

VW joins e-car price war as global rivalry heats up

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It will soon cost less to drive away with VW's ID.3 as a price war intensifies in the battery electric car market.

German giant Volkswagen is set to follow Tesla's lead with a high-profile price drop as the battle for global dominance in the electric car

segment intensifies, and local challengers race ahead in key market China.

A new version of Volkswagen's flagship ID.3 electric car model will go on sale from the end of March for just under 40,000 euros (\$42,000), the VW brand announced this week.

That is a 3,000-euro markdown from the current ID.3 price tag, putting it on par with US rival Tesla's popular Model Y.

Industry insiders see the move as a direct response to several rounds of price-cutting by the Elon Musk-owned company in recent months, including discounts of up to 20 percent in Europe and the United States.

In Germany, Tesla's sales soared by more than 900 percent year-on-year in January as a result, making it the top-selling e-car in the country that month.

Although the 10-brand VW group was Europe's leading e-car manufacturer in 2022 with 352,000 vehicles sold, Tesla's audacious markdowns have forced the German firm's hand, said industry analyst Ferdinand Dudenhoeffer.

"Volkswagen sees how big the threat is from Tesla," he told AFP.

The automaker will have "no choice" but to enter "a price war" to defend its place in the hotly contested market for battery-powered vehicles, even if that means [profit margins](#) take a hit for a while.

VW group CEO Oliver Blume has so far ruled out a general price drop on all e-cars, but the topic is bound to come up when the group presents its 2022 [financial results](#) on Tuesday.

But Musk is not VW's only headache. In China, the world's largest car market, the industry's electrification has shifted into higher gear and VW is rapidly falling behind domestic competitors.

China challenge

The Asian giant currently accounts for some 40 percent of VW group sales, mostly vehicles with traditional internal combustion engines, giving it a market share in China of 16 percent.

But in the electric car segment, the Volkswagen brand has eked out a market share of just 2.4 percent, trailing Tesla at 7.8 percent and China's BYD at 16 percent.

A slew of other Chinese automakers such as Wuling, GAC and Chery are also outperforming VW, according to data compiled by the financial daily Handelsblatt.

Fellow German carmakers Mercedes-Benz and BMW are faring no better in China, their e-models holding a [market share](#) of less than one percent each.

"In the world's largest car market, German manufacturers have so far lagged behind local brands," industry expert Stefan Bratzel said in his [annual report](#) on electromobility.

Of the more than five million electric vehicles sold in China in 2022, VW accounted for just 155,700.

Traffic jam entertainment

"The times when German traditional carmakers could take their [market](#)

shares (in China) for granted are gone," said Gregor Sebastian, an analyst at the Mercator Institute for China Studies.

"In Germany, driving performance remains a key factor" when customers choose a new car, he said.

"But in China, where many people spend a lot of their driving time stuck in [traffic jams](#) and highly value new technologies, the car's interaction with the smartphone and overall connectivity is more important," he added.

VW's China chief Ralf Brandstaetter said the group needed to make cars "in China, for China" if it wanted to boost e-sales there—and do so faster.

"The Chinese develop a new car in two and a half years. VW takes just under four years to do that," he recently said in Germany's Sueddeutsche newspaper.

With VW expecting China to make major strides in autonomous driving in the near future, the German group last year said it was teaming up with Chinese AI chip specialist Horizon Robotics to accelerate the development of smart-driving technologies.

And even with all the changes sweeping the industry, the reputation of German carmakers remains a trump card in China, said Sebastian.

"The competition is tough," he said. "But German carmakers like Volkswagen have over 80 years' experience building cars for different markets and customers, that will give them an advantage."

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