds.

Twenty-Two Measures for Success:

Recommended Actions for COEMs

The aforementioned head- and tailwinds offer a comprehensive overview of the key factors shaping the German market and their respective effect on COEMs. Strategic success is rarely the result of a single factor; it requires the development, implementation, monitoring, and continual adaptation of an integrated and well-rounded strategy. Such a strategy should effectively mitigate the challenges posed by headwinds while simultaneously capitalising on the opportunities presented by tailwinds. With our extensive expertise and insights, we are here to support you in crafting a winning approach. Get in touch to learn more!

china@automo**dicted**.de

Get in touch!

Your strategy's success rests on three main pillars: perseverance, flexibility, and accuracy.

Perseverance: Entering the German or European market is a marathon, not a sprint. Achieving long-term success requires patience, sustained effort, and a willingness to invest significant resources over an extended period. Quick wins may be rare, and building traction in the market demands a strategic, resource-intensive approach.

Flexibility: The automotive industry is undergoing a period of rapid disruption and constant evolution. External influences such as political, economic, social, technological, legal, and environmental factors can shift unexpectedly, challenging even the most robust strategies. A resilient and adaptable strategic framework is essential, with built-in mechanisms for regular evaluation and swift adjustments.

Precision: A "one size fits all" approach is unlikely to succeed. Every brand and European market have unique characteristics, requiring a strategy that is carefully tailored to the brand's identity, target market, and objectives.

The following recommendations are designed to serve as a guideline for developing an initial roadmap for the German market. Please feel free to contact us for more detailed insights and tailored assistance—we are here to help!

Localise

As highlighted, the German market has distinct characteristics and requirements that differ significantly from COEMs' domestic market in China. Localising specific aspects of operations in Europe is essential to meet these unique demands.

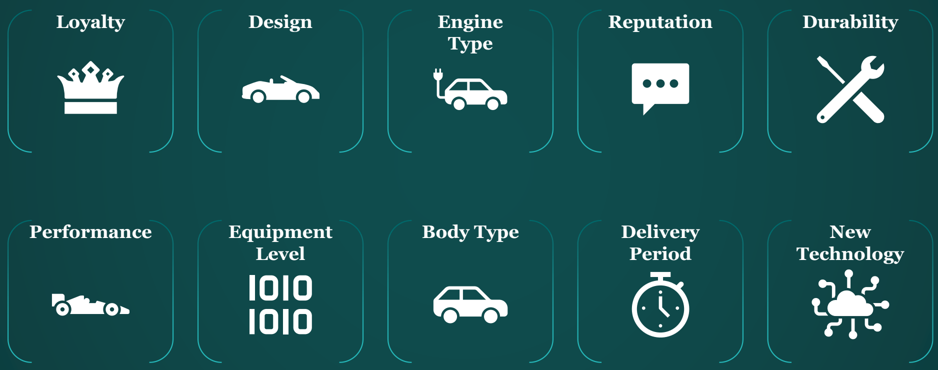
Set up a national sales company (NSC).

An NSC acts as an intermediary between a global manufacturer and local dealerships, ensuring that sales strategies align with market demands. Its responsibility encompasses handling sales, marketing, distribution, and after sales/customer service activities in the respective market as well as ensuring regulatory compliance.

For COEMs, this ensures they have a central point of contact into the German market, ideally with a local background and a strong local network. The operating model must be set up accordingly: on one hand, NSCs need a certain degree of freedom to be able to operate smoothly and quickly; on the other hand, COEM headquarters need to ensure a certain degree of centralisation in decision-making and steering capability. Finding the sweet spot decides on success or failure of an NSC.

A well-run NSC can help with setting up and expanding a comprehensive dealership and

Important factors influencing customers‘ purchase decisions



brand hub network. It can also play a crucial role in localising conceptualisation, development, and production capabilities in Germany.

Conceptualise and develop vehicles close to the target market.

Exterior and interior design, among others, are major factors influencing German customers' purchasing decisions[xxxvi]. Establishing design capabilities in Europe not only helps meet customer expectations but also enhances sales potential. Investing in these capabilities locally is therefore highly advisable.

Additionally localising development also allows COEMs to tap into Europe's remarkable talent pool and expertise. Moreover, it ensures compliance with regulatory and safety requirements, simplifying approval processes and reducing the risk of non-compliance. For instance, from 2026, achieving a five-star Euro NCAP rating will require specific functions to be accessible via hardware controls rather than touchscreens. Identifying such requirements early and incorporating them into product development is far more efficient when managed locally.

An in-depth analysis of the target market and identifying which aspects of vehicle conceptualisation and development to localise are crucial for determining the best course of action. Contact us for more information on our genuine localisation configurator.

Produce vehicles within the EU.

Locally manufactured vehicles can be sold across all member states without facing additional tariffs or trade barriers, creating significant logistical and cost efficiencies. For instance, BYD's planned production site in Hungary bypasses the EU's increased tariffs, enabling the company to maintain competitive pricing.

Local production also creates jobs and stimulates local economies, fostering goodwill with governments and consumers. Additionally, COEMs may benefit from government subsidies, enhancing their competitiveness. Building strong relationships with EU regulators can also facilitate navigating future trade and regulatory challenges. By integrating into the European supply chain and sourcing parts locally, COEMs can reduce costs, improve resilience, and further strengthen their brand's reputation.

Producing vehicles locally can also appeal to European consumers, particularly in Germany, where around one-third of car buyers prioritise vehicles perceived as "locally produced." This local presence can differentiate Chinese brands from other foreign competitors who lack such connections.

The choice of production facility location within Europe should be based on factors such as infrastructure, costs, and potential government incentives—making a thorough analysis essential.

However, building a new production plant ("greenfield" approach) is not the only option. Europe already has an extensive network of existing vehicle production facilities. To shorten time-to-market, COEMs can consider contract manufacturing or acquiring existing underutilised production sites ("brownfield" approach), saving both time and money.

Use freed up dealership spaces.

Traditional OEMs are reducing dealership spaces due to ongoing transformation efforts, freeing up substantial opportunities for COEMs. By partnering with these and other independent dealerships, COEMs can benefit from Germany's high dealership loyalty rates (~70%). The "halo effect"—where customers' trust in a dealership extends to the brands it sells—can significantly boost brand awareness, brand perception, and sales.

Set up central brand hubs in major cities to attract attention and establish brand presence[xxxvii].

However, to differentiate from competitors also using the "hub approach", these spaces must go beyond mere vehicle displays. Offering added value such as cafes, co-working spaces, and play areas can draw in a wide audience and create positive associations with the brand. These hubs allow prospective customers to engage with the brand organically, fostering familiarity and trust that can later translate into sales.

Plan your expansion strategy wisely.

Running development and production facilities, brand hubs, and dealerships in Europe involves higher labour costs, stricter regulations, and more complex logistics compared to China. A clear and detailed plan is essential to determine what actions to take, where, when, and how to execute them—as well as identifying what not to do.

COEMs should also think carefully about the company set-up in China and Germany. Several alternatives are possible, ranging from "no German company" to "several German companies for different local activities". In addition to ensuring adherence to German corporate law, COEMs should also weigh the pros and cons regarding cost, taxes, staffing, etc. and account for local labour practices, such as strong unions and job security regulations, when structuring their workforce.

Take-Away

Entering the German and European markets demands strategic localisation and careful planning. By leveraging opportunities in development, production, dealerships, and brand hubs while maintaining a balanced operating model, COEMs can effectively establish themselves and build long-term success. For tailored guidance and support, contact us—we are here to help.

COMMUNICATE & COLLABORATE

Only 17% of German consumers can identify a Chinese car brand in a blind test[xxxviii]. While this may appear to be an easily solvable issue, breaking through the constant barrage of consumer communication is a significant challenge. Establishing a distinct and recognisable voice in such a crowded space is one of the most critical hurdles COEMs face when entering the German market.

Effective brand communication is essential for building a successful brand presence. When executed well, it can significantly enhance brand recognition and trust. However, poorly managed communication strategies risk wasting substantial resources with little to no return. To avoid this pitfall, a strategic approach is indispensable. COEMs must establish a clear and unified "centre of gravity" for their communication efforts, ensuring all messaging aligns cohesively with the brand's identity and objectives.

Progress to strategic communication management.

Both practical experience and academic research confirm that strategic brand communication significantly enhances brand awareness, image, and trust, ultimately driving purchase intentions. To achieve these outcomes, communicative efforts must align seamlessly with the brand's overarching strategy and be actively managed.

A dedicated strategic communication management team should oversee the planning, execution, and evaluation of all brand messaging. By utilising frameworks such as the PDCA cycle (Plan, Do, Check, Act), this team ensures continuous improvement and alignment with the brand's objectives.

The process begins with clearly defining and understanding the target audience. Identifying the needs your products fulfil and tailoring messaging to meet these needs is essential. Once the audience is defined, determining the optimal channels and crafting the right message for the right place and time becomes crucial.

Get in touch to learn about our step-by-step strategic communication planning tool to craft a tailored, compelling strategic communication management setup.

Engage with social media influencers and testimonials as powerful tools for enhancing brand awareness, trust, and sales.

Over the past decade, influencers have proven to be a cost-efficient method of engaging highly involved target audiences. Traditional testimonials also continue to generate brand credibility and consumer trust, with evidence linking these efforts to improved sales performance.

However, success in this area requires careful planning. Identifying the influencers and testimonials that align with your brand's goals, budget, and target audience is critical to maximising impact.

Highlight your products' superiority.

Many German consumers still hold outdated perceptions of Chinese products. By showcasing the superior technology in your vehicles, COEMs can address common misconceptions, such as range anxiety, with tangible, real-world data (e.g., "Our EVs can travel from Hamburg to Berlin and back on a single charge").

Emphasising unique selling points—such as cutting-edge software, frequent over-the-air updates, lower prices paired with premium quality, and robust battery longevity—is essential. Superior vehicle features rank as the third most important buying factor for German consumers. Highlighting these strengths can help differentiate COEMs from traditional OEMs.

Live customer centricity

Providing exceptional customer touchpoints in both sales and after-sales services is critical to maintaining satisfaction, loyalty, and profitability. Research indicates that up to 46% of customers might switch for a better overall customer experience, while 47% would consider switching brands due to poor after-sales experiences.

Investing in staff training, cutting-edge IT and other enablers is essential to create high-quality customer touchpoints with proactive local staff and professional sales teams (both on-site and remote). Enhanced workshop networks and readily available spare parts further improve customer satisfaction. As consumer preferences shift towards digital experiences, brands must also optimise digital touchpoints, such as online service scheduling, real-time updates, and virtual support. AI-driven solutions, including chatbots and self-service portals, offer additional avenues for enhancing customer interactions while keeping additional costs low.

Emphasize B2B sales.

With two-thirds of the German automotive market comprised of B2B transactions, COEMs must prioritise fleet sales to taxi companies, rental businesses, and enterprise clients. Fleet sales not only provide significant revenue opportunities but also enhance brand visibility on German roads, fostering consumer recognition and trust. Establishing strong relationships with B2B customers can drive sustained growth and create a reliable revenue stream through after-sales services, such as maintenance plans and fleet-specific offerings.

Cooperate widely.

Building partnerships with diverse stakeholders is a powerful strategy for facilitating smoother market entry and enhancing long-term competitiveness. Examples include:

- **Local Suppliers:** Collaborating with local suppliers ensures a reliable supply chain, compliance with quality standards, and deeper insights into market dynamics.
- **Technology Companies:** Partnering with technology firms accelerates innovation in areas such as autonomous driving and EV infrastructure, tailoring solutions to local consumer needs.
- **Fleet Operators and Mobility Services:** Collaborations with taxi services, fleet providers, and ride-hailing platforms (e.g., Uber) offer significant brand exposure and market traction.
- **Universities and Research Institutions:** Engaging with academic partners drives innovation and workforce development while aligning with cutting-edge trends.

Engage with German, European and Chinese regulatory bodies.

Engaging constructively with German, European, and Chinese regulatory bodies is essential for navigating the complexities of market entry and expansion. COEMs can contribute to ongoing discussions around electric mobility, highlighting their commitment to environmentally friendly solutions. Presenting a clear vision for a greener future can align COEMs with broader policy goals, fostering a favourable regulatory environment.

Geopolitical considerations also play a critical role. By effectively communicating the societal benefits of their market entry, COEMs can influence public opinion and regulatory discussions, potentially alleviating tariff-related challenges. Coordinating with Chinese regulatory authorities to support EU-China negotiations can further strengthen strategic positioning.

Acquire the rights to a European brand.

To overcome low brand familiarity in Germany, COEMs may consider acquiring an existing European brand, following the example of MG. This strategy accelerates market penetration and benefits from positive image transfer. However, selecting the right brand is crucial; the acquired brand's traits must align with the COEM's product and positioning.

Take-Away

Successfully entering the German automotive market demands strategic brand communication, proactive customer engagement, and a strong B2B focus.

Leveraging influencer marketing, highlighting technological advantages, and establishing strategic partnerships are critical for enhancing brand awareness and trust.

Constructive cooperation with local stakeholders and regulatory bodies, as well as considering brand acquisitions, can further accelerate market penetration.

COEMs must carefully align these communication and collaboration strategies to establish long-term success. For tailored guidance and support, contact us—we are here to help.

Update Your Financial Strategy

Price remains one of the most significant barriers to BEV adoption. COEMs, with their cost-efficient development and production processes, hold a critical advantage in this area. This creates a window of opportunity to break through Germany's entrenched brand loyalty.

Price aggressively to win over German consumers.

Half of consumers would consider purchasing a COEM BEV if it were priced at least 15% lower than an equivalent European vehicle. Approximately one fourth of consumers expect a 10% price advantage, while the remaining fourth anticipates no price advantage at all[xxxix].

Given these findings and the additional challenges of low brand awareness, cultural bias, and BEV wariness, we estimate that COEMs must price their BEVs 15-20% below equivalent European ICE vehicles. This approach entails offering a premium product at a volume-segment price—a strategy known as "penetration pricing."

Penetration pricing has a proven track record across industries, including automotive[xl]. The approach focuses on capturing significant market share quickly and leveraging an established customer base to introduce higher prices. Given high brand loyalty rates in Germany and typically growing customer wallets over lifetime, this approach fits a brand's first steps in Germany very well. Examples such as Xiaomi (smartphones), IKEA (furniture), and Toyota (transitioning to Lexus) underscore its effectiveness in creating strong brand recognition and loyalty.

Utilize automation and AI to reduce costs.

Expansion to new markets is costly, especially when utilizing a penetration pricing approach. Hence, low costs in vehicle development, production and sales are imperative. AI and automation present COEMs with multiple opportunities to cut costs and improve efficiency:

- **Optimising Production Processes:** AI-driven predictive maintenance and automation can minimise downtime, prevent unnecessary repairs, and streamline assembly lines. This reduces errors, increases production speed, and lowers operational costs[xli].
- **Enhancing Supply Chain Efficiency:** AI can analyse vast datasets to optimise inventory levels, predict demand, and select cost-effective logistics routes. These measures reduce excess inventory and transportation costs, significantly improving supply chain efficiency[xlii].
- **Improving Quality Control:** AI-powered visual inspection systems detect component defects with greater accuracy than human inspectors, reducing recalls and enhancing customer satisfaction[xliii].
- **Accelerating R&D:** AI can simulate and optimise vehicle designs, reducing reliance on physical prototypes and shortening development timelines. This approach significantly lowers R&D costs[xliv].
- **Enhancing Customer Engagement:** AI chatbots and virtual assistants can efficiently handle inquiries, reducing reliance on large customer service teams. AI also enables personalised marketing and sales strategies, improving promotional effectiveness and conversion rates while reducing agency spending[xlv].

Adopt vertical integration to maximise cost savings.

Vertical integration offers COEMs significant cost-saving and reliability advantages:

- **Backward Integration:** Owning suppliers or raw material producers eliminates intermediary markups and ensures supply stability through direct sourcing agreements.
- **Forward Integration:** Controlling distribution and sales channels strengthens customer relationships and ensures consistency in brand representation.

BYD, one of the few profitable COEMs in 2024, demonstrates the effectiveness of large-scale vertical integration. Key benefits include reduced material costs, streamlined operations, improved supply chain stability, and enhanced profitability through higher profit margins.

However, vertical integration also carries risks, including high initial costs, operational complexity, and potential dilution of core competencies such as design and innovation. Careful planning and execution are essential to balance these factors.

Invest in financial services for revenue and brand building.

German consumers increasingly prefer financing or leasing options over outright purchases. Over the past 15 years, the number of leasing contracts has grown by approximately 60%[xlvi]. For COEMs, this trend represents a significant revenue opportunity.

Established automotive banks, such as Volkswagen Bank AG, illustrate the potential. Volkswagen's financial institution manages 22.3 million active contracts and boasts a balance sheet total of approximately €268 billion[xlvii]. Beyond revenue generation, automotive banks:

- Enhance brand awareness.
- Promote vehicle sales by making cars accessible to a broader audience.
- Build customer loyalty through recurring, long-term business relationships.

Although starting a financial institution in Europe requires substantial investment, it is a worthwhile long-term strategy. In addition to offering financing plans, leasing options, and insurance contracts, a brand-owned financial institution can support future business models, such as shared autonomous mobility.

By integrating these financial strategies with operational efficiencies and pricing advantages, COEMs can establish a strong foothold in the German market and position themselves for sustained success.

Take-Away

Successfully entering the German market requires a strategically aggressive pricing approach, leveraging COEMs' cost advantages through penetration pricing to overcome barriers like low brand recognition and consumer scepticism.

Maximising operational efficiency via automation, AI, and vertical integration can significantly reduce costs, enhance quality, and secure supply chains. Establishing brand-owned financial services further boosts revenue, brand loyalty, and customer accessibility.

Integrating these financial strategies with cost-effective operations positions COEMs strongly for long-term market success. For tailored guidance and support, contact us—we are here to help.

THINK BIG

Define an ecosystem standard in Europe.

Germany's slower pace of digitisation compared to China presents COEMs with an opportunity to establish a comprehensive ecosystem encompassing mobility and other solutions. While OEMs like Tesla have made strides with vehicle-adjacent offerings, such as branded charging solutions, COEMs can go further by creating a holistic ecosystem that caters to a wider range of consumer needs.

Starting with the customer: Begin by identifying needs that extend beyond mobility. Solutions closer to your vehicles, like branded and brand-exclusive charging networks, can enhance customer loyalty and prevent churn. The market for fast chargers is still underdeveloped, offering significant potential as EV adoption continues to rise. Tesla's Supercharger Network, for example, generated billions in revenue in 2024

Expand Beyond Mobility: Consider products and services that integrate into consumers' daily lives, such as smartphones or lifestyle accessories. A well-designed ecosystem brings more consumers into contact with your brand, driving revenue and fostering loyalty. Most importantly, take a strategic approach by defining clear goals, determining which products and services to include, and creating a roadmap for ecosystem development.

Think after sales hardware.

In addition to providing exceptional customer service through workshops and networks, COEMs should capitalise on the growing automotive aftermarket. The global market for automotive after-sales products, including spare parts, accessories, and car care items, reached €61.5 billion in 2022, accounting for up to one-third of traditional OEM revenue[xlviii]. Strategic partnerships with accessory manufacturers can generate significant revenue without requiring extensive investment in time or resources.

One automotive mega-trend of the upcoming decades will be a shift of customer focus from hard- to software. Customers expect frequent software updates to keep their vehicles up to date. In conjunction with the general longevity of EVs (less parts, less repairs, less maintenance than ICE vehicles), customers feel less need to replace the entire vehicle in short cycles. This offers a vast opportunity for after sales hardware to freshen up extant vehicles. To this account, customers may not purchase a whole vehicle, but singular hardware modules, e.g., updated bumpers, as touch ups. These parts have to be easily replaceable, ideally by the customers themselves.

Roll out desirable software over-the-air.

In-car software services are rapidly gaining popularity, with one-third of German consumers willing to pay for such features[xlix]. Payment models can vary from one-time payments and subscriptions to pay-per-use options, depending on the software's nature. Around 40% of customers prefer a subscription plan, 30% one-time payments and 20% would rather pay per use.

A "freemium" model, where basic functionalities are free but advanced features require payment, mirrors successful strategies in the smartphone app market. By 2030, the in-car software market is expected to reach €537 billion globally[l].

In addition to generating revenue, in-car software collects valuable data that can enhance product development and inform the creation of new offerings. To maximise customer uptake, ensure your software addresses pressing customer needs and delivers tangible benefits.

Invest in infrastructure.

Besides price, range anxiety and insufficient charging infrastructure remain the primary concerns for German consumers considering purchasing a BEV[li]. Regarding charging infrastructure, achieving EU CO2 targets by 2030 will require an eight-fold increase in public charging points[lii]. Investment in a dense (fast) charging network might be eligible for state subsidies and not only supports BEV sales but also fosters goodwill with regulators and enhances brand perception.

Charging services can also be used as an incentive for potential customers, for example in the form of a 1-year free trial period of the brand's fast charging infrastructure when purchasing or leasing a vehicle.

Besides the proven correlation between the availability of public charging points and BEV sales, a strategically placed charging network can generate steady revenue and incentivise customer loyalty[liii]. Tesla's Supercharger Network, cited as a top reason for Tesla brand loyalty by 63% of its customers, exemplifies how infrastructure investment can strengthen customer retention and drive sales[liv].

Especially in larger cities with insufficient public charging points, an early strategic investment is sensible. German cities are expected to grow significantly over the next decades and early movers among charging infrastructure operators will have the opportunity to control a large portion of the revenue generated there. Cooperations with energy suppliers, charging equipment manufacturers etc. are possible, but pros and cons should be weighed carefully, so as not to lose grip on the profitable parts of charging business (“make or buy” decision).

Update your portfolio.

The growing popularity of hybrid electric vehicles (HEVs) and plug-in hybrids (PHEVs) in Germany (42.5% CAGR 2014-2024) presents an opportunity for COEMs.

Introducing PHEV models already in your domestic lineup can help increase sales, boost brand awareness, and enhance your image.

An emerging trend towards vehicles with electric range extenders (EREVs) can be observed in China. So far, there is no such trend on the German market. This opens an opportunity for COEMs to occupy a new market segment in Germany.

Expanding beyond high-priced, high-margin models to include lower-cost entry-segment vehicles can attract more customers. MG’s success in the German market underscores the effectiveness of this strategy. However, it is crucial to maintain high standards of quality and technology, as these are critical to winning over German consumers.

Performance models, like Mercedes AMG, BMW M, and Audi S/RS, are highly effective for brand building and profitability. By leveraging existing platforms and adding performance enhancements, COEMs can introduce high-margin models at relatively low development costs while benefiting from positive publicity.

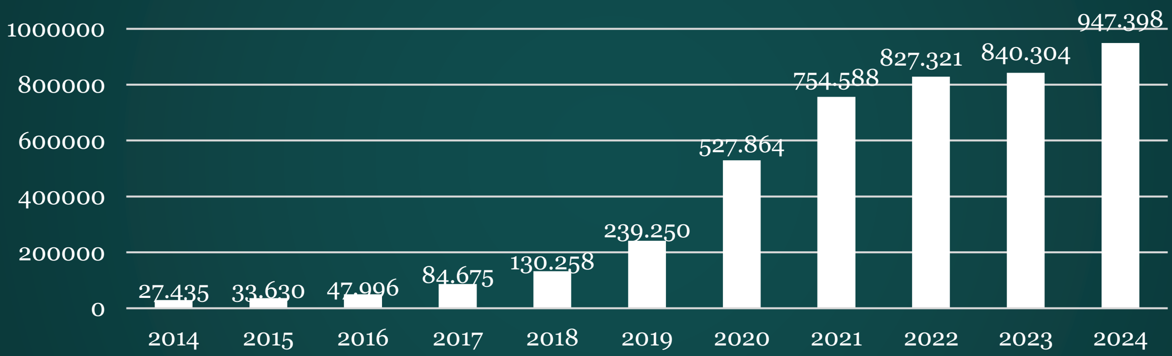
Take-Away

COEMs aiming for sustained success in Germany must strategically build comprehensive ecosystems, expanding beyond mobility to consumer lifestyle products, branded charging infrastructure, and innovative after-sales offerings.

Capitalising on software updates, modular hardware upgrades, and infrastructure investments can significantly enhance brand loyalty, revenue streams, and customer retention.

Updating vehicle portfolios with hybrids, range-extenders, and performance models further broadens market appeal. For customised strategic solutions and ecosystem planning, contact us—we are here to help.

HEV & PHEV registrations in Germany 2014-2024



Source: KBA; Illustration: automodicted

6. The Way Forward

The German market offers COEMs an estimated collective revenue potential of €34.55bn ($36.17bn) by 2035. Achieving success in the German (and ultimately, European) market is attainable by following the recommendations outlined above. However, it is important to approach this as a long-term objective. Not all measures need to be implemented simultaneously, and their impact will vary over time—some yielding results in the short term, others in the mid or long term.

To ensure success and meet your goals, it is essential to carefully balance these measures by developing a specifically tailored strategy for the German market. Our recommendations can serve as a foundational guideline for drafting and refining a comprehensive strategy that paves the way for sustainable success in the German market.

Please feel free to contact us for a free initial consultation and discuss how these findings apply to your specific situation.

We are happy to help!

You can also take our free and anonymous COEM Market Readiness Check to see how your brand stacks up across localisation, branding, pricing, and innovation.

automo**dicted** Consulting GmbH is a thought-leading boutique consultancy for the automotive industry.

We specialise in supporting the transformation of automotive OEMs and suppliers towards a successful future.

Please feel free to contact us for tailored assistance throughout this process and detailed insights. We are happy to help you achieve your goals.

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