
Geely: A Case Study on the Trend Following Volvo-Owner

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Abstract

This chapter focuses on Geely, a Chinese car manufacturer, who is not even a leading player in its domestic market, but has recently become the largest exporter of cars from China. This has been done through both acquisitions and fast technological development. Geely follows a clear strategy and aims to become a leading global player through its quality products, great safety standards, and excellent sales and after sales services, as well as through competitiveness in pricing. Strategic investments worldwide, acquisitions of renowned companies such as Volvo, and continuous development of its human capital, its know-how and product range all place Geely into a position where they should be considered as a serious competitor, certainly in the next decade. The reason for Geely's success can be summarized in the following points: good enterprise culture and philosophy, the right time and right place, and "Go with the trend": good strategies for different times. Building upon its strength, it is very likely that Geely will become a world brand.

1 Introduction

That China is a growing market with enormous resource and human potential has been common knowledge over the past years. However, that some of the largest corporations worldwide are Chinese companies is a little less well known, especially as these companies have not made international appearances but rather built on their own local market potential.

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In recent years, some of these companies have started on a mission to conquer international markets as well. Since China is being flooded by international companies, why should Chinese companies not also flood the world? The emergence of Chinese corporations on the European market could have been noticed by the careful spectator in recent years. Huawei and Lenovo are two examples which have successfully made a name for themselves in the European market. These two examples are electronic companies but the Chinese industry is not limited to this. This chapter focuses on Geely, a Chinese car manufacturer, who is not even a leading player in their domestic market, but has recently become the largest exporter of cars from China. This has been done through both acquisitions and fast technological development.

Geely follows a clear strategy and aims to become a leading global player through its quality products, great safety standards, and excellent sales and after sales services (Geely 2014), as well as through competitiveness in pricing. Strategic investments worldwide, acquisitions of renowned companies such as Volvo, and continuous development of its human capital, its know-how and product range all place Geely into a position where they should be considered as a serious competitor, certainly in the next decade.

Shufu Li, the founder of Geely, founded the company based on clear corporate principles which include: teamwork, study, innovation, diligence, practicality, and perfection (Daxueconsulting 2014). One can see that these are principles designed toward long term growth and quality, not low cost, copy-paste production which may still be a very common image when one thinks of Chinese manufacturing.

The following chapter will present Geely's background/profile, its corporate development and its development potential for the future. One will see the prevalent prejudices toward Chinese companies are outdated. China is not only catching up economically but its companies are performing the same in terms of professionalism, technology, and quality.

2 Company Profile

2.1 History

In order to understand Geely as it currently exists and to be able to make predictions about its future, we must first look at its development up to the present to obtain a comprehensive understanding of the company.

Geely was founded on November 6th, 1986, originally producing refrigerators and decoration materials. In 1994, it began manufacturing motorized vehicles by producing motorcycles. Geely also produced the first scooter in China, selling 60,000 items in its year of release. Two years later in 1996, sales figures had reached 200,000 (Autoevolution 2014). Due to its success in the motorcycle manufacturing industry, founder Shufu Li, decided in 1997 to enter the automobile industry (Autoevolution 2014).

In 1998, the first Geely car rolled off the production line. The Geely cars were sold with mediocre success in the local market and the young car manufacturer had to overcome numerous governmental obstacles (Xu 2014) as it was the first private car manufacturer facing numerous, established, state-owned competitors (Wan 2014). From the beginning, Li had planned to internationalize his company, but at first without concrete plans. However, by 2003, the first batch of Geely cars were exported overseas (Histomobile 2014). In 2003, Geely had produced a total of 34,360 cars and gained a domestic market share of 3.8 % (Autoevolution 2014).

The year 2005 marked another milestone in Geely's development; it went public and was listed on the Hong Kong stock exchange. This was the beginning of a period of fast development, in which Li pushed forward the company's internationalization. By then, Geely had exported large quantities of cars to the Middle East, Africa, Eastern Europe, and South and Central America. Furthermore, it had established extensive trading networks in over 50 countries (Histomobile 2014).

The years 2007 and 2008 included some vital elements to Geely's development. First, in 2007, Li publicly announced a strategy shift from competing solely on price to competing on quality, technology, and safety. To do this, it strived to form international partnerships to catch up to its international competition (Chinacartimes 2013).

In the depth of the crisis, Geely had plenty of cash and thus found many valuable partnership opportunities. In 2008, it reached an agreement with British Manganese Bronze on the production of Taxis, which was a first foothold in Europe. More importantly, in 2009, Geely completed its acquisition of Drivetrain Systems International Pty Ltd, and through this closed the gap on high-end transitions. This would later prove instrumental for Geely's global competitiveness (Andrews 2014). In 2010, it pushed forward its internationalization efforts and enlarged its stand in Europe by completing its acquisition of Volvo Car Corporation, making it the first Chinese car multinational. This deal was followed by a "technology transfer agreement further enabling Geely to close the technological gap to international competitors" (Geely 2014).

In 2013, Geely exported cars to 26 countries. Striving to enter the European market with its brands (and Volvo) and with production facilities planned in Eastern Europe (Wan 2014), Geely's sales were nearly 550,000 cars (without Volvo) (Bloomberg 2014).

Today, Geely has a total of 18,000 employees worldwide, of which 2300 are engineers. Furthermore, Geely's staff currently (2014) includes three academicians, a dozen foreign professors, and hundreds of senior engineers who contribute in different fields to spur Geely's further development (Daxueconsulting 2014).

Now, Geely is a well-functioning international company, poised to make the most of its potential.

2.2 The Founder

Founder Shufu Li can best be described as a self-made man. Coming from humble beginnings, he has made his fortune through refrigerators, motorcycles, and finally, cars, and he has recently been called the “Henry Ford of China” (The Economist 2014).

Growing up in the small mountain village of Taizhou in Zhejiang province, his experiences of hardship and poverty endowed him with initiative and a hard-working spirit. In an interview, he stated that “when I was young, I was not afraid of hardship and being poor because I knew I will work hard to make a fortune” (World of CEOs 2014). Throughout his career, Li has proven many times that he is able to recognize and make the most of the business opportunities that he is presented with (World of CEOs 2014).

In managing his business, Li is said to be energetic and highly goal driven. On top of that, he is a creative problem solver with an intrinsic flair for innovation. This is combined with financial consciousness and measured risk taking. When making a decision, it is reported that Li listens carefully to his advisors, scholars, or other members of his management team, and takes into account the in depth market research and feasibility studies (World of CEOs 2014). Thus, it can be said that the founder of Geely is not one for rash action. However, once a path has been decided upon, he is strong willed and will not give up until success is reached (World of CEOs 2014).

Li’s journey toward success started when he graduated from high school; he received 100 RMB (16.50 US\$) from which he bought a camera and a bicycle and started his first photography enterprise. Within 6 months, he had made a tenfold return on his investment. In 1984, he began producing spare parts for refrigerators and his career as an industrialist began (China’s Tycoons 2014). His business expanded from refrigerators to aluminum bending boards to motorcycles, scooters, and finally cars, through the different opportunities Li saw and seized.

Li’s current net worth is 1.7 billion US\$ (Forbes 2014). The “Hurun” rich list ranks him at 63rd with a total of 16 billion RMB in total assets (China’s Tycoons 2014). The founder of Geely is not only concerned with his business success but is also one of China’s most popular philanthropists who has invested 800 million RMB into the nation’s largest private university (Beijing Geely University), and who has donated large amounts of money to help Chinese earthquake victims after the Wenchuan earthquake in 2008 (China’s Tycoons 2014).

Altogether, it can be said that Shufu Li has proven that he possesses the entrepreneurial and managerial skills to run Geely and continue its success story. His talent for innovation and for picking talented managers plus his positive image in the Chinese population will help to develop Geely into a global brand.

2.3 Employees

In 1997, when Geely first entered the auto-producing field, it had about 1000 employees. The number grew to 13,000 by 2009. Until 2012, Geely had 18,512 employees, and other sources stated the number as “above 18,000” (FortuneChina 2013). Geely believes employees are their “first resource”. They use a “人本” (RenBen) management method, which means “people are the base of every activity and every activity should be conducted in consideration of people” (Wenku 2014). The management takes care of its employees to make them motivated to create value for the company. They respect employees and trust them to have a sense of responsibility and to work proactively, which creates more value and means the value of human resource grows.

Geely offers training opportunities to employees, as they believe training is the best bonus for employees, and this company now has a well-organized training system. Geely also focuses on offering employees the room for future development, both from a professional facet as well as a financial facet (Wenku 2014).

In its daily running, the management always tries to make employees feel “at home”. Accordingly, the devotion of its employees is very high; they feel they are a member of their home (Geely), they are willing to work hard and work overtime to make their home better, and they feel very proud of Geely’s development. There is an emotional connection between the employees and the company (Enorth 2010).

The building of human resource in Geely is in concert with their strategic transformation. First, Geely sets up their own universities and colleges to cultivate professionals and technical personnel to suit their needs and the society’s need. Second, Geely introduces talents globally; highly qualified personnel with international experience are their focus. And last but not least, Geely encourages employees to find their potential in practice. Geely doesn’t take the level of diploma very seriously; they find talents among their frontline staff during everyday manufacturing (163blog 2010).

2.4 Product Range

In its early days, Geely competed solely on price and attempted to produce a “people’s car”. The result was the Geely HQ (first released in 1998), a car that even at its release could on no account be called a modern car (Andrews 2014), demonstrating the cut price technique envisioned by Shufu Li. Sales were few and Geely began gaining market share very slowly.

In 2005, however, new products with much improved quality, such as the Jin Gang (King Kong) and the Yuan Jing, were developed and proved instrumental to getting Geely to where they are today and especially to their establishment in the domestic market (Chinacartimes 2013). These cars were also the first to be exported in large quantities.

However, the quality of these models especially in comparison to those of other multinational competitors, was trailing badly, and even the English names were

laughable. They included the “Beauty Leopard”, the “King Kong” and the “Shanghai Maple”. Most of the early cars were based heavily on the Citroën ZX, making them not exactly cutting edge technology (Andrews 2014). Thus, the vision that Li had of entering the European and North American market was not possible with these models.

In 2010, this changed, however, and a new model, the EC7, became the first of Geely’s products to pass the European safety test with four stars (Xu 2014). In 2012, it was launched in the UK market as a cut-price rival to its counterparts such as Hyundai and Kia (Whatcar 2014).

Currently, in accordance with Geely’s multi-brand strategy, it has various models of different brands made for the varying consumer needs on the international market. At the Shanghai Auto show in 2010, Geely released six new models and 20 model variances for its three sub brands (Autocar 2014). These include:

Gleagle (affordable saloons and SUVs): Gleagle presented two different electric car models, the IG, a very small and convenient two-door car, and the EK 2, a five-door electric saloon with “Toyota Argo dimensions”. Since 2010, Geely tries to impress and show off its new technological capabilities by presenting its new electrical car developments at international motor shows. This is reflected in the Gleagle developments (Wiwo 2014).

Emgrand (sporty and prestigious models): The EX285, a grand luxury SUV, and the Emgrand GT (Geely Tiger).

Shanghai Englon (for “heritage” models): The Shanghai Englon GE is a luxury saloon with clear styling references to the Rolls Royce Phantom. Also under the Englon brand is a TX4 London cab, which will soon be put into production in China.

Altogether, it can be said that Geely features models of nearly every category of car and can therefore reach nearly every consumer segment just like other large, car multinationals with whom it is competing. Since 2010, Geely has presented itself as an R&D company capable of designing and producing cars of international quality by themselves. As can be seen from this section, Geely has progressed hugely in the last ten years from producing a few, low quality (but low cost) models to manufacturing a wide variety of brands and models with a qualitative standard that (together with a low price) makes them a real alternative even for Western consumers.

2.5 Revenues

Geely has developed at breathtaking speed in the years following 2007 when their new internationalization strategy was publicly announced. For the following explanation and analysis of Geely’s performance, it is important to remember that these figures exclude all sales from Volvo which was acquired in 2010. For a complete picture of the Zhejiang Geely holding group Ltd, sales of Volvo would have to be

Table 1 Basic financial information in RMB 1000 (Annual report 2007, 2008, 2010, 2012)

	2006	2007	2008	2009	2010	2011	2012
Revenue	127,006	131,720	4,289,037	14,069,225	20,099,388	20,964,931	24,627,913
Costs of goods sold	110,037	116,401	3,637,752	11,528,489	16,399,684	17,144,820	20,069,092
Gross profit	16,970	15,319	651,285	2,540,736	3,699,704	3,820,111	4,558,821
Net profit	214,149	305,767	866,053	1,550,460	1,900,323	1,715,849	2,049,786
EPS	RMB 5.05 cents	RMB 6.14 cents	RMB 15.0 cents	RMB 17.08 cents	RMB 18.59 cents	RMB 20.72 cents	RMB 27.05 cents

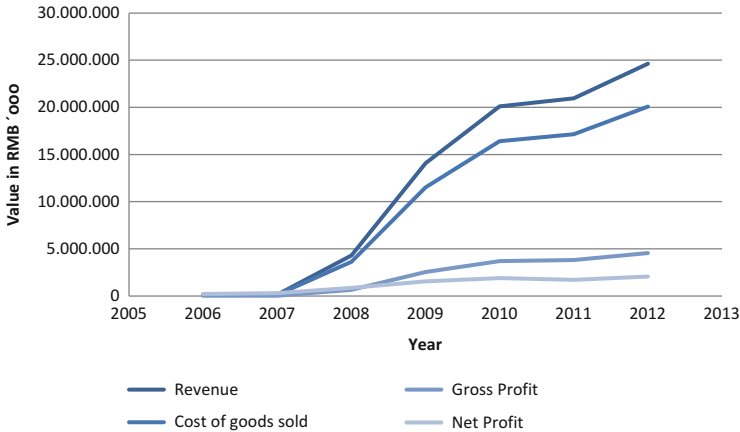


Fig. 1 Basic financial information 2006 through 2012 (Annual report 2007, 2008, 2010, and 2012)

incorporated. However, for the analysis of the Geely brand, only its financial data was examined.

Table 1 clearly shows the impressive development that Geely has taken. Its revenue increased from just 127,000 RMB in 2006 to 24 million RMB in 2012, showing just how much Shufu Li has pushed ahead with his internationalization plans and what substantial success he has had.

Similarly impressive developments can also be seen in gross and net profits (as shown in Fig. 1).

It is noteworthy that in the years 2006–2008, the net revenue was larger than the gross revenue. This means that during this time, Geely relied on external financing to fund its operations, and the 2005 public stock offering offered the external financing needed to make the rapid expansion possible. It is noteworthy that even though external financing was necessary, Li managed to retain a majority stake hold and thus control of his company (Anderson 2011). From 2009 onwards, external finance injections were not necessary anymore and the expansion carried and financed itself. Furthermore, the trend shown above was continued in 2013 with a further increase of revenue from 2,049,000 million RMB net profit, increasing by close to 25 % to 2,680,248 million RMB (Annual Report 2013).

Since it is Geely's pronounced goal to be a multinational car company who is able to take on Western competition, it is interesting to see what the revenue spread of Geely looks like over various regions.

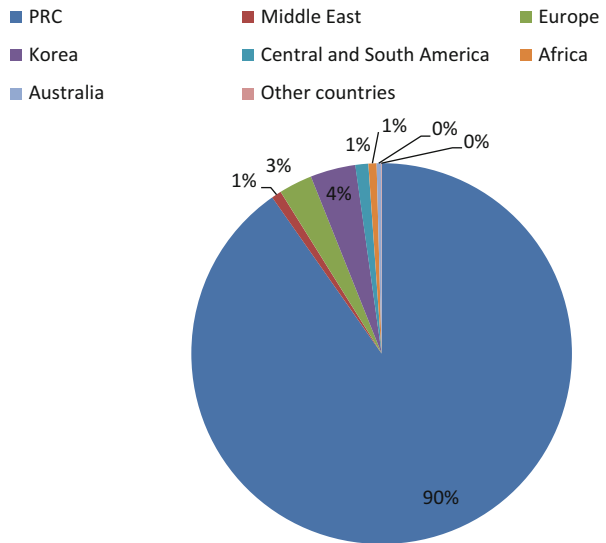
While Table 2 shows an obvious focus on the domestic market in the People's Republic of China, it also shows substantial increases from 2011 to 2012 in foreign sales, especially in the Middle East and Europe. Figs. 2, 3, and 4 clearly illustrate this trend.

As can be seen, the percentage of sales done domestically is continuously reduced and sales abroad, especially in (Eastern) Europe and the Middle East, are

Table 2 Revenue from external customers (Annual Report 2012, 2013)

Revenue from external customers	2011	2012	2013
<i>Hong Kong, place of domicile</i>			
PRC	18.923.680	19.304.515	21.962.293
Middle East	179.139	2.051.605	1.834.877
Europe	595.012	1.779.001	3.072.291
Korea	803.571	684.684	604.903
Central and South America	230.548	305.887	386.888
Africa	144.360	215.318	514.177
Australia	75.950	25.053	5.436
Other countries	12.671	261.850	326.706
Total	20.964.931	24.627.913	28.707.571

Fig. 2 Revenue from external customers 2011 (Annual report 2012)



increasing. This shows that the internationalization strategy of Geely is running with some success and, particularly in slightly less developed markets, that Geely cars are already established. Li’s dream of selling cars in the USA and Western Europe, however, is still some steps away (China’s Tycoons 2014). Another important conclusion that can be drawn from these figures is that Geely is becoming less and less dependent on its domestic market. Its drive to diversification may pay off in the future when the Chinese market discontinues its current rapid growth. Due to its international sales, Geely would, should the Chinese market weaken, be in a much stronger position than its local competitors, such as Great Wall.

It is one thing to look at revenue increases, but to complete the picture we must also look at the unit sales. Table 3 shows these figures from 2008 through 2013.

Visually, Fig. 5 shows that the total unit sales have increased constantly in line with revenue increases. While this could be regarded as obvious, it is nevertheless

Fig. 3 Revenue from external customers 2012 (Annual report 2012)

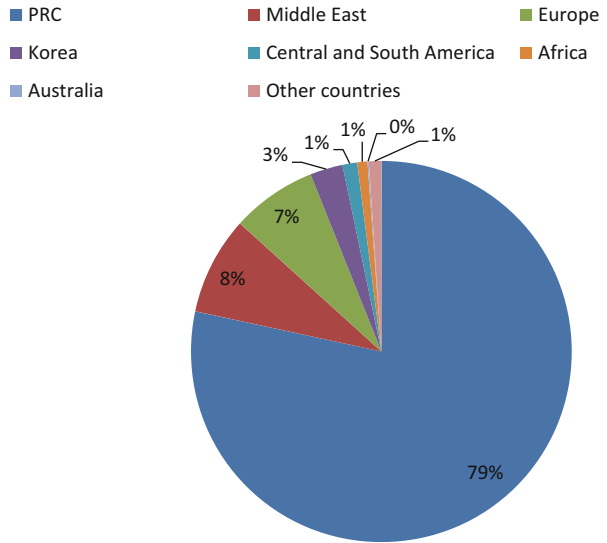


Fig. 4 Revenue from external customers 2013 (Annual report 2013)

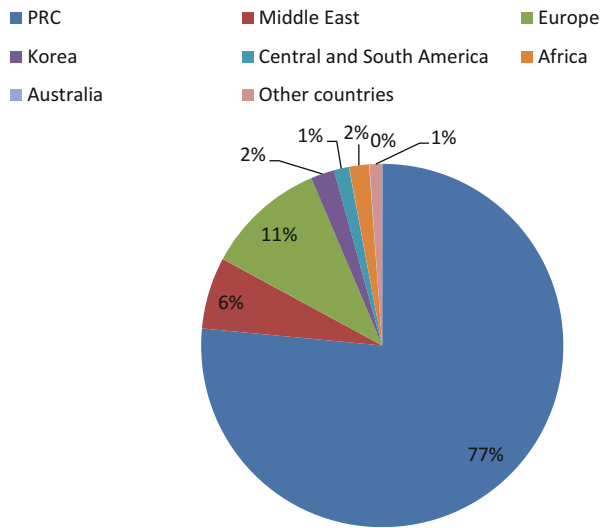
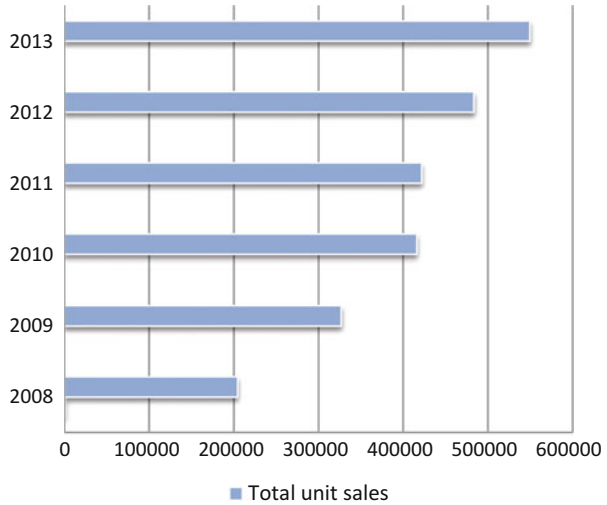


Table 3 Total unit sales (Annual report 2007, 2008, 2010, and 2012)

	2008	2009	2010	2011	2012	2013
Total unit sales	204.205	326.710	415.843	421.611	483.483	549.468

Fig. 5 Total unit sales 2008–2013 (Annual Report 2007, 2008, 2010, 2012, 2013)



noteworthy as it doesn't mean that more expensive models are sold but that market share is constantly increasing.

In the previous section, the different Geely sub brands were briefly introduced and the most common models presented. In this section, it may be interesting to see how these models are received by the market. Table 4 shows the unit sales per model and Fig. 6 visually shows this division. It is interesting to see is that 16 % of sales are still made with the Geely KingKong, an outdated model by today's standards. Presumably it still sells very well on the domestic market in China or other developing markets.

The previously introduced EC7, one of the prides of Geely which has also been launched in the UK and can technologically and in terms of safety hold its own against global competition, amounts to 29 % of unit sales. This proves the importance of the previously-mentioned categories and shows that Geely's efforts to catch up have had some success. Other main sales positions were Free Cruiser, Vision, and Geely Panda.

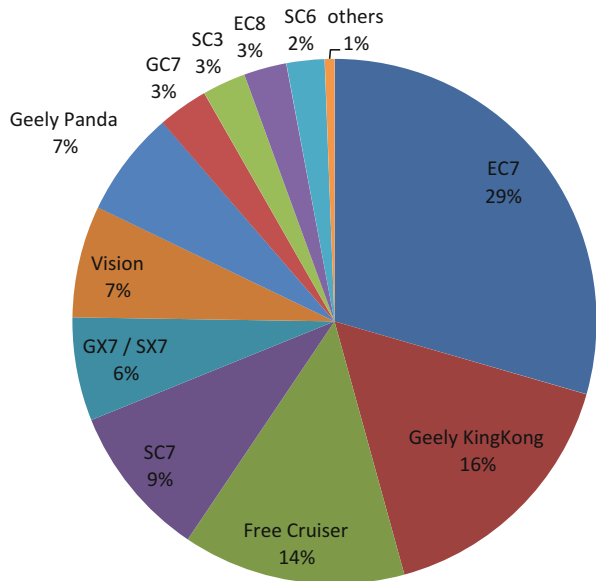
The sales from very different car models also shows that Geely has managed, with its various sub brands, to establish itself in different demographic markets and with different consumer groups.

If development continues at this rate, Geely will soon be a considerable global competitor for the established companies. Previous development has shown that Geely is capable of rapid growth and can healthily expand without losing its competitive advantages or getting stuck in bureaucracy.

Table 4 Sales by models, 2012 (Annual Report 2012)

Sales by models 2012	Sales volume (unit)
EC7	142.503
Geely KingKong	78.444
Free Cruiser	66.481
SC7	45.569
GX7/SX7	30.793
Vision	33.306
Geely Panda	31.471
GC7	14.948
SC3	12.952
EC8	12.771
SC6	11.377
Others	2.868
Total	483.483

Fig. 6 Sales by models 2012 (Annual report 2012)



2.6 Business (Success) Strategies

Geely’s main business strategy is a good example of how China’s national business environments influence certain industries and companies. From price to quality, from labor force to technology, the Chinese economy is facing a great industrial transformation and is upgrading. Geely began their strategic transformation process in May 2007. There are three stages of this process (Sina 2010):

First stage (June 2007–2009): Geely becomes a “well-known” brand; the effect of transformation begins to appear.

Second stage (2010–2012): Geely becomes an “influential” brand; transformation is basically done.

Third stage (2013–2015): Geely becomes a “competitive” brand; the enterprise achieves totally transformation, and a “rebirth” of the company is completed.

The strategic goal of Geely is to produce and sell two million cars by 2015, with half of them being sold abroad.

During this process, the mission of the enterprise shifts from “produce good automobiles that people can afford” to “produce the safest, most environmentally-friendly and the most energy-saving automobile”.

In 2010, Geely acquired Volvo. This operation gave Geely the opportunity to apply the higher technologies that they received from Volvo to their own brand production. At the same time, Geely made a step to draw attention to their way becoming an international brand (Ifeng 2014).

In April 2014, Geely announced a new branding strategy. At this moment, Geely has three sub-brands: Emgrand, Gleagle, and Englon Automobile. From 2014, on all new models will be under the brand Geely; those three sub-brands will still exist but will return to Geely step by step. All marketing and promotion activities will emphasize the mother brand Geely. This is a measure to integrate resources, enhance competitiveness of the brand, and further promote the brand (China daily, 2014a, b).

2.7 Quality and Innovation of the Product Range

Geely always promotes independent technology innovation as the company’s first driving force (Geely 2014).

In the early years of Geely’s development, their main business strategy was to produce a “people’s car”: affordable for people to purchase, and good enough to drive, although the quality of the cars was not expected to be very high (Wenku 2014).

In recent years, price competition became less important in the Chinese market, and Geely also began to make an effort to grow into an international enterprise. Therefore, a strategic transformation was undertaken in 2007. Quality and innovation became the first priorities of this company instead of price (Wenku 2014).

Due to the fact that the Chinese automobile industry didn’t have many independent property rights, which resulted in poor quality and limitation on future development, Geely invested huge amounts into research. The company has an enterprise culture where “everyone is an innovator”; this encourages everyone, from the frontline staff to top managers, to innovate and further develop the existing production procedure (Sina 2010).

The new models being released use new technologies to raise the level of safety and environmental protection. The quality of the product range is improving, although compared with Geely's multinational competitors; there is still room for improvement.

3 The Rise of the Company

3.1 Growth Development

“Geely, relying on flexible administration and continuous innovation, has quickly developed into China's leading brand in mid and lower class sedans” (Daxueconsulting 2012). This statement accurately depicts the situation Geely is in and the growth development it has taken.

Since its entry into the car manufacturing industry, Geely has grown swiftly. The vision of founder Shufu Li, that of the above mentioned flexible administration, continuous innovation, and clever fiscal policies and investment, have in ten years created a multinational car company poised to attack the established companies.

One of the most important factors which contributed to the international growth of Geely was the Ningpo agreement in 2007, in which Li publicly announced a change of strategy away from competing solely on price and toward a high tech, high quality company. Following the 2007 Ningpo agreement, Li set new sales goals for the company which were, for Geely to sell 300,000 units in 2008, 500,000 units in 2009, one million in 2012 and two million units by 2015 (Chinacartimes 2013). These goals seemed high at the time, but in combination with the new strategy were more practical and realistic than previously thought. In 2010, Geely had managed to sell 415,000 cars of its three newly-established brands following its new strategy (Chinacartimes 2013). In 2013, this value was 550,000 (Annual Report 2013). Even though these figures miss the previously established targets, they achieve a result which shows the success of the Ningpo agreement. Together with the 427,000 unit sales of Volvo, one could consider the goal of one million unit sales almost met (Annual report Volvo 2013). After 2010, Geely entered a period of slower, more consolidated growth, focusing not only on sales but other factors as well. This is reflected in the excellent performance of some models, such as the EC7, in crash tests (Chinacartimes 2013).

Altogether, it is clearly evident that Geely has grown rapidly, and its growth path has mostly been straight forward and upward especially after the 2007 Ningpo agreement and following the strategy changes. The fact that from 2010 onwards Geely has focused less on sales expansion and more on improving quality and investing in its sales network and R&D has not curbed sales growth. Currently, in 2014, Geely stands on a firmer foundation and there is little reason to doubt its continuing growth.

3.2 Becoming a Brand

Shufu Li has stated that he wanted to turn the company into an international brand from the moment it entered the automobile market (World of CEOs 2014). To achieve this, his company has attempted various strategies and used some remarkable tactics. At the beginning, Geely competed exclusively on pricing in its domestic market, offering a car “for the people”: affordable and functioning, but not much more.

The internationalization efforts really started off in 2007 with two different actions. Firstly, Geely introduced a TV show named “Sui Yue Feng Yun”, about a car company-owning family, which may or may not be based on Geely, and its development, its rivalries with competitors, and romances between them. The show became a huge hit in the Chinese speaking market (Chinacartimes 2013). Through this show, Geely gained popularity in its domestic market, laying the foundation for further internationalization efforts.

Secondly, also in 2007, Li Shifu signed the Ningpo Agreement, pledging to not only compete on price but to develop models on high qualitative and technological levels. This was a great marketing coup, officially pronouncing his change of strategy and publicly pushing his company into a new era. The agreement was not just a gesture but was followed quickly by change: three old models (HaoQing, Meiri, and YouLiOu) were discontinued along with their production lines. These were replaced with three new models (Yuan Jing, Jin Gang, and Zi You Jian) following an 800 million RMB investment in new production lines (Chinacartimes 2013). Internationally, Li Shifu realized that this shift of strategy would be necessary if Geely was ever to successfully compete with leading multinational companies such as Toyota or GM.

Parallel to these goals, Geely’s new multi-brand strategy was launched: three brands would eventually replace Geely as a consumer brand. These were to be Global Eagle brand (2009, affordable saloons and small utility vehicles), Emgrand (2009, sporty and prestigious vehicles) and Shanghai Englon (2010, “heritage” designs) (The Economist 2014). A multi-brand strategy is used by nearly all international car manufacturers thus ensuring themselves a broad customer base in different demographic segments of the target market, without diluting the strength of any one brand. Effective targeting in marketing can only occur with a multi-brand strategy unless the company wishes to remain in a niche market. The current portfolio of cars and the unit sales achieved (as can be seen in the previous sections) show that successful implementation of these strategies has been achieved.

In 2010, new batches of Geely products have been launched in the international market in succession, including EC7, EC8, and GC2. Making high-quality cars and maintaining a high safety standard is now the signature of Geely (2014). This statement made by Geely shows their current approach and that they feel that their strategy shift has been accepted by the international market environment.

It can be classified as a great success of Li that by 2011 Geely was recognized as being one of China’s most recognized brands (Daxueconsulting 2014).

“In 2014, the group would continue to focus on improving its product quality, after-sales services and average selling price of its products,” Geely stated (Bloomberg 2014). Thus, we can expect Geely to continue with the strategy it has embarked upon in 2007 of not only competing in price (even though this will always remain a big selling point) but also through its quality products, great safety standards, and excellent sales and after sales services (Geely 2014).

3.3 Position in the Home Market

In 2013, Geely ranked tenth in the Chinese market with total sales of 549,393 automobiles (Table 5).

In today’s Chinese automobile market, the high-end market is mostly dominated by joint venture brands (with capital and technology from foreign brands), while the middle and low-end market are dominated by local brands, such as Geely. Geely is in a leading position among local brands (Wenku 2014).

However, the economic growth of China is slowing down and consumption is experiencing an up-grading. From 2012 onwards, joint venture brands are turning their attention to middle/low-end markets and have introduced more affordable models. All the factors above illustrate a challenging situation towards local brands. In the past, joint venture brands and local brands focused on different markets

Table 5 Chinese car manufacturer passenger car sales ranking 2013 (Autohome 2014)

Ranking	Manufacturer	Sales in total in 2013
1	Shanghai GM	1,542,559
2	Shanghai Volkswagen	1,527,008
3	FAW-Volkswagen	1,526,288
4	Beijing Hyundai	1,030,808
5	Nissan	926,229
6	Changan	682,686
7	Great Wall Motor	627,436
8	FAW Toyota	554,661
9	DPCA	552,073
10	Geely Holding	549,393
11	Shanghai -GM-Wuling	548,984
12	KIA	546,766
13	BYD Auto	506,189
14	Changan Automobile	500,500
15	Chery Automobile	443,944
16	Guangqi Honda	434,828
17	Dongfeng Honda	321,216
18	GAC Toyota	303,088
19	Shanghai Automotive	230,020
20	BMW Brilliance	207,327

which had little intersection, but now the situation has changed, and true competition is just beginning (Ifeng 2014).

In the past 7 months, the sales of local brands have dropped, and Geely actually dropped the most (36.5 %); Geely management claim that this is because of ongoing restructuring of production and branding strategy (China daily, 2014a, b).

3.4 Position in the Global Market

Geely approached internationalization in 2007 with a three-phase plan. The first phase from 2007 to 2009 aimed at increasing Geely's fame and brand recognition. In the second phase from 2010 to 2012, Geely attempted to become an "influential" brand and in the final, third stage from 2013 to 2015, Geely is attempting to achieve competitiveness even against established multinational car giants (Daxueconsulting 2014).

Coinciding with the beginning of Geely's internationalization was the economic crisis which began in 2007 and really struck home in 2008. During this period, many competitors were struggling severely and were trying to weather the storm. Geely, on the other hand, equipped with large amounts of funds from the Chinese government, was looking for partners to invest in (Chinacartimes 2013). This provided a strong position for Geely on its quest for internationalization. This proved to be particularly important as Chinese car manufacturers faced three bottlenecks from 2007 to 2009 when competing internationally. These were gearboxes, engines, and safety.

Geely tried to overcome these problems through R&D and as a kick start through acquisitions, mergers, and strategic partnerships. With the acquisition of Drivetrain Systems (an Australian transmissions manufacturer and one of the leading international suppliers of gearboxes) in the same year, Geely took a huge step toward overcoming the gearbox bottleneck (Andrews 2014).

Geely followed this with the acquisition of Volvo, a brand renowned for its emphasis on safety. Through this, Shufu Li's company took a big step towards overcoming another hurdle to international competitiveness, especially after a technology transfer agreement was signed in the same year (Andrews 2014).

Thus, in the past few years Geely has worked diligently toward overcoming the traditional technological hurdles that Chinese car manufacturers face, through its acquisitions and its own sizable investments in R&D. Geely currently employs 2300 engineers (Daxueconsulting 2014) and founded and funds the largest technological private university of China (China's Tycoons 2014). Geely is now in a position where it has closed the most evident gaps between itself and the international competition.

Since 2013, Geely is China's largest exporter of vehicles (Chinadaily 2013). Geely has set up production facilities in eight countries outside of China, and its products are particularly in demand in markets such as in Iraq, Iran, Vietnam, Turkey, and many African nations: countries which maintain a close economic relationship with China (Chinadaily 2013). By 2015, Geely plans to enlarge its

foothold in international markets by adding seven more production facilities (Perkowski 2013). At the end of 2013, the group exported its products to 41 countries through 41 exclusive sales agents and 527 sales and service outlets in these countries (Annual Report 2013).

In February 2013, Geely set up a R&D center in Göteborg in Sweden where it will develop “modular architecture design products” and levy Volvos technological know-how (Chinadaily 2014a).

Geely has said that it plans to start exporting cars that it develops with Volvo Cars to the US in 2016, a decade after founder Shufu Li first set the goal (Bloomberg 2014). These newly-developed products may also help Geely tap the mature Western European market (Chinadaily 2014b). But for now, Geely’s global positioning is focused on sales in developing nations which are easier to enter, where Geely may be able to avoid taxes, where assemblers enjoy significant price advantages and where competition is not quite as fierce. In these markets, Geely can say with pride that it is the leader among the Chinese exporters (Perkowski 2013).

4 Future Development

4.1 What Are the Future Challenges/Problems to be Overcome at Home and Abroad?

Geely faces a large number of threats both at home and abroad, some of which are extraordinary and probably unique to the coming years, while others are continuous and Geely’s management will have to find long term solutions.

At home, Geely is especially under threat from growing competitive pressures from, in particular, multinational brands such as Volkswagen or GM. These companies constantly increase their presence in the Chinese market and become more and more competitive through establishing new local manufacturing plants, for example. These multinationals with their high-quality products and know-how appeal to the Chinese consumer, and their increasing presence puts considerable pressure on indigenous brands such as Geely (Annual Report 2013).

Furthermore, domestically local car companies face considerable political pressure which results in growing cost pressure, and is something in which Chinese manufacturers still trail behind their international competitors. The Chinese Government is considering new regulatory requirements on environmentability (fuel consumption and emission) and product warranty, product recall, and other consumer protectionist actions. On top of that, due to the huge pollution in Chinese metropolitan areas a limited number of car licenses for these areas are under consideration. These factors would put cost pressures on Geely as they would have to make large investments and could seriously harm sales. However, on the upside, Shufu Li’s company is in a much better position than his indigenous competitors, as he has, through the acquisition of Volvo, access to more advanced technological know-how, and therefore has a head start on his competitors. Furthermore, the Chinese government is moving away from foreign cars as official

vehicles and is shifting towards domestic brands, something that could help offset the reducing sales figures or even lead to an increase in sales, if the previously mentioned threats don't play out with all their weight (Annual Report 2013).

Abroad, the outlook for the coming years is varied; Geely has many excellent opportunities but also faces a number of threats. In some countries, the demand has decreased and will continue to do so due to political tension such as in Egypt, the Ukraine, or Russia. Additionally, in Russia, the ever-changing legislations and governmental restrictions are a continuing source of volatility making accurate sales predictions and continuous growth difficult (Annual Report 2013).

However, some aspects give a reason for an optimistic outlook towards future sales numbers abroad. The past investments in production plants in Uruguay and Belarus enable a much easier access into the markets, and from the plant in Uruguay, Geely plans to enter the Brazilian market for the first time. Sales there are expected to offset possible decreases in other regions. Thus, in total, one can say that Geely is diversifying its sales regions and expanding its global reach (Annual Report 2013).

Finally, it can be said that the acquisition of Volvo and the partnership agreement are beginning to pay out in other ways and with them Li's company works hard to increase its cost savings in terms of economics of scale and more efficient production. This will give an overall competitive advantage to Geely both at home and abroad (Annual Report 2013).

4.2 Which Companies Are Its Competitors Now and in the Future?

At the moment, Geely's competitors are mostly its Chinese peers, so called "local own brands", including: BYD, Tianjin Xiali, Chery, and Shanghai GM. Other competitors are brands like Toyota and Citroën, but this competition only occurs among certain car models. Most of Geely's products are within the middle and low-end market; the products meet the requirement for a large number of consumers for a daily use and which can be purchased at a relatively low price level. Geely's sales are in a leading position in this competition.

In the future, with the transformation of Geely's production and upgrading of technology, Geely will enter the higher-end market in China and also other foreign markets. The competitors it will meet in the future will be Hyundai, Honda, Volkswagen, and so on.

5 Conclusion

5.1 Why Did This Company Become so Successful?

The reason for Geely's success can be summarized in the following points:

5.1.1 Good enterprise culture and philosophy

Geely is a modern enterprise with a classical Chinese philosophy. It doesn't regard people working there only as employees, but also as family. It doesn't see society as a place to just earn money, but as a company it is a member of the society and is responsible for creating long-term sustainable prosperity for the whole community. The management takes care of its employees not only in regards to their jobs, but also to their needs and difficulties in life. And with the effort from the management to offer employees a happy life in Geely, a homelike atmosphere was created in this enterprise. Everyone feels that they are a member of the family, so they work hard for their family and are proud of the achievements the company makes. When the company seeks innovation and transformation, everyone in the company is invited to make a contribution, not only the group of people working on that task. When people consider themselves to be a part of the whole enterprise, they willingly work hard because if they benefit the company, they also benefit themselves.

Geely believes in its social responsibility and it is proactively leading the research in environmental protection technologies. All the effort is for the goodness of the society in the long run.

5.1.2 The right time and right place

Geely was founded and developed rapidly along with the development of the Chinese economy. The business environment offered opportunities for businesses like Geely to grow. There was no domestic automobile industry for the private car market, and the potential market was huge. A large number of people wanted a car that was cheap but still safe and handy, and the foreign brands were too expensive. Geely caught the opportunity and made a way to survive.

5.1.3 "Go with the trend": good strategies for different times

At the very beginning, most Chinese people only wanted a car which they could drive, and the quality was not as important as the price. So, Geely produced the "people's car" to meet the requirement of the market. However, then people began to look more at the safety and quality, and the time of low-price-winner was coming to an end. Geely began their strategic transformation to suit the new reality of the market. When technology innovation became rather important for the company's future development, Geely invested in research bases and built educational organizations to cultivate their own talent backup. Always go with the trend and survive with changes.

5.2 Is It Likely That This Company Will Become a World Brand?

It is very likely that Geely will become a world brand. First, it is a governmental plan that Chinese car products enter the world market to compete with multinational competitors, and Geely is an important enterprise which is in a leading position in the Chinese local automobile industry. Second, Geely is working hard on new technology innovation and is producing more environmentally-friendly

products. Although the quality of their products is still not very competitive in the global market, the gap is shortening. We can expect that in the near future Geely will become a player in the world market. Third, it is a strategic goal of Geely to sell a certain number of its products to foreign markets. Geely has already begun its actions in upgrading its production to meet foreign markets' standards and is drawing international attention by, for example, the acquisition of Volvo.

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