Analysis of Marketing Strategy of NIO’s New Energy Vehicles

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Abstract. Based on the two problems of energy security and ecological environment, China’s new energy automotive sector as an important developing industry to expand in light of the growing global energy crisis, environmental pollution, and driving safety challenges. NIO’s new energy enterprises were established in this context in 2014. In the case of the expansion of the new energy vehicle market and gradually stronger competition, NIO has stood out and become one of the leaders of China’s new energy vehicle industry. Based on this, the research evaluates the marketing strategy benefits of NIO’s new energy vehicles, which are high-quality service and unique brand marketing strategy, and lists the marketing plan’s shortcomings in terms of three categories: product, pricing and channel, and makes pertinent recommendations. It offers strategies for the long-term operation of NIO’s new energy vehicles, references for improving the marketing plans of new car-making forces, helpful pointers for modernizing and transforming the marketing plans of traditional car companies, and some inspiration for developing the marketing plans of new energy vehicle companies.

Keywords: NIO; electric vehicles; marketing strategy.

1. Introduction

Nowadays, environmental protection has become one of the serious problems faced by mankind. With people’s increasing concept of environmental protection, more and more people choose to buy new energy vehicles (EV). In China, there is a big market for new energy vehicles. From one report, China sold 3.52 million new energy cars in 2021, accounting for 13.4% of the global market and continuing its seven-year reign as the world leader [1]. Therefore, the new energy vehicle market in China has entered a phase of rapid growth, and competition has been escalating. In the past five years, the number of new energy vehicle enterprises increased by 248% [2]. At the same time, the automobile industry is undergoing a digital transformation as a result of the gradual implementation of digital technologies like big data and artificial intelligence in this sector. In order to stand out from the fierce competition, an excellent marketing strategy determines the market share of automobile enterprises to a large extent.

In this study, the author chooses Nio as an object of study, which has a unique marketing strategy. To be specific, Nio views service as an intangible product, develops high-quality models, offers customers the ultimate full experience service around the automobile, and its service-oriented marketing strategy has helped it to become competitive in the market. The strategy makes Nio become a leader for a new generation of automakers by standing out amid many rivals. Since the delivery of users in 2018, the delivery volume has climbed from the initial annual average of 11,348 units to 91,429 units in 2021, and has continually increased at an annual growth rate of 96% per year, according to official data [3]. Nio puts its service in a high place and develops high quality car models at the same time, by using their online app and offline store called Nio House, combining its customers with the brand tightly.

In such a competitive market environment, Nio can still be one of the bellwethers, proving the efficiency of its marketing strategy. Therefore, Nio provides a good example for other burgeoning EV brands. This study conducts a thorough analysis of the benefits of Nio’s marketing strategies based on the current state of new energy vehicle development in China, identifies current issues and shortcomings, and offers relative recommendations as a result. The research method of this study is documentary analysis and the target of this study is to help Nio keep sales leading for a long time and ensure the continuous increase of profits, also provides reference ideas for new EV brands.
2. About NIO

2.1. The Background of NIO

NIO is a new energy automobile brand in China, which was founded in 2014. It is one of the leaders of the development of new energy vehicles in China. At present, nine models were introduced and they are ET7, ET5 Touring, ES8, ET5, ES5, ES7, EC7, EC6 and EP9. The margin for price adjustment is from 298,000 ¥ to 656,000 ¥. The brand has a unique power change method called BaaS (Battery as A Service), which means when the car is running out of battery, it does not have to charge by a charging pile and wait for a long time. The driver just drives the car to the converter station and change a fully charged battery there, which is really convenient. This method is strongly promoted by the country.

2.2. The Status of the Development of NIO

NIO was one of the best-selling new energy vehicles in the past few years. NIO was admitted to trading on the New York Stock Exchange on September 12, 2018. NIO (NYSE: NIO) was formerly valued at more than $10 billion as of September 15, 2018. After the introduction of Nio’s new model ES8, NIO sold 15,264 vehicles in total by the end of February 2019, more than four times the number of domestic MODEL X sales made by Tesla at the same level [4]. In 2022, the brand’s revenue was 49.3 billion.

2.3. The Brand’s Main Consumer Group

From the research of the official website, Nio’s main consumer group is families with certain assets, young people who pursue novelty, and female groups. Also, most of the consumers own another fuel vehicle and they have a sprite of adventure to try EVs. Most new energy vehicle owners are between the ages of 30 and 35, have some level of financial stability and social experience, and enjoy sharing their opinions on social media in order to interact with others [5].

3. Analysis of NIO’s Marketing Strategy

3.1. NIO’s Service

NIO's service has always been praised by its customers. That is because NIO and users have a more cooperative relationship than the customary one of buying and selling. The waiters in Nio House are called “Fellow”, they are responsible for every demand made by the customers. They provide meticulous service, from pre-sale to after-sale, even to help sell used cars, throughout the entire life cycle of the car. In addition to selling products, it has created a number of platforms for users, such as parent-child events and training camps for car owners, which have enhanced users' perceptions of corporate involvement and deepened their comprehension of corporate values and are supportive of the ongoing implementation of marketing strategies. Therefore, by research, 60% of orders come from regular customer referrals. NIO creates a connection of trust between the brand and new customers using existing customers as the medium [6].

3.2. NIO’s Brand Marketing Strategy

The main principle for NIO’s brand marketing strategy is to build a high-end brand image, and then use brand value to empower down. The brand’s image is really important for customers to decide whether they will choose this brand’s product the brand to exist in the market. Therefore, NIO chooses to build it high-end brand image at first. In 2014, at the beginning of the establish of the company, NIO found a NIO 333 FE Team and win a championship in 2014, which was an exciting news for domestic fans. As a result, NIO made its brand famous in China even though it did not produce commercial vehicle. Then in 2015, First of all, NIO put its own "NIO" brand conference in London and released the "world's fastest electric supercar" EP9 at the same time to establish a high-end brand
image. Then it will launch the mid-end electric vehicle ES 8, and it is planned to launch the entry-level electric vehicle after that, establish a high-end brand image with EP9, and then empower the brand value downward to achieve large-scale sales. The last step is in recent years, NIO released more models that are cheaper than ES8, to make its product line more suitable for the market. Customers appreciate the high-end image of NIO, and they prefer to buy the brand’s cheaper cars.

3.3. NIO’s Price is Too High

When people buy something, most of them look at the price first. Thus, high price always means low sales. The margin for price adjustment of Nio is from 298,000 ¥ to 656,000 ¥, and the prices of the main two models ES8 and ES6 all exceed 300,000 ¥. The top 10 high-end SUVs above 30W sold in May 2023 and the NIO ES6 are compared, and it is discovered that neither size nor brand value clearly favor the NIO ES6 vehicles. Also, the vast majority of customers will purchase some premium brand BBA or conventional models from secondary luxury brands if there is no explicit mandate to purchase new energy vehicle models [7]. The general public will not abandon the joint venture luxury brand models in favor of the service, so from the perspective of price alone, the price positioning of NIO products is too high, making it impossible to achieve a significant increase in product sales. At the same time, as NIO’s biggest rival Tesla, since it has built a super factory in Shanghai, the price of Model 3 has lowered a lot. Although to avoid the price reduction of the brand harm, NIO announced not bargaining, and price adjustment is not timely. As a result, if there are no good sales and ongoing financial support in the future, just a reasonable price may not be able to turn a profit. This is because competitor Tesla has a price reduction strategy.

3.4. NIO’s Marketing Channel

NIO’s marketing channel, which is a combination of online and offline models, has some drawbacks. Unlike traditional 4S stores, for NIO’s marketing channel, whether online or offline, it is self-built. The sales function basically relies on online channels, and offline is more about brand display and user experience functions. NIO did not adopt the model of 4S stores, but built NIO House like a club. Nio House are all build in landmark locations of the cities in order to establish a high-end image. However, the rent fee of landmarks is high, leading to a high cost of sales. Also, in China recently, Nio only has 15 offline stores and all of them are in the first - and second-tier cities, so the customers from third - and fourth-tier cities can hardly see the real car. Moreover, at present, users can only book vehicles on NIO's official website and APP, and NIO has not opened sales channels on other network platforms. Customers have fewer channels to buy cars. In the traditional 4S stores, they usually have a large space to store some new cars so some customers are able to get their new cars in a short time. Because of the places Nio House choose to open, they do not have places to store cars, so customers have to wait for a long time. The waiting time may deter some consumers from purchasing a car model.

4. Suggestions

4.1. Revise Price

In the face of a highly competitive market, NIO can try to lower the price of All-series model or launch mid- and low-end models. The proportion of new energy vehicles sold in China in 2022 said that the top ten EV model are BYD Song (135,800 ¥ to 165,800 ¥), Wuling Mini EV (32,800 ¥ to 99,900 ¥), BYD Qin (99,800 ¥ to 209,900 ¥), Tesla Model Y (263,900 ¥ to 363,900 ¥), BYD Han (189,900 ¥ to 331,800 ¥), BYD Yuan (139,800 ¥ to 167,800 ¥), BYD Dolphin (116,800 ¥ to 136,800 ¥), Tesla Model 3 (231,900 ¥ to 331,900 ¥), BYD Tang (209,800 ¥ to 342,800 ¥), Changan Benben E-Star (78,900 ¥ to 79,900 ¥) [8]. According to the research on the market share of new EVs in China, the highest sales volume of new EVs in China is concentrated in the middle and low-end market, in the price range of (32,800 ¥ to 363,900 ¥). However, the price range of Nio
is from 298,000 ¥ to 656,000 ¥. This has led to the low share of NIO in the low-end market. If NIO want to increase sales and expand market share, lower the price of All-series model or launch mid- and low-end models is one considerable way for NIO. For example, increasing car models which prices at 100,000 ¥ to 200,000 ¥ to occupy low-end market. Moreover, NIO can design some models for females. From research, new middle-class women have become the "new power of consumption" [9]. They always have a demand of diverse color and particular functions, which can provide ideas for the design of new models of NIO.

4.2. Suggestions to Solve the Downsides of NIO’s Marketing Channel

Firstly, to solve the problems caused by the only 15 stores in China, NIO should increase stores located in third- and fourth-tier cities. In 2019, third-and fourth-tier cities has close to 60% market share. In order to enlarge Nio’s selling volume, the brand have to construct more Nio Houses, and they do not have to all be built in landmarks of that city to decrease marketing costs. At present, the sales generated by online registration to offline exchanges in China's automobile industry only account for 12.8% of the total sales [10]. Also, offline function stores, especially user centers and service centers, can adopt the form of joining. With the help of franchisees' marketing skills, it may quickly cover the country's sales region and also grow the influence of the brand [11].

Secondly, to solve the problem of long delivery time, NIO can try to study the layout of traditional 4S Stores, namely increasing some places that store new cars to reduce customer waiting time. The reason for this is customer satisfaction and consumer perceptions of queuing behavior will be substantially correlated [12]. That means if customers have to wait for a new NIO car for a long time, maybe they will not satisfy with this brand or this will change their willingness to pay and they will give up their idea to pay for a NIO car. As a result, NIO’s sales may become lower. To handle this, NIO can build some places near the cities to store some new cars, the places can locate in some rural areas to lower the rental cost. Maybe this is the best way to decrease the waiting time and stimulate sales at the same time.

5. Conclusion

In conclusion, the study of sales theory based on NIO's marketing plan provides enough reference and educational value. In addition to having great technical research and development capabilities, NIO, an up-and-coming domestic automaker, competes with Tesla in terms of product positioning and will likely have a significant impact on future domestic and even global auto sales. As a result, it has solid academic value for researching the direction of future automotive marketing strategy, particularly with regard to the creation of new energy cars. In this study, the author finds out two advantages and two disadvantages of NIO’s marketing strategy. For the advantages, the first one is a good service. Not only NIO, but many successful companies also provide a good service. Secondly, NIO uses a market strategy that builds a high-end brand image at the beginning. Usually, customers are fond of buying products from high-end companies.

On the other hand, NIO still has some drawbacks of its marketing strategy. The most obvious one is the prices of NIO models are too high, which are not meet consumer psychological expectations and drag down sales. NIO can use ways of reducing prices to attract more customers. At the same time, NIO abandons the dealer and 4S store model of layer upon layer of marketing and transitions to the NIO House, mobile client B2C direct business model. However, the limitation is that there are too few shops to cover most cities, and there is no warehouse to store new cars. Although each car can be customized according to customers' needs, customers need to wait for a long time. Therefore, maybe NIO should build more NIO House and storage warehouses.

However, there are certain flaws in this study as well, particularly in the area of research data, the majority of which were acquired indirectly and lacked first-hand survey data as well as other direct and useful data. In a subsequent stage, the representative markets of China will be examined, and the target cities and regions will be chosen, resulting in more accurate strategic study, more convincing
conclusions, and more detailed reported data. Based on this, researchers can conduct more research that includes customer surveys to learn how consumers feel about this brand.

"Made in China 2025" has given more Chinese businesses access to a more open market and limitless opportunities. The green idea has become deeply ingrained in people's minds thanks to this idea that China has repeatedly recommended, and consumer satisfaction has reached a new height. NIO will continue to develop new abilities and increase product premiums through consumer perceived value, and NIO's future can be like its brand's propagation language, which means it can produce better products.

References


