

# Sustainable Development Strategy Based on FAW Bestune Automobile Industry: Focus on PEST Model Analysis

Haoyuan Du\*

Department of Languages and Literature, Harbin Institute of Technology, Weihai, China

\*Corresponding author: 18404026@masu.edu.cn

**Abstract.** With the advocacy of green and low-carbon development and the concepts of carbon peaking and carbon neutrality, new opportunities and challenges have emerged in the automobile industry as an important industry of the national economy. Data comes from the Association of Automobile Manufacturers and the Passenger Car Market Information Association to analyze the sustainable development of FAW Bestune. Judging from the research results, FAW Bestune as a veteran car company still has powerful competitiveness in China, but with the development of intelligent networked vehicles and the transformation of the automotive industry, the company is facing severe challenges as well. This article can provide ideas and references for the sustainable development of Bestune and other domestic auto companies.

**Keywords:** Sustainable Development, FAW Bestune, PEST Model.

## 1. Introduction

As an important industry of the national economy, the automobile industry has always been at the forefront of China's economic development, the automotive market is also in a completely open, competitive environment [1]. At the same time, 2022 is an extremely severe year for China's economic development. From an international perspective, the COVID-19 epidemic is normalized, the growth rate of the world economy has significantly slowed down, and trade frictions between China and the United States have also increasing. From the perspective of the domestic situation, the demand for automobiles in the market has weakened, the differentiation of car brands is serious, the development of independent brands also severely restricted, The polarization of auto brands has increased significantly. Therefore, under such environmental conditions, automobile companies should actively seek breakthroughs in high quality and sustainable development, and designate a complete corporate sustainable development strategy to avoid being eliminated from the competition [2].

In order to further explore how Chinese national auto companies deal with this crisis, domestic and foreign relevant research literature has high reference value. In the existing literature, there are many researches on company sustainable development strategies. Yang states that government should focus on the establishment of various functional index systems for the development of sustainable automobile economy [3]. However, the Chinese auto market not only faces competition from foreign auto companies, but also faces the realization of energy-saving emission reduction policies and carbon neutrality goals. Therefore, while ensuring the competitiveness of auto products, it should ensure the impact of products on the environment as well. According to Wu, under the conditions of carbon neutrality, carbon emission constraints are an important factor affecting the development of automobiles, at the same time, based on the principles of the DPSIR model and the system attributes and development environment of automobiles, and the indicators in this model has systematically evaluate [4]. Olsson reports that to comply with both the ambitious United Nations goals and step-by-step stringent emission regulations, innovative and economically viable catalytic systems will be a key element in meeting these challenges [5]. Various companies have adopted different solutions to deal with the above problems. Volvo is the first automaker to propose a Sustainable Technology Day in China, and has also joined the World Economic Forum's Alliance of CEO Climate Leaders, play an active role in sustainable development [6]. Gao bring inspiration to China's own auto brands by learning from Toyota's development history and the Toyota Production System (TPS) is very

popular for Chinese enterprises. Science and engineering students will learn relevant content in the "Engineering Business Administration" course at the undergraduate level. and philosophy are the common beliefs of all employees of the enterprise. The Toyota Production System is an overall system involving society, humanities, economy, ethics and technology [7].

This paper uses FAW Bestune as the subject of this study to explore the sustainable development strategy of Bestune as a national brand, in addition, we also includes the analysis of the market environment of Bestune and the formulation of sustainable development strategies. Provide theoretical basis for sustainable development of domestic automobiles.

## **2. Data and methods**

### **2.1. Data**

FAW Bestune Company, affiliated to China FAW Group, is a subsidiary of FAW Group. The company was formerly known as FAW Car and was established in Changchun High-tech Industrial Development Zone in 1997. There are five SUV products, three sedan products and two new energy vehicle products. In 2018, the new Bestune LOGO was released, named "Window of the World", which means that Bestune Motors has entered a new era. There are more than 7,000 employees and the company's revenue in 2019 is 27.664 billion yuan. The company has a complete process workshop and cooperates with many well-known universities. The sales volume has increased by 3.11% in the context of the downturn in the automobile market. Due to the increase in procurement costs, the net profit has declined severely. As a pioneer of autonomous passenger vehicles in China, it has experienced many problems in recent years, such as declining profits, large fluctuations in sales, lack of core technology and product quality issues, which will affect the company's future sustainable development.

### **2.2. Method**

In qualitative research, This paper analyzes the external macro environment of FAW Car Company through the PEST analysis model, As a huge and complex system, the automobile industry has many disturbance factors, which lead to many uncertain factors in the analysis of the sustainable development of the automobile industry. PEST model analysis focuses on the company's ability to adapt to the external environment. Screen out four key factors, including political and legal environmental factors(P), economic environmental factors(E), cultural environmental factors(S) and technical environmental factors(T) for systematic analysis, and find a feasible and sustainable development direction analysis method. The political environment includes national policies and strategies. Government policies comprehensively affect the company business behavior. Interventions in the automotive field have been increasing over the years. The government regulates the market by issuing policies and regulations. Companies need to judging and analyzing long-term and short-term policies and fully understanding the existing regulations are the basic prerequisites for enterprises to survive and compete in the market. The economic environment mainly includes macro and micro aspects. For the automobile industry, the macroeconomic environment mainly refers to a country's national income, gross national product and its changes, as well as the level and speed of national economic development that can be reflected by these indicators. The microeconomic environment mainly refers to factors such as the income level and consumption preferences of consumers in the region where the enterprise is located or served. These factors directly determine the current and future market size of the company. The sociocultural environment includes the education level, religious beliefs, aesthetic views, and values of the residents of a country or region. The technical environment for the future automotive industry mainly refers to the intelligent networked vehicles that require the integration of a huge number of new technologies, including the three core technologies of information platforms, communication networks and intelligent terminals. The control in the fields of chips, communication service support, and software services is the key to a sustainable future for the automotive industry.

### 3. Results

#### 3.1 Political environment

Since October 2021, the government has successively formulated a series of relevant policies related to the automotive industry, such as digital transportation development plans, industrial green development plans, and green transportation development plans. It mainly focuses on improving the core competitiveness of the manufacturing industry, including new energy and intelligent networked vehicle projects, and breaking through key technologies such as high-safety power batteries for new energy vehicles. At the same time, the activities of new energy vehicles going to the countryside will be carried out, and auto companies will be encouraged to develop and promote vehicles suitable for the travel needs of rural residents. In recent years, China's ecological civilization construction has entered the direction of focusing on low-carbon environmental protection, promoting the transformation of economic and social development to green civilization, and continuously reducing the emission intensity and total emission of carbon dioxide. At the same time, it deploys information infrastructure application networks such as Beidou and 5G, promotes the application of wireless communication technology for vehicles, strengthens the inspection of vehicle emission pollution, and puts forward strict policies and clear development directions for the automotive industry.

Under the current policy, the new energy vehicle industry has developed rapidly, which has promoted the rapid development of a number of new energy vehicles, such as Xiaopeng, Weilai, BYD and Tesla [8]. Among them, domestic car brands are mainly made by famous people in the automobile industry or the Internet industry. Accurately grasped the policy, made a lot of profit in a short period of time. The speed of Tesla entered the Chinese market as a foreign car brand is surprising. The construction of the Shanghai plant started in 2019, and the cumulative sales in 2020 will reach 130,000 vehicles [9]. The above brands will bring the development of new energy vehicles to FAW Bestune great pressure and competition.

#### 3.2 Economic environment

The global economy has been severely affected by the COVID-19 epidemic. According to estimates by the World Bank, the average growth rate of the world economy in 2020 was -5.2%. China is the only country with positive economic growth, indicating that our country's economic development remain strong, but the auto market continues to three years of negative growth, according to data from the National Bureau of Statistics, China's passenger car production in 2020 will be 19.518 million units and sales will be 19.38 million units, a decrease of 8.6% compared to 2019, and a decrease of 9.6% in sales. The competition in the domestic auto market has become increasingly fierce, but the overall level has stabilized.

**Table 1.** Comparison of car brands

Brand	FAW Bestune	BYD	Tesla	NIO	Leading ideal
Established	2006	1995	2003	2014	2015
Partner	FAW	HKSCC Nominees, Berkshire Hathaway Energy	Capital World Investors, Baillie Gifford	Tencent, Hillhouse Capital	Tencent, Baidu, Sequoia Capital
Car model	B70 T99 E05	Han Song PLUS Song Pro	Model 3 Model X Model Y	ES8 EC6 ET5	ONE
2021 Total revenue (billion)	27.6	216.1	48.3	36.1	27.0

Due to the impact of the epidemic, FAW Bestune's annual net profit dropped by 74.05% compared with the previous year, hundreds of car models are launched every year, and it is difficult to guarantee the annual sales growth. At the same time, because the brand power is not as good as that of joint venture cars, the configuration of models at the same price is often higher than that of joint venture cars, which leads to rising costs and declining profits. While BYD Auto's profit in 2020 increased by 163.20% by controlling R&D expenses, management expenses and the promotion of new new energy vehicles, has achieved substantial growth in such a fierce market competition environment [10]. FAW Bestune has high product costs due to insufficient core technology reserves, the company's operating costs and material procurement costs have increased. Although sales have increased, profits have declined. At the same time, due to insufficient marketing capabilities, company is not attractive enough to young people, so it is necessary to invest a lot of resources to accelerate the research and development of new energy vehicle technology, and at the same time reduce the manufacturing cost of the whole vehicle to increase the net profit.

### 3.3 Social environment

With the gradual increase of Chinese cultural self-confidence, more and more Chinese people like and support traditional culture and national brands. This not only reflects that the current cultural consumption has been improved from material consumption to spiritual consumption, but also reflects the continuous trend of Chinese culture towards self-confidence [11]. In the process of self-improvement, China's own auto brands will have better market and development space. But as the population continues to increase, more and more residents are pouring into the city. In 2020, China's urbanization level will reach 60%, and the resident population will reach 848 million. The influx of a large number of people will have a great impact on the daily life of urban residents, such as the problem of road congestion in the morning and evening rush hours of daily commuting, the increase in the number of cars causing problems of vehicle emissions, imperfect parking facilities and limited parking spaces also affect the development of the automotive market.

FAW Bestune has a history of more than ten years since its establishment in 2006. As one of the representatives of China's domestic cars, the purchase of the Bestune brand by the public is still unsatisfactory, and there is still a big gap between the sales volume and FAW-Volkswagen, FAW Toyota and FAW Mazda. At the same time, other domestic brands such as Geely Lynk and BYD have achieved considerable sales. The main reason for the lag in sales and development of FAW Bestune is the lack of brand recognition. The car logo is of great significance to the car brand. The frequent replacement of the car logo requires consumers to identify and recognize the new brand, which will affect the product's recognition in the hearts of consumers. and status. As the main force of contemporary consumption, young people know more about new technologies and the automobile industry, and pay more attention to the cost performance and innovation of automobile brands. For new energy vehicles and batteries, BYD has established a firm foothold in the new energy vehicle market by launching new blade battery models [12]. Therefore, Bestune Motors needs to increase investment in the field of new energy and attract more young people by improving cost performance and developing high-tech , gain a firm foothold in the youth market. Cars are an essential product in the new era, and safety issues are often the primary factor for residents to consider. It is understood that body parts such as engines and gearboxes of Bestune cars are frequently complained due to their high failure rate. Over 110,000 Bestun X40 have been recalled due to the risk of flame failure or even fire, such a huge safety issue will inevitably affect the brand's status in the minds of consumers. Therefore, the safety of automobiles is also a key factor affecting the sustainable development of the automotive industry.

### 3.4 Technical environment

In recent years, automobile technology has undergone drastic changes and development. The new four modernization routes of automobiles have become the research goals of major auto companies around the world. The new four modernizations refer to electrification, networking, sharing and

intelligence. Electrification is represented by electric vehicles, including power batteries and management systems. Networking is represented by the Internet of Vehicles. Realize various functions and services after the vehicle is started, such as the Zebra car system built by SAIC and Alibaba, which can realize functions such as online navigation, online music, and online query. Based on big data and cloud platform, sharing is based on big data and cloud platforms to create new mobile travel. Technical means, mainly aimed at breakthroughs in automotive GPS positioning and vehicle safety technology, intelligentization is represented by driving assistance and autonomous driving related technologies, and autonomous driving technology is centered on technologies such as sensor accuracy, computing algorithms, and computing platforms, and gradually realize the intelligentization of the automotive market.

Bestune has a complete and advanced manufacturing workshop for stamping, welding, painting, and final assembly, with a high degree of automation and an annual output of up to 300,000. The third-generation Bestune B70 is designed and developed using the latest FMA platform, and its performance and styling are well received. Consumers love it. It is equipped with a 1.5T engine and a seven-speed dual-clutch gearbox, taking into account both power and cost performance. At the same time, the pure electric vehicle E01 has a cruising range of more than 450 kilometers and is equipped with L3-level automatic driving. The SUV series provides face recognition, remote control, and AR navigation. and other functions, showing the high-tech attributes of Pentium cars. However, with the continuous decline of the auto industry, domestic independent brands have continued to increase their investment in new energy and high-tech products. Compared with independent brands, joint venture brands have a higher value preservation rate. Faced with the competitive pressure of joint venture brands, independent brands often Competing by lowering prices has resulted in more intense market competition and a gradual decline in profits. Therefore, FAW Bestune should continue to increase research and development of new energy and high-tech, improve its competitiveness in the market, and ensure the sustainable development of automobile brands.

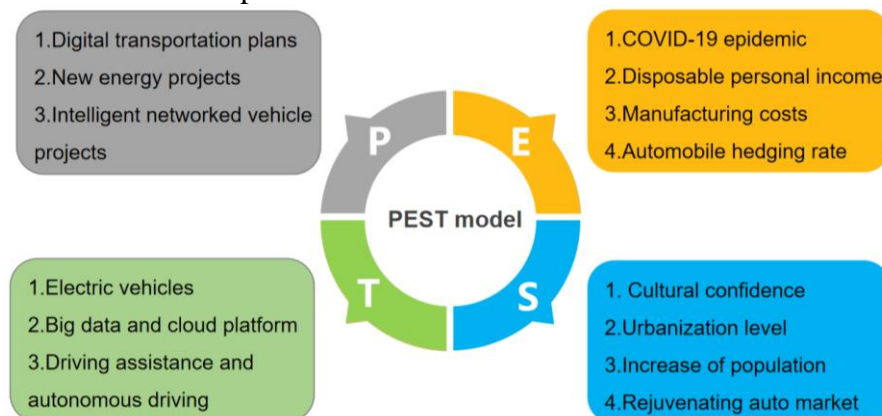


Figure 1. PEST model analysis based on FAW Bestune

#### 4. Conclusions

The purpose of this article is to use PEST model to analyze the advantages and disadvantages of Bestune as a Chinese independent research and development brand, to provide theoretical guidance for Bestune's future development trend and sustainable development plan. In fact, the research in this paper shows that Bestune is indeed facing many opportunities and challenges such as poor sales and low profitability and made an analysis, put forward corresponding sustainable development strategies for different problems, and analyzed the automobile industry from the four dimensions of the PEST model. The external environment, market situation and core competitiveness, we concluded that the company's advantages lie in a certain brand foundation, strong shareholder strength, fast model launch, and competitive disadvantages lie in brand aging, safety issues, low profits and other issues. This paper believes that FAW Bestune should seize the future leading models such as new energy vehicles

and smart cars, strengthen the penetration of brand culture, increase investment in research and development, and continue to develop new energy technologies and intelligent connected vehicles. As one of the domestic auto brands, Bestune's advantages and disadvantages can be used as a reference for other auto companies, thereby promoting the progress of the entire domestic auto industry.

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