Research on Market Strategy and Risk Management of New Energy Vehicles— Take BYD as an Example

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Abstract: With global warming and increased carbon emissions, the new energy industry is being vigorously supported worldwide, and the development of new energy vehicle-related industries is imperative. The development of new energy vehicles is imperative under the growing push of environmental protection concepts and policies. BYD, as a leading manufacturer of new energy vehicles in China, should not be slow in adjusting its strategic management in the market with strong competition at home and abroad. This paper uses PEST analysis and Porter's five forces analysis to analyze the external macro-environment of BYD's new energy automobile, and uses the value chain to analyze the various business management activities. At the same time, SWOT analysis and Porter's Matrix analysis are used to analyze the internal environment. Then the strategic objectives and implementation plan are proposed for the strategic development of BYD's new energy automobile, and finally the safeguard measures for the implementation of the strategy are proposed based on the balanced scorecard.

Keywords: New energy vehicles; Strategic analysis; Market environment; Venture investment

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1. Introduction

BYD Company Limited (hereinafter referred to as BYD), together with its subsidiaries, is principally engaged in the automobile business including new energy vehicles and traditional fuel vehicles, cell phone parts and assembly business, secondary rechargeable batteries and photovoltaic business, as well as actively expanding the business field of urban rail transportation by utilizing its own technological advantages. In the 2021 annual report, BYD's strategic goal is to continue to deepen and adhere to technological innovation and independent control of core technologies, launch more high-quality products, help promote the "dual-carbon" goal, provide diversified green solutions for urban development, and promote the development of a low-carbon society. At the same time, we will actively promote the Group's market-oriented strategy, build a win-win ecosystem for industrial cooperation, realize the Group's long-term prosperity and everlasting success, and build the Group into a century-old enterprise in China's industry. Based on the current new crown epidemic suffered by the world, which made the internal and external operating environment of enterprises changed dramatically, a large number of manufacturing enterprises announced layoffs or even closed down. With global warming and increased carbon emissions, new energy-related industries are vigorously supported globally, and the development of new energy automobile-related industries is imperative. Therefore, the improvement of new energy automobile strategic management is very beneficial for BYD Group to improve the overall development level, and at the same time, it has a revelation and driving effect on the domestic new energy automobile industry.

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2. BYD's New Energy Vehicle External Environment Analysis

In the past decade, the domestic new energy vehicle industry has been developing rapidly under the strong support of national policies and adequate sources of funding for research and development. In most cities in China, electric vehicles are exempted from the lottery, which also plays an important role in promoting the development of electric vehicles. However, the reliance on government subsidies as a key channel for profitability has also led to slow progress and development of the industry. According to the Chinese government's New Energy Vehicle Development Plan, subsidies will be completely zero by 2020, and support for the new energy vehicle industry will gradually shift to a no-subsidy policy by 2025. Nowadays, China is facing the problems of overcapacity and uneven distribution of production factors, and it is necessary to carry out large-scale adjustments and changes to the industrial structure, to gradually phase out high-polluting industries, to coordinate the relationship between the economy and the environment, and to vigorously push forward the development of the green economy industry from the point of view of the sustainable development of production factors and other types of resources.

According to the central government's outlook for the future, China's future economic development needs to be realized in terms of sustained growth, industrial restructuring, industrial agglomeration and upgrading, etc. However, against the backdrop of the era of the trade war between China and the United States, it is expected that the country's economic growth rate will slow down in the next decade, and will likely fall to 5% or less. At the same time, the development of the tertiary industry is particularly important, which is also a key factor in expanding domestic demand and stimulating the increase in the level of consumption of residents. Under the background of China's economic slowdown and the improvement of people's material consumption level, the new energy automobile industry with energy-saving and emission reduction characteristics is in line with China's sustainable development and the strategic goal of long-term energy utilization. Firstly, with the increase in disposable income, China's potential automobile consumption market is huge, which is a natural potential market for BYD's new energy vehicles, coupled with the fact that BYD has been cultivating in the mainland market for several years, and has accumulated a certain degree of reputation, which is a favorable factor for it to take advantage of the potentially huge market; secondly, with the petrochemical resources becoming more and more exhausted and prices rising, and many consumers have to pay more for the new energy vehicles, which is a key factor for China's sustainable development and long-term energy utilization. Secondly, with the increasing depletion of fossil fuels and rising prices, as well as the growing awareness of environmental protection among many consumers, it is conducive for BYD to grasp the new business opportunities and wealth codes, bidding farewell to the red sea of traditional fuels and heading towards the blue sea of new energy vehicles.

In terms of the external technological environment, firstly, technological advances are significantly reducing the cost of production of new energy vehicles, with the key factors being the development of battery chemistries and the expansion of manufacturing plant capacity, as well as the latest technological advances in the area of battery storage driven by the high demand for batteries in consumer electronics. Batteries are expected to increasingly use cathode chemistries that are less dependent on cobalt by 2025. Second, technology for chargers applied to new energy vehicles is advancing, in part due to the growing focus on electric vehicles for heavy-duty applications (primarily buses, but also trucks). In terms of the internal technological environment, it appears that BYD has made breakthroughs in a number of technologies in recent years, more notably including DM II IDM3, bi-directional inverter charging and discharging, TID powertrain technology and remote driving control, which shows that BYD has a strong capability for independent R&D and innovation. In recent years, with the development of other automobile enterprises in the market, BYD has been paying more and more attention to the design of automobile appearance fashionability.All in all, BYD is now gradually getting rid of the previous imitation development routine and starting to enter the stage of independent R&D and design.

3. Internal Environment Analysis of BYD's New Energy Vehicles

(1) BYD's internal value chain analysis

Porter first put forward the concept of value chain in Competitive Advantage (1985). The so-called value chain theory talks about the decomposition of various management and operation activities of an enterprise into activities related to its strategy. In the case of BYD's new energy automobile business, the internal value chain can be divided into basic activities and auxiliary activities, with basic value activities including purchasing, production, shipping, sales and services, and auxiliary activities including infrastructure construction, human resource management, technology development, procurement and other businesses. (As shown in Table 1) The following is a diagram of the internal value chain of BYD's new energy vehicle business, which shows the development and categorization of the specific internal operations of BYD's new energy vehicle business.





(2) Basic activities

Raw material costs, BYD has just entered the field of new energy vehicles, in order to better face the competition put forward the "vertical integration" model, in the process of industrialization and development by virtue of the example of vertical integration, and actively build the automotive industrial park procurement of independent systems, with the help of the battery's advantageous technology and vehicle R & D advantages. In the process of industrialization and development, we have established a perfect layout for the development of new energy vehicles. 70% of the cost of automobile production is controlled within the enterprise, and the main parts sourced from outside are tires and glass. (Wu, QiuMei, 2020) Although the longstanding "vertical integration" model has been able to control product quality and cost by realizing technological progress, the vulnerability of the vertical integration model has been further exposed due to the continuous iteration of automotive and power cell technologies. Especially in this aspect of the power battery, vertical integration to a certain extent restricts the quality improvement, thus affecting the ability of enterprises to adapt to the changing market. This shows that the current vertical integration mode of cost control. Has not been suitable for the real needs and development trends.

In terms of production operation, BYD has a certain independent production capacity. 2015-2019 BYD continues to expand its production bases at home and abroad, and BYD has implemented a vertical integration strategy to build itself into a unique enterprise that combines independent research and development and production of parts and components, independent assembly of complete vehicles, and independent research and development of system software. In the field of new energy vehicles, BYD has set up its own mold company, and all of its automobile molds have achieved large-scale and specialized production. Specialized integration of automobile production system, strengthen the R&D of parts and components; achieve cost control through technological innovation.

In terms of shipping service, BYD's current shipping logistics mainly includes two parts, namely, processing orders and cargo operation. The former part of the plan is constantly optimized and adjusted by a special department, which strengthens the management of the delivery period and strictly controls the shipment logistics. The latter part is based on the business scope of agents and brokers and the target area of product sales, to ensure that the deployment of models meets the needs of dealers and minimize the cost of logistics services.

In terms of sales management, BYD attaches great importance to the sales mechanism and management, and

has formulated a management system that includes sales planning, pricing, delivery and collection, as well as order management and customer credit, and adopted a strict authorization and approval as well as management system, and standardized management and control for different types of new energy vehicle products. We have standardized the promotional materials and sales process for all products, and have established a standardized sales and service network throughout the country.

In terms of service management,BYD has reached an agreement with high-quality dealers to set up a system platform for customer rights protection and customer management to protect the rights and interests of customers. However, due to the increasing variety of product models and market segments, as well as the geographical constraints of the dealers, not all dealers are able to realize the service concept of "tailor-made for each individual". In response to different customer groups, BYD Auto Sales Co.,Ltd. has developed a customer management system and management approach that meets the needs of the customers by innovating its service programs and contents.

(3) Aspects of ancillary activities

In terms of infrastructure,BYD has actively played and utilized the advantages of synergistic services to lay out the new energy industry in more than 50 regions and countries in the world, and has set up more than 30 industrial parks.The strategic layout comprehensively covers six continents, and the business covers electronics, rail transportation and automotive and other fields. BYD infrastructure capacity is strong, with a number of factories, in the production capacity has a great advantage, against Tesla only in Shanghai a factory, in the global epidemic affects the logistics lead to supply chain disruption or vehicles difficult to transport the environment, BYD in the domestic market has a competitive edge, which is also an important reason for the rapid growth of BYD's operating income in 2021.

In terms of human resources management,BYD pays great attention to the construction of its personnel team and adopts management initiatives and systems that meet the sustainable requirements of corporate development. With the company's further development and expansion in the new energy field,BYD has standardized its human resource processes and systems, implemented modern training and performance evaluation systems, improved competition and incentive mechanisms, and rationally optimized its human resource hierarchical structure in order to comprehensively enhance the competitiveness and comprehensive ability of its employees from multiple dimensions.

In terms of research and development, BYD has always insisted on the concept of innovative technology as the core of its own development, and has set up more than ten professional research institutes and R&D departments for independent research and development. However, the above research institutes have good control over all the work of R & D, to further enhance the development of new products and the ability to respond to the market. According to the financial report data, BYD R & D in 2021 invested 10.627 billion yuan, a year-on-year increase of 24.20%; the number of R & D personnel is about 40,400 people, a year-on-year increase of 31.52%. Under the continuous increase in technology research and development, BYD has developed core technologies such as ultra-safe blade battery, DM-i super hybrid, e platform 3.0, IGBT4.0, etc., that is advancing in multiple fields.

In terms of procurement, BYD localizes all procurement as much as possible, gives full play to the advantages of its procurement system, selects suppliers that are close enough to meet the requirements, and reduces the procurement cost as much as possible. Particularly in the procurement of materials, BYD is very careful in making procurement decisions, and comprehensively supervises the key links from the pre-application to the final payment. BYD will improve its procurement management and process after 2018 to better meet the real raw material needs of the enterprise's production.

4. Competitive Advantage Analysis of BYD New Energy Vehicle

(1) Competitive advantage over traditional fuel vehicles

In terms of energy efficiency and economy, new energy all-electric vehicles (EVS) run on electricity only. They are driven by one or more electric motors powered by rechargeable batteries. EVs convert more than 77% of the electricity from the grid to power the wheels, while conventional gasoline vehicles convert only 12-30% of the energy stored in gasoline to power the wheels. Electric motors provide quieter, smoother operation and greater acceleration than internal combustion engines and require less maintenance, making them a less energy-dependent mode of transportation. New energy vehicles have the advantage of much lower operating costs. Using a small five-seat car as an example, it can be seen that an electric five-seat car consumes significantly less energy than a fuel five-seat car. The details of the energy cost of a new energy driven car versus a fuel car are derived based on the daily driving of the car. (As shown in Table 2)

parameters	Fuel five-seater	New energy electric five-seater
Fuel consumption (L/km)	0.10	0
Electricity consumption (kWh/km)	0	0.15
Price per unit of fuel consumption (92# gasoline)	6.98CNY/L	0
Price per unit of electricity consumption	0	0.5CNY/kW∙h
Energy costs for 10,000 kilometers of driving	6980	750

Table 2 .Technology Comparison between Fuel Vehicles and New Energy Vehicles

In terms of environmental protection and ecology, the domestic environment is facing an increasingly serious pollution problem. Tailpipe emissions from new energy vehicles reduce the level of particulates in the air and the risk of respiratory diseases is greatly reduced, which is a health benefit on the one hand, and on the other hand reduces the domestic demand for foreign oil imports. Green battery production and low-carbon electricity and electric vehicle recycling can effectively reduce greenhouse gas emissions if they are properly managed (Lui, 2021). It can be seen that the development of new energy vehicles is conducive to the reduction of huge GHG emissions from fuel combustion in China, and lays the foundation for the reduction of unit carbon emissions.

In terms of cost, BYD, as an early supplier of power batteries, is a leader in battery technology, and its blade batteries have high energy density and stability that can pass the puncture test. BYD completed the breakthrough of IGBT component technology in 2009 under the technical barriers of Infineon and other foreign enterprises with strong accumulation of technology, which is greatly related to the production of automobiles and charging piles, and got rid of the situation that the core components are controlled by foreign enterprises through self-sufficiency. The first way for BYD to control costs is through large-scale production and semi-automated production line, which adopts "partly manual+partly automated" to reduce depreciation of fixed assets such as production equipment and achieve the purpose of cost reduction. The second way is that most of BYD's components are produced and supplied in-house, so it can control the cost of upstream enterprises through the integration of the supply chain to achieve the purpose of reducing production costs. After 2017, BYD's supply chain was gradually opened up to improve technology and increase profitability through cooperation with other companies. Currently, BYD's IGBT components occupy about 1/4 of the market share in the domestic market, and BYD's power battery accounts for about 15% of the market share in the domestic market. Market expansion and expansion of production scale can further expand economies of scale, reduce production costs, and gain greater profitability for the enterprise.

In terms of vehicle manufacturing, BYD as a traditional automobile enterprise has a greater advantage over the network operation of the "new car-making forces" in terms of auto parts manufacturing, vehicle assembly, and component closeness. BYD has more than ten years of experience in auto parts manufacturing and vehicle assembly from Qinchuan Automobile. In terms of car interiors and ergonomics, traditional car-making forces also have advantages that should not be underestimated. In the models of the new car-making forces, there are problems

such as the rearview mirrors and door handles not being able to fit tightly due to insufficient fit of components, the seat upholstery being hard and uncomfortable, and the lack of application of ergonomics such as the brake and steering wheel leading to a decline in the user experience. Although the "new car-making forces" have a greater advantage over traditional car companies in OTA and other soft technologies, after-sales problems have emerged in Tesla, Azure, Xiaopeng and other car companies. "After-sales difficulties" has become a problem for some new energy vehicle owners. The large number of offline 4S stores of traditional automobile enterprises can solve various problems of users with a higher degree of satisfaction. Traditional car companies have more experience and a more mature training system after-sales, staff professionalism, service attitude and other aspects are also better.

5. Analysis of Problems in the Development of BYD's New Energy Vehicles

(1) Corporate finances under pressure

According to the five-year financial summary statement published in BYD's 2021 annual report, it can be seen from the data that since 2017, BYD's operating profit has been on a slow growth trend, and even declined in 2019 until 2021, which is improved, mainly due to the new models going on sale in the second half of 2020, and sales appeared to be strong will rise.

Firstly, in terms of cost of sales, BYD Company's cost of sales accounted for more than 80% of its operating income from 2017 to 2021, which will lead to a reduction in profit margins and affect the company's capital turnover.BYD's new energy vehicles have always been BYD's efforts to develop products, with the increasing number of BYD's new energy vehicle sales in recent years, indicating that BYD's new energy vehicles are widely welcomed by the market, the reason why the new energy vehicles are welcomed by the market, partly because BYD continues to meet the wishes of the consumers to increase the investment in research and development: according to the annual report of BYD, the company's R&D expenses for R&D expenses in 2020 and 2021 are 7.465 billion and 7.990 billion respectively. 2021 R&D expenses are about 113.6% higher than 2017, with more than double the growth rate. The rapid growth of R&D expenses is also one of the reasons that make the operating cost increase and profit decrease.

Under the influence of factors such as increasing economic downward pressure and declining subsidies, market demand for new energy vehicles has declined significantly since the second half of 2019. Meanwhile, the basic standard of the national subsidy in 2019 is 47-60% lower than that of 2018 (without taking into account the indicator coefficients of power consumption and battery energy density of vehicles), but the reduction in battery cost is much smaller than the amount of the subsidy, resulting in the loss of marginal contribution of a single vehicle in the industry. In recent years, the financial pressure on new energy vehicle companies has doubled due to the delay in new energy vehicle subsidies. The sharp drop in subsidies and weak demand for electric passenger cars have been one of the main obstacles to BYD's development of new energy vehicles.

(2) Power battery technology development and safety issues

BYD's new energy vehicle power cells require standardized batteries and a significant investment in the construction of charging stations and battery handling facilities at these stations. In addition to the large initial investment in these stations, it will be necessary to deal with differences in battery cost and quality between battery companies, as well as the need to standardize batteries across vehicle models. In addition, the battery is the single most expensive component of a new energy vehicle, and as engineers learn how to improve the technology and manufacturing process, and new energy vehicles gain economies of scale, battery costs will fall. However, due to the development of technology and market uncertainty, many domestic veteran battery factories on the car battery to take a "wait-and-see" attitude, BYD new energy vehicles in 2020 to launch the "blade battery", although the increase in energy density of the battery to improve the overall range of the car. Can effectively improve the entire vehicle range, but buried a greater security risks. In order to keep up with the annual adjustment of the energy density

requirements, BYD has to carry out rapid product iteration, a battery pack from mass production to the project closure cycle is often only one to two years. The development cycle of a new battery is greatly shortened, and the safety and reliability verification that was originally required at the R&D stage is inevitably shortened by the testing cycle. In order to seize market opportunities, a large number of inadequately validated battery products have been rushed to market, resulting in technical and safety issues.

6. BYD New Energy Vehicle Competitiveness Enhancement Strategy Program

(1) BYD new energy vehicle SWOT matrix analysis

Advantages. First, strong asset strength and brand awareness,BYD new energy vehicles have a certain degree of recognition in the domestic market in which it operates, and brand awareness has a considerable advantage in attracting consumers. Second, it has abundant capitalization.BYD's strong capital provides enough resources for BYD to research and develop new technologies and products, not only to withstand competitive pressure, but also to invest in research and development.Third, it has good relationship with existing suppliers.BYD has strong relationships with its suppliers and other members of the supply chain and can utilize the skills of its suppliers and supply chain partners to add products and services. Fourth, it has a first-mover advantage in battery technology, and it has a certain technological base in the field of battery research and development.

Opportunities. First, the size of China's domestic market continues to expand. At present, China has grown to be the world's second largest economy, the national income level still maintains medium to high growth, and the consumption potential of residents is larger. In addition, with the overall gradual improvement of the global new crown pneumonia epidemic, the global economic development stabilizes, the supply chain operation is gradually restored, the BYD market scale will be further expanded. This presents two major challenges for BYD's BYD: how to maintain loyal customers and how to cater to new customers. Second, as the battery technology paradigm continues to change, BYD can capitalize on developments in battery technology to improve efficiency and reduce costs. Third, and finally,with the development of artificial intelligence,BYD can utilize the development of artificial intelligence to better anticipate consumer demand for new energy vehicles and cater to market segments. Fourth, "environmental protection" and "low-carbon travel" are now the themes of the domestic society, the official "carbon neutral" development goals, and various industries are actively responding to global climate change, the public awareness of environmental protection is increasing. People's awareness of environmental protection is rising, so the public's recognition of new energy vehicles has increased greatly, which is also a key factor in BYD's new energy vehicle sales.

Threats. The threat of new types of transportation, such as other faster and more environmentally friendly public transportation, such as airplanes, high-speed railways, etc., and some portable inner-city transportation, such as scooters, electric skateboards, electric parallel vehicles, but from the perspective of safety performance and medium- and long-distance transportation needs, on the background of the level of scientific and technological development at the current stage, the alternatives to new energy vehicles with a high level of threat have not yet appeared for the time being.

(2) A strategic plan for the corporate level based on SWOT analysis

Based on the above analysis, the SWOT matrix is tabulated below(As shown in Table 3):

Table 3 BYD SWOT Matrix (Source: Com	niled by the author)
	plica by the dation

Strength	Weakness
1.Strong asset strength and brand awareness	
2.Substantial capitalization	1.Low return on investment
3.Solid relationship with existing suppliers	2.Low customer satisfaction
4."Three-electricity "core technology	3.Insufficient business diversity
advantages	

Opportunity	SO	WO
1.Increasing consumer disposable income 2.Expanding market size 3.Battery technology development 4.Into the era of industrial intelligence	 Use the brand advantage to convert potential consumers into actual customers Use battery technology to strengthen the relationship with suppliers and expand business scale Introduce differentiated product strategy to seize the emerging markets 	 1.Optimize battery service 2.Use artificial intelligence tools to accurately locate customers and improve satisfaction 3.Stabilize the industrial scale and strive to increase the return on investment
Threat	ST	WT
1.New public transportation 2. Portable inner-city transportation tools	1.Commissioned in the field of public transportation facilities 2. Launching a variety of products to meet the different needs of the market.	 1.according to customer demand for the introduction of new products 2.Adopt a contraction business model, focus resources on advantageous projects, and strive to reduce losses

SO strategy is the growth strategy, which is based on the company's own advantages and external opportunities, to grasp the opportunities and actively expand (Liu, 2019). For the time being, the encouragement and support of the national policy provides BYD's new energy vehicles with great potential for development. The advantages of BYD's new energy vehicles are in the dry perennial focus on dry battery research and development, as well as the integration of upstream and downstream resources in the supply chain. With these advantages, BYD can expand its industrial scale, launch differentiated products and seize emerging markets.

Therefore, no matter from the company's internal conditions or external environment analysis, the company's advantages and opportunities are more prominent, based on the SWOT qualitative analysis method, it can be assessed that SO growth strategy is a more suitable strategic model for BYD's enterprise development.

(3) Differences in the assessment of strategies

Cost leadership strategy and differentiation strategy are not in conflict, and can be applied to a variety of business dimensions, in line with the above assessment of the dimensional criteria at the same time, the different strategies in the control of the dimensions of the following distinction should be made, as can be seen in the table below.(As shown in Table 4)

	Cost leadership strategy	Differentiation strategy
Financial dimension	Reduce the risk of higher liabilities from gearing and quick ratios;	Enhance product competitiveness, improve accounts receivable turnover, increase sales in foreign markets, and accelerate cash return;
Customer Dimension	Control product costs, maintain a moderate price advantage and strengthen customer loyalty;	Customers are provided with more personalized services to enhance customer brand perception and improve service quality;
Internal Operational Dimensions	Improve R&D and production methods, increase the degree of automation and informationization, and reduce labor cost investment and raw material loss;	Maintain global leadership in battery technology through R&D, and increase sales of commercial vehicles abroad by adjusting marketing layout;
Growth and Learning Dimension	Building an enterprise knowledge base, promoting the sharing of knowledge within the enterprise and introducing mature and cutting-edge scientific and technological talents externally, and reducing training costs;	Focusing on the training of employees' innovation ability, it enhances employees' ability to master core technology, innovative learning ability, improves employees' income, and enhances employees' satisfaction;

Table 4. Contrasting Cost Leadership and Differentiation Strategies

7. Conclusion

This paper conducted a macro-environmental analysis through PEST analysis, Porter's Five Forces analysis, and

analyzed the internal activities of the company through the value chain, and based on the SWOT analysis, it derived the company-level strategy, i.e., the growth strategy, and based on the Boston matrix analysis, it derived the business-level strategy, i.e., the cost-leadership strategy and the differentiation strategy.

The research in this paper also has a certain revelation for European automobile enterprises, according to the 2023 financial report of Volkswagen in Europe shows that its liabilities are as high as 3113.2 billion dollars, the gearing ratio has reached 68.87%, and the operating profit is 11.3 billion euros, which is 13.9% lower than the same period of the previous year. Although BYD's liabilities were RMB 460.7 billion and its gearing ratio reached 77.94%, its half-year net profit attributable to the parent company jumped from RMB 3.595 billion in 2022 to RMB 10.954 billion. And Tesla's gearing ratio was only 42.4% in the same period, and has made a huge impact on other car companies through price wars. Musk, Tesla's CEO, went on record in August 2023 saying, "For many automakers, this trend (Kodak moment) is happening, but their pace of change remains slightly slower." How to utilize the industry's development opportunities, policy environment and technological capabilities to enhance the development of new energy vehicles in the country is a pressing issue for Biyadi and other companies in the same industry.

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