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MASTER'S QUALIFICATION THESIS

on topic

**FORMATION OF COMPETITIVE ADVANTAGES OF
THE ENTERPRISE AT EU MARKETS**

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Source data for the master's qualification thesis: legislative acts, educational and scientific literature, financial statements of the enterprise, statistical data, technological maps, resolutions, orders

List of questions, that subject to research:

1. Theoretical foundations of the formation of competitive advantages of an enterprise in the international market
2. Analysis of the economic activity of an enterprise in the EU market
3. Directions for improving the formation of competitive advantages of an enterprise in the EU market

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ABSTRACT

As a major component of the European continent, the EU's geographical location and economic size make it an important player in the global marketplace. The 27 EU member states form a single territory for customs purposes, making the EU a customs union. This means that there are no customs barriers between EU member states and they have a common customs tariff for imported goods. After paying customs duties and checking the import conditions, goods can move freely within the EU without further customs control.

The EU believes that competition is the soul of a market economy. Healthy competition encourages companies to increase production, innovate, lower prices and face competitive pressure. As globalization deepens, mergers and acquisitions are becoming more international. The importance of international cooperation for EU businesses is growing, as cooperation with the world's major economies allows them to seek new opportunities and technological integration. BYD is a Chinese company that produces vehicles based on new energy. Its electric vehicles are recognized as one of the best in the world in terms of quality and performance. New energy vehicles have become a major development trend, particularly as a result of the green revolution.

Objectives of the study:

- to identify the economic essence of competitive advantages in the system of international entrepreneurship and to generalize theoretical approaches to the classification of competitive advantages;
- to consider methodological approaches to the formation and assessment of competitive advantages of an enterprise in international markets;
- to identify trends in the development of the EU electric vehicle market;
- to assess the competitive advantages of BYD;
- to develop practical recommendations for the formation of BYD's competitive advantages in the global and EU electric vehicle market.
- recommendations for realizing competitive advantages for long-term success in the market.

The work consists of an introduction, three chapters, conclusions and a list of references, which includes 52 titles, the work contains tables and figures. The volume of the paper is 66 pages.

KEYWORDS: COMPETITIVE ADVANTAGES, DEVELOPMENT, FOREIGN ECONOMIC STRATEGY, FOREIGN ECONOMIC ACTIVITY, ENVIRONMENT PROTECTION, ENTERPRISE

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INTRODUCTION

As a major component of the European continent, the EU's geographical location and economic size make it an important player in the global marketplace. The 27 EU member states form a single territory for customs purposes, making the EU a customs union. This means that there are no customs barriers between EU member states and they have a common customs tariff for imported goods. After paying customs duties and checking the import conditions, goods can move freely within the EU without further customs control.

The EU believes that competition is the soul of a market economy. Healthy competition encourages companies to increase production, innovate, lower prices and face competitive pressure. As globalization deepens, mergers and acquisitions are becoming more international. The importance of international cooperation for EU businesses is growing, as cooperation with the world's major economies allows them to seek new opportunities and technological integration.

BYD is a Chinese company that produces vehicles based on new energy. Its electric vehicles are recognized as one of the best in the world in terms of quality and performance. New energy vehicles have become a major development trend, particularly as a result of the green revolution. BYD has successfully seized this opportunity by focusing on the production of electric vehicles that have gained popularity in the ever-changing market. Tesla is also developing its operations in China, cooperating in the construction of factories to maximize the use of production capacity. BYD is known as one of China's leading companies in the electric vehicle industry, but to penetrate the EU market, it needs to have its own competitive advantages.

The purpose of the master's thesis is to summarize the theoretical foundations and develop practical recommendations for the formation of BYD's competitive advantages in the EU EV market to attract foreign exchange earnings and increase the competitiveness of Chinese products.

Objectives of the study:

- to identify the economic essence of competitive advantages in the system of international entrepreneurship and to generalize theoretical approaches to the classification of competitive advantages;

- to consider methodological approaches to the formation and assessment of competitive advantages of an enterprise in international markets;

- to identify trends in the development of the EU electric vehicle market;

- to assess the competitive advantages of BYD;

- to develop practical recommendations for the formation of BYD's competitive advantages in the global and EU electric vehicle market.

- recommendations for realizing competitive advantages for long-term success in the market.

The object of the study is the foreign economic activity of the Chinese electric vehicle manufacturer BYD.

The subject of the study is the formation of competitive advantages of the Chinese electric vehicle manufacturer BYD in the EU market.

Research methods. Methods of comparative and systematic analysis, synthesis, scientific generalizations, historical method were used to study the essence of the concept of “competitive advantage”; methods of modeling and combination of substantive and logical were used in the development of a classification of competitive advantages and in the study of factors of competitive advantage formation; scoring - to determine the level of competitive advantages of enterprises of the oil and fat industry; expert assessments, SWOT analysis were used in the analysis, abstract-logical and argumentation method - to formulate the conclusions of the study.

SECTION 1. THEORETICAL FOUNDATIONS OF THE FORMATION OF COMPETITIVE ADVANTAGES OF AN ENTERPRISE IN THE INTERNATIONAL MARKET

1.1. The concept of competitive advantages and their role in modern market conditions.

Comparative advantage, introduced by David Ricardo, comparative advantage refers to a country's ability to produce goods and services at a lower opportunity cost than its trade partners. Comparative advantage describes the economic reality of the gains from trade for individuals, firms, or nations, which arise from differences in their factor endowments or technological progress [5].

It forms the basis for international trade, allowing countries to specialize in the production of goods where they have a relative efficiency advantage, thereby increasing overall economic welfare.

Adam Smith's absolute advantage concept of absolute advantage describes a situation where a country can produce a good more efficiently (i.e., with fewer resources) than another country [6].

Countries with absolute advantages can dominate global markets for specific goods, leading to more efficient global production and consumption patterns.

Michael Porter's Diamond Model identifies four broad attributes that promote or impede the creation of competitive advantage: factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry [7].

This framework helps countries understand the sources of their competitive advantages and develop policies to enhance their positions in the global market.

At the enterprise level, cost leadership, proposed by Michael Porter, cost leadership involves a firm's ability to produce goods or services at a lower cost than its competitors.

In business strategy, cost leadership is establishing a competitive advantage

by having the lowest cost of operation in the industry [8]. Cost leadership is often driven by company efficiency, size, scale, scope and cumulative experience (learning curve). Firms with cost leadership can offer lower prices, attract price-sensitive customers, and maintain profitability through economies of scale and efficient operations.

Differentiation strategy focuses on offering unique products or services that provide value to customers, which is different from competitors.

Companies that successfully differentiate can charge premium prices and build brand loyalty, reducing the threat of direct competition.

A focus strategy targets a specific market niche, catering to the unique needs and preferences of that segment better than competitors.

Specialization in a niche market allows firms to serve their customers more effectively, creating strong market positions within that segment.

Resource-Based View (RBV), the RBV posits that a firm's competitive advantage stems from its unique resources and capabilities that are valuable, rare, inimitable, and non-substitutable (VRIN) [9]. Firms that leverage distinctive resources such as proprietary technology, skilled personnel, or strong brand reputation can sustain long-term competitive advantages.

Dynamic Capabilities. Dynamic capabilities refer to a firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments.

Firms with strong dynamic capabilities can innovate, adapt to market changes, and effectively respond to emerging opportunities and threats.

Innovation and R&D. Continuous innovation and investment in research and development (R&D) are crucial for maintaining a competitive edge.

Firms that consistently innovate can introduce new products, improve processes, and stay ahead of competitors, thereby ensuring long-term success.

Strategic alliances and partnerships. Forming strategic alliances and

partnerships can provide firms with access to new markets, technologies, and expertise. Collaborations enable companies to leverage complementary strengths, reduce risks, and enhance their competitive positions.

Customer relationship management (CRM) is a process in which a business or another organization administers its interactions with customers, typically using data analysis to study large amounts of information [10]. Effective CRM strategies focus on building and maintaining long-term relationships with customers.

Strong customer relationships result in high customer loyalty, repeat business, and valuable customer feedback, which are essential for sustaining competitive advantage.

Whether at the country or enterprise level, competitive advantages are crucial for thriving in modern market conditions. Nations must leverage their unique strengths and create conducive environments for businesses to prosper, while enterprises must continuously innovate, optimize their resources, and strategically navigate competitive landscapes to maintain and enhance their market positions.

1.2. Theoretical approaches to the classification of competitive advantages.

Competitive advantage is a central concept in strategic management, economics, and international business. Several theoretical frameworks have been developed to classify and explain the different types of competitive advantages that firms or nations can achieve. These approaches aim to provide insights into how organizations and countries can outperform competitors and sustain long-term success. Below, we discuss in detail the main theoretical approaches to classifying competitive advantages.

Porter's generic strategies, Michael Porter's well-known framework in his book *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (1980) identifies three generic strategies for achieving a competitive advantage [11].

These strategies classify competitive advantages based on how a firm competes in the market:

a) Cost Leadership, definition: A firm achieves cost leadership by being the lowest-cost producer in its industry. This can be achieved through economies of scale, cost-saving technologies, and efficient production processes.

Competitive Advantage: Cost leaders can sell at a lower price than their competitors or enjoy higher margins by maintaining the same price point. The cost advantage allows firms to withstand competitive pressures, particularly in price-sensitive markets.

Example: Walmart, with its efficient supply chain and massive economies of scale, is an example of a company that maintains a cost leadership position.

Differentiation, definition: Differentiation involves offering unique products or services that customers perceive as being distinct from competitors. This can be achieved through product innovation, brand identity, quality, or customer service.

Competitive Advantage: By offering something unique, a company can command premium prices. Customers are willing to pay more for differentiated products that they perceive as having added value.

Example: Apple's focus on product innovation, design, and ecosystem integration gives it a differentiation advantage in the consumer electronics market.

Focus (Niche Strategy), definition: A focus strategy targets a specific segment of the market. Firms following this strategy may choose to focus on a particular geographic market, demographic group, or a specific product niche. Focus can be based on cost leadership or differentiation within the chosen niche.

Competitive Advantage: Firms can gain a competitive advantage by deeply understanding the needs of a specific market segment and catering exclusively to it. Example: Tesla's focus on electric vehicles for the high-end consumer segment provides a unique market advantage in that specific niche.

The Resource-Based View (RBV) of competitive advantage, initially

developed by scholars like Barney (1991) and Wernerfelt (1984), focuses on the internal resources and capabilities of a firm as the primary source of competitive advantage [9].

Tangible Resources, Definition: Tangible resources refer to physical assets such as equipment, machinery, financial capital, and physical infrastructure.

Competitive Advantage: Firms with valuable, rare, and inimitable tangible resources can leverage these assets to achieve economies of scale, improve efficiency, or offer better products/services. Example: A company with a state-of-the-art factory and machinery may have a cost advantage over competitors who lack such capabilities.

Intangible Resources, definition: Intangible resources include brand reputation, intellectual property, proprietary technology, and organizational culture.

Competitive Advantage: These resources are often more difficult for competitors to replicate and provide a firm with sustained competitive advantage. A strong brand, for example, can allow a company to charge premium prices.

Example: Google's brand and advanced search algorithm are intangible assets that give it a competitive edge in the online search market.

Capabilities and Core Competencies, Definition: A capability is the ability of a firm to effectively utilize its resources to achieve competitive advantage. Core competencies are unique capabilities that are deeply embedded in a firm's operations, processes, and culture, providing the foundation for competitive advantage.

Competitive Advantage: Core competencies allow a firm to differentiate itself and offer unique value in the marketplace.

Example: Honda's core competence in engine technology enables it to lead in both automotive and power equipment markets.

Dynamic Capabilities Theory. Dynamic Capabilities theory builds on RBV but emphasizes that in a rapidly changing environment, firms must be able to adapt,

renew, and reconfigure their resources and capabilities to maintain a competitive advantage. This theory, developed by Teece, Pisano, and Shuen (1997), suggests that firms must possess dynamic capabilities to sense opportunities, seize them, and reconfigure their resource base as needed [12].

Sensing: The ability to identify and anticipate changes in the environment, such as emerging technologies or shifts in customer preferences.

Competitive Advantage: Firms that can sense opportunities faster than competitors can adjust their strategies to take advantage of these changes.

Example: Netflix's ability to sense the transition from physical media to streaming services and its subsequent shift in business model exemplifies dynamic capabilities.

Seizing: once an opportunity is sensed, a firm must be able to capture that opportunity by mobilizing its resources and capabilities.

Competitive Advantage: Firms that can quickly mobilize resources to capitalize on an opportunity can gain first-mover advantages or enter new markets more successfully than competitors.

Example: Apple's launch of the iPhone, capitalizing on the opportunity created by the growth of mobile computing, is an example of effective seizing of a market opportunity.

Reconfiguring: reconfiguring involves adapting or redeploying a firm's resources and capabilities to align with new market demands or technological advancements.

Competitive Advantage: Firms that are able to continually reconfigure their resources can sustain long-term competitive advantage, even in volatile markets.

Example: IBM's transformation from a hardware company to a services and software-oriented company demonstrates a successful reconfiguration of its capabilities.

Innovation-Based Competitive Advantage. In this approach, competitive

advantage arises from a firm's ability to innovate, create new products, services, or processes, and exploit technological advancements. The Schumpeterian view of innovation highlights how firms gain and maintain competitive advantage through continuous innovation.

Product Innovation: Developing new products or improving existing products that offer unique benefits to customers. **Competitive Advantage:** Firms that innovate products can differentiate themselves in the market and capture consumer interest.

Example: Dyson's innovative vacuum cleaners and bladeless fans give it a competitive edge in the home appliance market.

Process Innovation: Improving the efficiency or effectiveness of a firm's processes, often through technological advancements or new ways of organizing production.

Competitive Advantage: Process innovations allow firms to reduce costs, increase productivity, and improve quality.

Example: Toyota's development of the Toyota Production System (TPS) revolutionized manufacturing efficiency and quality.

Michael Porter's Diamond Model (1990) is a framework for understanding how countries can achieve competitive advantages in specific industries. This model classifies competitive advantages based on the interaction of four broad factors: (Figure 1.1).

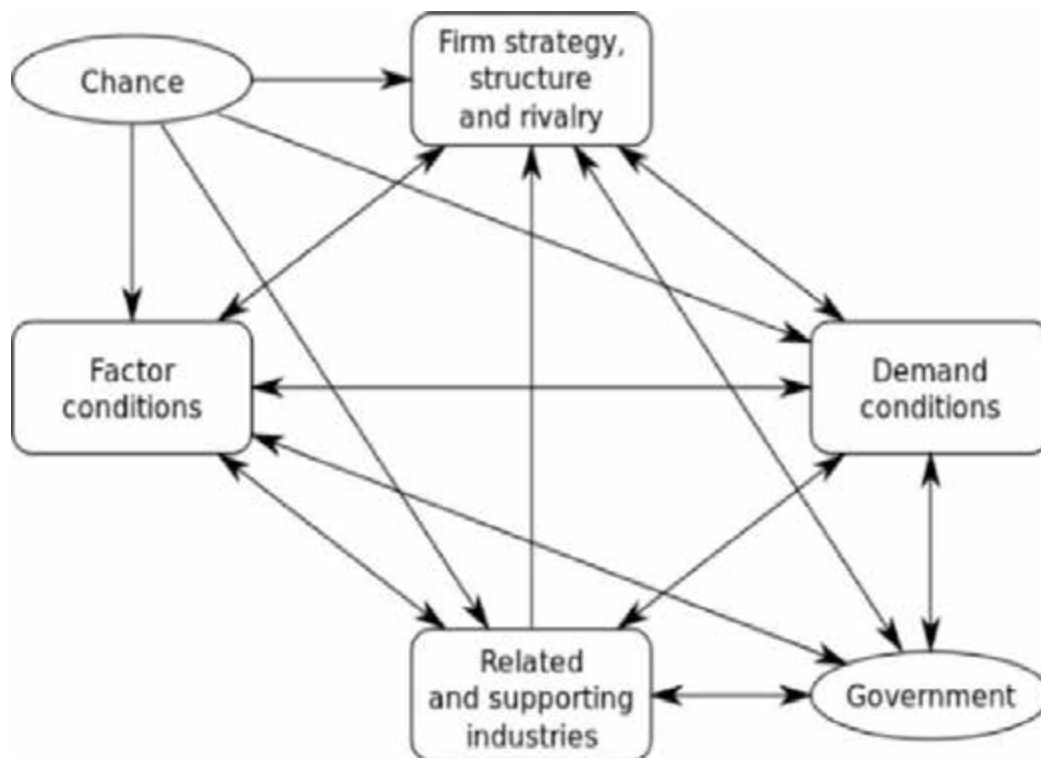


Fig. 1.1. Michael Porter's Diamond Model

Source: built by the materials [13]

Factor Conditions: The availability of factors of production (e.g., skilled labor, capital, infrastructure) within a country.

Competitive Advantage: Countries with superior factor conditions can offer competitive advantages to firms that operate within them.

Example: Switzerland's skilled workforce in precision engineering gives it an advantage in high-tech industries.

Demand Conditions, definition: The nature of domestic demand for products or services, including how sophisticated and demanding local consumers are.

Competitive Advantage: Sophisticated local demand can push firms to innovate and improve products, giving them a competitive advantage in international markets.

Example: Japan's demanding consumer base for high-quality electronics drove innovation in the country's electronics industry.

Related and supporting industries. definition: the presence of competitive

suppliers and complementary industries that can provide support to firms.

Competitive Advantage: The presence of well-developed supplier industries allows firms to access specialized inputs and technologies more easily.

Example: Silicon Valley in the U.S. benefits from a dense network of technology firms and suppliers, providing a competitive advantage to companies in the region.

Firm strategy, structure, and rivalry, definition: The way firms are organized, managed, and compete within a country.

Competitive Advantage: Strong competition and diverse organizational structures lead to better efficiency, innovation, and productivity.

Example: The competitive rivalry between firms like Microsoft, Google, and Apple in the U.S. drives continuous innovation and improvement in the technology sector [13].

1.3. Methodological aspects of assessing the competitive advantages of an enterprise.

Assessing the competitive advantages of an enterprise involves evaluating its ability to outperform competitors in the market over the long term. Competitive advantages can be classified in various ways, including cost leadership, differentiation, and resource-based advantages, among others. Methodologically, assessing these advantages requires a structured approach to understand the sources and sustainability of an enterprise's competitive position.

Before assessing competitive advantages, it is important to have a clear understanding of what constitutes a competitive advantage. This typically involves:

Sustainability: The ability of the advantage to persist over time, even in the face of competition.

Uniqueness or Distinctiveness: How different the firm's offerings are from

competitors' in a way that adds value to customers.

Value Creation: Whether the advantage contributes to profitability, market share, or customer loyalty.

In this context, competitive advantages are classified into several types:

- Cost Leadership: Offering products at lower prices than competitors.
- Differentiation: Providing unique products or services that justify premium prices.
- Focus, Targeting specific market niches with tailored offerings.

Resource-Based Advantages: Leveraging unique resources (e.g., technology, intellectual property, skilled labor).

Innovation: Achieving an advantage through new product development or process innovation.

Below are the key methodological aspects involved in assessing competitive advantages:

SWOT Analysis, one of the most fundamental and widely used tools for assessing competitive advantages is SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats). This tool helps organizations identify their internal strengths and weaknesses and external opportunities and threats. SWOT analysis evaluates the strategic position of organizations and is often used in the preliminary stages of decision-making processes to identify internal and external factors that are favorable and unfavorable to achieving goals [14]. Users of a SWOT analysis ask questions to generate answers for each category and identify competitive advantages.

Strengths, identify unique resources, capabilities, and competencies that give the firm an edge over competitors. Examples: strong brand reputation, proprietary technologies, exclusive distribution channels, skilled workforce, or financial strength.

Weaknesses, recognize areas where the firm lags behind competitors or faces

challenges in the market. Examples: high cost structures, lack of innovation, insufficient R&D, or a fragmented customer base.

Opportunities, identify external opportunities such as emerging markets, technological innovations, or changes in regulations that the firm can leverage for growth. Examples: new consumer trends, technological disruptions, regulatory changes, or the opening of new markets.

Threats, examine external threats such as increasing competition, market saturation, economic downturns, or new entrants to the market. Examples: new competitors with lower costs, regulatory changes that increase operational costs, or shifts in consumer preferences.

SWOT analysis helps to connect internal capabilities (strengths and weaknesses) with external factors (opportunities and threats), guiding managers in identifying and leveraging their competitive advantages.

Porter's five forces analysis, Michael Porter's five forces framework is another valuable tool for assessing competitive advantages. This model focuses on the external environment and helps assess the intensity of competition within an industry, and how it affects a firm's ability to maintain or establish competitive advantages [15]. The five forces are:

Threat of new entrants, How easy is it for new competitors to enter the market and erode existing firms' market share? Barriers to entry such as capital requirements, economies of scale, brand loyalty, and regulatory restrictions play a crucial role.

Methodology: Evaluate the barriers to entry in the industry and how strong the firm's defenses are against new entrants.

Bargaining power of suppliers, how much power do suppliers have in dictating prices or terms? A firm with a higher number of suppliers or more diverse sourcing strategies is less vulnerable to this force.

Methodology: Assess supplier concentration, availability of substitutes, and

the importance of the supplier to the firm's operations.

Bargaining power of buyers, how much power do customers have to demand lower prices, higher quality, or additional services? The greater the concentration of buyers or their ability to switch to other brands, the more pressure on firms to compete.

Methodology: Evaluate customer loyalty, price sensitivity, and the availability of substitute products.

Threat of substitutes, are there alternative products or services that can replace the firm's offering? A strong competitive advantage requires the firm's products to be difficult to replace.

Methodology: Analyze the availability of substitutes, the relative quality of alternatives, and the ease with which customers can switch.

Industry rivalry, how intense is the competition among existing firms in the market? The level of rivalry depends on factors such as market growth, the number of competitors, and the level of differentiation.

Methodology: Assess market share concentration, brand differentiation, and the degree of innovation in the industry.

The VRIO Framework is a strategic tool used to assess the internal resources and capabilities that can lead to sustainable competitive advantage [16]. It focuses on four key questions:

- Value (V): Does the resource or capability enable the firm to exploit opportunities or neutralize threats?
- Rarity (R): Is the resource or capability rare among competitors?
- Imitability (I): Is the resource or capability costly for competitors to imitate or substitute?
- Organization (O): Is the firm organized to exploit the resource or capability effectively?

By answering these four questions, a firm can determine whether its resources

and capabilities can sustain a competitive advantage. For example, a unique brand reputation, valuable intellectual property, or a skilled workforce can be resources that lead to competitive advantages.

Value Chain Analysis, as proposed by Michael Porter, is used to assess how a firm creates value through its activities. A firm's competitive advantage can arise from performing these activities more efficiently than competitors [17]. The value chain includes:

Primary Activities: Direct activities that contribute to the production and delivery of products, such as inbound logistics, operations, outbound logistics, marketing, sales, and service.

Support Activities: Activities that support the primary ones, including procurement, technology development, human resource management, and firm infrastructure.

By analyzing the value chain, a firm can identify areas where it can reduce costs, enhance differentiation, or improve efficiency. For example, a company with a more efficient production process or a better customer service model may have a competitive advantage.

Benchmarking is a methodology used to compare a firm's performance, processes, or products against the best-performing competitors or industry standards. This allows firms to identify gaps in performance and find areas for improvement [18].

Types of Benchmarking:

Competitive Benchmarking: Comparing the firm with direct competitors in terms of products, services, and strategies.

Functional Benchmarking: Comparing the firm's internal processes with the best practices in other industries.

Internal Benchmarking: Comparing different departments or divisions within the same organization to identify best practices.

Benchmarking provides valuable insights into areas where a firm can strengthen its competitive advantage by improving processes, reducing costs, or enhancing product quality.

Financial and market performance metrics provide quantitative methods for assessing competitive advantage. Common metrics include:

Profitability Ratios: Gross margin, operating margin, net profit margin—these indicate how well a firm generates profit relative to its revenue or assets.

Market Share: A firm's share of the total market relative to its competitors, which reflects its competitiveness in the market.

Return on Assets (ROA) and Return on Equity (ROE): These ratios measure how efficiently a firm utilizes its assets and equity to generate profits.

Customer Satisfaction and Loyalty Metrics: Metrics such as Net Promoter Score (NPS) help assess whether customers are satisfied and likely to stay loyal, which can be a key source of competitive advantage.

SECTION 2. ANALYSIS OF THE ECONOMIC ACTIVITY OF AN ENTERPRISE IN THE EU MARKET.

2.1. Characteristics of the international market (EU): features, trends and requirements.

The European Union (EU) represents one of the world's largest and most integrated international markets. With 27 member states, the EU's market offers significant opportunities for businesses but also presents unique challenges due to its diverse political, economic, and regulatory landscape. Understanding the features, trends, and requirements of the EU market is critical for enterprises seeking to engage with or expand within this region.

Features of the EU Market, the European Union's internal market is characterized by several distinct features that differentiate it from other international markets. These features arise from the EU's aim to foster economic integration, enhance competition, and ensure the free movement of goods, services, capital, and people.

Single Market. The EU is a single market, meaning that goods, services, capital, and people can move freely across member states without barriers such as tariffs, quotas, or customs checks. This single market is based on harmonized standards and regulations, ensuring that businesses can operate seamlessly across borders within the EU.

The removal of barriers facilitates cross-border trade, increases competition, and promotes efficiency, allowing businesses to access a larger consumer base of over 450 million people.

Economic Integration. The EU promotes economic integration through common policies in areas such as trade, competition, agriculture, and fisheries. It establishes uniform rules for trade and sets tariffs with non-EU countries through trade agreements.

The EU's internal integration helps companies reduce costs by harmonizing

regulations and aligning business practices, creating a level playing field for enterprises.

Free Trade Agreements (FTAs). The EU negotiates trade agreements with countries outside its borders. It has numerous free trade agreements in place with various countries and regions, including Japan, Canada, South Korea, and others. These agreements aim to reduce trade barriers and expand market access [19].

The EU's global trade policy opens international markets to EU businesses and offers EU firms preferential trade terms with several non-EU countries. Common Currency (Euro). 19 of the 27 EU member states have adopted the euro as their official currency, forming the Eurozone. The common currency facilitates trade and investment by eliminating exchange rate risks and reducing transaction costs. Businesses within the Eurozone benefit from simplified financial transactions and easier price comparisons across countries, but companies outside the Eurozone face currency risks when trading with Eurozone members.

Trends in the EU Market. Several key trends are shaping the EU market, driven by technological advances, economic shifts, and societal changes. Understanding these trends is crucial for businesses operating in or entering the EU market.

Digital Transformation. The digitalization of businesses and the rise of e-commerce have been accelerating across the EU. The EU's Digital Single Market initiative aims to harmonize digital laws, support digital infrastructure, and foster innovation in the digital economy.

Businesses are increasingly adopting digital technologies for marketing, sales, and customer service, leading to a surge in e-commerce. Startups and SMEs are leveraging the EU's digital infrastructure to scale their operations across borders, while traditional industries are embracing digital tools for greater efficiency and competitiveness.

Sustainability and Green Economy. The EU has committed to becoming the

first climate-neutral continent by 2050, with policies that drive sustainability. The European Green Deal, Carbon Neutrality goals, and the EU Taxonomy for sustainable activities are pushing businesses toward adopting sustainable practices.

Companies are under increasing pressure to reduce carbon emissions, minimize waste, and invest in green technologies. This trend creates new opportunities for businesses in renewable energy, electric vehicles, energy efficiency, and sustainable agriculture.

Brexit and Market Reshaping. Following the UK's departure from the EU (Brexit), the trade and economic relationship between the EU and the UK has undergone significant changes. This has led to new regulatory frameworks, trade agreements, and border checks, affecting supply chains and market access.

Businesses must adapt to new trade terms, including customs procedures, tariffs, and rules of origin. However, Brexit also presents new opportunities for businesses to explore the post-Brexit UK market independently or through new trade agreements.

Innovation and Industry. The EU has been fostering innovation in high-tech industries, such as artificial intelligence (AI), robotics, and the Internet of Things (IoT). The EU's funding programs, such as Horizon Europe, promote research and innovation in these fields.

Businesses that are engaged in or investing in emerging technologies are finding new growth opportunities. Startups and established companies alike can benefit from EU funding, collaboration, and access to innovation hubs across member states. **Demographic Changes.** The EU faces an aging population, which influences labor markets, healthcare demand, and consumption patterns. There is also a growing trend of urbanization, with more people living in cities.

Businesses may need to adapt their offerings to cater to an aging population (e.g., healthcare services, senior living solutions) while also addressing the needs of younger, urban consumers who value sustainability and digital services.

Requirements for Doing Business in the EU. Operating in the EU market requires businesses to comply with a variety of regulations and standards set by EU bodies to ensure fairness, transparency, and safety for consumers and businesses alike.

Regulatory Compliance. Product Standards: The EU has stringent product safety and quality standards. For example, consumer goods must meet the CE marking requirements, indicating that they conform to EU safety, health, and environmental protection standards.

Environmental Regulations: The EU enforces strict environmental regulations through directives and the European Green Deal. Companies need to comply with waste management rules, emissions standards, and sustainable sourcing regulations.

Data Protection (GDPR). The EU's General Data Protection Regulation (GDPR) is one of the strictest data protection laws in the world. It mandates that businesses handling EU citizens' data comply with stringent consent and privacy rules [20].

Businesses must adopt robust data security measures, transparent data practices, and ensure compliance to avoid hefty fines and reputational damage. This is particularly relevant for businesses operating online or in sectors that handle personal data (e.g., finance, healthcare, e-commerce). **Labor and Employment Law.** The EU has comprehensive labor laws designed to protect workers' rights, including regulations on working hours, health and safety, minimum wages, and worker benefits. Employment laws vary slightly between countries but are generally harmonized at the EU level.

Businesses must adapt their human resource policies to meet EU labor laws, which often require more comprehensive employee protections compared to other regions. **Competition Law (Antitrust).** The EU's competition policy aims to prevent anti-competitive practices such as monopolies, cartels, and unfair mergers. The European Commission enforces strict antitrust rules to ensure fair competition.

Businesses must ensure that their pricing strategies, mergers, and

collaborations do not violate EU antitrust regulations. This can impact strategic decisions such as mergers, acquisitions, and market entry strategies.

2.2. The state of competitiveness of the BYD.

The introduction and current situation of BYD, founded in 1995, BYD is a leading technology company devoted to leveraging innovations for a better life. With more than 27 years of expertise, BYD has established itself as an industry leader in electronics, automotives, renewable energy, and rail transit.

As a global leader with more than 30 industrial parks across 6 continents, BYD's zero-emission solutions, focused on energy generation and storage, are expansive and widely applicable.

Its main business includes new energy vehicle-related automobile manufacturing, mobile phone parts and assembly business, rechargeable battery and photovoltaic business, and urban rail transit business. It is one of the largest new energy vehicle manufacturers and mobile phone OEMs in China.

The most famous industry of BYD is BYD AUTO. It manufactures passenger battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs), collectively known as new energy vehicles (NEVs) in China. It also produces electric buses and trucks. The company sells its vehicles under the main BYD brand and high-end vehicles under its Denza, Yangwang and Fangchengbao brands. [21]

The main development concept: Technology; Green; Future. The corporate vision: "Build Your Dreams". From 2020 to date, BYD's automotive industry has experienced significant sales growth, driven by the increasing market share of new energy vehicles in China. Starting in 2021, BYD expanded the sales of electric passenger vehicles to overseas markets, mainly to Europe, Southeast Asia, Oceania, and Latin America. Until March 2022, BYD officially stopped producing pure internal combustion engine vehicles that burn oil and focused on producing new

energy vehicles.

At the end of 2023, BYD surpassed Tesla to become the world's best-selling pure electric vehicle manufacturer. [22] BYD surpassed Volkswagen to become China's best-selling car brand in 2023[23] BYD is also the world's third most valuable automaker by market value. [24]

SWOT analysis for BYD. Strengths. Vertical Integration: BYD's comprehensive control over its supply chain, from battery production to vehicle manufacturing, allows for cost efficiencies and quality control. This vertical integration is a significant competitive advantage, particularly in the electric vehicle (EV) market.

Technological Expertise: BYD has strong capabilities in battery technology, which is a critical component of electric vehicles. The company's developments in lithium iron phosphate batteries and other advanced battery technologies have positioned it as a leader in the EV sector.

Diverse Product Portfolio: BYD's product range includes automobiles (electric and hybrid), buses, trucks, and energy storage solutions. This diversification helps mitigate risk and capitalize on various market opportunities.

Strong Domestic Market: BYD has a strong presence in China, the world's largest auto market, particularly in the EV segment. Government policies and subsidies supporting electric vehicles have further bolstered BYD's market position.

Global Expansion: BYD has successfully entered international markets, establishing a presence in Europe, North America, and other regions. Its global footprint is expanding, enhancing its brand recognition and market share outside China.

Weaknesses. High R&D and Production Costs: The significant investment required for research and development, as well as the high costs associated with manufacturing advanced batteries and electric vehicles, can strain financial resources.

Brand Perception: While BYD is well-known in China, its brand recognition and perception in international markets lag behind established automotive giants. Overcoming this challenge requires substantial marketing efforts and consistent product quality.

Dependence on Government Policies: BYD's growth, especially in China, has been heavily supported by government incentives. Any changes in government policies or subsidies could adversely impact its sales and profitability.

Supply Chain Risks: While vertical integration is a strength, it also poses risks. Disruptions in any part of the supply chain, such as raw material shortages, can affect production and delivery schedules.

Opportunities. Growing EV Market: The global shift towards electric vehicles presents a massive opportunity for BYD. Increasing environmental awareness, government regulations, and consumer preference for sustainable mobility solutions drive demand for EVs.

Technological Advancements: Continuous innovation in battery technology, autonomous driving, and connected vehicles can provide BYD with new growth avenues. Success in these areas can lead to new product offerings and enhanced competitive advantage.

Expansion in Emerging Markets: Developing countries are becoming increasingly important EV markets. BYD has the opportunity to tap into these markets, leveraging its cost-competitive products and early mover advantage.

Renewable Energy Integration: BYD's expertise in energy storage and solar power solutions aligns well with the global trend towards renewable energy. Expanding its renewable energy solutions can open up new revenue streams and enhance its sustainability profile.

Threats. Intense Competition: The automotive industry, especially the EV segment, is highly competitive. BYD faces competition from both traditional automakers transitioning to electric vehicles and new entrants like Tesla, NIO, and

other tech-driven companies.

Regulatory Challenges: Navigating different regulatory environments across various countries can be complex and costly. Compliance with diverse safety, environmental, and trade regulations poses a significant challenge.

Market Volatility: Economic downturns, fluctuating raw material prices, and changing consumer preferences can impact BYD's sales and profitability. The EV market is also subject to technological disruptions that could alter the competitive landscape.

Technological Risks: The rapid pace of technological change means that BYD must continuously innovate to stay ahead. Failure to keep up with advancements or any significant technological breakthroughs by competitors could weaken BYD's market position.

BYD's strengths lie in its technological prowess and vertical integration, which provide cost advantages and control over key components, particularly batteries. This has enabled BYD to become a leader in the electric vehicle market, particularly in China. The company's diverse product portfolio, including commercial vehicles and energy storage solutions, allows it to tap into multiple market segments, spreading risk and opportunities across different areas.

However, BYD faces challenges such as high R&D and production costs, which require substantial investment, potentially impacting its financial health. Brand perception in international markets is another critical weakness; despite its success in China, BYD needs to build and maintain a strong brand image globally.

Opportunities for BYD are significant, driven by the expanding global EV market and the company's potential to innovate in battery technology and autonomous driving. Emerging markets present a significant growth area, where BYD can leverage its cost competitiveness. Additionally, the growing focus on renewable energy and energy storage aligns well with BYD's strengths in these sectors.

On the threat side, BYD must navigate intense competition and regulatory challenges, which could impact its market share and profitability. Economic and market volatility, along with rapid technological changes, also pose risks that could disrupt BYD's business operations and strategic plans.

Table 2.1.

Financial analysis, Profitability data of BYD Company Limited

	2017	2018	2019	2020	2021
Gross profit margin	7.39	5.04	2.73	7.44	3.20
Operating profit margin	19.01	16.40	16.29	19.38	13.02
Net profit margin	5.11	3.26	1.81	4.52	2.14
Return on equity	4.64	2.73	1.66	3.84	1.84

Data Source: (Li, 2023) [25]

Table 2.2.

R&D Expense Ratio of BYD Company Limited

Item	2019	2020	2021	2022	2023
R&D Expenses	562,937.20	746,486.10	799,097.40	1,865,445.30	3,957,494.50
Revenue	12,773,852.30	15,659,769.10	21,614,239.50	42,406,063.50	60,231,535.40
R&D Expense Ratio	0.044069493	0.047669036	0.036970877	0.043990061	0.065704692

Data

Source:

(Zeng,

2024)

[26]



Figure 2.1. Relationship Between R&D Expense Ratio and Gross Profit Margin

Source: built according to data of [26]

It can be seen from Table 1 that BYD's profit margin is not high, and the growth momentum is not obvious. As can be seen from Table 2, BYD's R&D expenses increase year by year. This is because BYD invests a large amount of operating income in scientific and technological research and development, which is also the main reason for BYD's low profit margin.

BYD has leveraged its group's strengths and expertise in producing batteries and other related components such as electric motors and electronic controllers, so that most of the components used in BYD cars are reportedly produced within the group, ensuring cost and output control and flexibility. It has formed its own industrial chain. BYD focuses on the research and development of new batteries, driving assistance systems and suspension technologies. The more funds it invests in research and development, the greater the return it can get.

BYD deeply understands the power of science and technology and is willing to invest a lot of money in research and development year by year. Strengthening battery charging technology and semiconductor production technology and insisting on innovative development are effective ways to improve competitiveness.

2.3. The main barriers and opportunities for foreign enterprises in the EU markets.

As an unfamiliar market, the EU is quite challenging for many foreign companies. As a new Chinese company, BYD will inevitably encounter many setbacks and challenges in the EU market with many automobile companies, but it also has surprising opportunities.

Major manufacturers in total automobile sales, in the world, in China, and in the EU market

Table 3.

Major Automobile Manufacturers in the World by Market Share

Manufacturer	2019	2020	2021	2022	2023
Toyota	10.5%	9.5%	10.5%	10.5%	10.1%
Volkswagen	10.9%	9.3%	9.3%	9.3%	8.8%
General Motors	7.7%	6.8%	6.9%	6.7%	6.4%
Hyundai-Kia	7.4%	6.5%	7.5%	7.8%	8.0%
Ford	5.4%	4.2%	4.8%	4.9%	4.7%
Honda	5.3%	4.1%	4.3%	4.2%	4.1%
BMW Group	2.5%	2.2%	2.3%	2.5%	2.8%
Mercedes-Benz	2.4%	2.1%	2.2%	2.4%	2.6%

Source: Data based on estimates and annual reports.

Table 4.

Automobile Sales by Major Manufacturers in China

Manufacturer	2019 Sales (Million)	2020 Sales (M)	2021 Sales (M)	2022 Sales (M)	2023 Sales (M)
Toyota	1.6	1.6	1.8	1.9	2.0
SAIC Motor (VW + GM)	5.8	5.1	4.9	4.5	3.9
Geely	2.2	2.0	2.3	2.4	2.5
Changan	2.1	1.8	2.2	2.5	2.6
Honda	1.4	1.1	1.2	1.1	1.0
BMW Group	0.7	0.6	0.8	1.0	1.2

Mercedes-Benz	0.5	0.4	0.5	0.6	0.7
BYD	0.4	0.4	0.7	1.8	3.0

Source: Data based on estimates and annual reports.

From the above table, we can see that in the world and European markets, the market share of major manufacturers is basically in a balanced state. As an emerging Chinese electric vehicle manufacturer, BYD's sales share in the Chinese market has increased significantly year by year. Although this is related to the increasing interest of young people in electric vehicles and policy support at the national level, BYD's ability to gain an advantage among a number of manufacturers fully demonstrates its strong competitiveness.

Table 5.

Automobile Sales by Major Manufacturers in EU

Manufacturer	2019 Sales (Million)	2020 Sales (M)	2021 Sales (M)	2022 Sales (M)	2023 Sales (M)
Toyota	1.0	0.9	1.1	1.2	1.3
Stellantis	2.8	2.5	2.7	2.8	3.0
Volkswagen	3.4	3.0	3.1	3.0	3.2
Audi	0.8	0.7	0.8	0.9	1.0
Nissan	2.2	1.8	2.0	2.1	2.3
BMW Group	0.8	0.7	0.8	1.0	1.1
Mercedes-Benz	0.9	0.8	0.9	1.0	1.0
Ford	1.2	1.0	1.1	1.2	1.0

Source: Data based on estimates and annual reports.

Opportunities for BYD in the EU Market. Growing Demand for Electric Vehicles (EVs): The EU has set ambitious targets for reducing carbon emissions, with many countries aiming to phase out internal combustion engine (ICE) vehicles in favor of EVs. As part of the European Green Deal, the EU aims to have at least 30 million zero-emission vehicles on the road by 2030 [27]. This creates a substantial market for electric vehicles, which is one of the key opportunities for BYD.

BYD, with its extensive experience in electric vehicles, including passenger cars, buses, and commercial vehicles, is well-positioned to capitalize on this shift. European consumers are increasingly looking for sustainable transportation solutions, and BYD's affordable EVs, such as the BYD Tang SUV and BYD Atto 3, could meet the demand for budget-friendly, high-quality EVs.

Government Incentives and Policies: The European Union has implemented numerous incentives to promote EV adoption, such as subsidies, tax breaks, and grants for consumers and manufacturers. For instance, countries like Norway, the Netherlands, and Germany offer substantial subsidies for EV buyers, making EVs more accessible.

Additionally, many EU countries have introduced policies that incentivize manufacturers to build more EVs locally, including tax credits and reduced tariffs for manufacturers who meet strict environmental standards. If BYD is able to establish manufacturing facilities or partnerships in Europe, it could benefit from such incentives and reduced tariffs.

Focus on Green and Renewable Energy: The EU has been a global leader in promoting renewable energy sources, and BYD's expertise in battery production and energy storage systems offers an opportunity to tap into this market. The EU is increasingly focused on integrating renewable energy sources such as wind and solar into its energy mix, and energy storage is essential to balancing supply and demand.

BYD's advanced lithium iron phosphate (LFP) battery technology and solar products could find strong demand in Europe, particularly in countries like Germany, which is a leader in renewable energy adoption. The expansion of electric bus fleets in cities across Europe also provides an opportunity for BYD to sell its electric buses, further expanding its market reach.

4. **Growing Consumer Awareness and Sustainability Trends:** European consumers are among the most environmentally conscious in the world. A significant segment of the market is willing to pay a premium for sustainable, eco-friendly products. With BYD's strong track record in sustainability, including its emphasis on clean energy and reducing

its carbon footprint, it can leverage this consumer awareness to build a strong brand image in the EU.

Additionally, cities in Europe are setting up "low emission zones" (LEZ) and pushing for more environmentally friendly transportation. BYD's EVs are perfectly suited for such urban environments, and the company can capitalize on these regional policies to expand its sales.

Partnerships and Collaborations: BYD has the opportunity to form strategic partnerships with European automotive manufacturers, technology firms, or even local governments. Collaborating with local players can help BYD navigate regulatory requirements and local preferences while increasing its visibility. It could also help with distribution and sales, utilizing existing channels to reach a broader audience.

Barriers for BYD in the EU Market. Brand Recognition and Competition: BYD, though a well-established brand in China and several other international markets, still faces challenges in terms of brand recognition in Europe. The European market is highly competitive, with established players such as Tesla, Volkswagen, BMW, and Renault leading the electric vehicle sector.

While Tesla has already become a household name for electric vehicles in Europe, traditional automakers like Volkswagen and BMW are rapidly expanding their EV offerings. These brands have established consumer trust and extensive service networks, which BYD must overcome to effectively compete in the market. Building brand recognition and consumer confidence in BYD's vehicles will take time, effort, and significant marketing investment.

Regulatory and Compliance Challenges: The EU has stringent regulations regarding vehicle safety, emissions, and environmental standards. While BYD has been successful in adhering to China's regulations, meeting the specific EU standards may pose a challenge, especially since these standards can vary from country to country within the EU.

The EU also has very high standards for data privacy and consumer protection, particularly related to autonomous driving systems and connected car technologies. Any misstep in compliance could result in costly fines and reputational damage.

Supply Chain and Logistics Challenges: BYD's vehicles and batteries are primarily manufactured in China, which could create supply chain and logistics challenges. Import tariffs, customs procedures, and shipping costs could make BYD's products more expensive in Europe compared to locally produced alternatives.

Additionally, supply chain disruptions, particularly those related to raw materials like lithium, cobalt, and nickel, could delay production and delivery of vehicles and batteries. BYD would need to ensure a reliable and efficient supply chain to keep its costs competitive and meet demand in the EU.

Local Manufacturing and Market Adaptation: One of the key barriers for BYD in the EU is establishing local manufacturing operations. While BYD has made significant investments in EV production, most of its manufacturing is still centered in China. To compete effectively in the EU, BYD might need to set up local production plants or form partnerships with European firms.

Local manufacturing could help reduce production costs, bypass tariffs, and improve brand perception by showing a long-term commitment to the European market. However, this involves significant investment and navigating the complexities of local labor laws, supply chains, and operational costs.

Consumer Preferences: European consumers have distinct preferences when it comes to cars. While BYD's electric cars are well-regarded for their affordability and range, European consumers may have different expectations around vehicle design, driving experience, and interior features. Traditional European brands have strong consumer loyalty in many EU countries, and BYD will need to tailor its products to meet local tastes and preferences.

For example, European consumers might prioritize premium features, luxury materials, and advanced driving technologies in their vehicles, areas where BYD may need to improve or differentiate its offerings [28].

Political and Economic Uncertainty: The ongoing political uncertainty in Europe, especially surrounding issues like Brexit and trade relations with China, could impact BYD's ability to smoothly enter and expand in the EU market. Tariffs, trade barriers, and changes in economic conditions could disrupt its business plans.

Additionally, the economic environment in Europe is not entirely stable, with potential recessions and fluctuating energy prices affecting consumer spending behavior. These factors could create a volatile environment for BYD's growth in the region.

SECTION 3. DIRECTIONS FOR IMPROVING THE FORMATION OF COMPETITIVE ADVANTAGES OF AN ENTERPRISE IN THE EU MARKET

3.1. Practical approaches to improving competitiveness.

In order to improve its corporate competitiveness, BYD can start from multiple dimensions, combining its advantages in electric vehicles (EV), battery technology and renewable energy, and take the following effective methods to enhance its market position. Strengthen R&D investment and enhance technological innovation. One of BYD's core competitiveness is its R&D capabilities in battery technology, powertrain and electric vehicle manufacturing [29]. Therefore, continued increase in R&D investment, especially in the following aspects, can help BYD maintain its leading position in the industry:

Battery technology innovation: BYD's iron-lithium batteries (lithium iron phosphate batteries) have achieved great success in the market, but with technological advances, the market's requirements for battery energy density, charging speed and safety are also increasing.

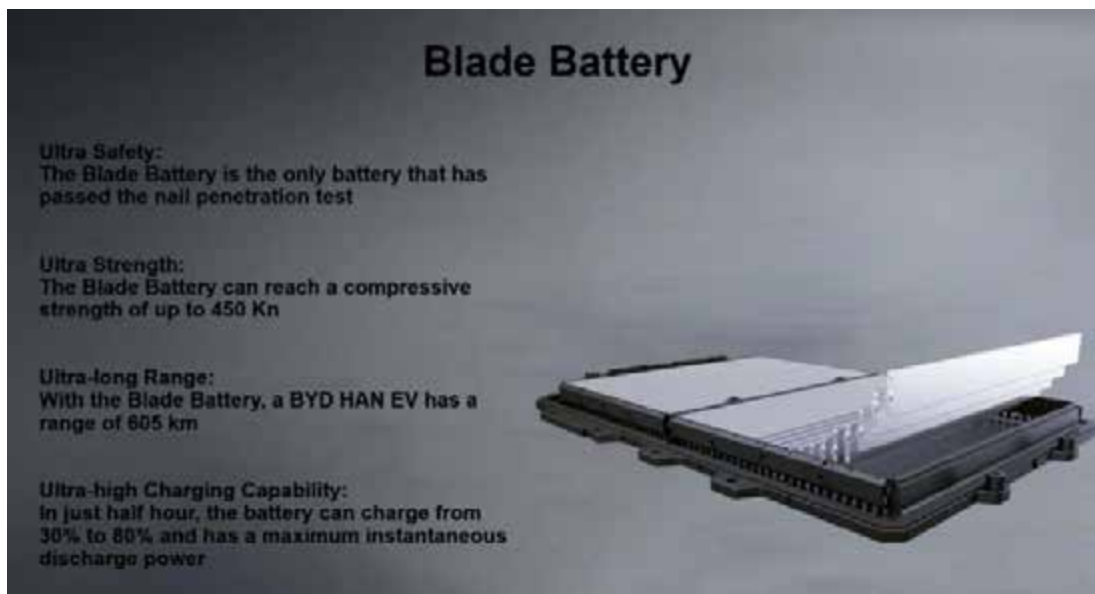


Fig 3.1. Blade Battery

Source: From BYD's official website

BYD should further increase its R&D in solid-state batteries, fast charging technology, long-range batteries, etc. to enhance the competitiveness of battery technology [30].

Intelligent and autonomous driving technology: In the future, cars will not only be transportation tools, but intelligent and autonomous driving will become key competitive factors. BYD can enhance the intelligence level of its electric vehicles by strengthening the R&D of autonomous driving technology to meet consumers' higher requirements for driving experience and safety.



Fig 3.2.(4) Intelligent Cockpit System

Source: From BYD's official website

Vehicle design of new energy vehicles: BYD can optimize the performance of electric vehicles and improve the user experience of car owners by improving the innovation of vehicle design. This includes lightweight design, vehicle optimization and intelligent connectivity functions.



Fig 3.3. YUNNIAN
Source: From BYD's official website

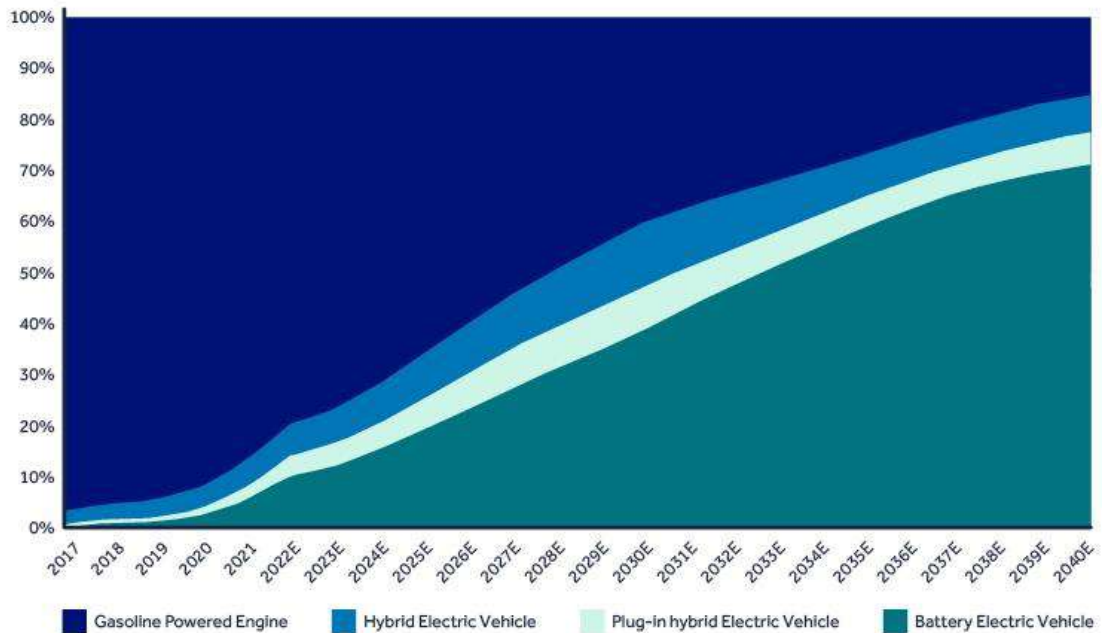


Fig 6. Outlook for the share of different vehicle types
Source: [31]

Expand international layout and seize the global market. With the global development of the electric vehicle market, BYD needs to further increase its

efforts to expand overseas markets. Here are several key strategies:

Expand market share in the European, North American and Asian markets: BYD's leadership in the Chinese market is relatively stable, but its international layout still faces challenges, especially in traditional automobile powers such as Europe and the United States. By establishing local production bases and establishing strategic partnerships with local governments and partners, BYD can reduce tariffs and transportation costs while better adapting to local market needs.

Localized production and customized products: By establishing production facilities in overseas markets, BYD can better respond to local consumer needs and policy requirements. For example, in the European market, BYD can launch electric vehicles that meet local consumer tastes and policy requirements and reduce logistics costs.

Enhance brand influence: Although BYD has established a strong brand influence in the Chinese market, it still faces the problem of low brand awareness in the international market, especially in the European and American markets. Improve the international recognition of the brand by increasing brand publicity, participating in international auto shows, and cooperating with well-known companies.

Optimize production efficiency and reduce costs. With the intensification of competition in the global electric vehicle market, cost control has become an important aspect for BYD to enhance its competitiveness. Here are a few ways to optimize production efficiency:

Improve production automation: BYD can reduce overall manufacturing costs by introducing more automated production equipment and intelligent manufacturing systems to improve production efficiency, reduce labor costs, and reduce errors and waste in the production process.

Supply chain management optimization: BYD should be more efficient in supply chain management of batteries and auto parts to ensure sufficient supply of

raw materials, while reducing inventory backlogs and reducing supply chain risks. Establish long-term and stable cooperative relationships with key suppliers to ensure stable raw material prices.

Modular and standardized production: BYD can reduce the production cost of parts and improve production flexibility by realizing modularization and standardization of auto parts. Such a production method helps to accelerate the launch of new models and respond quickly to changes in market demand.

Strengthen strategic cooperation and alliances. To better enhance its competitiveness, BYD can integrate resources and enhance its technology and market advantages by establishing strategic partnerships with global technology companies, automakers and government agencies.

Cross-industry cooperation: For example, cooperation with technology companies in intelligent connected vehicle technology and autonomous driving technology, or cooperation with energy companies to promote the integration of electric vehicles and smart grids.

Government cooperation and policy support: Especially in regions such as the European Union, BYD can cooperate with the government to strive for policy support and market access, and use the government's investment in green energy and smart transportation to promote corporate development.

3.2. Tools for entering the EU markets: marketing, innovation and product adaptation.

BYD needs to develop Effective marketing strategies a detailed and effective marketing strategy to adapt to the needs and characteristics of the EU market when entering the EU market. Due to the fierce competition in the field of electric vehicles (EV) in the EU market and the diversified needs of consumers, BYD needs to enhance its brand influence and win the favor of consumers through precise market positioning, brand building, channel expansion and localized marketing

activities. The following are the key marketing strategies that BYD may need to adopt when entering the EU market:

Localized marketing strategy. Localization is one of the key factors for BYD to enter the EU market. The culture, language and consumption habits of EU countries are different. BYD needs to develop marketing plans that meet the needs of local consumers based on the characteristics of each country.

- Language and cultural adaptation: BYD should ensure that the local language is used in all marketing materials, advertisements and after-sales services, and conform to local cultural habits as much as possible. For example, for the German market, it emphasizes precision craftsmanship and engineering technology; for the French market, it may highlight design and fashion elements; and in Northern Europe, focusing on environmental protection and technological innovation may be more impressive to consumers.

- Localized partners: Establish strategic partnerships with local car dealers, service centers, charging facility providers, etc. These partners can not only help BYD enter the market better, but also improve BYD's brand awareness through their understanding of the local market.

2. Enhance brand awareness and promotion

In the EU market, BYD needs to increase brand awareness through various channels to let consumers fully understand BYD's product advantages and corporate culture.

- Advertising and public relations activities: BYD can increase brand exposure through online and offline advertising. Online, it can increase interactivity and attention through social media, video websites, website optimization and other means; offline, it can enhance brand image by participating in important international auto shows (such as the Frankfurt Motor Show), holding brand events,

and sponsoring important social welfare activities.

- Cooperate with well-known spokespersons or opinion leaders: In the EU market, consumers have a strong sense of trust and identification with celebrities or social celebrities. BYD can increase the credibility and affinity of the brand by cooperating with local celebrities, auto bloggers, environmental activists, etc. For example, it can cooperate with local environmental protection organizations or well-known auto critics to conduct product experience and evaluation.

- Focus on promoting technical advantages and cost-effectiveness: For the EU market, especially automobile powerhouses such as Germany, France, and Italy, BYD can emphasize the technical advantages of its electric vehicles in terms of battery life, charging convenience, safety, etc., especially in comparison with other competing brands (such as Tesla and Volkswagen ID series), highlighting its cost-effectiveness and technical advantages.

3. Social media and digital marketing

Digital marketing is particularly important in the EU market because young consumer groups widely use social media and the Internet to obtain information and make purchasing decisions. BYD can take advantage of this trend and conduct precise digital marketing.

- Social media platform promotion: BYD can carry out advertising promotion, interactive marketing and user-generated content (UGC) activities on mainstream EU social media platforms (such as Instagram, Facebook, YouTube, etc.) to attract the attention of young consumers.

- Online customization and virtual experience: By providing online configuration tools, consumers can customize the car configuration according to their needs. BYD can also provide virtual reality (VR) or augmented reality (AR) technology to allow consumers to conduct virtual test drives online or view the

details of the interior and exterior of the car to enhance consumers' sense of participation and purchase desire.

Innovation awareness, In order for BYD to successfully enter the EU market, in addition to traditional marketing strategies, it needs to make a series of innovations in products, technology, services, supply chain and brand image. These innovations will not only help BYD stand out in the fiercely competitive EU market, but also ensure its sustainability in long-term development. The following are some of the innovation areas that BYD needs to enter the EU market:

- Localized design of product innovation and customization: The EU market has diverse consumer needs and cultural characteristics. BYD should localize its products according to the needs of different countries and regions. For example, European consumers have different preferences for car space, comfort, exterior design, etc., especially in Germany, France, Italy and other countries, where consumers prefer luxury, driving experience and personalized customization. BYD can launch models that meet the preferences of EU consumers and provide customized options (such as color, interior, configuration, etc.) to enhance market competitiveness.

- Intelligent and autonomous driving technology: Consumers in the EU market pay more and more attention to intelligent and automated technologies, especially autonomous driving, car networking, smart assistants, etc. Therefore, BYD needs to increase innovation in the field of intelligent technology. For example, it can be equipped with advanced autonomous driving technology, in-vehicle intelligent systems, and intelligent voice assistants to provide consumers with a more intelligent driving experience. In addition, BYD can also promote vehicle networking technology and enhance vehicle connectivity by cooperating with local European technology companies.

- Endurance and battery technology innovation: The endurance and battery

performance of electric vehicles are the focus of consumer attention. BYD has obvious advantages in battery technology, such as its independently developed iron-lithium battery (blade battery), which has been successful in many markets. In order to meet the high requirements of EU consumers for endurance, BYD needs to further innovate and optimize battery technology, improve battery energy density, shorten charging time, and increase battery safety and stability. In addition, in view of the climatic conditions in different regions of Europe (such as the cold Nordic region), BYD can also consider developing battery technology that is more suitable for severe cold environments.

Technological innovation and innovative business models:

- Vehicle networking and digital services: The EU market has a gradually increasing demand for digitalization and vehicle networking technology. BYD can improve user experience by innovating in-vehicle digital services, such as intelligent navigation, voice recognition, and real-time traffic updates. In addition, BYD can link its vehicles with smart home devices, smartphones, etc. to provide a more convenient interconnected experience and meet the needs of European consumers for convenience in life.

- Innovative business models: subscription and sharing: Shared travel and car subscription services are very popular in the European market, especially for the younger generation of consumers. BYD can explore innovative business models, such as launching a subscription-based electric vehicle rental service, allowing consumers to choose the vehicle usage cycle (short-term or long-term) according to their needs, and providing one-stop services including insurance, maintenance, charging, etc. In addition, car sharing platforms (such as Didi, Car2Go, etc.) are gradually emerging in the European market. BYD can cooperate with these platforms to launch shared travel solutions to help them enter the sharing economy.

- "Charge and Go" charging network innovation: The EU market has high

requirements for the charging infrastructure of electric vehicles. In order to eliminate consumers' "range anxiety", BYD can consider cooperating with local energy companies or charging network companies to invest in the construction of efficient and intelligent charging networks and provide fast charging services. BYD can also innovate and launch a "charge and go" charging service, optimize the use of charging facilities through a digital platform, and make electric vehicle charging more convenient and efficient.

Brand and market cognition innovation:

- Cross-cultural brand communication and localized marketing: The EU market is culturally diverse, and consumers in different countries have different perceptions and identities of brands. BYD needs to conduct cross-cultural brand communication when entering the EU market. For example, in the German market, BYD can highlight technological innovation and performance; in the French market, it can emphasize design and fashion; in the Nordic market, it can highlight environmental protection and sustainability. Through precise localized marketing, BYD can improve brand awareness and consumer trust.

- Cooperation with local ecological partners: When BYD enters the EU market, it can consider establishing strategic cooperation with local environmental protection organizations, urban management departments, government agencies and other industry chain partners. For example, participate in the EU's electric vehicle promotion project, support green travel policies, or cooperate with charging facility suppliers to launch joint marketing activities. These collaborations can not only enhance brand influence, but also help BYD establish a sense of responsibility and commitment to sustainable development and environmental protection in the market.

- User experience and after-sales service innovation: EU consumers have high requirements for after-sales service. BYD can improve user experience through

innovative after-sales service systems, such as remote diagnosis, online maintenance reservations, door-to-door vehicle pickup and delivery, etc. In addition, providing long-term warranties, flexible financial services (such as installment or leasing plans) and personalized after-sales services are also areas where BYD needs to innovate.

Product Adaptation in Europe. If BYD wants to successfully enter the EU market, it needs to adjust and optimize its products according to the needs, preferences and market trends of EU consumers. The EU is a diversified market, and consumers in various countries and regions have certain differences in their car needs. Therefore, BYD needs to adapt and innovate its products in the following aspects to ensure that it can meet market demand, especially to occupy a place in the competition in the field of electric vehicles.

Meet environmental protection and regulatory requirements. The EU has very strict environmental standards for the automotive industry, especially for emission standards (such as the EU's Euro 6 emission standards) and energy efficiency regulations. As an electric vehicle brand, BYD must also ensure that its electric vehicles meet the EU's safety certification, driving stability and collision safety standards (such as ECE, NCAP, etc.). Especially in terms of battery safety, the EU has strict regulations and testing requirements, so BYD needs to strengthen the safety of batteries when entering the market to ensure that no safety accidents will occur in the event of collision or excessive temperature.

Product design and localization. Consumers in the EU market have high expectations for the design, functionality and comfort of cars. BYD needs to localize its design to adapt to the consumption habits of different countries and regions.

- **Fashion and luxury design:** Major EU markets such as Germany, France, Italy, and the United Kingdom have high requirements for the exterior and interior

design of cars, and prefer luxurious, exquisite, and detail-oriented designs. For example, the German market pays particular attention to driving experience, control feel, and the texture of the interior. BYD can adjust the design according to the needs of different markets and launch models that meet local aesthetics.

- Space and comfort: EU consumers usually have high requirements for vehicle space and comfort, especially in family cars and long-distance driving. Factors such as seat comfort, interior space, and interior noise control will directly affect consumers' purchasing decisions. BYD can pay more attention to spacious cabin space and comfortable seat configuration in design to attract consumers who focus on driving experience.

Endurance and battery technology adaptation Endurance and battery performance are one of the key factors for electric vehicles to successfully enter the EU market. EU consumers have high requirements for the endurance of electric vehicles, especially in areas with long-distance driving or large climate changes. Consumers are more inclined to choose electric vehicles with longer endurance.

- Improved driving range: BYD can improve the driving range of its vehicles by optimizing the energy density of batteries, improving charging efficiency, and reducing battery self-consumption. At the same time, considering the vast geographical area and strong demand for long-distance driving in EU countries, ensuring that vehicles can travel long distances after one charge is a major selling point to attract consumers.

- Application and upgrade of blade batteries: BYD's blade battery technology is recognized worldwide. With its advantages such as safety, long service life and high energy density, blade batteries can provide electric vehicles with a better driving experience. BYD can further optimize the performance of blade batteries according to the needs of the EU market, improve driving range, and ensure the

performance of batteries in low temperature environments.

- **Fast charging technology:** Fast charging is one of the key factors in the popularization of electric vehicles. BYD should further improve fast charging technology according to the requirements of the EU market for charging facilities, so that vehicles can be charged in a shorter time and reduce consumers' "range anxiety".

Price and cost performance. Although BYD uses electric vehicle technology and environmental protection as selling points, price is still an important factor when entering the EU market. Consumers in the EU market often focus on cost performance. BYD needs to provide models in different price ranges to meet the needs of consumers at different levels.

- **Parallel entry-level and mid-to-high-end models:** BYD can launch multiple models, covering different price points from entry-level to mid-to-high-end. For example, launch affordable electric small cars in the economy market, and launch more luxurious electric SUVs or sedans in the mid-to-high-end market. Cover a wide range of consumer groups through different pricing strategies to attract users with different market needs.

- **Optimize manufacturing costs and reduce pricing pressure:** BYD needs to reduce manufacturing costs by optimizing production processes, improving production efficiency, and adopting localized production, so as to provide more competitive prices while ensuring the quality and performance of electric vehicles.

Charging infrastructure and after-sales service. The charging facilities in the EU market are still being improved. Although many countries and regions have accelerated the construction of charging networks, there are still certain differences. BYD can improve market adaptability through the following measures:

- **Cooperate to build a charging station network:** BYD can cooperate with

local energy companies or charging operators to build a wide-covering charging station network to improve user convenience.

- Improve after-sales service and warranty policy: EU consumers attach great importance to the quality of after-sales service of cars. BYD needs to ensure that it has a sound after-sales service system in the EU market, providing long-term quality assurance and an efficient maintenance network to enhance consumer trust.

Through these market adaptations, BYD will not only be able to gain a foothold in the EU market, but also lay the foundation for long-term development in the future.

3.3 Recommendations for the implementation of competitive advantages for long-term success

BYD needs to comprehensively consider various competitive advantages and formulate and implement effective strategies on this basis to achieve long-term success in the EU market. The EU market is highly competitive, especially in the field of electric vehicles (EVs), where there are already strong competitors such as Tesla, BMW, and Volkswagen. Therefore, BYD needs to give full play to its advantages in the following aspects, combine with local market demand, and establish sustainable competitiveness.

Technological innovation and leading position in electric vehicles. BYD has obvious technological advantages in the fields of electrification and intelligence, especially in battery technology, electric drive systems, and vehicle networking. In order to achieve long-term success in the EU market, BYD needs to continue to strengthen and utilize these technological advantages.

- EU consumers and regulators are very concerned about the safety of electric vehicles. BYD can use the advantages of blade batteries in collision safety as an important selling point for market promotion. BYD's blade batteries are highly

competitive in the market with their high safety, long life and high energy density. The BYD blade battery can be regarded as the improved lithium iron phosphate battery and it's mainly structural innovation, rather than innovation on materials [32]. At present, blade batteries are the best solution, but waste batteries are difficult to be properly handled, and the charging and discharging performance of blade batteries is poor under low temperature conditions.

BYD can improve its charging and discharging performance under low temperature conditions through continuous technological innovation and the use of new materials such as room-temperature superconductors, further improving the battery's endurance and charging efficiency.

- **Intelligence and autonomous driving technology:** The intelligence of electric vehicles is increasingly becoming one of the important factors for consumers to choose. BYD can use its technical accumulation in in-vehicle intelligent systems to strengthen the research and development of technologies such as in-vehicle AI and autonomous driving assistance systems (ADAS), and cooperate with local EU companies (such as German automotive technology companies) to promote the application of localized technologies. For example, enhancing functions such as automatic parking, lane keeping, and blind spot detection can enhance the attractiveness of BYD models in the EU market.

- **Internet of Vehicles and Software Ecosystem:** Providing complete Internet of Vehicles functions, OTA (remote software updates), and integration with smart homes and mobile devices is an important trend in the competition in the electric vehicle market [34]. BYD can achieve higher localization and user experience in terms of intelligent interconnection, voice control, etc. by continuously improving and optimizing its in-vehicle operating system (for example, providing multiple language versions such as Chinese, English, and German), and in terms of intelligent interconnection and voice control.

2. Localized production and supply chain advantages

Battery	2170	120 Ah cell	Ultium	4680	Licerion	Blade
Vehicle model	Model Y Long Range	500e	GMC Hummer	-	-	Han
Vehicle manufacturer	Tesla	Fiat	GM	-	-	BYD
Battery energy density [Wh/L]	205	179 [†]	210	252 [†]	267 [†]	279
Battery specific energy [Wh/kg]	155	143	161	225 [†]	236 [†]	150
Battery cost [\$/kWh]	170	127	100	75	105	66
Battery capacity (gross) [kWh]	82	42	213	82	-	85.4
Battery capacity (usable) [kWh]	75	37.3	200	75.9	-	76.9
Battery efficiency [%]	91.5	88.8	93.9	92.6	-	90.0
Vehicle power [kW]	378	87	745	-	-	380
Vehicle range [km]	449	320	529	-	-	710
Battery weight [kg]	530	294.3	1326	364 [†]	347 [†]	592
Battery volume [L]	400	235 [†]	1012	325 [†]	307 [†]	306
Gravimetric cell-to-pack ratio (GCTP) [%]	59.2	72.8	59.0	59.2 [†]	59.0 [†]	86.9
Volumetric cell-to-pack (VCTP) ratio [%]	28.0	40.2 [†]	34.3	28.0 [†]	34.3 [†]	62.3
Battery specific power [kW/kg]	0.71	0.30	0.56	-	-	0.64
Battery power density [kW/L]	0.95	0.37 [†]	0.74	-	-	1.24

Fig.3.3 Battery specifications of each model

Source: [33]

BYD can enhance its competitiveness by localizing production, reducing

supply chain costs, and increasing market response speed. The EU has very strict environmental protection and emission standards for the automotive industry. Localized production will help better meet these standards and enhance consumer recognition of the brand.

- Establishing production bases and reducing tariffs: BYD can establish production bases or assembly plants within the EU, such as setting up factories in Eastern Europe or Germany, which can not only reduce transportation costs, but also reduce tariffs and import taxes to ensure price competitiveness. Through localized production, BYD can also respond more quickly to changes in market demand and improve the flexibility and timeliness of product supply.

- Strengthening supply chain integration: BYD has a strong advantage in battery manufacturing and is one of the world's largest lithium battery manufacturers. BYD can strengthen local supply chain cooperation and cooperate with local battery manufacturers or suppliers in the EU to reduce dependence on external supply chains and ensure a stable supply of raw materials and key components. This can not only reduce costs, but also ensure product quality and delivery stability.

- Green and sustainable supply chain: Since the EU attaches great importance to sustainable development, BYD can further enhance its brand image by creating an environmentally friendly and efficient green supply chain. For example, optimizing production processes, using recyclable materials, and reducing carbon emissions in the production process are all effective ways for BYD to enhance its market competitiveness.

Differentiated product strategy and market positioning:

The EU market is complex and diversified, and there are significant differences in consumer demand and car preferences among countries. BYD needs to differentiate its products according to the characteristics of different countries and regions to meet the needs of different consumer groups.

- Diversified product lines: BYD can launch electric vehicle products for different market segments in the EU market, such as small urban electric vehicles (to meet the needs of urban families and young people), mid-sized SUVs and crossovers (to cater to the needs of families and high-income groups), high-performance luxury electric vehicles (to meet the needs of the high-end market for luxury cars), and commercial vehicles (such as electric logistics vehicles and public transportation). By deploying in different market segments, BYD can expand its market coverage and meet the diverse needs of different consumers.

- High-end models that are both intelligent and environmentally friendly: With the EU's increasing environmental protection requirements and consumers' increasing demand for luxury and technology [35], BYD can integrate more environmentally friendly materials, advanced driver assistance systems (ADAS), adaptive cruise, automatic parking and other intelligent functions in its high-end models. This will not only improve the driving experience of high-end users, but also compete with other traditional luxury brands (such as Mercedes-Benz, BMW, and Audi).

- Product innovation for specific European needs: BYD can also innovate according to the special needs of the European market. For example, considering the requirements for battery life in the cold regions of Northern Europe, optimize the battery performance in low temperature environments; or launch electric vehicles with more efficient charging functions for areas with imperfect charging facilities to reduce consumers' charging anxiety.

4. Strong brand marketing and localization strategy

Brand awareness and localization marketing strategies are the key to BYD's foothold in the EU market. BYD needs to enhance its brand influence while combining local culture and consumer habits to carry out localized marketing.

- Establish a trustworthy brand image: BYD can use its successful experience in the Chinese market to strengthen brand communication in the EU market,

focusing on promoting BYD's innovative technologies in electrification, environmental protection, and intelligence. In addition, the brand's authority and recognition can be enhanced by participating in some internationally renowned auto exhibitions, winning authoritative auto safety awards, and conducting product certification.

- **Accurate market positioning and localization marketing:** BYD should formulate tailored marketing strategies based on the cultural characteristics and consumer preferences of different countries and regions. For example, in traditional automobile markets such as Germany and France, BYD can attract consumers by emphasizing the safety, long driving range and high cost-effectiveness of its electric vehicles [36]; in regions with strong environmental awareness such as Northern Europe, BYD can attract more consumers by promoting its green environmental protection technology and sustainable development concept.

- **Establish strategic alliances with local partners:** BYD can establish strategic alliances with local car dealers, charging infrastructure construction companies, local governments and other partners to help it better enter the market. The local network and resources of partners will help BYD better understand market demand, optimize after-sales service, and improve consumer satisfaction and brand loyalty.

5. Improve after-sales service system and user experience

High-quality after-sales service and user experience are key factors in improving brand loyalty and market share [37]. BYD can improve its after-sales service level and enhance customer stickiness through the following aspects.

- **Establish a complete after-sales service network:** In the EU market, BYD needs to build a widely covered and fast-responding after-sales service network to ensure that consumers can enjoy efficient and convenient services in repair, maintenance, and repair after purchasing a car. In addition, ensuring the construction and maintenance of charging stations is also an important part of improving user experience.

- Promote long-term warranty and efficient maintenance: In order to enhance consumers' trust in the quality and reliability of electric vehicles, BYD can launch a competitive warranty policy, such as providing a warranty period of 5 years or longer, and improve consumer satisfaction and loyalty through an efficient after-sales maintenance system.

By establishing strong competitive advantages in the above aspects, BYD can not only stand out in the EU market, but also achieve long-term sustainable growth and success. In the wave of global electrification, the EU market will be an important part of BYD's future strategic layout, and the right strategy and execution will determine its performance in this market.

CONCLUSIONS

Competitive advantages can arise from a variety of sources, and these sources can be classified into different theoretical categories, such as Porter's generic strategies, the resource-based view, dynamic capabilities, innovation, and national-level advantages. Understanding these theoretical frameworks helps firms and countries identify their sources of competitive advantage and develop strategies to sustain it in a rapidly evolving global market. The key takeaway is that achieving and maintaining a competitive advantage often requires a dynamic combination of internal resources, capabilities, and external factors, such as market conditions and competition.

Assessing competitive advantages requires a multifaceted approach that combines both qualitative and quantitative methods. SWOT analysis, Porter's Five Forces, VRIO framework, value chain analysis, and benchmarking provide valuable frameworks for understanding where a firm stands relative to its competitors. These tools help in identifying strengths that can be leveraged to create value, uncover areas for improvement, and ensure that competitive advantages are sustainable over

time. Ultimately, by continuously evaluating and refining its competitive advantage, an enterprise can maintain a strong market position and drive long-term success.

The European Union offers a vast and dynamic international market with numerous opportunities for businesses. However, the market's complexities require companies to be well-informed about the region's features, trends, and regulatory requirements. By understanding the key characteristics of the EU market—including its single market structure, digital transformation, sustainability goals, and competitive landscape—businesses can position themselves to take advantage of growth opportunities while navigating the challenges of compliance and market adaptation.

BYD is a Chinese technology company that mainly produces batteries, new energy vehicles, etc. Relying on its strong independent research and development capabilities and corporate strategy, BYD has a complete industrial chain, capable of mass production and the ability to export to all parts of the world. BYD is well-positioned to capitalize on the growing demand for electric vehicles and renewable energy solutions, but it must continue to innovate, manage costs, and enhance its global brand to sustain and expand its market presence amidst a competitive and rapidly evolving industry landscape.

While the EU market offers significant opportunities for BYD, particularly in the rapidly expanding electric vehicle sector, there are also numerous barriers that the company will need to address. The company can leverage its expertise in EVs and renewable energy solutions, but it must overcome challenges related to brand recognition, regulatory compliance, supply chain management, and competition from established European automakers. To succeed in the EU, BYD will need to adapt its strategies to local market demands, invest in local production and distribution channels, and continue to innovate in areas like autonomous driving

and connected car technologies. If BYD can navigate these challenges, it has the potential to capture a substantial share of the European EV market in the coming years.

In order to enhance corporate competitiveness, BYD can start from multiple dimensions, combining its own advantages in electric vehicles (EV), battery technology, renewable energy, etc., and take measures such as increasing R&D investment to enhance technological innovation; expanding international layout to seize the global market; optimizing production efficiency and reducing costs; strengthening strategic cooperation and alliances to enhance the company's competitiveness in the field of new energy vehicles.

BYD needs to innovate in many aspects to successfully enter the EU market, and also needs to attract and maintain consumer loyalty through accurate market positioning, effective brand communication and localized marketing strategies. It needs to have products that meet regulatory requirements and adapt to local prices and design concepts.

BYD must consider multiple factors, including technology, design, safety, intelligence, and environmental protection, to launch a successful electric car in the EU market. By improving blade batteries, researching more advanced intelligent driving, establishing localized production and supply chain management, improving follow-up services and customer experience, and combining flexible pricing strategies and brand promotion, BYD can not only stand out in the EU market, but also achieve long-term sustainable growth and success.

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