Mobility Blog

Assessing new brands entering the market: the four key factors you need to know

03 April 2023 / Theme(s): Fleet Strategy

The automotive industry is evolving at a rapid pace, with numerous new players entering the scene and vying for a piece of the pie.

We can notice a plethora of recent Asian brands such as ORA, WEY, BYD, Nio, Xpeng and Maxus, slowly making their presence felt in the automotive scene, jostling for space among their much more established elder siblings, such as Hyundai, Toyota, Nissan and Kia, not to mention the wide range of European brands. Amid stricter EU regulations on emissions, these newly arrived manufacturers are capitalising on an opening for models that meet the standards at competitive cost, facilitated by the vertical integration, economies of scale and conglomerates that characterise Asian industrial production.

With so many options available, fleet managers may find themselves overwhelmed. That's where we can guide you by highlighting four key factors that can help you in deciding on the best brands for your future collaborations: production capacity, market coverage, portfolio depth, and brand positioning. Let’s examine them one by one…

Production capacity

Does the manufacturer have the resources to make a strong entry in the European market and generate enough sales to establish a sustainable and enduring presence in this competitive region? This all comes down to the key factor of production capacity.

Note that many of the brands that are entering Europe do so with new business models, such as Lynk & Co's subscription model, while other brands such as NIO are opting to lease vehicles separately from batteries (BAAS). Still others, such as Xpeng, are focusing their distribution strategy in their domestic Chinese market via a direct-to-consumer approach.

To evaluate the production capacity of these new manufacturer's, consider their production facilities, capabilities, and supply chain – factors which tend to be less of an issue with established brands with proven industrial and financial capacity. It is also important to analyse details on production processes, lead times, and expected delivery times, to ensure that they can scale up and meet your fleet's requirements.

Market coverage

A manufacturer's market coverage – their capacity and experience in providing and selling vehicles in multiple regions – is another essential criterion in evaluating collaborations.

Any assessment of a brand's global presence must include not only physical locations but also regional regulations and compliance requirements. Bear in mind also the availability of spare parts and after-sales service in the markets covered. Global coverage often implies a more extensive distribution network and logistical capabilities, which is clearly a key advantage.

Then consider the brand's reputation and market share in their operating region. A well-known and respected brand with a significant market share is more likely to have a reliable supply chain and after-sales support network, as well as a better understanding of the local market and the specific needs of fleet operators in that market.

Finally, assess the brand's commitment to sustainability and environmental responsibility. This is especially relevant in the EV domain, where fleets can play a significant role in reducing carbon emissions. A brand that is committed to sustainability and has a track record of developing environmentally friendly vehicles may be a better fit for fleets looking to reduce their carbon footprint.

Portfolio depth

The number of models available in an original equipment manufacturers' (OEMs) range is another major aspect because it demonstrates the manufacturer's ability to cater to a variety of needs and preferences – a key criterion in addressing any potential driver resistance to new brands.

A manufacturer with a more extensive portfolio of vehicles can provide more options, allowing you to select vehicles that best fit your specific needs and requirements. There are various OEMs from China that have a wide range of vehicle models available and plan to enter more segments. For example, we can think about BYD, with its C-SUV Atto3, the upper medium SUV Tang and the sedan HAN. Meanwhile, Nio is also expected to enter various segments with its ET5 and ET7 sedans, and the ES8 SUV.

Awareness of these developments enables you to consider brands with models that are more suitable for your operations and align with their sustainability goals, performance requirements, and driver preferences. Additionally, having a more extensive range of vehicles gives you backup options in case your primary choice of vehicle is not available or suitable for a particular operation or category of your fleet policy.

Brand positioning

Brand positioning refers to the perception that customers have of a brand relative to its competitors, reflecting how the manufacturer is positioned in the market and how it is perceived by its target audience, which in this case clearly includes your fleet's drivers in the face of a niche market.

When evaluating collaborations with new brands, consider this essential factor and how it aligns with your fleet's goals, values, and image. There is often scepticism towards unknown or foreign brands, which can impact acceptance and adoption of the vehicles due to misperceptions concerning the quality of the materials used or of the build quality. So part of your approach in such cases can involve steering drivers towards more established brands. Factors to weigh up include value for money, but with the rise of economic conditions and industrial processes in Asia, many of these cars now offer build quality on a par with more established OEMs with a remarkable range of features and options, making them an attractive and cost-effective choice for fleet management.

It is also important to remember that the new entrants are not all targeting the lower end of the market. Some brands may prioritize affordable vehicles with practical features and high value for money, while others may focus on premium offerings with advanced technology, luxury features, and high-performance capabilities.

Alongside these four key factors, there are other aspects you may have to consider, such as the technology featured in the vehicle, including its infotainment system and its passive and active safety features. It's important to assess whether these technologies are current and functioning properly, and whether they're user-friendly or overly complex and likely to cause dissatisfaction among the drivers.

By examining these key factors, you will be able to make informed decisions when leasing vehicles. To help you in navigating this ever-evolving landscape, our Sales and Consultancy teams can guide you through the selection process and help you identify the right OEM partners at both national and international levels. With these insights, you will be able to mitigate risks and ensure that you can operate your drivers' vehicles safely, efficiently, and cost-effectively, while obtaining the best value for money.