

# ***A Review of China's Electric Vehicle Consumption Market: The Impact of the Unique Chinese Culture on Car Buying Behavior***

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**Abstract:** In recent years, the electric vehicle (EV) sector in China's passenger car market has grown significantly, with domestic brands' market share increasing year by year. In contrast, the market share of imported fuel vehicles has been gradually squeezed, and imported electric vehicles have performed poorly. This paper analyzes the deep-seated reasons for this market change through a literature review and empirical research, including consumer demand, government policies, technological progress, and cultural factors. The study found that government support policies and domestic enterprises' technological breakthroughs have improved the competitiveness of domestic electric vehicles; the face culture and collectivism culture in Chinese culture have profoundly influenced consumers' car purchase decisions; and the emerging middle class's demand for high-quality new technology products has also driven market growth. At the same time, foreign automakers face the challenges of fierce competition and policy changes in the Chinese market and have failed to adapt to local market demand promptly, resulting in a decline in market share. By studying the impact of Chinese culture on consumer purchasing decisions, we can better understand and predict consumer behavior in the Chinese market and provide a reference for companies to formulate effective product development and marketing strategies.

**Keywords:** Chinese culture, Market behavior, Cultural influence.

## **1. Introduction**

In recent years, the electric vehicle (EV) sector in China's passenger car market has grown significantly, especially the market share of domestic EV brands has increased year by year. In contrast, the market share of imported brands of fuel vehicles has been gradually squeezed, and the response of imported brands of EVs in the Chinese market has not been ideal, with Tesla being a notable exception. According to a report by BBVA Research [1], the market share of domestic EVs has grown exponentially since 2019. In addition, domestic brands such as BYD, SAIC, Geely Auto, and Beijing Auto have significantly increased their market share [2].

According to Counterpoint Research [3], eight of the top ten best-selling electric models in the first quarter of 2023 were Chinese brands, highlighting the dominance of domestic brands in the market. The growth trajectory of China's passenger vehicle electric market is expected to continue,

aided by supportive policies and strategic initiatives aimed at promoting electric vehicle adoption in rural areas [3].

To deeply understand the reasons behind this market behavior, it is necessary to analyze multiple factors, including consumer demand, sales statistics of various models, and China's unique cultural influence. Government policies have played a vital role in encouraging the popularization of electric vehicles. For example, the strategic document released by the National Development and Reform Commission of China aims to promote the popularization of electric vehicles in rural areas by introducing more affordable models and improving the sales system [3].

In addition, technological breakthroughs by domestic companies have made electric vehicles more competitive in terms of performance and cost. Innovations in battery technology and autonomous driving technology have greatly increased the attractiveness of domestic electric vehicles [2]. Consumer demand is also changing. Environmental awareness and emphasis on technological innovation have made electric vehicles, especially domestic brands, more attractive in the market [4]. China's unique family and social culture also has a profound impact on consumers' car purchase choices. Studies have shown that Chinese consumers are often influenced by family members and social opinions when making car purchase decisions. These cultural factors have driven the growth of the electric vehicle market to a certain extent [5].

The innovation of this paper is that it integrates the research results of various parties and selects a new perspective to analyze the behavior of the Chinese passenger car market, that is, to predict their consumption behavior by studying the family and social and cultural factors of Chinese consumers. This not only helps to better understand the current situation and future development trends of the Chinese electric vehicle market but also provides a valuable reference for companies in other markets.

## 2. Literature Review

### 2.1. China's passenger car market in recent years

In recent years, the electric vehicle (EV) sector in China's passenger car market has grown significantly, with domestic electric vehicle brands increasing their market share year by year, while the market share of imported fuel vehicles has been gradually squeezed. At the same time, the performance of imported electric vehicles in the Chinese market is not ideal, with Tesla being a notable exception.

According to a report [1], China's domestic electric vehicle market share has grown significantly since 2019, especially since local brands such as BYD, SAIC, Geely, and Beijing Auto have significantly increased their market share [1]. These companies have improved the competitiveness of their products through continuous technological innovation and large amounts of R&D investment, thereby occupying more market share [2].

In addition, data from Counterpoint Research shows that in the first quarter of 2023, eight of the top ten best-selling electric models were Chinese brands, and Tesla was the only imported brand to enter the top ten. This highlights the dominance of domestic brands in the market [3]. This trend is also supported by Fortune Business Insights[4], which states that the growth trajectory of China's electric vehicle market is expected to continue, thanks to supportive government policies and strategic measures [4].

Further research shows that consumers' increased attention to environmental protection and technological innovation has also driven the growth of the electric vehicle market. Mordor Intelligence's analysis points out that the increase in Chinese consumers' demand for electric vehicles is due to their emphasis on environmental protection and acceptance of new technologies [2]. This change in demand makes domestic electric vehicles more attractive in the market.

## 2.2. Growth of domestic brands

In the Chinese passenger car market, the sales and reputation of domestic brands have changed significantly in recent years. According to the Journal of Cleaner Production, Chinese local brands have gradually established a good reputation in the domestic market through technological innovation and improved product quality [6]. In particular, in the field of electric vehicles, domestic brands such as BYD, Weilai, and Xiaopeng have won the favor of a large number of consumers with their excellent performance and cost-effectiveness.

The consumer market's perception of domestic and foreign brands is also changing. According to Technological Forecasting and Social Change, as Chinese consumers' environmental awareness increases and their demand for high-tech products increases, domestic brands have gradually gained more recognition [7]. Consumers' trust and satisfaction with domestic electric vehicle brands have increased year by year, reflecting the rise of domestic brands in market competition [8].

In addition, government policy support is also one of the key factors for the success of domestic brands. Research from Energy Policy points out that the Chinese government has greatly promoted the development of the electric vehicle market by providing subsidies, tax cuts, and building charging infrastructure [9]. These policies have not only helped domestic brands increase their market share but also increased consumer acceptance of electric vehicles.

In summary, the development of Chinese domestic brands in the domestic market has undergone significant changes. Through technological innovation, policy support, and changes in market demand, domestic brands have stood out from the competition and won wide recognition and a good reputation.

## 2.3. The impact of Chinese culture on purchasing decisions

Chinese culture plays an important role in influencing families when they purchase expensive items. The following factors are particularly important:

**The impact of historical issues and the Planned Economy era:** During the Planned Economy era, China experienced a period of material scarcity. This period of history has had a profound impact on the consumption concepts of generations of Chinese people, who are more inclined to save and spend cautiously, especially when purchasing large items [9]. This concept has continued to a certain extent in modern times and has influenced families' decisions when purchasing expensive items [6].

**Face culture:** Face culture occupies an important position in Chinese society. Buying a luxury car or high-end home appliance is not only a symbol of personal wealth, but also a reflection of social status [10]. This cultural drive makes consumers more inclined to buy brands and models that can enhance their social image when choosing to buy a car [11].

**Collectivist culture:** China's collectivist culture emphasizes harmony and unity between family and society. In this cultural context, the opinions of family members have an important influence on car purchase decisions [5]. Family decisions are usually the result of collective discussion and joint decision-making, which makes major decisions such as car purchases not just individual behaviors, but a reflection of the collective will of the family [11].

**The rise of the emerging middle class:** With the rapid development of China's economy, the size of the middle class continues to expand. This group not only has strong purchasing power but also pays more attention to quality of life and consumption experience [6]. The middle class has a high acceptance of new technology products such as electric vehicles, and their consumption habits and preferences have an important impact on market development [9].

## 2.4. Localization strategies of foreign automakers in the Chinese market

In the Chinese market, foreign automakers have adopted a variety of localization strategies to adapt to local market demand.

Volkswagen:

Volkswagen has actively promoted the localization process through its "In China, for China" strategy. Volkswagen has not only set up multiple R&D centers in China but also strengthened the R&D and production of local electric vehicles to better meet the needs of Chinese consumers [12]. Volkswagen's localization strategy also includes increasing the number of local software experts and accelerating the development of automotive digitalization and autonomous driving technology.

Toyota:

Toyota has also made in-depth localization adjustments in the Chinese market. For example, Toyota has developed new energy vehicles that are more suitable for the Chinese market by cooperating with local companies and has adjusted its marketing strategy to better attract Chinese consumers [13]. In addition, Toyota has reduced production costs by optimizing the supply chain and increasing the proportion of localized production, making it more competitive in price [14].

Buick:

Buick has also adopted a localization strategy in the Chinese market. Buick, through cooperation with SAIC Motor, combined with the needs of local consumers, launched a number of models designed specifically for the Chinese market and established a strong local production and R&D base [15].

## 2.5. Reasons for the Setbacks of Foreign Electric Vehicles in the Chinese Market

The challenges encountered by foreign electric vehicles in the Chinese market are mainly in the following aspects:

Intense market competition:

Chinese local electric vehicle brands such as BYD, Xiaopeng, and Weilai have provided cost-effective products through continuous technological innovation and reduced production costs, which has made foreign brands face fierce competition [15]. Local brands have made significant progress in electric vehicle technology, intelligence, and autonomous driving, which are advantages that foreign brands are difficult to catch up with in the short term [1].

Changes in the policy environment:

The Chinese government's subsidy policy has gradually decreased, and the support for local brands is relatively strong, which puts foreign brands at a disadvantage in the competition. In addition, the government's policies encourage more localized production and technological research and development, which is not conducive to foreign brands that rely on imports and foreign capital.

Consumer preferences and brand awareness:

Chinese consumers' awareness and acceptance of local brands are gradually increasing, and their trust in foreign brands is relatively low. In particular, consumers with high price sensitivity are more inclined to choose local brands with high-cost performance. In addition, cultural factors such as face culture and collectivism culture also make consumers more inclined to support local brands when choosing electric vehicles [15].

Technology and market adaptability:

Many foreign brands failed to fully consider the needs and market characteristics of local consumers when entering the Chinese market. For example, Hyundai Motor has few electric models in the Chinese market and failed to launch models suitable for Chinese consumers in a timely manner, resulting in a decline in market share [15].

### **3. Discussion**

#### **3.1. Results**

The above material review can summarize several key results.

First of all, China's family car market has undergone significant changes in recent years. One is the rise of domestic cars, the increase in sales, and the accumulation of word-of-mouth. It is also important to see that in the field of electric vehicles in the Chinese passenger car market, domestic electric vehicles have occupied the market advantage, while traditional foreign car companies have difficulty gaining an advantage in the competition in the Chinese electric vehicle market.

Second, domestic brand cars have gradually developed in the market competition due to factors such as policies, their own technological development, and the accumulation of consumer word-of-mouth. They have gradually gained a foothold in the Chinese passenger car market and gradually gained a leading position. This shows that the rise of domestic cars, especially domestic electric vehicles, is not a momentary thing, but is caused by the accumulation of time and the influence of many internal and external conditions.

At the same time, this study highlights the impact of Chinese culture on purchasing decisions in the literature review, and the conclusion is that the concept of saving and prudent consumption is deeply rooted, and the face culture and collectivist culture have further influenced the choice of Chinese consumers when purchasing bulk commodities such as cars; at the same time, the rise of the emerging middle class has also promoted the consumption of new technology products such as electric vehicles.

Fourth, in the past, foreign auto companies have achieved success in the Chinese domestic market through appropriate localization measures, but this success has not been successfully replicated in the new electric vehicle market. Instead, it has been affected by fierce market competition (marketing strategies, prices, technology, etc.), unfavorable local policies, and Chinese consumers' increasing awareness and acceptance of domestic brands. In addition, foreign brands' failure to launch electric models suitable for the Chinese market in a timely manner is also one of the factors.

#### **3.2. A new perspective on China's electric passenger car market analysis**

With the above conclusions, it can be inferred that the reasons for the changes in the Chinese passenger car market in recent years are traceable. With the help of the changes in the status of domestic and foreign brands in the Chinese passenger car market, especially the electric passenger car market, better product development and marketing strategies can be formulated by analyzing the consumer psychology and tendencies of Chinese passenger car consumers. This analysis provides a perspective to understand the consumer tendencies of Chinese consumers, emphasizing the cultural factors that most influence their purchasing decisions.

The above literature review has shown that in today's Chinese passenger car consumer market, the technological gap between foreign car companies and domestic brands is shrinking. In some aspects, Chinese domestic electric vehicles have greater technological and industrial chain advantages than foreign brands of electric vehicles. Then, in the case of a small technological gap, how to rediscover a way to gain the favor of Chinese market consumers is particularly important. This review paper puts forward a view here that corporate managers can understand the factors in Chinese culture that affect consumers' tendency to buy bulk commodities to grasp the Chinese consumers' demand for passenger cars, especially electric passenger cars with rapid technological development in recent years, to enhance the competitiveness and brand value of products.

### 3.3. Additional Perspectives

This article proposes to analyze Chinese culture to help business competition in the Chinese passenger car market. At the same time, this study primarily generalizes Chinese consumers as a whole, without addressing regional differences and generational distinctions. These topics should also be explored in future research.

## 4. Conclusion

By analyzing the changes in China's passenger car market, especially the electric car market, in recent years, the following conclusions can be drawn:

First, China's household car market has undergone significant changes. The rise of domestic cars and the increase in sales have accumulated a good reputation, especially in the field of electric vehicles, where domestic electric vehicles have already occupied a market advantage, while traditional foreign car companies have difficulty gaining an advantage in the competition in China's electric car market.

Second, domestic brand cars have gradually grown and developed in market competition, which is due to the combined effect of multiple factors such as policy support, their own technological progress, and the accumulation of consumer word-of-mouth. Domestic brands have gradually gained a foothold in the Chinese passenger car market and even achieved a leading position in some areas.

Third, Chinese culture has a significant impact on purchasing decisions. Factors such as the concept of saving and cautious consumption, face culture, and collectivist culture have deeply influenced the choices of Chinese consumers when purchasing large items. In addition, the rise of the emerging middle class has also promoted the consumption of new technology products such as electric vehicles.

Fourth, the localization strategy of foreign car companies in the Chinese market has been successful in the past but has not been successfully replicated in the electric vehicle market. This is mainly due to fierce market competition, an unfavorable policy environment, and the growing recognition and acceptance of domestic brands by Chinese consumers. The failure of foreign brands to launch electric models suitable for the Chinese market in a timely manner is also an important factor.

Future research should also take into account regional and generational differences and further refine the analysis of Chinese consumers to provide more precise market strategy guidance.

In summary, analyzing the cultural factors of Chinese consumers is of great significance for formulating better product development and marketing strategies. Understanding the cultural factors that influence Chinese consumers' purchasing decisions can help companies better grasp the needs of the Chinese market and enhance the competitiveness and brand value of their products.

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