



# Time for BYD to Launch a High-End Price War

## Insights on Purchase Decision – Price & BYD Competitiveness (2025)

TengYi Research Institute  
(Yiche Research Institute)



## Desire for price: buyer preference on broad discount factors such as MSRP, trade-in, loan, insurance, optional packages, giveaways, benefits, points and government subsidies

- ◆ During the ICE Vehicle era, in order to attract and entice potential customers to make a purchase, OEMs and dealers often offered discounts to various degrees in the areas of trade-in, loan, insurance, optional packages and giveaways in addition to price. In recent years, carmakers that accelerated rollout of EVs also incorporated owner benefits and points to help drive sales and increase customer stickiness. To stimulate consumption, various levels of government have also introduced preferential policies such as purchase tax reduction or exemption, scrap subsidies and trade-in subsidies;
- ◆ This report defines desire for price as buyer preference on broad discount factors including MSRP, trade-in, loan, insurance, optional packages, giveaways, benefits, points and government subsidies;
- ◆ This report is mainly based on online research from TYRI (formerly YRI) with over 50,000 data samples in the first three quarters of 2024, and also references TengYi Big Data and TYRI(YRI) offline research data.

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### Definition of Desire for Price

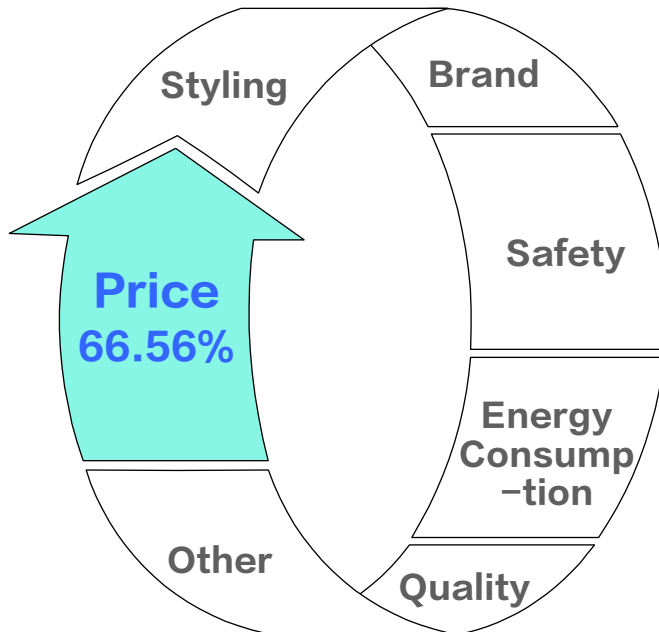
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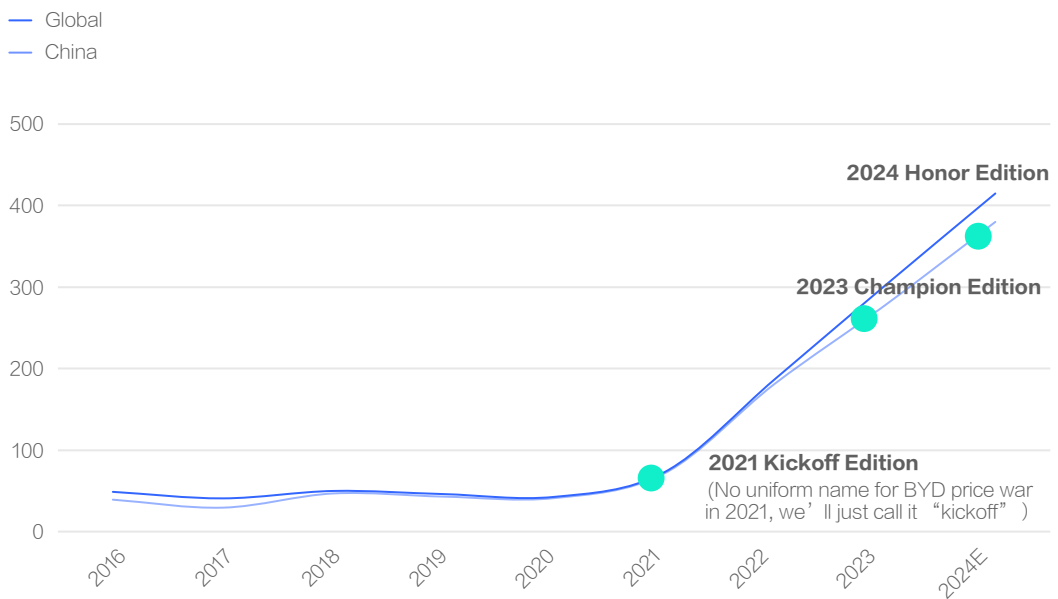
## The desire for price from Chinese car buyers in 2024 reached 66.56%, providing fertile soil for BYD's breakthrough growth over the last four years through massive price cuts

- ◆ Over the past two decades or so, price had always remained as the top purchase factor among Chinese car buyers, with desire for price remaining relatively high in 2024 at 66.56%. Chinese carmakers had always played the price war card as a core breakthrough tactic to proactively challenge foreign carmakers' dominant position in China. But it wasn't until 2021-2024 when BYD launched three rounds of life or death price wars that Chinese carmakers had truly achieved a breakthrough. BYD's global sales skyrocketed from merely 400,000 units in 2020 to more than 4 million units in 2024, growing 10X and achieving growth unseen in the last 100 years of the global auto industry. Hand in hand, BYD and other Chinese carmakers like Geely, Chery, Chang'an and Great Wall Motor rapidly disrupted the traditional landscape of China's car market dominated by foreign carmakers: market share of Chinese carmakers nearly doubled from 33% in 2020 to 60% in 2024;
- ◆ The rapid rise of BYD can be mainly attributed to those three rounds of price wars centered more on technical content: the 2021 Kickoff (BYD did not have a uniform name for this price war, so we'll just call it "kickoff"), the 2023 Champion and the 2024 Honor, as well as its vertical integration model independent from the mainstream supply base model dominated by international supplier giants;
- ◆ An automotive supply base dominated by global supplier giants has long been a mature business model in the auto industry, the more scale of economy a carmaker has, the more leverage it has over suppliers when it comes to cost. Global mainstream carmakers and suppliers have tacitly maintained their corporate interests in China and invisibly suppressed smaller carmakers including Chinese carmakers that have tried in earnest to integrate themselves into this mature supply base model in the hopes of becoming bigger and stronger. Luckily, two carmakers finally broke through successfully over the last five years: Tesla and BYD. The former rapidly reconfigured the traditional supply base model into a new one based on electrification and smartification, while the latter rapidly strengthened its vertically integrated supply system through vertical integration and life or death price wars. Whether it's the differentiated approach from Tesla or the life or death tactic from BYD, the core reason why both were able to break through the traditional mainstream supply mold was they both benefited from the Chinese supply chain;
- ◆ Over the last four years or so, the massive price wars launched by Chinese carmakers including BYD based on vertical integration and domestic supply chain optimization effectively addressed Chinese car buyers' strong desire for price. If that desire remains strong going forward, proactively launching price wars remains a core tactic for carmakers and their battle for Chinese customers.

## Pre-Purchase Desire for Price in China' s PV Market 2024



## BYD Global and China Sales 2016–2024 (10,000 units)



Source: TYRI (YRI)

## From an income perspective, blue collar buyers have the highest desire for price, hence BYD launched the price war on economy bland models like the Qin and Song in 2021

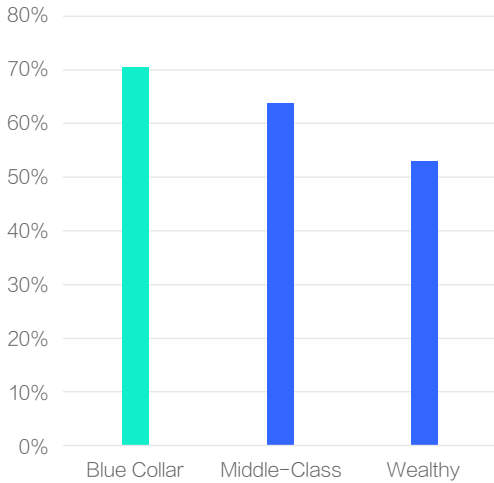
- ◆ The desire for price varies widely depending on segment. From an income perspective, the desire for price from blue collar buyers in 2024 topped 70%, much higher than that from middle-class and wealthy buyers;
- ◆ This strong desire for price from blue collar buyers created an opportunity of a lifetime for BYD to initiate a price war in 2021: on March 8, the Qin PLUS DM-i hit the market at post-subsidy prices of RMB105,800-145,800, immediately becoming a core challenger to popular compact cars such as the Lavida, Sagitar and Sylphy; on March 25, the Song PLUS DM-i launched at post-subsidy prices of RMB146,800-169,800, immediately becoming a core challenger to competitors such as the Haval H6 and Chang' an CS75; on April 7, the Qin PLUS EV was launched at post-subsidy prices of RMB129,800-166,800, immediately becoming the vehicle of choice in the ride-hailing market and shattering the stronghold of traditional ICE vehicles like the Corolla, Levin and Sylphy...
- ◆ In just one short month, BYD launched three critical models that soon attracted many blue collar buyers with strong desire for price through its outstanding comprehensive cost advantage (lifetime total cost of ownership including MSRP, maintenance and repair and residual value), resulting in its rapid rise. In 2023, more than 90% of Qin NEV buyers were blue collar buyers, while that of Qin PLUS, Song Pro and Destroyer 05 all neared 90%, and that of the Song PLUS topped 60%. BYD became the new leader in the blue collar car market seemingly overnight, garnering 12.37% of market share in a segment of nearly 12 million units, surpassing VW and Toyota for the first time;
- ◆ Following these multiple rounds of life or death price wars, BYD forced competitors like VW, Nissan, Honda, Buick, Hyundai and Kia on the same path. The foundation of a price war is the product, many competitors that have been thrust into the price war remain largely ICE vehicles with lack of energy saving capabilities, and hence their market performance continues to deteriorate.

# 电比油低 荣耀再冲击

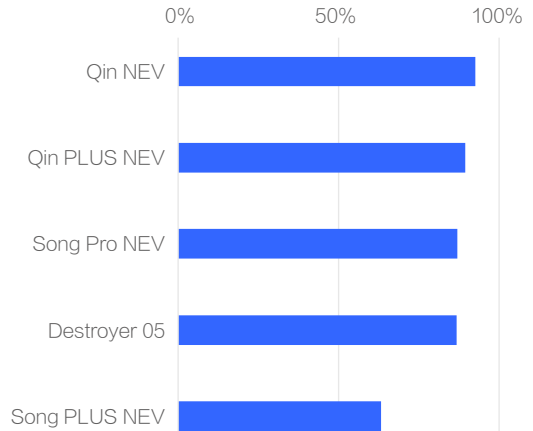
秦PLUS EV 荣耀版 10.98 万元起



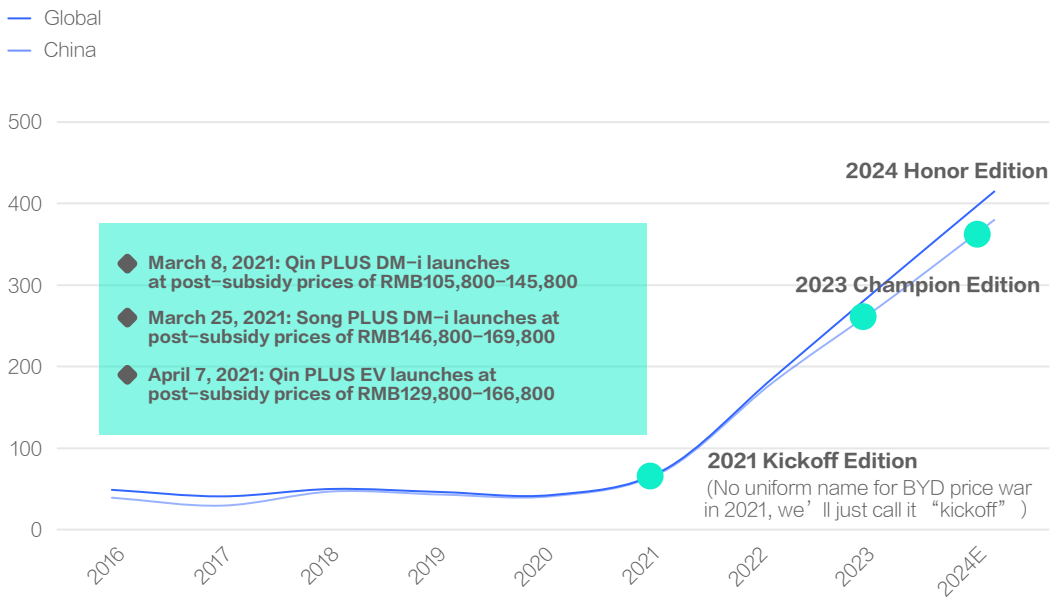
## Pre-Purchase Desire for Price by Social Status 2024



## Blue Collar Buyer Penetration of Select BYD Mainstream Models 2023



## BYD Global & China Sales 2016–2024 (10,000 units)



Source: TYRI (YRI)

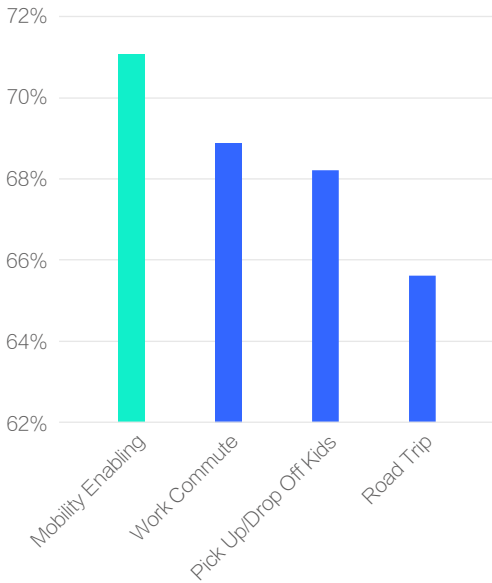
Blue collar: annual household income <RMB150K, middle-class: RMB150K–500K, wealthy: >RMB500K

## From a use case perspective, desire for price from mobility enabling was stronger, hence BYD kept launching price promotions in its mobility enabling lineup including Dolphin, Seagull and Yuan PLUS in 2021–2023

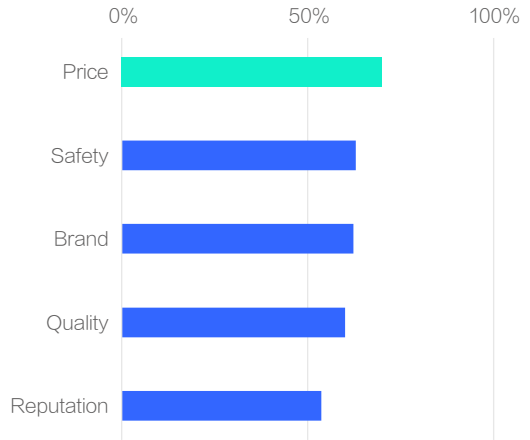
- ◆ Among the four mainstream use cases for cars of mobility enabling, work commute, pick up/drop off kids and road trip, mobility enabling has the strongest desire for price, at over 71% in 2024, similar to that for refined & stylish products which are primarily used for mobility enabling;
- ◆ This characteristic created a new opportunity for BYD to launch several price wars centered on mobility enabling EVs such as the Dolphin, Yuan PLUS and Seagull in 2021–2023: on August 29, 2021, the Dolphin launched to market at a post-subsidy price range of RMB93,800–121,800, immediately suppressing the momentum of the ORA Good Cat; on February 19, 2022, the Yuan PLUS launched at post-subsidy prices of RMB131,800–159,800, immediately disrupting the stronghold of the Honda Vezel and XR-V in the entry SUV segment; on April 26, 2023, the Seagull was launched at an MSRP range of RMB73,800–89,800, immediately filling the mobility enabling blank between the Wuling Hongguang MINIEV and the Dolphin;
- ◆ From 2021 to 2023, small EVs like the Seagull, Dolphin and Yuan PLUS not only helped BYD rapidly attract huge swaths of price sensitive mobility enabling users, they also completely disrupted the traditional dominance of ICE vehicle models like the Polo, Fit, Vezel and XR-V in the mobility enabling segment. This in theory offers valuable reference for foreign carmakers like VW, Nissan and Toyota on how they can effectively tackle the EV market. The key though is whether these traditional models have the right response for BYD's small EV offensive.



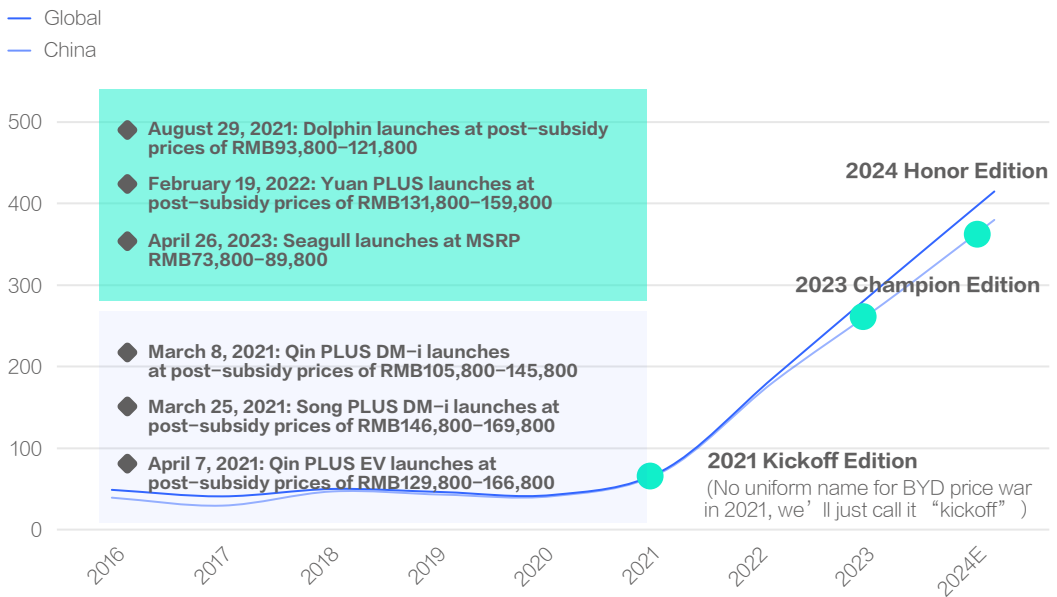
## Desire for Price by Use Case 2024



## Top 5 Purchase Factors for Refined & Stylish Models 2024



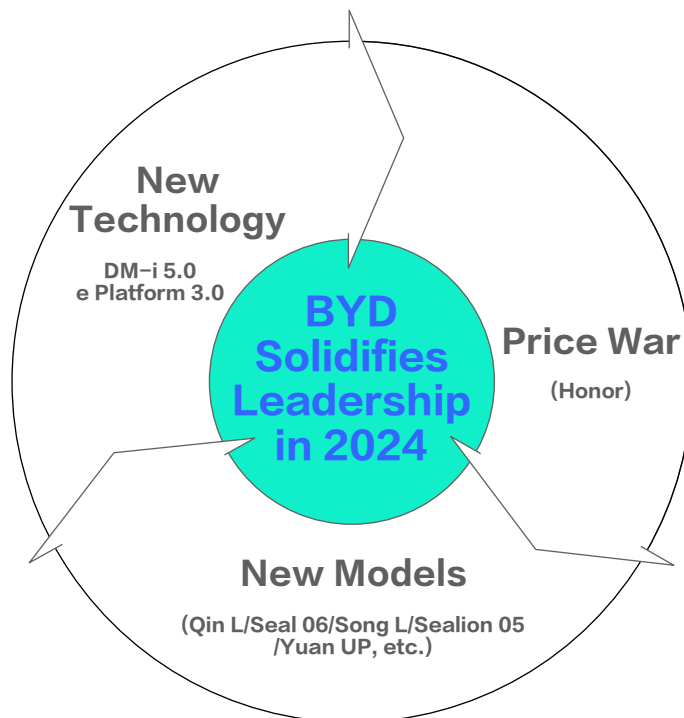
## BYD Global & China Sales 2016–2024 (10,000 units)



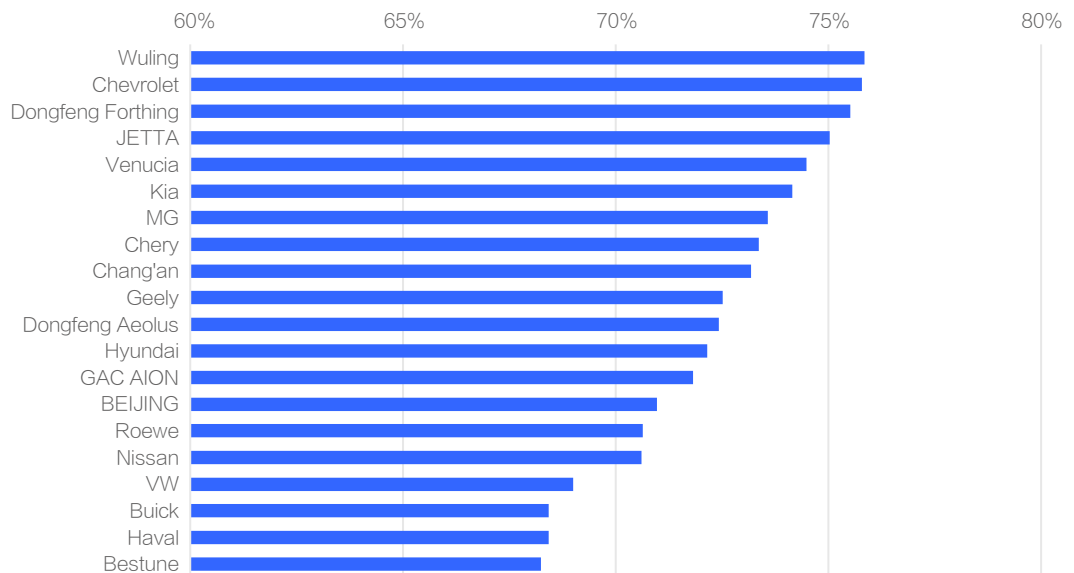


## In 2024, BYD solidified its leadership positions in the blue collar and mobility enabling markets where desire for price is strong, it will try to do the same in the high-end market in 2025

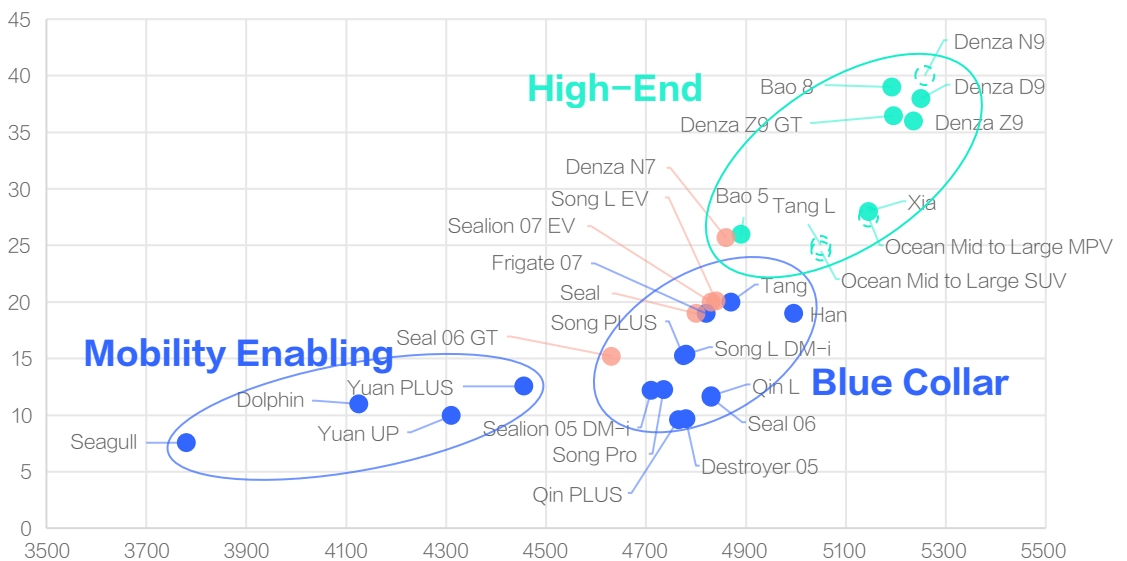
- ◆ In the first half of 2021, BYD launched a price war based on the fact that blue collar users had strong desire for price and a new product offensive in Qin PLUS and Song PLUS primarily targeted at blue collar users, thereby rapidly breaking through the blue collar car market dominated by ICE vehicles. From the second half of 2021 to 2023, BYD launched a price war based on the fact that the mobility enabling market had strong desire for price and a new product offensive in Dolphin, Seagull and Yuan PLUS primarily targeted at mobility enabling users, rapidly creating a new blue ocean. In 2024, not only has BYD launched a slew of new models targeted at blue collar buyers and the mobility enabling use case such as the Yuan UP, Qin L, Seal 06, Song L DM-i and Sealion 05 DM-i, it has extended the price war built on the “Honor” offensive and launched upgraded technologies such as DM-i 5.0 and e Platform 3.0, proactively solidifying its leadership positions in the blue collar and mobility enabling markets, thereby pushing full year sales past 4 million units;
- ◆ Masked under this triumphant growth in 2023–2024 though, is plenty of growing pains: market performance of a slew of sports BEVs launched such as the Denza N7, Seal EV, Song L EV, Sealion 07 EV and Seal 06 GT has been mediocre;
- ◆ In 2025, many high-end BYD products such as the Xia/Ocean XX, Tang L/Ocean XX, Denza N9, and Fang Cheng Bao 8 will hit the market. If these products still cannot effectively rival similar products from Li Auto and AITO after the Denza D9, BYD will confront severe challenges in the high-end car market, the harm of which will be even greater than one inflicted on the sports BEV products.



## Top 20 Brands in High Penetration of Pre-Purchase Desire for Price 2024



## BYD Core Product Footprint 2024 (including models to be launched)



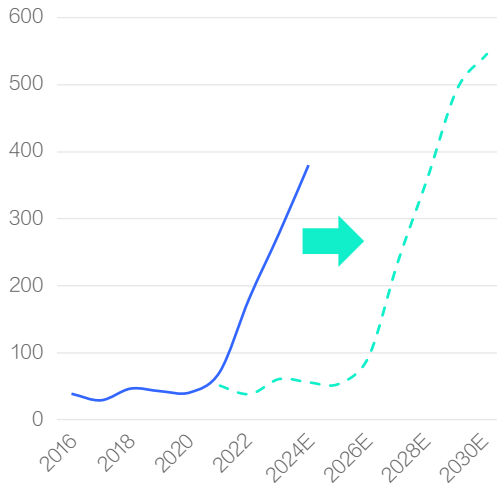
Source: TYRI (YRI)  
 X-axis = vehicle length (mm), Y-axis = main price point (RMB10K)

## Starting in 2026, a huge number of existing BYD owners will be trading in their vehicles or purchase new ones, and lots of entry models will flock to the used car market, the year 2025 is really the only year BYD has to achieve a breakthrough in the high-end car market

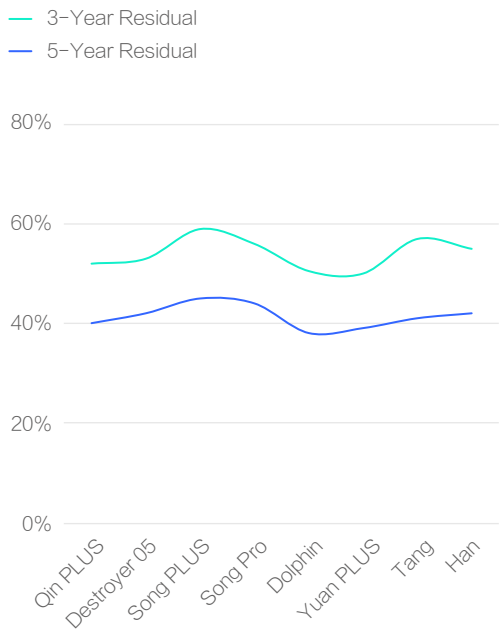
- ◆ Rather than models like the Qin PLUS and Song PLUS, what really took down the Lavida, Sylphy and Haval H6 – three models that have long led the sales rankings in China, may have actually been their own used versions. Because purely playing the bang for the buck tactic without major improvement in product competitiveness, new cars will always lose to used cars, especially considering the huge owner base of the Lavida, Sylphy and Haval H6. BYD shouldn't rest on its laurels because soon it'll face the same challenge. A huge number of vehicles that were sold in 2021–2024 during the growth spurt should flock to the used car market in 2026. If products like the Qin PLUS and Song PLUS by are not upgraded significantly enough by then, then the impact from its own used cars will be as severe and significant as how fast new car sales grew;
- ◆ Besides this challenge pertaining to used vehicles, BYD also faces a critical issue of how to retain existing customers that joined the brand as a result of the explosive growth over the past four years. From the lists of top 10 desired trade-in/additional purchase models from owners of the Qin PLUS, Song PLUS and Tang NEV, though some models like the Tang, Han and Dolphin played crucial roles of meeting existing owners' trade-in/additional purchase needs, existing BYD owners have very strong desire to upgrade to high-end products from competing brands like the Li Auto L series, AITO M series and TANK, and the more high-end the customers are, the more likely they will opt for a different brand;
- ◆ Be it prevention of the challenges created by used vehicles or proactively retaining existing customers, BYD really has just one year in 2025 to sort it out. Luckily, BYD is launching a slew of high-end products at the turn of the year including the Xia/Ocean XX, Tang L/Ocean XX, Denza N9 and Fang Cheng Bao 8. These products are very conducive to BYD retaining existing customers and create new a new blue ocean. The only thing that remains is execution, especially how they will be priced.



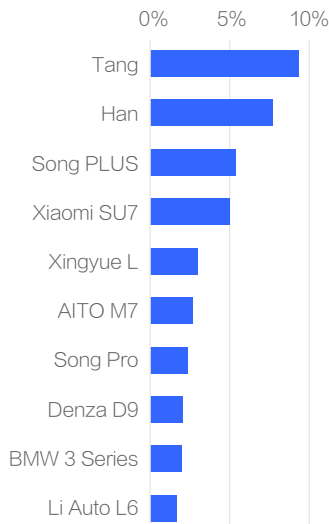
## BYD Domestic Sales 2016–2024 (10,000 units)



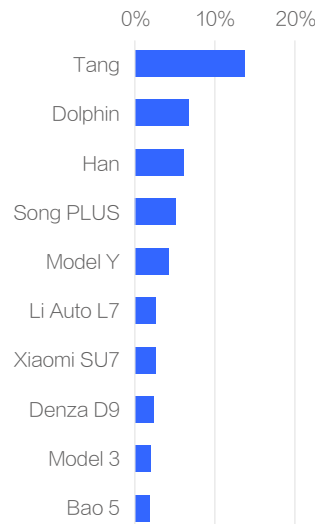
## 3–Year/5–Year Residual of Select BYD Models



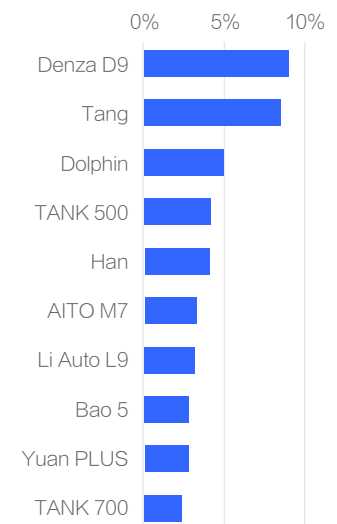
## Top 10 Desired Trade-in/Additional Purchase Models for Qin PLUS 2024



## Top 10 Desired Trade-in/Additional Purchase Models for Song PLUS 2024



## Top 10 Desired Trade-in/Additional Purchase Models for Tang NEV 2024



Source: TYRI (YRI)

## From 2025 to 2026, key competitors like Geely, Great Wall Motor and Chery will all launch high-end model offensives with competitive pricing and undoubtedly impact BYD's new high-end offensive

- ◆ Geely, Great Wall Motor, Chery and Chang'an have always been key BYD rivals, and have historically bettered BYD in sales, but now that BYD has become the "king of the hill," they are looking to fight back. Although model series like the Geely Galaxy, Great Wall Motor Xiaolong and Chang'an Qiyuan over the course of the second half of 2023 to the first half of 2024 did not effectively counter BYD's leadership position, the Geely Galaxy E5 and Xingyuan small EVs in the second half of 2024 quickly became popular and seem to impact BYD's comparable models. The Starship 7 launching toward yearend is expected to take on multiple BYD models such as the Song Pro and Sealion 05; in 2025, the high-end car market will become a key battleground for BYD and its main competitors;
- ◆ Over the past 2-3 years, BYD's main competitors have launched multiple high-end products such as the Lanshan, Gaoshan, LYNK & CO 09, Trumpchi M8, EXEED Lanyue, Hongqi HS7 and TANK 500, with some quickly hitting blockbuster status. Toward the end of 2024, the VOYAH Dreamer created a huge challenge for BYD's high-end star model, the Denza D9. Even though sales of the Bao 5 have topped TANK sales, TANK still maintains an overall advantage, and the Yang Wang U8 seems a bit lonely at the top. From 2025 to 2026, these competing brands will bring additional new high-end products that will be bigger and more energy saving such as the WEY large SUV, EXEED large SUV, EXEED large MPV, Shanghai T5, Fulwin T11, LYNK & CO large SUV and Geely large SUV. Rest assured that these high-end products will compete on price. If BYD remains blindly confident of its new high-end products, not only will core competitors impact BYD's new high-end offensive, but they will also poach away BYD customers it worked so hard to accumulate over the past four years. BYD runs the risk of doing everything in vain.

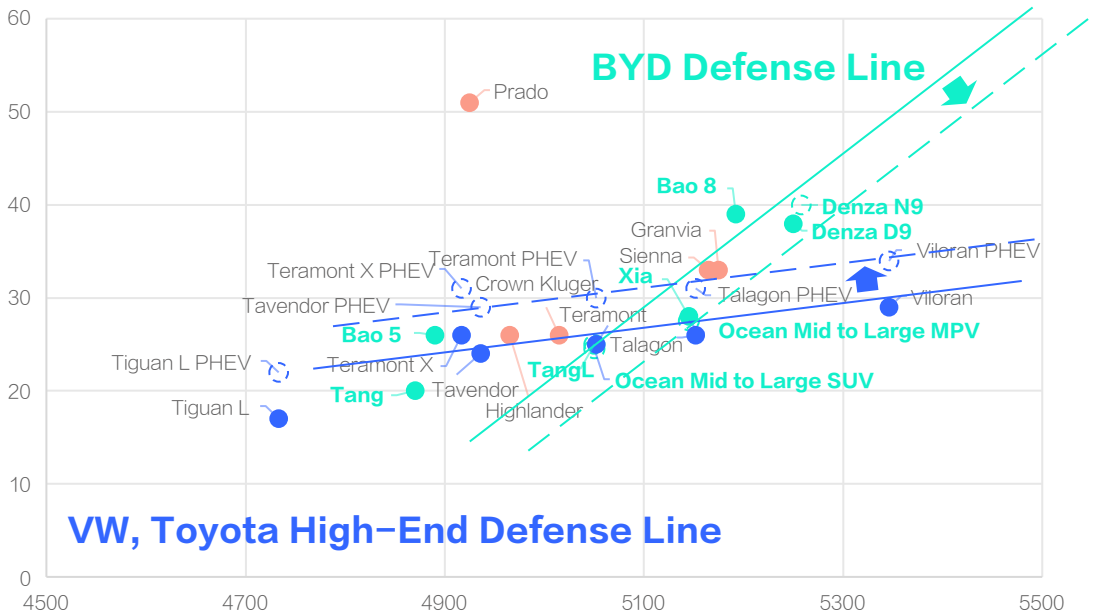




## Toyota HEVs will flock to the high-end market in 2025 and VW energy-saving vehicles will do the same in 2026, therefore BYD must strengthen its pragmatic high-end strategy

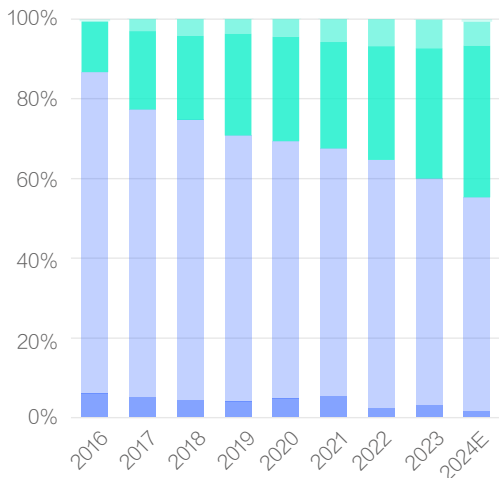
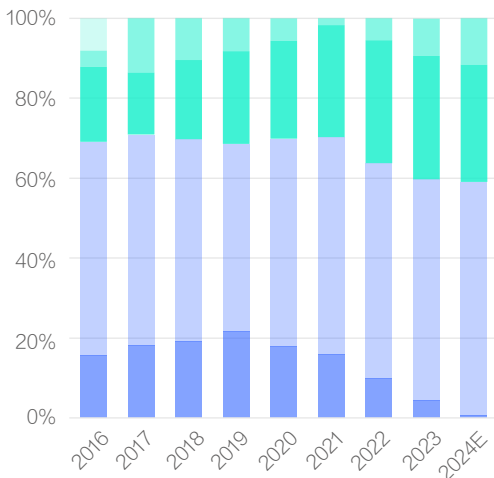
- ◆ From 2025 to 2026, in addition to core competitors like Geely and Great Wall Motor that will endanger BYD's new high-end offensive, foreign carmakers like Toyota and VW that had long been the envy of BYD but fell behind in recent years will also proactively address the high-end car market;
- ◆ Though Toyota sales in China continue to fall in 2024, through measures such as optimization of resource allocation and large vehicle pricing, sales focus quickly shifted from low value-add entry level products led by the Corolla and Levin toward high value-add products led by the Sienna and Granvia. As of the end of 2024, sales of the Sienna and Granvia have reached a monthly level of about 10,000 units, on par with BYD's high-end star Denza D9. In 2025, if Toyota further shifts resources toward high-end energy-saving products and optimize commercial policies and pricing of large vehicles, monthly sales of the Sienna and Granvia could approach 20,000 units, not only impacting the Denza D9 but also hamper new high-end products from BYD such as the Xia and Tang L. Once the NEV purchase tax exemption expires at the end of 2027, the advantages of Toyota high-end energy-saving vehicles like the Sienna and Granvia will be further enlarged. If by then Toyota launches more new vehicles like the Sienna and New Prado and further elongated versions of existing vehicles like the Highlander, Crown Kluger, Venza and Harrier, it's going to pose a serious challenge for BYD's high-end vehicles;
- ◆ Besides Toyota, VW also has the potential to suddenly impact BYD's high-end strategy. In 2026 both SAIC VW and FAW-VW plan to launch energy-saving products like PHEVs as well as large energy-saving vehicles. Even if the technical specs of these upcoming energy-saving vehicles do not match those of BYD's DM-i 5.0, as long as they are priced right, they still have the potential to be very popular: first, transaction pricing of VW's large ICE vehicles like the Teramont, Talagon, Tavendor and Viloran has already fallen into the RMB200,000 range, significantly lower than that of BYD's comparable Denza D9. Even if future VW energy-saving vehicles are more expensive than their ICE vehicle counterparts, and possibly priced at RMB40,000-50,000 higher back to MSRP levels, they could still impact BYD; second, core selling points like large space and mature design in the high-end car market dominated by boomers have traditionally been areas where VW has had the upper hand, as long as it accelerates efforts to improve energy consumption capabilities of its vehicles, those superior selling points will only be magnified; third, over the last decade or so VW has accumulated more than 20 million customers in China, and existing owners of vehicles like the Lavida, Sagitar, Magotan and Passat which account for the majority of those 20 million vehicles are the primary forces behind the purchase intent of large energy-saving vehicles. [The only thing missing for VW's battle for the high-end car market is really large energy-saving vehicles.](#) In 2025, VW's sales in China will likely continue to fall significantly, it's life or death for VW in 2026 and it is going to bet on large energy-saving vehicles. It must channel BYD's death-defying determination exhibited in early 2021;
- ◆ Over the past few years, the share of sales contributed by midsize and larger vehicles at Toyota and VW has been rising, and will exceed 40% for both brands in 2024. From 2025 to 2026, the battle for the high-end car market will undeniably be a strategic priority at Toyota and VW. Right now, BYD psychologically is pretty confident of its competition with Toyota and VW, but we worry that this might lead to cockiness and complacency.

## High-End Footprint of BYD VW and Toyota 2025–2026



## Share of Toyota End-User Sales in China by Vehicle Size 2016–2024

## Share of VW End-User Sales in China by Vehicle Size 2016–2024



Source: TYRI (YRI)

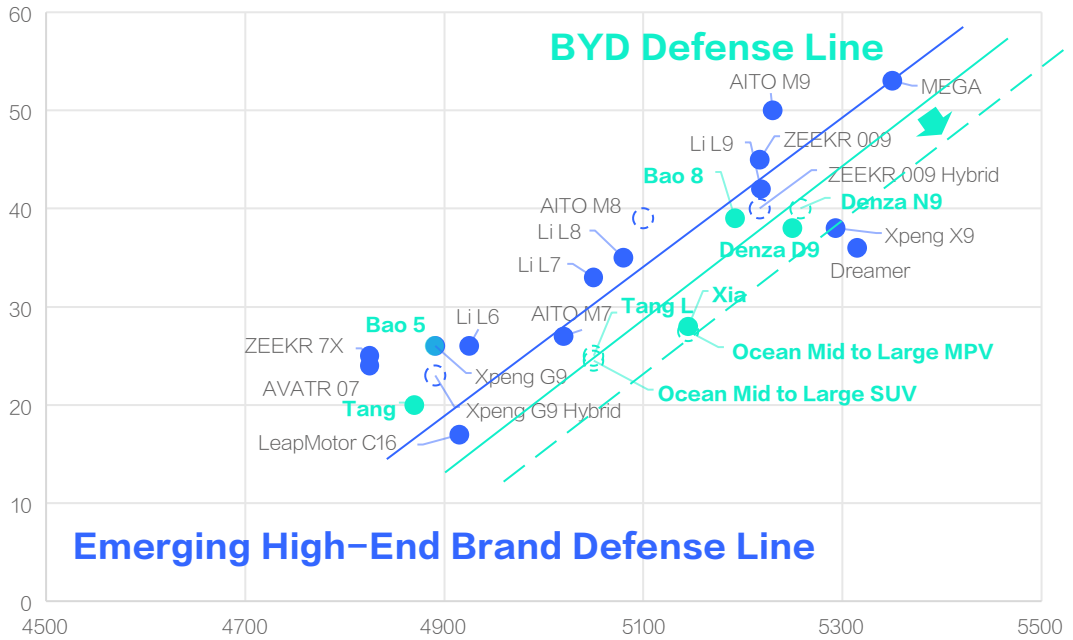
X-axis = Vehicle length (mm), Y-axis = main price point (RMB10K)



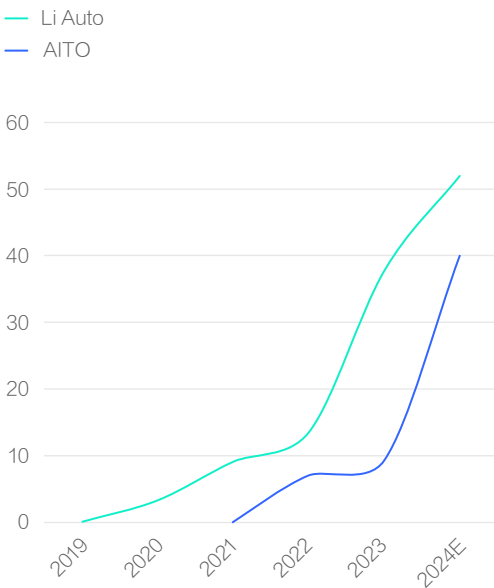
## Li Auto and AITO have climbed to the top of the high-end car market in 2024, BYD must understand that in 2025 it' ll still be in a "0 to 1" phase in its battle for the high-end car market and must suppress any ambitions of Li Auto and AITO to move into the sub-RMB200,000 segment

- ◆ In 2025, even if core competitors like Geely, Chery and Great Wall Motor pose challenges to BYD' s high-end strategy, BYD is still psychologically a step ahead because of its current momentum as well as deep understanding among these competitors. Even if foreign mainstream carmakers like VW and Toyota could impact BYD' s high-end strategy, joint ventures are usually slow to make adjustments and upgrades, as long as BYD has a proactive response, impact will be minimal. [The biggest wildcard for BYD' s high-end strategy comes from emerging high-end brands like Li Auto and AITO](#): First, from 2023 to 2024, Li Auto and AITO have ascended to the top of China' s high-end car market, with the former expected to achieve sales of more than 500,000 units in 2024 and the latter more than 400,000 units. BYD' s Denza, Yang Wang and Fang Cheng Bao combined will only sell less than 200,000 vehicles in 2024, quite a bit behind. Adding Tesla to the mix, the [Tesla Li Auto AITO "TLA" combo could completely disrupt the traditional landscape of China' s high-end car market dominated by ABB \(Audi, Mercedes and BMW\) in 2025](#); second, Li Auto and AITO both became profitable in 2023-2024, but BYD' s Yang Wang and Fang Cheng Bao are still in the red; third, the logic behind AITO' s "far far ahead" and Li Auto' s "TV+fridge+big sofa" marketing slogans may not be easily imitated by BYD, and Denza still lacks a unique DNA; fourth, AITO and Li Auto have brand vibes and corporate efficiency that are on par with BYD, especially in the areas of user and innovative awareness, where they might even be ahead of BYD... AITO and Li Auto have grasped the consumption psych of select quality customers, an area where BYD is weaker. Economies of scale and price war are the biggest advantages of BYD in its battle with Li Auto and AITO;
- ◆ In 2025, Li Auto might further optimize pricing scheme of the L series possibly bringing prices into the sub-RMB300,000 range making them more competitive, which will directly compete with a slew of BYD high-end products like the Xia/Ocean XX, Tang L/Ocean XX and Denza N9. AITO will also launch the new M8, which has a much improved styling and architecture compared to the existing M7 and M9. As long as pricing is on par with comparable Li Auto products, it' ll likely sell very well and pose a challenge to BYD' s new high-end products. AITO' s macho products are probably also on their way, something that Fang Cheng Bao needs to watch closely;
- ◆ There are also hidden challenges. If Li Auto and AITO are able to suppress BYD' s high-end offensive in 2025, that will give tremendous leeway for the two brands to bring out products priced in the RMB200,000 range such as the M5 and L6, and BYD could be in trouble. Similarly, other emerging high-end brands like ZEEKR, Xpeng, AVATR and VOYAH that are actively shifting their product focus toward energy-saving vehicles could also target BYD and move into the RMB200,000 segment. This is shaping up to be a full on battle between BYD and Li Auto and AITO, therefore BYD must understand that it' ll still be in a 0 to 1 phase in its new high-end strategic journey, not a 1 to 10 phase. It' s got to have that same life or death determination and courage that it had in early 2021 and fight for the top in the high-end car market with a price war utilizing the huge advantage in economies of scale it currently still has.

# Competitive Landscape of BYD and Emerging High-End Brands 2024



**End-User Sales of Li Auto and AITO 2019–2024 (10,000 units)**



**Net Profit of Li Auto and SERES (AITO) 2019–2024 (RMB100 million)**



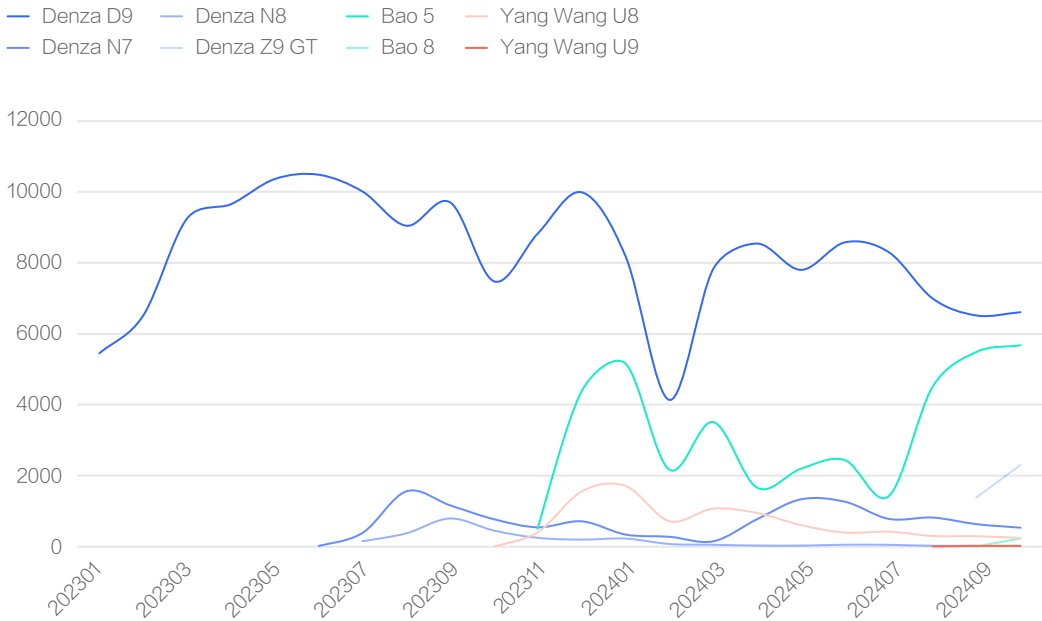
Source: TYRI (YRI)  
 X-axis = Vehicle length (mm), Y-axis = main price point (RMB10K)

## BYD’ s high-end play has had limited effectiveness in 2023–2024 and faces big challenges in 2025, it must have a “return to roots” mentality in its new high-end offensive

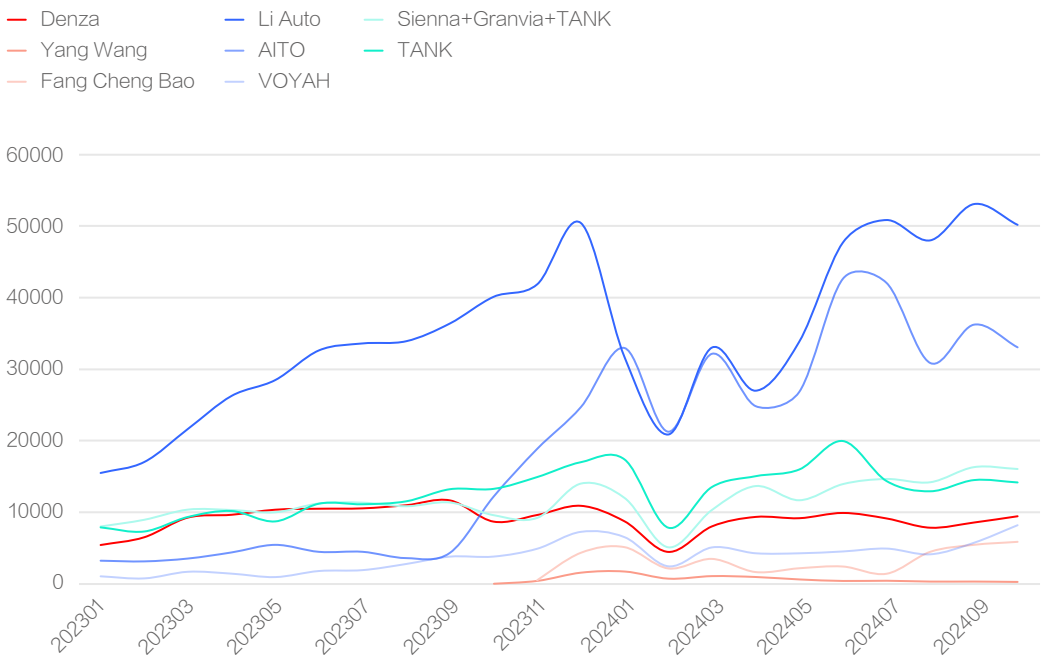
- ◆ To prevent the potential risk of losing massive customers accumulated since 2021 over the next couple of years, BYD proactively expanded its presence in the high-end car market in 2023–2024 by launching three high-end brands: Denza, Fang Cheng Bao and Yang Wang. The first batch of high-end products like the Denza D9, Fang Cheng Bao 5 and Yang Wang U8 were quite eye-catching initially and sales took off, but are now facing challenges as sales stall. As of the end of 2024, besides the Bao 5, both the Denza D9 and Yang Wang U8 are showing alarming signs of weakness. Starting off well might not necessarily be a good thing as it might make the team impetuous and adjustment more difficult. Compared to the quick adjustment Li Auto made in response to the MEGA launch disaster in the first half of 2024, BYD has moved much too slow;
- ◆ In early 2023, the high-end journey of BYD and most of its competitors began on roughly the same starting line. But as of the end of 2024, Li Auto and AITO have become leaders of that initiative, the Sienna and Granvia MPV tag team has stole the thunder from BYD’ s core high-end product, the Denza D9, while other brands like VOYAH and AVATR continue to make rapid improvement and upgrades… All of these brands have plans to strengthen their high-end footprint in 2025;
- ◆ With this new round of high-end offensive coming from multiple brands, we remind BYD again not to be cocky in its new high-end offensive. Don’ t launch a RMB1 million vehicle for the sake of launching one. Even if models like the Land Rover sells for RMB1 million forever, that doesn’ t necessarily mean that it’ s the right price, because China’ s high-end car market has long been in a situation where prices remain superficially high. In order to really disrupt the high-end car market, BYD must reshape its pricing mechanism, offer customers reasonable prices and give competitors a new benchmark to follow and reference. [Offering customers more reasonable and affordable high-end prices is a strategic shortcut for BYD to quickly capturing the “consumption mindset” of high-end users, and only BYD can do it. This requires BYD to have a “return to roots” mindset and put itself back in those difficult “life or death” months of 2020, and have that all-in courage displayed in early 2021. Start from 0 to 1, rather than dwelling on the 4-million-unit-sales achievement and think it’ s going from 1 to 10.](#)



## End-User Sales of Select BYD High-End Models 2023-Jan-Oct 2024 (units)



## End-User Sales of Denza, Fang Cheng Bao Yang Wang and Select Competitors 2023-Jan-Oct 2024 (units)

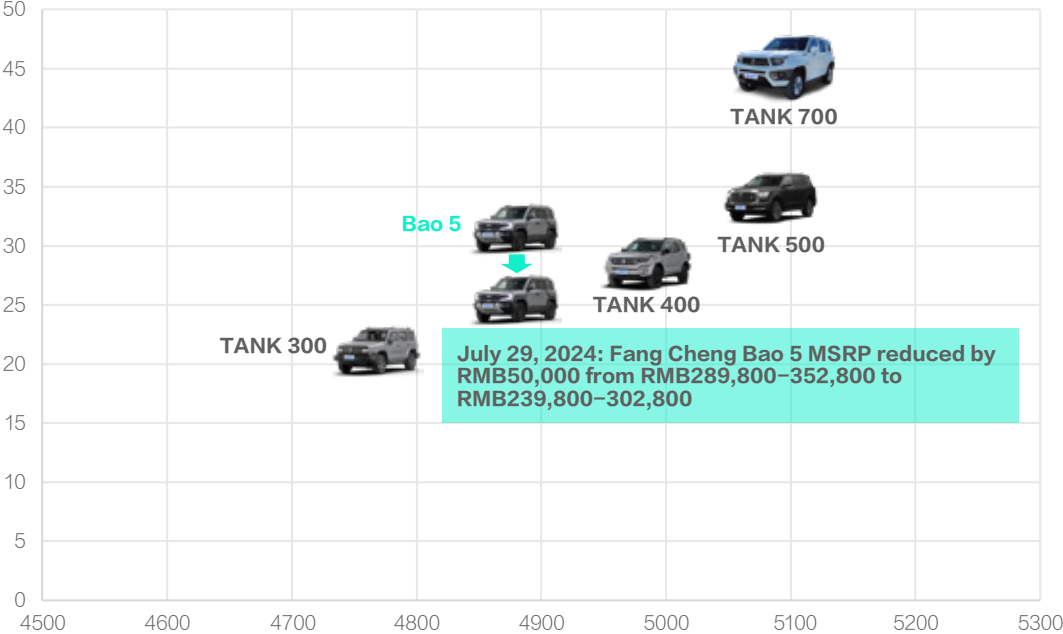


## Starting from August 2024, Bao 5 sales improved after prices were cut, reflecting the need for BYD to actively optimize its new round of high-end offensive especially pricing mechanism

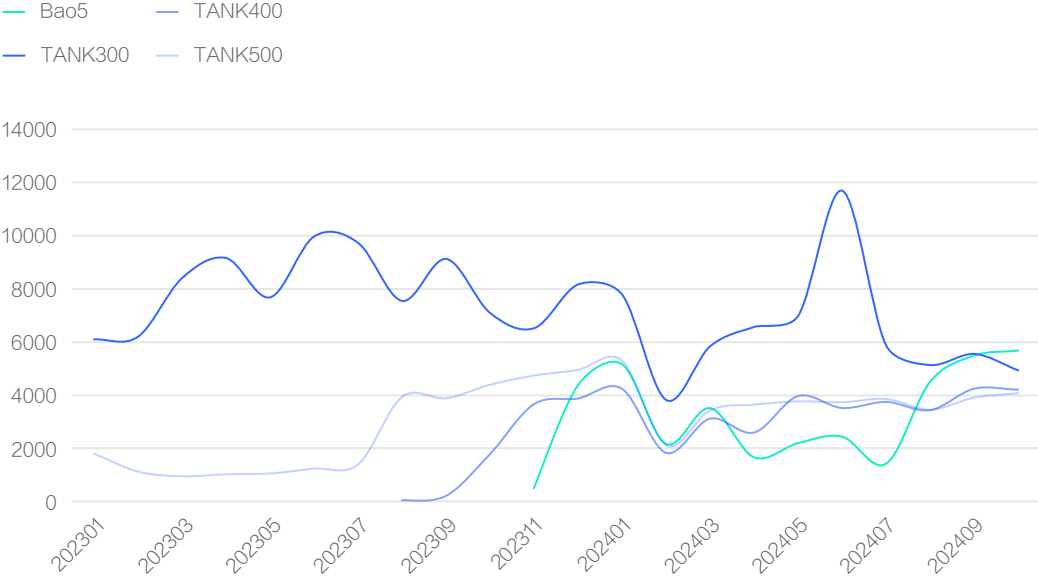
- ◆ In response to this “start high end low” dilemma in its high-end offensive, BYD finally made some moves in the second half of 2024 such as opening up more network and adjusted pricing of select models. On July 29, the MSRP of Fang Cheng Bao dropped from RMB289,800–352,800 to RMB239,800–302,800. This blunt RMB50,000 price cut immediately pulled sales back up: end-user sales improved to 4,513 units in August, 5,493 units in September, 5,679 units in October and topping 6,000 units toward yearend, surpassing sales of core competitors such as the TANK 300, TANK400 and TANK 500 and catapulting to a leadership position in the off-road & macho segment;
- ◆ The Bao 5 that was mired in quality issues involving “wrench gate” and engine hood quickly improved sales after this price cut, which shows that at the end of the day, price is king. The Bao 5 is positioned between the TANK 300 and TANK400 and therefore should have been priced in between the prices of those two competitors from the very beginning. The adjusted pricing of the Bao 5 only proves that it’s the normal pricing after all. In order to further drive sales, BYD must improve cost and price the model even lower;
- ◆ The quick rebound of the Bao 5 at the end of 2024 is a good warmup to BYD’s efforts to optimize pricing tactic of its new round of high-end products in 2025. The pricing mechanism of several of its new high-end models toward the end of 2024 like the Fang Cheng Bao 8, Denza Z9 GT and Denza Z9 shows BYD’s determination to reshape its high-end car market pricing mechanism remains elusive.



# Fang Cheng Bao 5 and Core Competitors Landscape November 2024



## End-User Sales of Fang Cheng Bao 5 and Select Core Competitors 2023–Jan–Oct 2024 (units)



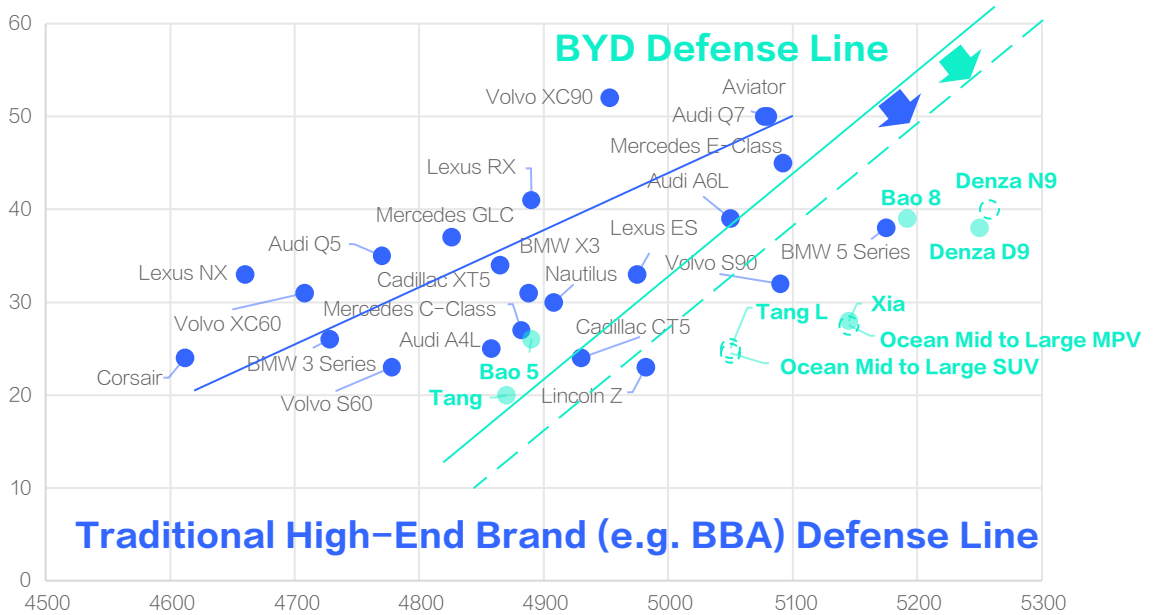
Source: TYRI (YRI)  
 X-axis = Vehicle length (mm), Y-axis = main price point (RMB10K)

## In the second half of 2024, discounts at BBA topped RMB100,000 per vehicle, reflecting the superficial nature of pricing in China's high-end car market, time for BYD to disrupt pricing again

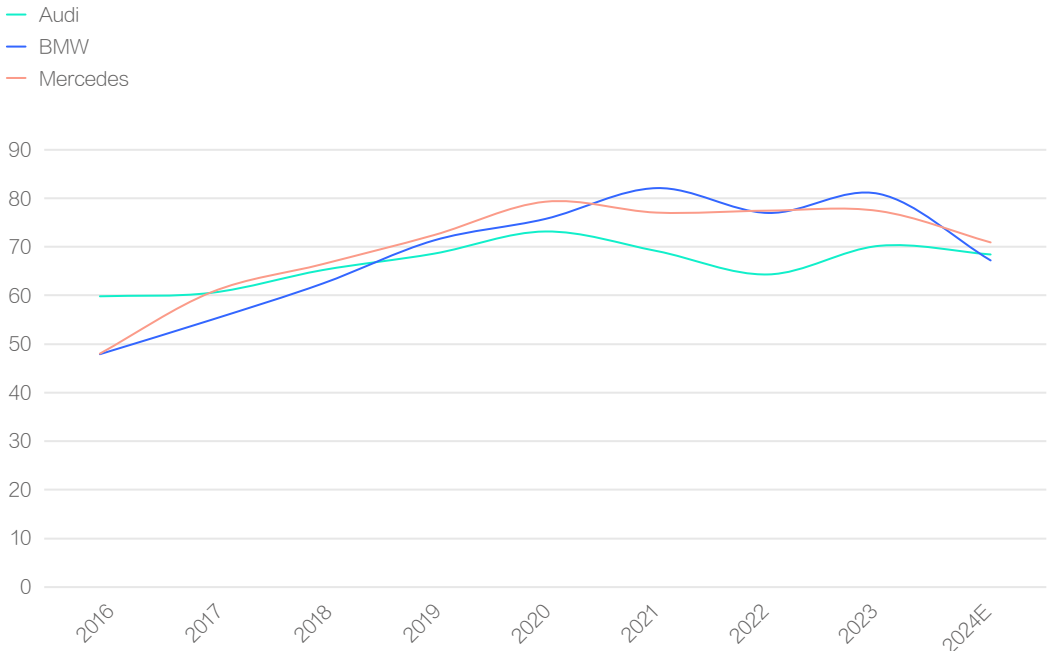
- ◆ Our advice to carmakers should not focus only on challenges, but also opportunities;
- ◆ Though companies led by Tesla, Li Auto and AITO continue to impact the traditional landscape of China's high-end car market dominated by BBA, the German premium trio will still maintain annual sales in China of about 700,000 units each despite difficult market conditions, or more than 2 million units combined. Considering some of the actions that have been taken by their dealers in the second half of 2024, it is likely that more will take action to leave the BBA network, at minimum a quarter and perhaps as high as a third of the dealers may do so. BBA sales in China could very much take another big hit in 2025, and the market share that have been coughed up by BBA will certainly be gobbled up by Li Auto and AITO if not BYD. If BYD's high-end strategy could rapidly replace one of the BBA in 2025, it would represent a major breakthrough;
- ◆ In the second half of 2024, Audi, Mercedes and BMW have offered discounts of more than RMB100,000 per vehicle at the point of sale, this clearly shows that the traditional pricing mechanism in China's high-end car market is too high, and it's even more extreme for Porsche and Land Rover. But despite of these massive discounts, BBA sales have not improved. Instead, a huge number of dealers are pulling out. This again shows that there are huge issues with existing BBA products like 34C and 56E that are mainly ICE vehicles, they cannot satisfy the desires of quality Chinese consumers. This does not bode well for BBA sales in 2025;
- ◆ BBA have the scale, but lack product competitiveness, which creates a huge opportunity for BYD's new round of high-end offensive in 2025. But only those that are prepared can capitalize on this opportunity. Many dealers that have pulled out from BBA have instead turned to brands like AITO and Xiaomi.



## Competitive Landscape of BYD and Select Mainstream High-End Brands 2024



## End-User Sales of Audi, Mercedes and BMW in China 2016–2024 (10,000 units)



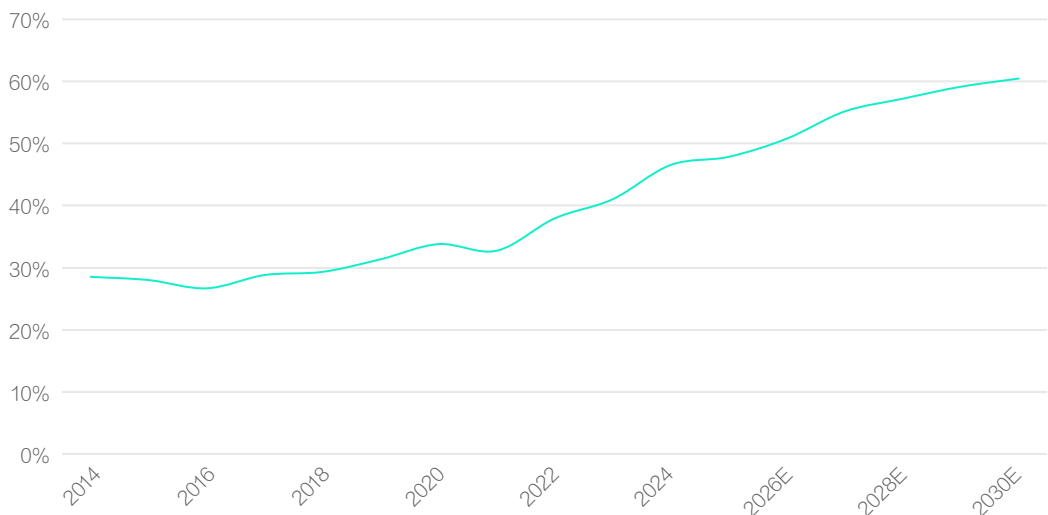
Source: TYRI (YRI)  
 X-axis = Vehicle length (mm), Y-axis = main price point (RMB10K)



## From 2025 to 2030, middle-class buyers will flock to the high-end car market and popularize high-end cars, this creates an environment for BYD to offer high-end products with more bang for the buck

- ◆ In 2025, as long as the price is right, BBA will give up a huge chunk of the market that could be gobbled up by BYD's new round of high-end offensive, the rigorously developing middle-class car market will create even more opportunities for BYD;
- ◆ The share of middle-class buyers in China's passenger vehicle market exceeded 40% in 2023 and will further increase to almost 50% in 2024. The middle-class car market will continue to dominate China's car market in the next few years. Middle-class buyers love high-end brands: in 2023 more than a third of middle-class buyers opted for high-end brands, and nearly 44% of them intended to buy high-end brands. As the middle-class car market continues to expand, more middle-class buyers will flock to the high-end car market;
- ◆ Middle-class families will not only help to enlarge the high-end car market, but they will also help nurture more pragmatic consumption in that market, creating better opportunities for high-end brands and models that have better bang for the buck. In 2024, though the desire for price from middle-class buyers was lower than that from blue collar buyers, it was still nearly 64%. Desire for price for many high-end brands or luxury brands like NIO, Land Rover and Porsche was more than 50%;
- ◆ If bang for the buck becomes a bigger factor in the high-end car market and if BYD's core selling point is bang for the buck, then it's the perfect match between the two. Unlike AITO and Li Auto, a high-end strategy focused on good bang for the buck will be more conducive for BYD to reshape the pricing mechanism in the high-end car market, and allow it to capture more consumption mindset and reorient a differentiated high-end strategic path.

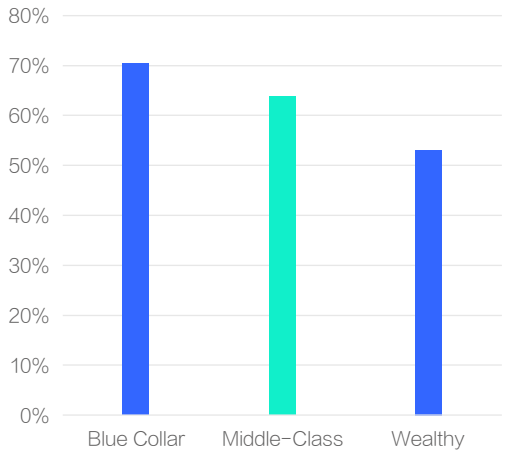
### Share of Middle-Class Car Market in China's PV Market 2014-2030



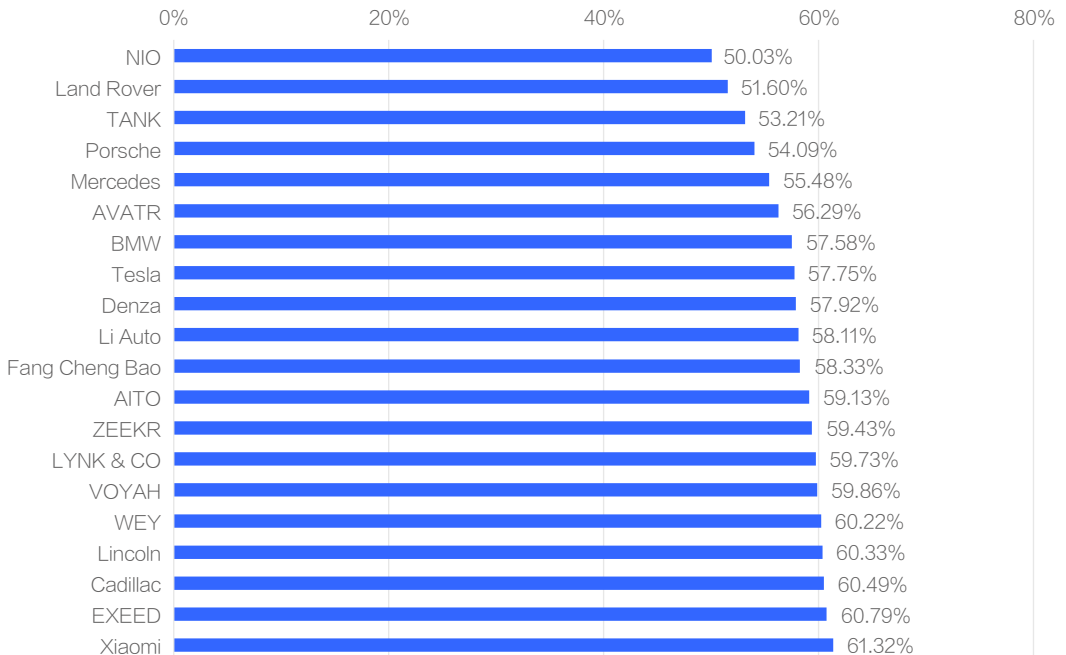
## Share of Middle-Class Market by Brand Positioning Purchased vs. Pre-Purchase 2023



## Pre-Purchase Desire for Price by Social Status 2024



## Top 20 Mainstream Brands in Lowest Penetration of Pre-Purchase Desire for Price 2024



Source: TYRI (YRI)

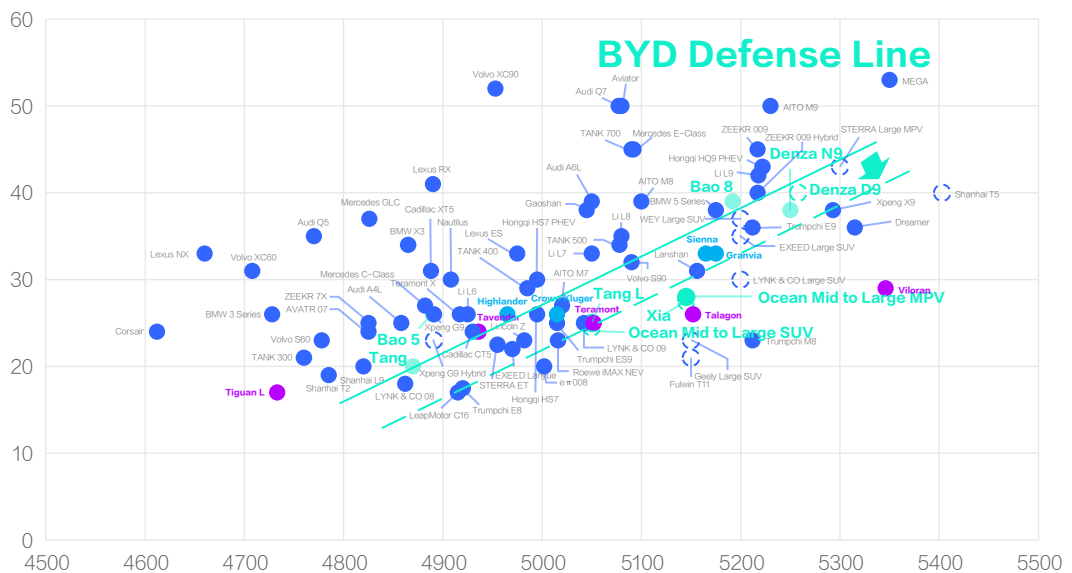
## **Given that there is a new high-end offensive and wave of middle-class buyers with strong desire for price, BYD should launch a high-end price war in 2025 to reshape the pricing mechanism in the high-end car market and reorient the consumption mindset of high-end customers**

- ◆ In 2021, thanks to the Qin PLUS and Song PLUS as well as through price discounts, BYD was able to quickly attract blue collar buyers by satisfying their desire for price. It was able to do the same in the mobility enabling segment with the Dolphin, Seagull and Yuan PLUS, and sales took off. In 2024, BYD actively strengthened its leadership positions in these two segments with strong desire for price through a combination of new vehicles, new technologies and price promotions. As a result, sales for the year will top 4 million units;
- ◆ From the end of 2024 to 2025, BYD will launch a new round of a huge high-end offensive through models like the Xia/Ocean XX, Tang L/Ocean XX, Denza N9 and Fang Cheng Bao 8. Effectively winning China's high-end car market will be a new issue: in 2025, major competitors like Geely, Great Wall Motor, Chery and Chang'an all will launch offensives in the high-end car market centered on being price competitive, which will impact BYD's own new high-end offensive; Toyota HEVs will flock to the high-end car market in 2025 while VW's energy-saving vehicles will also make a return to the high-end car market in 2026, forcing BYD to strengthen its high-end strategy pragmatically; in 2024 Li Auto and AITO have already risen to the top of the high-end car market, BYD must therefore prevent any intentions of the two to move down to the sub-RMB200,000 price range;
- ◆ There are challenges but there are also opportunities: BBA have the scale but lack the products, giving BYD ample opportunity to take advantage; middle-class buyers are increasingly flocking to the high-end car market and have strong desire for price, creating new opportunities for BYD to carve out a pragmatic high-end strategic path building on its own comparative advantage, and this path also represents a differentiated one compared to emerging high-end brands like Li Auto and AITO;



- ◆ Overall, there are more opportunities than challenges for BYD's new round of high-end offensive in 2025. The quick rebound in sales of the Bao 5 after prices were adjusted in August 2024 is a good reference for BYD as it optimizes the pricing mechanism for its new round of high-end strategy;
- ◆ In the sub-RMB200,000 segment, BYD has completed its 0 to 1 phase and can begin the next phase of 1 to 10, the key is how it can nurture the market. But in the RMB200,000 and above segment, BYD remains in the 0 to 1 phase, one that is still about survival. BYD must have a "return to its roots" mentality for its high-end strategy, put itself in that life or death environment back in 2020 and have that all-in courage it exhibited in early 2021. Start from 0 to 1, instead of dreaming a 1 to 10 dream because you've reached the 4-million-unit plateau. We suggest BYD, with the help of its new round of high-end offensive and by actively addressing the strong desire for price from middle-class buyers, launch a high-end price war to reshape the pricing mechanism in the high-end car market and reorient the consumption mindset of high-end customers;
- ◆ In 2026, a huge number of BYD's existing owners are likely to trade-in their existing vehicles for new ones or purchase additional ones, while many entry level cars will flock to the used car market. Therefore, 2025 is really the only year for BYD to achieve a breakthrough in the high-end car market. And since BYD's high-end play wasn't all that successful in 2023-2024, the urgency to achieve that breakthrough in 2025 is even pressing.

## High-End Footprint of BYD and Competitors 2025



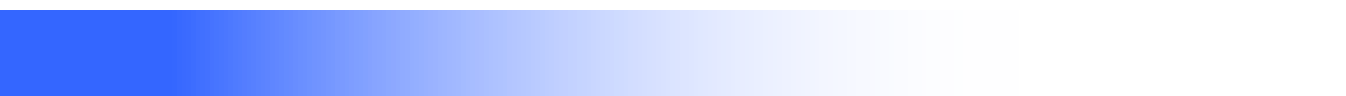
Source: TYRI (YRI)  
 X-axis = Vehicle length (mm), Y-axis = main price point (RMB10K)

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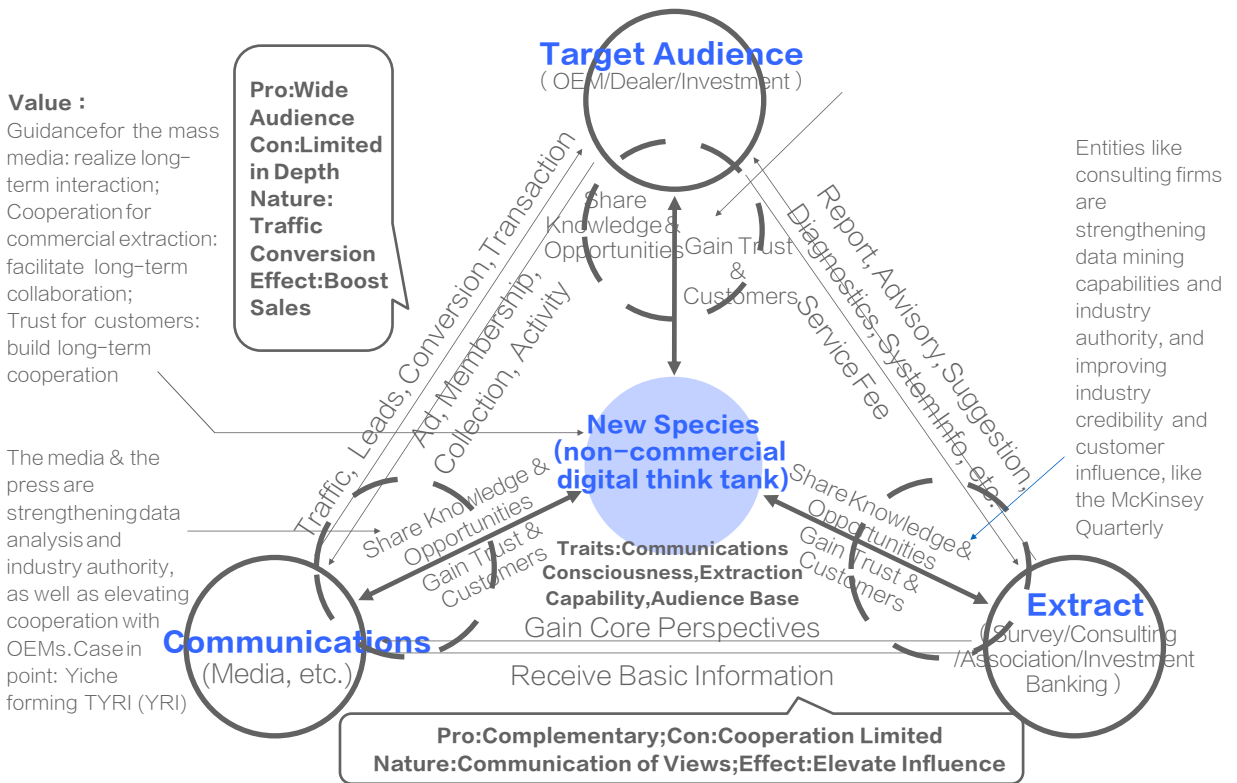
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**TYRI (YRI) mission: help Yiche customers better understand China's car market**

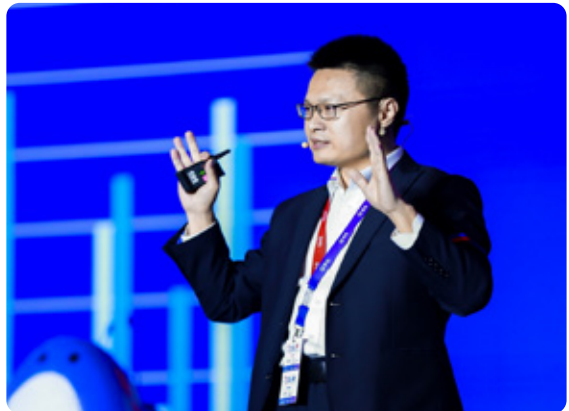
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- ◆ TYRI (YRI) prides itself on its rich data and the ability to speak the facts based on these data;
- ◆ Everyone has different views, therefore we welcome comments and feedback on our own views. Let's agree to disagree.



## Auto Industry Dialogue Tour — Insights Clear as Blazing Fire

From December 2024 to April 2025, TYRI (YRI) will kick off its 9<sup>th</sup> round of “Insights Clear as Blazing Fire” Auto Industry Trends & Analysis Dialogue Tour, covering the core topic of “creating a segmentation specific ecosystem” to help carmakers capitalize new opportunities presented by new market trends.

- ◆ Target: primarily Yiche customers including OEMs, one on one discussion
- ◆ Core Topic: Creating a Segmentation Specific Ecosystem
- ◆ Time: December 2024–April 2025
- ◆ Signup on WeChat: yicheresearch (please provide name, position, company and cell phone #)



## Demystifying China's Auto Market - a New Book from TengYi (Yiche) Research Institute's Industry Analysis Series

*Demystifying China's Auto Market (2024 Edition, Part II)* gives a deeper look into the past, present and future evolution of China's car market centered on specific user segments, thereby empowering core components of carmakers including strategic planning, product optimization and sales & marketing.

### How to get your book:

- ◆ OEMs, dealers and Yiche customers should contact their Yiche service personnel
- ◆ Non-Yiche customers please contact TYRI (YRI) directly (WeChat: yicheresearch)

