



# Improving GM and Tesla's Declining Sales in China Based on SWOT Analysis

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**Abstract.** With the development of science and technology, consumers have higher and higher requirements for automobiles. Environmental protection issues, price issues, cost issues, and enterprise transformation issues are all issues that need to be considered in the current automobile manufacturing industry. At the same time, the new crown epidemic and changes in government policies have brought an impact on the development of the automotive industry. This paper selects the cases of General Motors and Tesla sales in China to explore why the sales of traditional vehicles will continue to decline and how to develop new energy vehicles. It is hoped that the comparative analysis of these two auto industry giants, will help more auto manufacturing industries to understand the current development of the industry, and put forward corresponding opinions and suggestions to prepare for the development of subsequent enterprises.

**Keywords:** Traditional vehicles · New energy vehicles · Sales · SWOT

## 1 Introduction

In recent years, with the spread of the new crown epidemic around the world, some countries have imposed restrictions on the travel of people and globalized trade, which to a certain extent has made the supply chain of the automotive industry very tight, and the price of raw materials has risen. At the same time, in China, many industries have been shut down due to the epidemic, many consumers are facing pressure from unemployment and employment, and market sentiment is not high. During this period, General Motors, and Tesla, which dominated the Chinese auto industry market, were particularly affected. Especially with the rapid consumption of petroleum resources and the aggravation of environmental pollution, the application of new energy in the automotive industry has rapidly spread, coupled with the government's requirements for environmental protection and industry transformation, the traditional automotive industry is facing huge sales pressure, especially The vigorous development of some low-cost new energy vehicle companies has intensified competition in the already saturated auto market. In the face of market changes and the emergence of new competitors, the

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first problem faced by General Motors and Tesla, the leaders in the Chinese auto market, is the continuous decline in sales. They have also introduced countermeasures to these phenomena. Expect to win the favours of consumers again. This article is based on their respective development status and countermeasures, using the SWOT analysis method, to analyse what are the current competitive pressures they are facing, what are their respective development advantages and disadvantages, and put forward corresponding solutions for them to better cope with the competition.

The purpose of this study is to analyse why the sales of General Motors and Tesla in China will decline and to put forward personal opinions and suggestions on their policies to deal with the decline in sales, to promote the optimization and upgrading of the traditional automobile industry.

To further explore the research field, this paper mainly studies the following three questions:

First, what are the reasons for the decline in sales of GM and Tesla in China? Second, comparing GM and Tesla, what are their respective advantages, disadvantages, opportunities, and challenges in stabilizing the Chinese market? Third, how can GM and Tesla better deal with the problem of declining sales in China?

This paper mainly adopts the literature review method to investigate the sales changes of General Motors and Tesla in China in the past five years. A review of the literature and related data can explain whether GM and Tesla's response policies are effective in recent years and whether these two companies are effective in grasping the needs of the Chinese market and the internal and external environment of the company. The SWOT analysis method is adopted in the selection of specific methods to ensure that most of the risks and challenges are considered in combination with the own advantages of the two companies as much as possible when making comments and suggestions.

This article is mainly divided into 5 parts. The first part is an overall background introduction to the decline in sales of General Motors and Tesla in China, and the purpose of the paper, research problems and research methods are clear. The second part is about GM's development in China will be introduced in the background, relevant market data will be displayed, and the evaluation of the policy to deal with the decline in sales will be introduced; the third part will be the background introduction of Tesla's development in China, the display of relevant market data, and the evaluation of the policy in response to the decline in sales. The fourth part is to compare the similarities and differences between General Motors and Tesla in the process of responding to market changes, analyse the reasons for these current situations, and propose solutions for the current situation; fifth, for the above A summary of the analysis and an analysis of what impact this research has had and what future efforts are hoped for.

## 2 General Motors Case Introduction

General Motors is one of the largest automobile companies in the world, founded in 1908. General Motors has been in China for more than 90 years, and the company hopes that its development in China can join hands with strategic partners to become the best participant and supporter of China's auto industry [1]. In 2020, GM's retail sales in China exceeded 2.9 million, a 6.15% drop from 3.09 million in 2019. Although the company's

operating income will reach US\$136.341 billion in 2021, a year-on-year increase of 7.23%, the retail sales data in the Chinese market in the first quarter of 2022 will total 610,000 vehicles. This figure is down 21.8% year-on-year compared to 780,000 in the first quarter of 2021. Regarding the reasons for the year-on-year decline in sales in the first quarter, GM mentioned that its business in China was challenged by the repeated COVID-19 epidemic and chip shortages and other external environments [2]. Next, GM will work with partners and suppliers at the global level to launch emergency plans to promote the orderly operation of the company's business in China. GM's brands will also respond quickly and wholeheartedly providing consumers with high-quality products and attentive services. In response to the changes in the Chinese market, GM mentioned a very important point in the 2021 Sustainability Report is "leading the smart electric track". GM's plan for electrification strategy is: From 2020 to 2025 By 2025, GM will invest \$35 billion in electric vehicles and autonomous driving globally, and by 2025, GM will have a production capacity of more than 1 million electric vehicles in the Chinese market.

### 3 Tesla Case Introduction

Tesla is a well-known American automotive and clean energy company that produces and manufactures electric vehicles. It is leading a revolution in electric vehicles. Tesla implements their innovative corporate approach and continuously develops new models to respond to market trends and changes. The company has long-term plans and goals for the company's future core development and has achieved long-term high financial returns. Tesla's market share has continued to grow since Tesla launched the first Model S in 2012. Tesla continues to develop new electric vehicles and build factories through the profits of the Model S. Tesla transformed itself into a vertically integrated energy company after acquiring SolarCity, a U.S. supplier of solar power systems that sold and installed solar energy generation systems as well as other related products and services to industrial customers (Wikipedia). Tesla can offer consumers everything from clean energy-powered vehicles to clean energy products. Tesla has built a new production line, the Gigafactory, in Shanghai. Tesla (China) Co., Ltd. was established in 2018 and the company is in Shanghai, China. Since its listing, Tesla has gradually achieved localization of its models in China with the help of its super factory in Shanghai. At the same time, Tesla's price reduction policy has also led to a substantial increase in Tesla's sales. According to the sales data released by Tesla, Tesla's annual cumulative sales in China in 2020 will be 499,500 units, basically achieving the annual sales target of 500,000 units. The company has built a dense charging network spanning east-west and north-south in China, covering most key cities. The latest data shows that as of January 2022, Tesla has exceeded 700 supercharging stations in China, the number of super-charging piles has exceeded 5,700, and the charging network has covered 300 cities in mainland China. In addition, in 2021, Tesla will invest in the construction of a supercharging pile factory in Shanghai that integrates R&D and production. This move will accelerate the popularity of V3 supercharging piles, the world's top charging equipment, in China. In 2021, the cumulative retail sales of Tesla in China will be 320,743 units. Compared with the same period in 2020, the cumulative retail sales of Tesla in China will be listed

by 133.3%. However, after entering January 2022, Tesla's sales have declined more seriously. According to data from the China Passenger Transport Association, in January 2022, Tesla's monthly retail sales in China were 19,346 units. Compared with the sales of 70,602 units in December 2021, retail sales fell by 72.59%. Obviously, unlike the overall rapid growth of new energy vehicles, Tesla China's sales in January 2022 are not very good. As a result, Tesla is accelerating the transition to sustainable energy through electric vehicles, solar panels, and comprehensive renewable energy solutions for homes and businesses. Through the calculation of Tesla's financial report in 2021, Tesla's leverage ratio, business risk, and WACC are indicators with high reference significance. The Leverage ratio is obtained by comparing the company's level of debt to asset in its balance sheet. Tesla's leverage ratio of 49% is lower than the automobile industry's average leverage ratio of 80%. Typically, companies in the traditional auto industry leverage ratio are around 80%. This is because the automobile industry is an industry with relatively high total fixed assets, and at the same time, automobile companies will invest more in factory construction and equipment installation. Companies will not spend all their liquid cash to invest in factory construction and R&D, they will prefer loans to ensure liquidity. This lower leverage ratio is due to Tesla's adjustment of the capital structure in recent years and this number will increase in the future due to Tesla's acquisition of Twitter. Business risk, also called asset beta, is an important reference indicator to compare. Asset beta calculates the volatility of returns for a company and this metric removes the debt effect on the company. Tesla's asset beta obtained by unlevered from equity beta and the result is 2.19. The meaning of this value is that Tesla's asset has returns that are 219% as volatile as the market. This is a relatively high-risk company for the automobile industry. The weighted average cost of capital (WACC) is a method of calculating the company's cost of capital based on the weighted average of the total capital sources occupied by various types of capital. Tesla's calculated WACC is 6.7%, which is higher than another comparison object. Typically, a higher WACC means there are more risks associated with a firm because the company is paying more for the capital. When the risk of an investment increases, investors usually tend to demand more returns to reduce their possible losses.

## 4 Comparisons of Internal and External Environments

### 4.1 SWOT Analysis

Through comparison, we found that the two companies mainly face two problems in the development process: first, the decline in sales of traditional vehicles; second, the development of new energy vehicles faces pressures from technology, cost, and market competition. Next, we conduct a specific comparative analysis through the SWOT analysis method. Table 1 and Table 2 present the results.

**Table 1.** SWOT Analysis of General Motors

<b>Strengths</b>	<b>Weaknesses</b>
<p>(1) Cost advantage brought by large-scale production: Shanghai GM now has three main production bases in Shanghai Pudong, Yantai and Shenyang, and through a series of mergers and acquisitions, the production capacity and production efficiency of the company have been greatly improved, and the original traditional automobile industry has a strong foundation, the cost of developing the new energy automobile industry is lower than that of other local companies, and the economies of scale are obvious. Gautham, Nagesh, and Chelsey, 2015 [3].</p> <p>(2) Differentiation advantages brought by multi-brand strategy: Shanghai General Motors is the first enterprise to implement a multi-brand strategy among Chinese multinational enterprises. And Chelsey, 2016 [4].</p> <p>(3) Make full use of the traffic brought by new media for publicity: General Motors has adopted a new way of publicizing its products, which is to advertise with in-vehicle videos using public transportation such as subways and buses, in these public areas., the ad's audience has grown substantially;</p>	<p>(1) The technical level needs to be improved: Although GM has the experience and technical team in the R&amp;D and manufacturing of traditional vehicles, new energy vehicles have gradually become a trend in market development. Manufacturing requires many R&amp;D personnel to carry out technical research and development</p> <p>(2) General Motors entered the Chinese market relatively late, with the rise of local auto companies with high-cost performance, the development of the high-end auto market is difficult, and it must choose the Red Sea market for competition</p> <p>(3) During the use of new energy vehicles, a stable public charging device with a reasonable distance is required. Compared with Tesla, Tesla vigorously develops public charging equipment while developing new energy vehicles. Investment in infrastructure is relatively low</p> <p>(4) The new energy vehicle is still in the research and development stage. The huge capital investment makes the product price higher, and the performance of the vehicle needs to be improved in all aspects. Therefore, consumers are not very accepting of this type of vehicle.</p>
<b>Opportunities</b>	<b>Challenges</b>
<p>(1) The Chinese government's strong support for environmental protection and sustainable development of industries: Since the exhaust gas emitted by traditional vehicles is the main factor of environmental pollution, the government vigorously calls for industrial upgrading and transformation, and provides some policy support for the new energy industry</p> <p>(2) The shortage of petroleum resources makes the new energy industry the only way to transform the traditional automobile manufacturing industry</p>	<p>(1) To curb the spread of the new crown epidemic, the Chinese government has implemented a strict closure and control policy, which has seriously affected the production of the automobile manufacturing industry.</p> <p>(2) With the rapid development of globalization, auto manufacturing and local auto companies in other countries have sprung up one after another, and GM is under enormous competitive pressure.</p>

**Table 2.** SWOT Analysis of General Tesla

<b>Strengths</b>	<b>Weaknesses</b>
<p>(1) Advanced technology: Tesla has been leading the world in the technology research and development of new energy vehicles, especially the mature battery management system, which has the advantages of high energy density, high safety factor, and recyclable charging.</p> <p>(2) Perfect charging facilities for new energy vehicles: In the process of research and development of new energy vehicles, Tesla simultaneously builds charging facilities, which is unmatched by other new energy vehicle companies.</p> <p>(3) Clear product positioning: Although Tesla entered the Chinese market late, its product positioning is to develop the market for new energy vehicles</p>	<p>(1) Compared with traditional cars, the sales price of electric vehicles is higher, which has certain purchase pressure on most consumers [5].</p> <p>(2) The manufacturing cost of new energy vehicles is relatively high. Electric cars are in the growth stage and have higher requirements for technology and talents in the development process [6].</p> <p>(3) The power grid of EV charging stations is limited [7]. Currently, there are no regulations on EV development technology, charging infrastructure and legislation in various countries.</p>
<b>Opportunities</b>	<b>Challenges</b>
<p>(1) New energy vehicles are in the growth period and have great market potential</p> <p>(2) Strong support from Chinese government policies: Currently, the Chinese government is continuing to promote the sustainable development strategy. Sustainable development is to achieve the harmonious development of man, nature, and the economy. Therefore, the government of environmental protection projects will give certain tax incentives and welfare policies [8].</p>	<p>(1) To curb the spread of the new crown epidemic, the Chinese government has implemented a strict prohibition policy, which has seriously affected the production of the automobile manufacturing industry [2].</p> <p>(2) With the rapid development of globalization, the automobile manufacturing industry and local automobile enterprises in other countries have emerged one after another, and the competition pressure of new energy vehicles is great.</p>

## 4.2 Comments and Suggestions

### (1) How to Deal with the Decline in Traditional Car Sales?

Through the SWOT analysis of the two companies, we found that, on the one hand, the decline in sales of traditional automobiles is a requirement for product replacement; There is great pressure. Therefore, to alleviate the pressure in this regard, the traditional car needs to change the way of publicity [9]. For example, General Motors uses the TV of public transportation for advertising, which is very effective at low cost and high efficiency. At present, the informatization of society is very developed, and it is more effective to pay attention to the propaganda function of the media than to manually distribute leaflets. At the same time, we can also find that due to the rapid development of the Internet, the new online and offline sales model has gradually been favoured by

consumers. Especially under the influence of the new crown epidemic, the traditional automobile industry must also keep up with the requirements of the development of the times, use big data to mine customers' preferences faster and more accurately, and carry out precise marketing.

## (2) How to Promote the Development of New Energy Vehicles?

As the future development trend of new energy vehicles in the automobile industry, each automobile manufacturing company must first conduct market research to determine the acceptance of new energy products by consumers, and to clarify the development direction of new energy vehicles in the future. At the same time, increase technical and financial support for new energy vehicles [10], and reduce costs by improving technology and large-scale production as soon as possible. Finally, do a good job in product positioning, and based on fully understanding the advantages of your products, reasonably configure the attributes, price, production volume, etc. of the car, to better attract the attention of consumers.

However, it is not enough to ensure that the company implements the correct sales strategy. Under the trend of globalization, it is very necessary to maintain a state of strategic alliances between parent companies and subsidiaries and between different industries. Mutual joint ventures, cooperation, acquisitions, and mergers among various enterprises can effectively improve the competitiveness of enterprises. The automobile manufacturing industry is a huge social and economic system engineering. Different from ordinary products, automobile products are a highly integrated final product, which requires the organization of professional and collaborative socialized large-scale production and requires related industrial products to be matched with it. Only by improving the efficiency of cooperation, to ensure the stability of the supply chain. Of course, in this process, the government must also play an active role, actively support the development of the new energy auto industry, stabilize the market, reduce unemployment, increase residents' income, and ensure that consumers can consume to make the auto industry prosperous development. To sum up, improving the level of automobile sales and developing the new energy industry requires the joint efforts of the government, enterprises, and society.

## 5 Conclusions

Through research on General Motors and Tesla, we found that they face the same pressure from changes in the market environment and risks arising from their own strategic decisions in the process of development. To deal with these risks, they put forward their coping strategies. At the same time, they have their competitive advantages. Through the SWOT analysis method, we conducted a comparative analysis of the advantages, disadvantages, opportunities, and threats of the two companies in the two major problems of declining sales of traditional vehicles and strong competition pressure for new energy vehicles, and proposed solutions to these two problems. Through comparison, we also found that as giants in the automobile industry, their respective successful experiences are worth learning from both parties [11]. I hope that through this research, the

theory about multinational companies' response to market competition can be enriched. In the future, I also hope that the epidemic can be concluded as soon as possible so that the automobile manufacturing industry has a broader development space. At the same time, these enterprises can also reduce costs, improve quality, and promote the vigorous development of the automobile industry while continuously improving production technology.

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