

# Analysis on Audi's Marketing Strategy in China

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## ABSTRACT

The purpose of this research is to study how did Audi make a marketing strategy suitable for China's national conditions. This study compared Audi's strategy in Germany with its strategy in China, through extensive literature review. The author understands the position and marketing strategy environment of Audi in the Chinese market through research. Based on the success of Audi's strategy in the Chinese market, it provides suggestions on the possibility for Chinese automakers to enter overseas markets in the future.

**Keywords:** *Audi, marketing strategy, China, Germany*

## 1. INTRODUCTION

After 10 years of localization of Audi brand cars, Audi keeps forging ahead and has achieved great success. From entering China until now, Audi's marketing has been successful. In Germany, Audi does not sell as well as Mercedes and BMW, but in China, Audi has been in the lead. This paper takes the marketing strategy of Audi as the research object and puts forward in this context. As China's economy began to boom in the 1980s, cars began to enter people's lives. Until today, almost every family can have a private car. Now the automobile industry has entered a period of bottling strength all over the world. With the increasingly fierce market competition, Audi is inevitably facing severe challenges. But amid such fierce competition, Audi has consistently ranked first among luxury brands in terms of sales, beating Mercedes, BMW and other luxury brands. Therefore, it is very important for Audi to make the right marketing strategic plan. Since China joined the WTO, the economic and trade exchanges between China and the world have become more frequent, which makes more foreign enterprises enter China. As the Chinese market is huge, people's quality of life is getting higher and higher. In order to meet the needs of Chinese consumers, automobile companies have specially built a product that meets China's national conditions.

Under the guidance of marketing theory, this study analyzes the status quo and trends of the international and domestic automobile industry. Through the systematic analysis of the enterprise, the market strategy suitable for Audi is put forward.

FAW-Volkswagen Audi. Through this case analysis of FAW-Volkswagen Audi, the success factors of its marketing strategy in China are obtained, and the existing deficiencies are proposed. The enlightenment obtained from it will provide a valuable reference for other companies in the automotive industry in the future.

In this research process, there are three problems to be solved. First, why Audi outsells its competitors in China but undersells them in Germany. Second, what strategy did Audi adopt when it entered the Chinese market? Third, how does Audi identify its target customers in China?

This study will take Audi as an example to analyze its marketing strategy, and explain the importance of enterprise strategic management. By studying Audi's strategy analysis in the Chinese market, some suggestions are offered for the future development of the automobile industry.

## 2. LITERATURE REVIEW

Since previous studies on Audi's market strategy were only limited to the Chinese market and did not combine with the situation of overseas markets, this study will compare the two markets of the German domestic market and the Chinese market to study Audi's market strategy in the Chinese market.

### 2.1. The Target Customer

In a report by Junqing Li[1] pointed out that Audi had previously targeted officials or successful business people, but later shifted its focus to younger customers who would have a bigger share of the market. Audi's target market is gradually expanding and its brand image is more diversified. Audi first entered the Chinese market with the concept of "senior government car". In China, the government officials are symbols of power, and Audi has been given that image, too. The huge capacity of the official car market has made Audi infinitely profitable. Later, due to the limitations of the

official car market, Audi will continue to expand the market capacity of premium cars, that is, slowly began to change the positioning. From the beginning of the "senior official car" to see the "successful business people car". This not only gives Audi a noble concept but also adds the element of fashion, which directly improves the brand value of Audi. In order to better meet the different personalized needs of consumers and seize a more high-end automobile market, Audi also needs to strive for more modern young talents in China. Audi's unique design and brand image have brought the company a unique customer group.

## **2.2. The Market Localization**

We can find Audi has been committed to making Audi cars synonymous with high-end cars in China on the official website of Audi China[2].

Through conscientiously implementing the mission and responsibility of localization of the whole value chain, FAW-Volkswagen Audi has been highly recognized by the Chinese market and won the honor of the top single brand in China's high-end car market for 30 consecutive years, thus successfully restoring the value of Audi brand "enterprising, honorable and dynamic". Today, the Chinese market is leading a new trend in auto consumption, and with rapid growth, it will inspire the next round of global auto industry transformation. As the first high-end car brand to enter China, Audi has been deeply engaged in the Chinese market for many years and has been leading the development of China's high-end car market.

## **2.3. The Localization**

A report by Chuang Li[3] pointed out that in the local market of Germany, the sales volume of the luxury car market is ranked first by BMW, second by Mercedes and third by Audi, which is roughly the same in the international luxury car market. But in China, the sales ranking has been changed to Audi first, BMW second and Mercedes Benz third. Audi's success in China is enviable. In 2007, the total sales volume of Audi exceeded 100,000, and Audi firmly occupied more than 70% market share of middle and high-end cars in China. Audi's success in China has made it its biggest overseas market outside Germany.

## **2.4. The Marketing Strategy**

According to the study by Xinye Wang[4] we can find Audi has been committed to a brand that is the life of an enterprise and brand price is even more important.

A successful brand positioning is a systematic project of an enterprise. Trying a brand strategy can promote the scientific development of an enterprise. As one of the famous luxury car brands in the world, Audi has been committed to the development of high brand cars since it's an establishment. In the past hundred years, Audi's understanding of manufacturing high-quality cars and the traditional culture

of Germany have been deposited to this day. Now, Audi adheres to the rigorous work style and keeps innovating in science and technology, occupying the leading position in China's luxury car market.

## **2.5. The Price Strategy**

In a report by Mengyu Zhang[5] pointed out that the price strategy is the most important part of the automobile marketing strategy. We should first know what factors will control the automobile price, only then can we work out a reasonable price strategy. If the price is too high, it will cause a bad market reaction; if the price is too low, the company will not be able to maximize the benefits, thus causing a certain impact on the total profit of the enterprise. Choosing the right price not only satisfies the customer's respect for the enterprise brand positioning but also enables the enterprise to obtain the corresponding profit quota. Therefore, the price of the product determines the enterprise's technology, tactics, and strategy.

## **3. METHODOLOGY**

Mainly through reading a large number of peer literature and some scholars' research literature, summarize the literature related to this paper for screening.

In the study, this paper combines enterprise strategy management and marketing strategy to carry out the research, will use some professional theoretical knowledge to assist the argument.

The survey sample is a purposeful sample. The sample is Audi owners or potential owners who are interested in buying Audi cars. The questionnaire adopts the method of qualitative research to investigate the interviewees of all ages and walks of life. However, this survey focuses on the automobile industry, so most of the respondents are male, and there may be some gender imbalance.

## **4. ANALYSIS & FINDINGS**

### **4.1. The Target Customer**

Audi's low profile is different from the luxury of Mercedes-Benz and the sport of BMW. It is more suitable for the simple character of the Chinese people. The appearance of Audi gives Chinese people the impression of calmness and status, especially the Audi A6, which is very suitable for the "official car". As a result, many officials in China have abandoned their old Hong Qi sedans, in favor of Audi as their official vehicles, which also provides free advertising for Audi, which is cost-free and most effective. In the later years, in order to better cater to Chinese consumers, Audi

made several models with high sales volume domestically and lengthened them, like A4L, A6L, and Q5L.

Audi knows what Chinese consumers want, and they know how to do it. But in 2011, China specified the specifications for official vehicles, making the previous "official vehicles" no longer applicable. At this time, the Chinese market was unanimously not optimistic about Audi, but Audi immediately transformed, from a mature and stable style to a sports style suitable for young people.

#### **4.2. The Market Localization**

In the local market of Germany, the sales volume of the luxury car market is ranked first by BMW, second by Mercedes and third by Audi, which is roughly the same in the international luxury car market. But in China, the sales ranking has been changed to Audi first, BMW second and Mercedes Benz third. Audi's success in China is enviable. In 2007, the total sales volume of Audi exceeded 100,000, and Audi firmly occupied more than 70% market share of middle and high-end cars in China. Audi's success in China has made its biggest overseas market outside Germany[6]. Therefore, a successful market positioning is a company's most powerful weapon against other competitors. To some extent, it can make up for the deficiency of the product itself.

#### **4.3. The Localization**

FAW collaboration with Audi's great success, the key lies in FAW with Audi made "on the basis of the Audi global uniform standard, with" localization "the whole value chain as the core of FAW Volkswagen Audi model, this makes Audi first start the localization process in China, is also by far the most localization of high-end car brands. Among them, the establishment and upgrading of the product localization r&d system for the Chinese market can be regarded as a great example of the system capability of "FAW-Volkswagen Audi full value chain localization". With the increasing scale of the Chinese market, strengthening local production, local research, and development, local transformation, close to China's driving habits and traffic conditions, the development and design of high-quality products is undoubtedly an important task for auto companies. Today, in the field of research and development, FAW-Volkswagen not only synchronously develops the "third-generation" extension and is equipped with the exclusive equipment of China, but also takes the leading position in realizing the full range of domestic models equipped with start-stop system and energy recovery device, and applies the technology of "whole-process production of aluminum body parts" in the production. FAW-Volkswagen has formed a complete vehicle research and development system from body development, powertrain matching to chassis optimization and parts development. And the establishment of Audi Asia r&d center marks the further development of "localization" in China[6].

Theoretically speaking, localization is the basic strategic choice of transnational investment and an effective way for transnational corporations to adapt to the host country's environment, make full use of local factors and better integrate into the local market. The connotation of localization including talent localization, management localization, product localization, technology localization, procurement localization, marketing localization, brand localization, and even enterprise culture localization, almost involves all aspects of enterprise investment, production, and operation. In more than 30 years of multinational companies' investment in China, most of them have carried out various degrees of localization. In the automobile industry, localization is particularly important because of the large scale of investment, long market cycle, and strict policy requirements. Automobile manufacturers from Europe, the United States, Japan, South Korea, and other regions, without exception, have carried out the localization strategy after invested in China. But even in this context, Audi's localization strategy in China still shows its unique connotation and form, especially in the field of high-end vehicles, which is the most resolute, thorough, complete, and in-depth, and therefore the most effective and successful. Originally, on the issue of localization, the interests of China and foreign countries are not completely the same. China hopes to localize all aspects of Audi's production, parts procurement, product development, and marketing as much as possible, to realize China's best interests in technology, management, supporting, sales and other aspects.

However, Audi hopes to import as many parts as possible to earn more profits, and improve brand image. Even so, Audi's joint venture parties have successfully solved this contradiction, found a meeting point in line with the interests of both parties, implemented the localization of the whole value chain of production, procurement, and formed the FAW-Volkswagen Audi model with the highest degree of localization among the high-end automobile brands, which is in sharp contrast to the model dominated by foreign parties and mainly imported by major competitors.

#### **4.4. The Marketing Strategy**

Audi has always been committed to technological innovation, and in every model, designers and engineers can be found having spent a lot of time and energy on innovation. To allow consumers to experience the best driving experience, which gives Audi an edge when it comes to competing with other car companies. In this respect, Germany's market strategy and China's market strategy are the same. Only by improving the competitiveness of our products can companies stand firm in the market. Companies should strive for product innovation and lead the industry, instead of waiting for competitors to surpass us in technological innovation.

"Advanced technology" is not enough. Market research is needed to understand the needs of local consumers. In Europe, for example, relatively small cars and station wagons are popular because of narrow roads and weekend trips. By contrast, the path of the Chinese market is not narrow, Chinese consumers more like cars with large space, to satisfy the vanity of the Chinese, followed by the weekend is not the same as Chinese and westerners, they generally do not drive to travel, so in China sales, better models are often the space is large, such as SUV. So Audi and other successful car brands have taken advantage of that by expanding their car business in China, specifically for the Chinese market.

**4.5. The Price Strategy**

Audi's cars have a big price advantage over other comparable luxury cars. Take the Audi A6L and the BMW 5

series and Mercedes e-class of the same level for example. According to the latest data of 2020, the new Audi A6L starts from 409,800 yuan, BMW 5 series 426,900 yuan, and Mercedes E-class 429,800 yuan. According to the manufacturer's guidance price, Audi is the cheapest, while Mercedes is the most expensive. But overall the price difference is still small, so what makes Audi so far ahead? There are two reasons for this. First, although the guidance price of Audi is not much cheaper than that of cars in the same class, Audi's discount is very big, generally about 15%, while other manufacturers can not achieve this level of discount. Second, Audi's maintenance costs are lower than those of the other two manufacturers. As a result, Audi's products are more cost-effective than those of competitors, which is also a factor valued by consumers.

**Table 1. Gender**

Options	Frequency	Percentage	Cumulative Percentage
Male	35	63.64%	63.64%
Female	20	36.36%	100%
Total	55	100%	

As can be seen from Table 1 above, the respondents in this survey were mostly male, accounting for 63.64%. Suggesting that this figure is in line with normal reality.

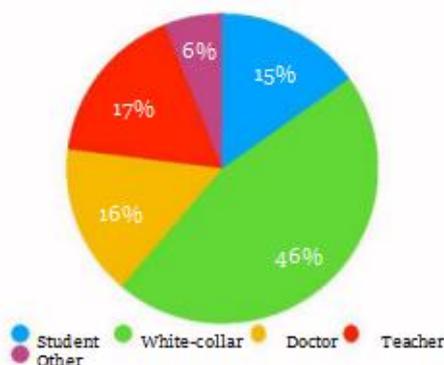
**Table 2. Annual Household Income**

Options	Frequency	Percentage	Cumulative Percentage
¥50,000 or less	8	14.55%	14.55%
¥50,000 to ¥ 100,000	17	30.91%	45.46%
¥100,000 to ¥500,000	19	34.55%	80.00%
¥500,000 and above	11	20.00%	100.00%
Total	55	100.00%	

According to Table 2 above, among the 55 respondents, 34.55% of them have an annual household income between 100,000 yuan and 500,000 yuan, and the lowest proportion

is the families with an annual income below 50,000 yuan, according to 8 families.

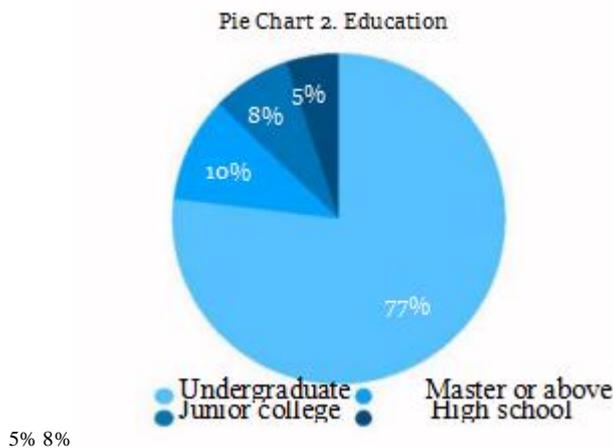
**Pie Chart 1. Occupation**



**Pie Chart 1. Occupation**

As can be seen from Pie Chart 1 above, among all occupations, white-collar workers account for the largest number, accounting for about 50% of the total. Among the remaining interviewees, the the proportion of teachers, doctors, and students is about the same, accounting for 17%, 16%, and 15% respectively. The smallest proportion is for

other occupations. Therefore the majority of Audi's car owners are white-collar workers. Indirectly, we can find that Audi's target customers are generally such consumers, Audi cars may be suitable for commuters' daily transportation needs.



**Pie Chart 2. Education**

As can be seen from Pie Chart 2 above, most Audi owners have a bachelor's degree or above, while only 13% of

respondents were less educated. From these data, we can infer that the Audi owner is highly educated.

**Table 3. Affordable Car Prices**

Options	Frequency	Percentage	Cumulative Percentage
Less than ¥100,000	4	7.27%	7.27%
¥100,000 to ¥150,000	7	12.73%	20.00%
¥150,000 to ¥200,000	11	20.00%	40.00%
¥200,000 to ¥400,000	15	27.27%	67.27%
¥400,000 to ¥800,000	10	18.18%	85.45%
¥800,000 to ¥1,500,000	5	9.09%	94.55%
More than ¥1,500,000	3	5.45%	100.00%
Total	55	100.00%	

As can be seen from Table 3 above, among all interviewees, 27.27% can afford the range of car prices between 200,000 yuan and 400,000 yuan. The types of cars in this price range are Q2, A3, Q3, S3, A4L, A5, Q5. This includes almost all models, from Saloon Cars to SUVs to performance cars. Therefore, we can know that Audi has a wide range of models in this price range for consumers to choose their

favorite cars. The next two-piece ranges with higher proportion are 150,000 yuan to 200,000 yuan, and 400,000 yuan to 800,000 yuan accounting for 20% and 18.18% respectively. The remaining four segments account for a small difference, ranging from 5.45% to 12.73%, which we believe is a niche consumption segment.

**Table 4. Your Favorite Car**

Options	Frequency	Percentage	Cumulative Percentage
Saloon Car	15	27.27%	27.27%
Sport Utility Vehicle (SUV)	19	34.55%	61.82%
Multi-Purpose Vehicles (MPV)	4	7.27%	69.09%
Sports Car	12	21.82%	90.91%
Other	5	9.09%	100.00%
Total	55	100.00%	

We can put Table 4 and Table 3 together to see that among all interviewees, a large part of them tend to buy SUVs, accounting for 34.55%, followed by ordinary cars (27.27%) and sports cars (21.82%). A few people will choose the MPV and other cars. Combined with table 3, it can be inferred that SUVs,

sedans, and sports cars in the price range of 150, 000 to 800, 000 are the largest buyers. This is also more in line with China's national conditions, in China, people prefer SUV, because SUV space is larger, can carry a lot of things, chassis distance from the ground is large, can adapt to different road conditions.

**Table 5. Car Ownership**

Options	Frequency	Percentage	Cumulative Percentage
0	15	27.27%	27.27%
1	25	45.45%	72.73%
2	10	18.18%	90.91%
More	5	9.09%	100.00%
Total	55	100.00%	

As shown in Table 5, the majority of interviewees have one car per family, accounting for 45.45%. About a quarter of households do not have a car, and finally, a quarter has two or more cars. In China, some big cities restrict the purchase of cars to ease traffic congestion and protect the environment.

So it is difficult for people living in these places to own a car and public transportation in these cities is very developed, you can go anywhere easily without a private car. It also explains why some families don't have cars or have a lot of cars.

**Table 6. Desire To Buy A Car**

Options	Frequency	Percentage	Cumulative Percentage
Within a year	13	23.64%	23.64%
One to three years	24	43.64%	67.27%
Three to five years	11	20.00%	87.27%
More than five years	7	12.73%	100.00%
Total	55	100.00%	

As shown in Table 6 above, most people plan to buy a car within one to three years, accounting for 43.64%. The number of families planning to buy a car within one year is the same as that planning to buy a car within three to five years, accounting for 23.64% and

20% respectively. However, the number of families planning to buy a car over five years only accounts for 12.73%, this kind of family have at least one car, which can meet the needs of daily transportation, they do not need to buy a car in a short time.

**Table 7. How Familiar Are You With Audi?**

Points	Frequency	Percentage	Cumulative Percentage
5	8	14.55%	14.55%
4	17	30.91%	45.45%
3	10	18.18%	63.64%
2	15	27.27%	90.91%
1	5	9.09%	100.00%
Total	55	100.00%	

Scores range from 1 to 5, 1 is not clear, 5 is familiar. According to table 7 above, how familiar are you with Audi? According to the distribution, most of the samples are "4", with a total of 17 samples, accounting for 30.91%. The vast majority of people know the brand of Audi, but they don't know much about the concept of Audi, and there are very few people who don't know about Audi. Generally speaking, Audi has done a good job in promotion, 90% of Audi users know the Audi brand.

**5. CONCLUSIONS & IMPLICATIONS**

As can be seen from the above table, most of the samples are male, 35 in total, accounting for 63.64%, and females 36.36%. Most of the samples chose families with an annual income between 100,000 yuan and 500,000 yuan, accounting for 34.55%. According to the occupation distribution, the majority of the samples were "white-collar workers", 25 in total, accounting for 46%. About 90 percent of the

people in the sample were highly educated. 27.27% of the samples chose "200,000 to 400,000 yuan". In terms of 'Your Favorite Car', the percentage of sport-utility vehicles is relatively high at 34.55 percent. About half of all households own a car and express a desire to buy a car in one to three years. More than 90% of all the interviewees knew about the Audi brand. According to the above data, we can know that Audi's positioning in the Chinese market is still very successful. It has changed the previous image of "official Car" and become the Dream Car of many young people. Audi also through product publicity, promote the company's car concept, to attract a lot of loyal consumers. Because Chinese and German people have different consumption concepts, Audi must understand China's national conditions and meet Chinese people's consumption concepts if it wants to gain a foothold in the Chinese market. Through the annual sales volume of Audi, we can easily see that Audi has already understood the consumption concept of Chinese people. Previously, most of the cars on the market were foreign-funded enterprises, few of which were Chinese brands. However, with the rapid development of China's science and technology and economy, there are many emerging Chinese brand cars on the market, and there are certain markets overseas. They can learn from Audi's market strategy and make a reasonable market strategy. First, they should make clear their target customers, second, they should know the market positioning of their products, and then they should make certain localization changes to the products according to the local market. Finally, success is not far from you.

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