

Analyzing Changes in China's Automotive Consumption Environment from the Performance of French Automakers in the Chinese Market After 2010—A Case Study of PSA Groups

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Abstract

French automakers, with the PSA Peugeot Citroën Group (hereafter referred to as the PSA Group) as their representative, once stood as leaders in the global automotive industry. In recent years, however, French automobile brands have encountered successive setbacks in the Chinese market. When analyzing the evolving landscape of China's automotive consumption environment, the fluctuating market performance of French automakers serves as a highly representative case study. This paper draws on historical market data reports of the PSA Group and examines factors, including product quality, product positioning, the competitive landscape, and policy trends. It aims to analyze the underlying reasons for the PSA Group's struggles in the Chinese market and dissect the transformations occurring within the domestic automotive consumption sector. The study concludes that the ups and downs in the PSA Group's sales volume stemmed from specific market conditions, shifts in consumer demand, and the brand's strategic decisions. By analyzing the dramatic fluctuations in the PSA Group's market performance from 2010 to the present, three notable characteristics of the Chinese consumer market can be summarized: First, it boasts enormous consumption potential while witnessing rapidly changing demand; second, localization has evolved into an indispensable requirement for foreign brands to achieve long-term survival; third, end-users constitute the most critical variable.

Keywords

Chinese automotive market, French automobiles, changes in market environment, PSA Group

1. Introduction

Since the beginning of the 21st century, China's economy has undergone rapid development, driving its automotive market to swiftly emerge as the world's largest. The evolution of China's automotive sector profoundly affects the development strategies and operational decisions of automakers across the globe. To gain a clear understanding of the phased changes in the Chinese market in recent years and identify inherent patterns through observable phenomena, an effective approach is to examine the market performance of various automotive manufacturers. Among these players, French car brands have been deeply affected by shifts in the market environment, rendering them highly representative case studies. By investigating the factors that have shaped the fluctuating market performance of PSA Peugeot Citroën (Group PSA, or the PSA Group for short)—a leading representative of French automakers—in the Chinese market, valuable insights can be

gleaned regarding the shifts in consumer demand within China's automotive sector in recent years. This analysis has significant implications for the future development of China's automotive industry.

Notably, on January 16, 2021, the PSA Group completed a merger with Fiat Chrysler Automobiles (FCA) to form Stellantis. However, as this paper focuses primarily on the market performance of French automotive brands, its analysis focuses exclusively on the PSA Group (prior to the merger).

2. The Stages of Transformation in China's Automotive Consumption Market After 2010: An Analysis of the Performance of the PSA Group

Since 2010, China's automotive market has undergone three pivotal transformations: sustained rapid growth, in-depth structural adjustments, and a sweeping shift toward new energy vehicles (NEVs). After hitting a sales peak of 28.88 million units in 2017, the market recorded its first-ever decline, officially entering an era dominated by stock competition (as opposed to the previous phase of incremental expansion). In recent years, fueled by supportive policies and technological innovations, NEVs have achieved explosive growth, while domestic automotive brands have risen remarkably. By 2023, the market's annual sales surged to a historic high of 30.09 million units, with China's automotive exports also leaping to the top of the global rankings—marking a profound shift in the country's automotive industry from “pursuit of quantity” to “focus on quality.” Throughout this period of sweeping market changes, the operational performance of the PSA Group was also significantly shaped by the evolving market environment. As shown in Figures 1 and 2, the data illustrate the total annual automotive sales in the Chinese market and the annual sales of the PSA Group from 2010--2023.

The periods marked by changes and notable turning points in the sales volume of the PSA Group generally align with the overall trend of total sales in the Chinese automotive market. Building on this correlation, the Chinese automotive market from 2010 onward can be broadly categorized into three primary developmental phases.

Figure 1: 2010--2023 Annual total automobile sales in China

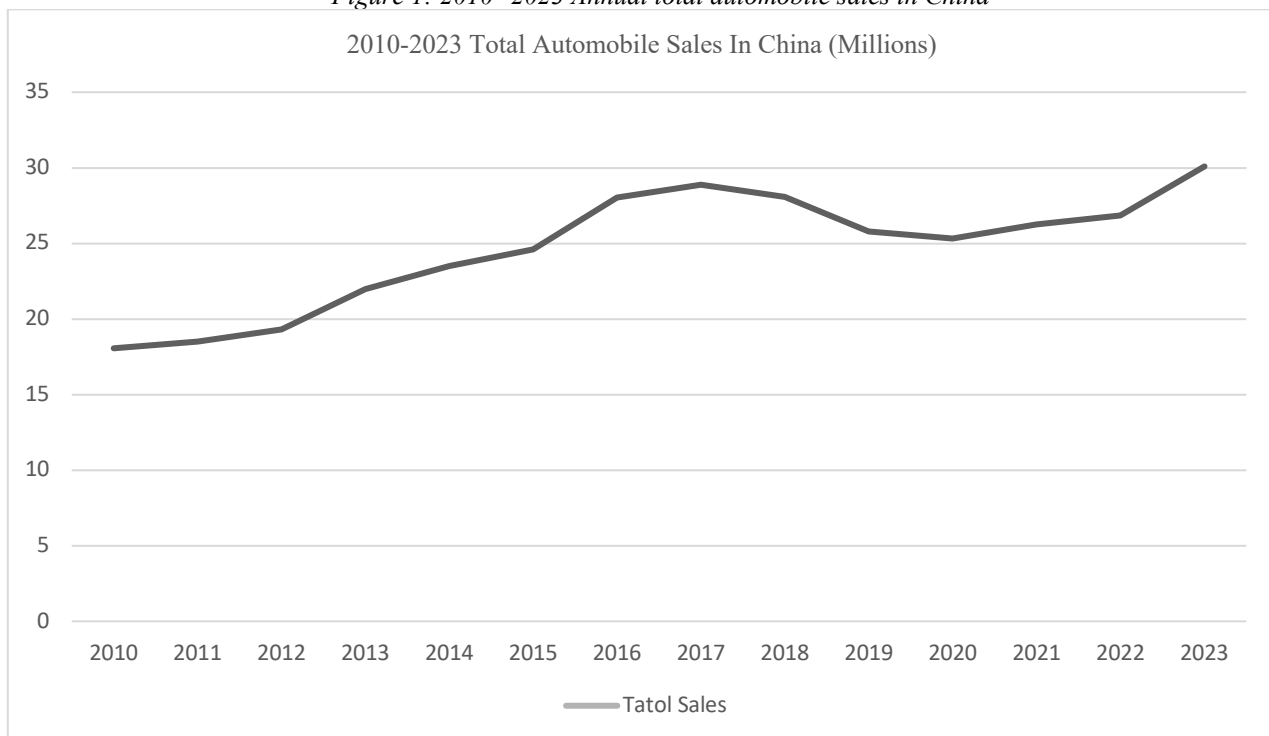
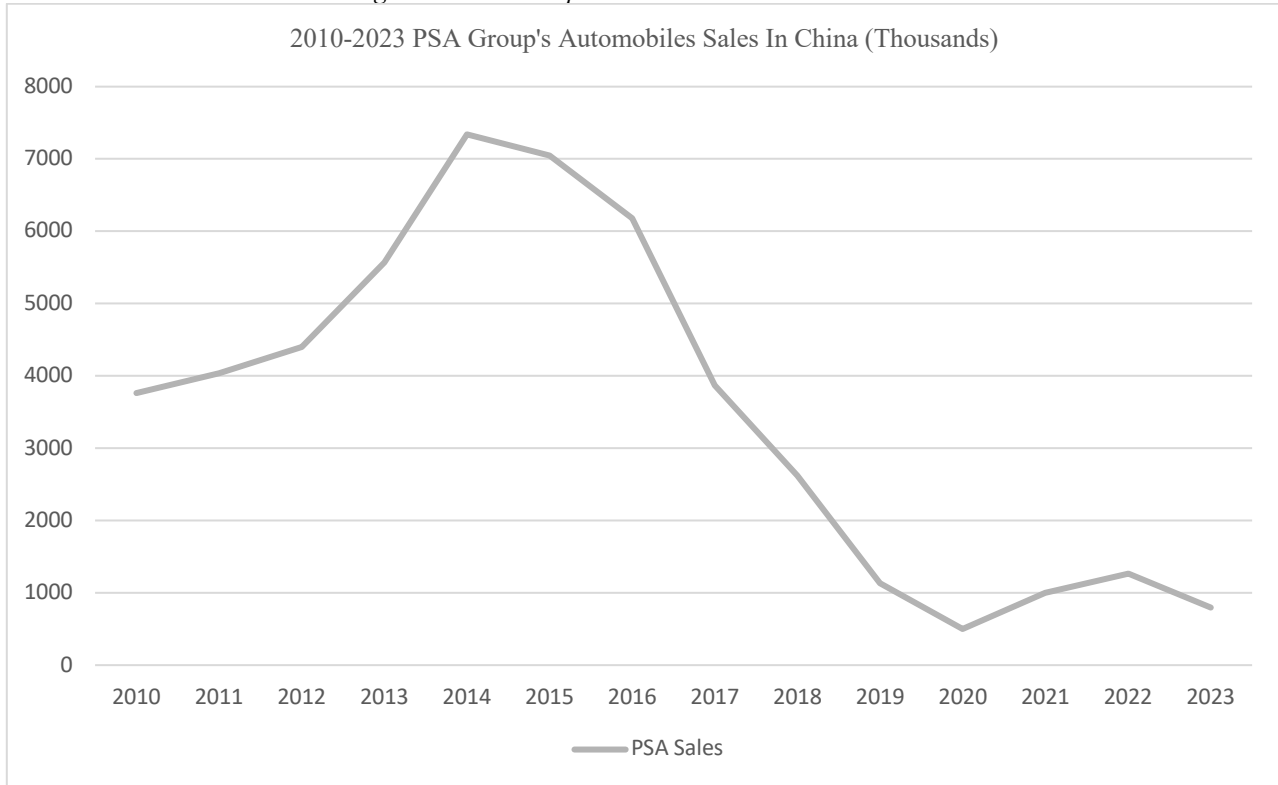


Figure 2: PSA Groups' Annual Automobile Sales in China



2.1 Incremental Market Stage

From 2010 to 2015, China's automotive market maintained robust growth; however, domestic brands still lagged behind leading international automakers in terms of technological capabilities. During this period, the Chinese government began to vigorously open the domestic passenger car market to foreign investment, with the core goal of “exchanging market access for advanced technology” (Xu, 2020). This policy orientation brought a “golden period” for joint-venture automotive brands in China — among which the PSA Group delivered exceptionally strong performance in the Chinese market. Specifically, the group’s sales volume reached 557,000 units in 2013, representing a year-to-year increase of 26%; by 2014, its sales further climbed to 734,000 units, achieving a year-to-year growth rate of 32%, a performance that stood out prominently in the market.

Throughout this phase, products under the PSA Group’s flagship brands, Peugeot and Citroën, featured the following distinctive characteristics: (1) High cost-effectiveness: These products offered higher-tier configurations at relatively lower price points. For example, across all model lines, standard equipment included ESPs (Electronic Stability Programs), large sunroofs, and genuine leather seats—while their pricing remained more competitive than that of rival products. As illustrated in Table 1, the Peugeot models were priced approximately 10–30% lower than comparable vehicles from the German automaker Volkswagen and the Japanese automaker Toyota.

Table 1: 2014 Peugeot, Volkswagen And Toyota Price Comparison (CNY)

Companies	Peugeot	Volkswagon	Toyota
A0-Segment	71,800-99,800	85,900-118,900	87,000-125,600
A-Segment	92,800-135,800	107,800-148,300	123,800-160,800
B-Segment	169,700-229,700	194,800-244,800	179,800-236,800
Compact SUV	159,700-214,700	199,800-315,800	187,800-269,800

(2) Outstanding spatial practicality: The PSA Group launched long-wheelbase models *exclusively tailored to the Chinese market*; meanwhile, its traditional short-wheelbase and hatchback models also offered ample and flexible space for both passengers and luggage storage. This dual focus on localized wheelbase design and flexible space utilization effectively catered to Chinese consumers’ emphasis on practicality. (3) Distinctive styling aesthetics: The group’s products featured innovative and avant-garde design elements that

distinguished them from the relatively conservative styling of German and Japanese competitors. Representative examples included the floating roof design of Citroën C4L and the iconic claw-effect headlights of Peugeot 508—details that became visual hallmarks of the brands and strengthened their market differentiation.

During this period, the core shifts in Chinese consumer demand fully mirrored the market performance of the PSA Group.

First, the long-suppressed pent-up demand for vehicle purchases was fully unleashed. This was particularly evident in third- and fourth-tier cities, where the automotive consumer market expanded at a rapid pace and vehicle penetration rates rose sharply. Concurrently, the PSA Group implemented a strategy to expand its sales network into these lower-tier markets — a move that directly contributed to a significant surge in its sales volume.

Second, the core consumer group during this phase was the younger post-1980s generation, whose consumption behavior was defined by three key traits (Fu, 2016):

1. **Budget constraints:** Their typical budget for vehicle purchases ranged from 80,000 to 150,000 RMB;
2. **Brand preference:** They maintained strong trust in joint-venture brands, while lingering concerns persisted regarding the quality of domestic Chinese automotive brands;
3. **Pursuit of individuality:** There was a growing desire to express uniqueness, driving their preference for vehicles with distinctive and unconventional designs.

Against this market backdrop, German-brand vehicles remained relatively expensive, whereas Japanese-brand models faced consumer boycotts amid strained Sino-Japanese relations. In contrast, French-brand vehicles — characterized by attractive pricing and solid cost performance — quickly gained traction in the market. It can thus be argued that during this phase, the PSA Group not only capitalized on the opportunities presented by the era but also executed its business strategies with marked effectiveness. As a result, even amid the overall prosperity of China's automotive market, the PSA Group distinguished itself as one of the top-performing automakers.

2.2 Structural Adjustment Phase

From 2016 to 2018, competition in China's automotive market intensified notably, while the market structure underwent subtle yet far-reaching changes. Although joint-venture brands continue to hold a dominant position, domestic Chinese automotive brands have gradually gained significant momentum and have begun to narrow the gap with their foreign counterparts. It was during this period that the PSA Group started to face sustained setbacks in the Chinese market—a trend that not only mirrored the evolving preferences of Chinese consumers but also reflected the broader transformative shifts taking place across the automotive industry landscape. As presented in Figure 3, a comparative analysis of the annual sales volumes of major Sino-foreign joint-venture automakers in 2016 and 2018 is provided, offering empirical support for the aforementioned market dynamics.

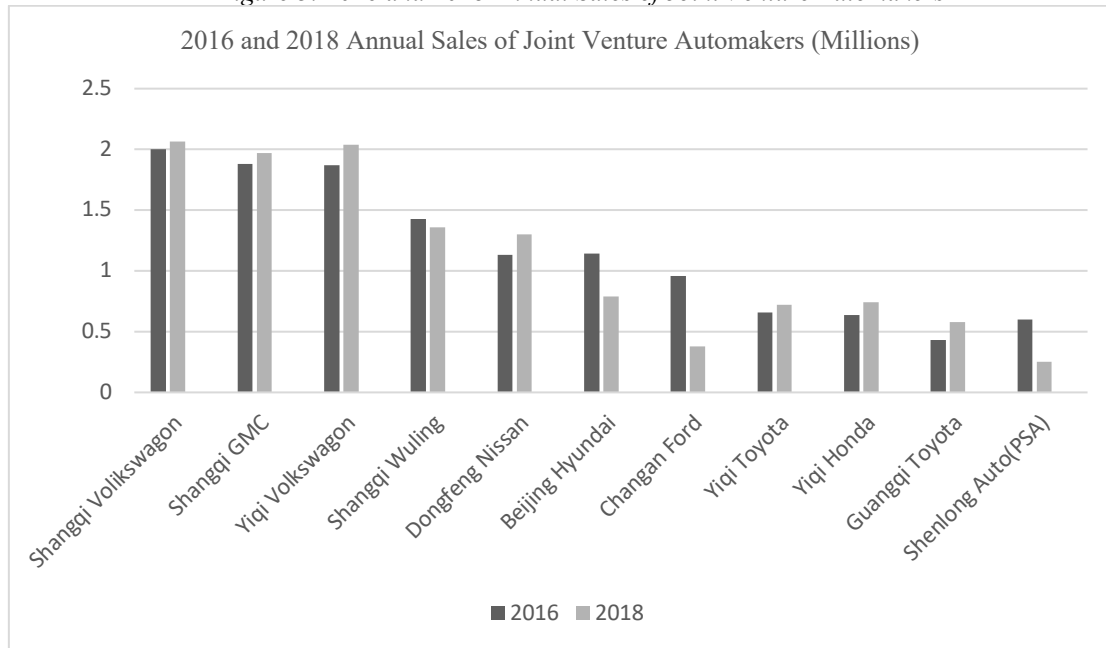
During this period, the PSA Group's Chinese joint venture—Dongfeng Peugeot-Citroën Automobile (DPCA)—emerged as one of the Sino-foreign joint-venture automakers with the most drastic sales decline in China.

When DuPont analysis is applied to evaluate the operational performance of the PSA Group (DPCA) in the Chinese market during this phase, it reveals that the enterprise had fallen into a distinct vicious cycle: plunging sales undermined its profitability; this, in turn, rendered previously invested factory equipment and related assets as sunk costs, leading to a sharp decline in total asset turnover. The substantial losses incurred amid this process further resulted in a fragile financial structure, significantly reducing the enterprise's resilience to market risk (Wang, 2023).

The core formula of DuPont analysis is defined as follows:

$$\text{Return-on-equity (ROE)} = \text{Net profit margin} \times \text{Total asset turnover} \times \text{Equity multiplier}$$

Figure 3: 2016 and 2018 Annual Sales of Joint Venture Automakers



According to the PSA Group's publicly disclosed financial reports, the company incurred substantial losses in its Chinese operations: approximately 5--7.5 billion RMB in 2017, followed by 4.2--6.3 billion RMB in 2018.

The sharp decline in sales disrupted the equilibrium of the group's break-even point, making it impossible to effectively amortize fixed costs — a factor that directly triggered the collapse of its profit margin.

Furthermore, the formula for calculating total asset turnover is as follows:

$$\text{Total Asset Turnover} = \text{operating revenue} / \text{average total assets}$$

On the basis of the calculated values, the PSA Group's total asset turnover in China reached 1.6 in 2016; this figure decreased to approximately 1.04 in 2017 and decreased further to approximately 0.76 in 2018. This consecutive downward trend clearly indicates that the operational efficiency of the PSA Group's Chinese business was severely insufficient during this period.

The acute mismatch between the group's massive production capacity and sluggish sales volume directly led to a decline in total asset turnover—a key factor that decreased the group's return on equity (ROE) in the Chinese market.

Finally, the formula for the Equity Multiplier — the third component of DuPont Analysis — is defined as:

$$\text{Equity multiplier} = \text{average total assets} / \text{average shareholders' equity}$$

On the basis of calculated data, the PSA Group's Equity Multiplier in its Chinese operations stood at 2.0 in 2016, indicating a moderate level of financial leverage (i.e., a balanced use of debt and equity financing). However, this figure rose to approximately 2.53 in 2017 and increased further to approximately 3.29 in 2018. This sharp upward trend reflects severe erosion of shareholders' equity, as the group likely relied more heavily on debt financing to offset losses, thereby increasing its financial risk exposure.

A comprehensive analysis of the dynamic evolution of return on equity (ROE) — integrating the three DuPont components — reveals a striking downward trajectory. Except for 2016, when the PSA Group's ROE in China was approximately 6.4% (a modestly positive return), the metric plummeted to -31.5% in 2017 and declined further to -37.5% in 2018. Notably, ROE remained deeply negative in both 2017 and 2018, underscoring the severe deterioration of the group's profitability and operational efficiency in the Chinese market during this period.

During this phase, automakers that achieved strong performance in the Chinese market adopted targeted strategies tailored to the evolving market and consumer demands, with their operations characterized by the following core strengths:

1. German brand Volkswagen: This solidified its market leadership by building a comprehensive and high-performing product portfolio. As the first automaker in China to surpass an annual sales volume of 2 million units, Volkswagen maintained dominance across key segments: Lavalida secured its reputation as the “King of Family Sedans” (a flagship in the compact sedan segment), Tiguan established itself as the benchmark model in the SUV category, and Passat and Magotan emerged as leading choices in the mid-to-high-end B-segment. This full-coverage product matrix allowed Volkswagen to capture demand from diverse consumer groups.
2. Japanese brands (Toyota, Nissan, Honda): They focused on strengthening their core competitive advantage of “reliability” while doubling its cost-effectiveness. By emphasizing product durability, low maintenance costs, and fuel efficiency—attributes highly valued by Chinese consumers—these brands retain steady customer loyalty amid market fluctuations, ensuring consistent sales performance.
3. American automaker general motors (GM): This method achieves operational success through multibrand synergy. Leveraging its brand matrix comprising Buick (targeting the mainstream midrange market), Chevrolet (catering to cost-sensitive young consumers), and Cadillac (competing in the luxury segment), GM effectively covered different price tiers and consumer groups, driving overall sales growth.

A shared hallmark of all top-performing automakers during this period was their ability to capitalize on the surging SUV trend: every leading brand maintained at least one highly successful SUV model in its lineup, a strategic move that aligned with the rapidly growing consumer preference for SUVs.

In stark contrast, the PSA Group’s operational shortcomings left it unable to adapt to market changes, leading to its decline. Key issues included:

- Slow product updates and technological disconnection: The group failed to refresh its product lineup in a timely manner or keep pace with technological advancements in the market. Moreover, it attempted to raise prices to pursue higher short-term profits—a decision that eroded its once-core competitive edge of “high cost-effectiveness,” alienating price-sensitive consumers.
- Failure in the SUV segment: Unlike top performers, neither Peugeot nor Citroën (the PSA Group’s flagship brands) managed to launch a successful SUV model. This put the group at a critical disadvantage, as SUVs became the fastest-growing and most in-demand segment in the Chinese market.
- Mismatch with shifting consumer demands: Against the backdrop of sustained economic growth, Chinese consumers clearly shifted their focus from “pursuit of quantity” to “pursuit of quality.” Additionally, trends toward intelligent features and electric vehicles are already emerging. However, the PSA Group—representative of French automakers—suffered from vague brand positioning, outdated product offerings, and inflated pricing. These shortcomings collectively led to a loss of consumer trust and a subsequent decline in market share.

2.3 Stock Market/New Energy Phase

From 2019 to 2024, driven by profound shifts in demographic structure and consumer demand patterns, China’s automotive market gradually completed its transition from an incremental market (dominated by new consumer demand) to a stock market (focused on replacement and upgrading demand). A key driver of this shift was demographic change: as China’s aging population continued to expand and the working-age population reached its peak (marking a “turning point” in growth), demand from first-time car buyers exhibited a clear downward trend. While the overall scale of new car consumption remained substantial, both the market growth rate and the ratio of new car sales to existing vehicle transactions underwent distinct phased changes, further confirming the market’s shift toward a stock-driven model. The rapid expansion of the used car market served as compelling empirical evidence of this transformation.

Data from the Traffic Management Bureau of the Ministry of Public Security underscore this trend: in 2019, the number of vehicle transfer registrations (primarily used car transactions) reached 24.44 million units, representing an 18.77% year-over-year increase. Over the subsequent five-year period (2019--2024), the ratio of vehicle transfer registrations to new vehicle registrations rose steadily from 0.59--0.95, meaning that nearly one used car was traded for every new car sold, in stark contrast to the earlier incremental market era. Complementary data from the China Automobile Dealers Association (CADA) show that total used car transactions in China hit 14.92 million units in 2019, increasing by 7.96% year-over-year (Chen, 2023; Song, 2023). This growth rate significantly outpaced that of new vehicle sales during the same period, highlighting the rising dominance of replacement demand in the overall market.

Against the backdrop of this structural transition — coupled with the declining demand from first-time buyers — consumer demand for new vehicles contracted sharply. This trend triggered widespread sales declines across most major automakers operating in the Chinese market.

Against the backdrop of the Chinese automotive market's transition to a stock-driven model (2019--2024), another transformative trend emerged: the rapid advancement and maturation of new energy vehicle (NEV) technologies among Chinese domestic brands triggered a surge in consumer demand for electrified vehicles. Over this four-year period, the market share of NEVs in China skyrocketed from 4.7% to 35%, a dramatic growth trajectory that reflected a fundamental shift in consumer preferences (Xu et al., 2025). Notably, users increasingly sought cutting-edge NEV technologies, including dedicated pure electric platforms, long driving ranges, ultrafast charging capabilities, and intelligent cockpits — features that became key determinants of purchasing decisions in the electrified market.

In stark contrast to the proactive 布局 (layout) of domestic brands, the PSA Group's response to the NEV trend was notably inadequate and lagging. During this phase, the group launched only two electrified models — e-2008 and e-408 — both of which were oil-to-electric converted models (rather than being built on dedicated NEV platforms). Critically, the PSA Group failed to develop a localized pure electric platform tailored to the Chinese market's unique demands, placing it at a severe disadvantage in competing with domestic brands that had optimized their NEVs for local consumer needs. Beyond hardware, the group's in-car experience also fell short: infotainment systems across its model lineup still relied on outdated sinicized versions of older European interfaces, plagued by issues such as lagging response times, poor voice recognition accuracy, and limited advanced driver-assistance systems (ADASs), which were available only on top-tier trim levels. Such outdated product offerings, mismatched with Chinese consumers' rising expectations for electrification and intelligence, ultimately failed to attract buyers and further eroded the group's market position.

While the PSA Group struggled profoundly, other joint venture automakers in China also faced significant headwinds during this market transition period. Most German, American, and Japanese joint ventures experienced varying degrees of sales decline, as they too grappled with the shift to a stock market and the rise of NEVs. However, the severity of their performance challenges differed markedly — with some managing to mitigate losses through timely adjustments to their NEV strategies or by strengthening their presence in high-end replacement segments. As illustrated in Table 2, the annual sales fluctuations of major Sino-foreign joint-venture automakers from 2019 onward further highlight these divergent performance trajectories.

Table 2: Shifts in Sales of Joint Venture Automakers Since 2019 (Millions)

Companies	2019	2023
Yiqi Volkswagon	2.12	~1.91
Shangqi GMC	1.6	1
Dongfeng Nissan	1.18	0.72
Guangqi Toyota	0.682	0.95
Yiqi Toyota	0.74	0.8

Notably, Toyota emerged as one of the few joint-venture automakers to achieve sales growth amid this challenging period (2019--2024) (Zhao, 2025). A comparative analysis of the strategies adopted by the PSA Group and Toyota reveals that their vastly divergent market performances stemmed from three core differentiating factors:

(1) Divergent Alignment of Core Values with Consumer Needs

The PSA Group repeatedly emphasized its self-proclaimed strengths of “French design aesthetics” and “superior chassis tuning.” However, in the Chinese market, these attributes are perceived as **peripheral “value-added features”** rather than the core, decisive factors influencing consumers’ purchasing decisions. In contrast, Toyota’s core value proposition — centered on “reliable quality, fuel efficiency, and high resale value” — directly addressed the fundamental, pain-point needs of mainstream family users (the largest consumer group in China). Even with relative shortcomings in intelligent in-car features, Toyota’s core advantages were sufficiently prominent and irreplaceable, solidifying its customer loyalty.

(2) Contrasting Approaches to Technological Transition

Faced with the sweeping technological transformation (particularly electrification) in the Chinese market, the PSA Group failed to roll out any effective technical solutions. Its plug-in hybrid electric vehicle (PHEV) offerings lack market visibility and competitiveness, leaving it adrift amid the shift to electrified mobility. Toyota, however, adopted a more strategic approach: it leveraged its mature THS hybrid technology — which requires no external charging and delivers ultralow fuel consumption — to perfectly align with Chinese consumers’ “transition period needs” (i.e., demand for fuel efficiency without relying on charging infrastructure). This not only helped Toyota maintain steady sales but also bought valuable time to develop and iterate on pure electric vehicle (EV) technologies, avoiding the “technological gap” that plagued the PSA Group.

(3) Disparating Responsiveness and Decision-Making Efficiency

The PSA Group’s Chinese operations, primarily managed through its joint venture Dongfeng Peugeot-Citroën (DPCA), were hampered by inefficient decision-making processes. Key strategic and operational decisions were heavily constrained by the group’s global headquarters, resulting in sluggish market responsiveness and a failure to adapt quickly to local demand changes. In stark contrast, Toyota established a comprehensive localized production and R&D system in China. While its overall transformation strategy appeared relatively conservative (e.g., prioritizing hybrids over rapid EV rollouts), it was executed with strong resolution. Once strategic decisions were finalized, Toyota’s localized teams could implement them promptly and efficiently, ensuring that its strategies were closely aligned with the dynamic Chinese market (Stellantis, n.d.).

Therefore, against the backdrop of an overall market downturn, the PSA Group (Peugeot S.A.) faced intense competitive pressure in its product segment—struggling to gain an edge over both domestic brands and joint-venture counterparts. This predicament was further exacerbated by internal disruptions, which included workforce layoffs and organizational restructuring at Dongfeng Peugeot-Citroën Automobile Co., Ltd. (DPCA), as well as the group’s merger with Fiat Chrysler Automobiles (FCA) to form Stellantis. Since these successive challenges, the PSA Group (the latter part of Stellantis) has failed to achieve meaningful recovery.

As revealed in Stellantis’ publicly disclosed financial statements, by 2024, the group’s net profit margin had plummeted from 9.34% (recorded in 2022) to a mere 3.52% (Shang, 2023). This sharp decline was driven primarily by a significant drop in net profit that was not offset by a corresponding reduction in operating costs. Two cost categories contributed notably to this imbalance: **rising research and development (R&D) expenditures** and a substantial surge in restructuring costs—with the latter increasing by 44.5%. On the basis of accessible financial data, a marked decrease in earnings per share (EPS), a key indicator that reflects Stellantis’s underwhelming profitability and diminished investment value, can be calculated. The relevant details are presented in Table 3.

Table 3: Stellantis Group’s Key Financial Indicators

Indicators	2024	2023	2022
Net Profit Margin	3.52%	9.82%	9.34%
Income (€)	156,878	189,544	179,592
EPS (€)	1.86	5.98	5.35

Moreover, other French automakers operating in the Chinese market are confronting analogous predicaments. The once-distinct competitive advantages that define French automobiles—characterized by their unique design aesthetics and strong cost-effectiveness—have gradually diminished. As a result, these brands have been outperformed by two key groups of rivals: established joint-venture competitors and the rapidly emerging cohort of Chinese domestic automobile brands.

3. Characteristics of China's Automotive Market in Recent Years on the basis of PSA Group Performance in China Since 2010

3.1 Rapidly evolving Consumer Demands

From 2010--2015, the Chinese automobile market was dominated by a demand for joint-venture models with strong cost effectiveness. During this window, the PSA Group capitalized on its strengths in design and generous vehicle configurations, enabling it to achieve **periodic success** in the market.

Between 2015 and 2018, there was a distinct shift in consumer focus, with buyers increasingly prioritizing “brand recognition + technical specifications.” However, the PSA Group had not yet established a solid “technological moat”—a sustainable competitive advantage rooted in core technologies—and thus gradually fell behind its rivals amid this market transition.

Since 2019, the market has further evolved to place increasing emphasis on “electrification + intelligent connectivity”—two core trends defining the modern automotive industry. In this new phase, the PSA Group has lagged behind competitors across the board.

This developmental trajectory underscores a key characteristic of the Chinese automobile market: consumer demands undergo extremely rapid upgrades, typically within a cycle of just 3--5 years. To sustain a competitive edge in such a dynamic environment, automakers must ensure that their technology development pipelines remain consistently aligned with, and even ahead of, evolving market trends.

3.2 Highly Volatile Consumer Decision-making Logic

Chinese consumers’ perceptions of automotive brands are shaped by a multiplicity of factors, including brand culture, cost-effectiveness, technological capabilities, after-sales service, and even political considerations. In the early 2010s, joint-venture brands generally held the upper hand in consumer preference. This was largely because domestic automakers at the time were still widely perceived as lagging in technological prowess and offering products with relatively lackluster styling, whereas traditional foreign automakers boasted stronger brand heritage and appeal. Specifically, German brands were acclaimed for their robust build quality and premium features; French brands distinguished themselves with an avant-garde design and high value for money; and Japanese and American brands were recognized for their affordability, comfort, and reliability.

However, approximately 2013, Japanese automotive brands encountered widespread consumer boycotts in China, a backlash triggered by the Diaoyu Islands dispute.

In recent years, Chinese domestic automakers have experienced rapid increases, driven by their strategic leverage of the global automotive industry’s shift toward electrification and support from favorable government policies. Breakthroughs in new energy vehicle (NEV) technology, combined with the recruitment of designers from established international automakers to revamp their model lineups, have essentially transformed the market image of domestic brands. This transformation has successfully reversed the long-standing perception that Chinese-manufactured automobiles are characterized by shoddy design and inferior quality.

Furthermore, bolstered by more accessible pricing strategies and more favorable after-sales service policies, domestic brands have steadily expanded their consumer base. As a result, an increasing number of Chinese car buyers now opt for homegrown automotive products.

3.3 Rapidly Evolving Competitive Dynamics

An analysis of the PSA Group’s underperformance in the Chinese market reveals that the competitive dynamics of this sector have evolved through cumulative shifts, each built upon the competitive rules of previous phases—and these changes are closely intertwined with the evolution of Chinese consumers’ brand perceptions, as discussed earlier.

In the early stages of Chinese automotive market development, competition followed a relatively straightforward logic: **technology reigned** supremely. Until the early 2010s, technological leadership remained the most critical determinant of an automaker’s market standing. This was evident in the strategic choices of players such as the PSA Group, which, during this period, placed heavy emphasis on promoting its

expertise in European-style chassis tuning—a core technological advantage it sought to leverage to gain market recognition. At the same time, as domestic brands were still perceived as technologically inferior (as noted in the analysis of consumer brand perception), foreign and joint-venture brands with clear technological edges, including PSAs, were able to secure favorable positions in consumer preferences.

Over time, however, the technological gap between major automakers—whether between foreign or joint-venture brands or between these brands and rising domestic players—narrowed significantly. As technological parity became increasingly common, relying solely on technology as a unique selling point was no longer sufficient to attract and retain customers. This shift in the competitive landscape gave rise to new focal points of rivalry: cost structures and customer relationship management. Automakers were forced to shift their focus from merely showcasing technological capabilities to optimizing operational efficiency (to enhance cost-effectiveness) and strengthening postsales service and user engagement—factors that later became pivotal in domestic brands' rise, as they leveraged more accessible pricing and improved after-sales policies to win over consumers. For the PSA Group, its failure to adapt to this transition—failing to build a sustainable cost advantage or deepen customer relationships amid fading technological differentiation—further contributed to its declining market position.

3.4 Policies' Significant Influence on the Market

Beyond the evolution of market competition rules and consumer perceptions, shifts in policy directions have emerged as another critical factor reshaping the fate of automakers in China—particularly for joint-venture brands that once thrived on policy incentives. In the current phase of China's automotive industry development, the national strategy has increasingly tilted toward strengthening domestic brands, placing joint-venture automakers under mounting pressure that further exacerbates their adaptive challenges.

This policy-driven pressure is vividly reflected in the predicament of the PSA Group. First, the implementation of the **dual-credit policy** (officially known as the “Parallel Management Measures for Average Fuel Consumption of Passenger Vehicle Manufacturers and New Energy Vehicle Credits”) dealt with a direct blow to the group's fuel vehicle business. The policy, which links automakers' production qualifications of traditional fuel vehicles to their new energy vehicle (NEV) credit performance, has exposed the PSA's insufficient layout in the NEV sector. As the group lagged in advancing electrification (as previously analyzed in the context of market trends shifting to “electrification + intelligent connectivity”), it faced either constraints on fuel vehicle production or additional costs to purchase credits—both of which undermined the profitability and competitiveness of its core fuel vehicle business.

In addition, the enactment of the **Data Security Law of the People's Republic of China** has imposed new requirements on the localization of data-related businesses in the automotive industry, especially for intelligent driving systems that involve massive amounts of user and geographic data. The law mandates that critical data generated within China be stored locally, a requirement that the PSA's existing European-based data centers cannot satisfy. This created a significant barrier for the group in advancing its intelligent driving technology in the Chinese market—at a time when “intelligence” had become a core consumer demand and a key competitive dimension. While domestic brands and more adaptive competitors rapidly built localized data and intelligent driving ecosystems, the PSA fell further behind, failing to meet both policy compliance and market demand.

In tandem with the narrowing technological gap and shifting consumer preferences, these policy changes have collectively intensified the challenges for joint-venture brands such as PSAs. What once was a policy environment that favored joint ventures (by facilitating technology introduction and market access) has evolved into one that prioritizes the growth of domestic enterprises and imposes higher compliance requirements—yet the PSA failed to adjust its strategy in a timely manner to align with this new policy landscape, further cementing its underperformance in the Chinese market.

4. Conclusion

4.1 Prospects for French Automakers in the Chinese Market

French automakers, represented by the PSA Group, are currently facing significant challenges in the Chinese market. To regain relevance, they must undertake a comprehensive strategic transformation.

Full electrification and intelligentization are central to this effort. China is the world's most vibrant market for new energy vehicles (NEVs). French brands must introduce truly competitive pure electric models—rather than transitional “oil-to-electric” conversions—and deeply integrate smart cockpits and autonomous driving technologies from local tech firms to address their weaknesses (Chen et al., 2025).

Second, leveraging unique brand value is crucial. The aesthetic design, driving refinement, and lifestyle appeal of French cars remain distinctive strengths. Moving forward, they should precisely target new middle-class consumers who seek individuality, taste, and experiential value. By emphasizing differentiated design and high-quality experiences, French brands can cultivate a “niche yet refined” image and avoid being dragged into mainstream price wars.

Finally, deep localized operations are essential. From product development to marketing communication, everything must be genuinely centered around Chinese users. Establishing local teams and responding swiftly to market changes will be critical.

In the future, the path for French automakers to return to the mainstream will be long and challenging. However, with their global technological expertise and unique brand identity—and if they embrace China's market rules with determined commitment—they still have an opportunity to win a loyal following and reestablish their value and status as a “distinctive choice” while the NEV landscape remains in flux.

4.2 Future Trends in the Chinese Automotive Market

China's automotive market is undergoing a profound transformation from quantity-driven growth to quality-driven development, with three major trends shaping its future trajectory:

First, new energy and intelligentization will become the dominant themes. China has emerged as a global hub of innovation in new energy vehicles (NEVs), with NEV penetration exceeding 40%. Competition will increasingly shift from electrification alone to deep integration of intelligence—represented by smart cockpits and high-level autonomous driving. Chinese domestic brands, with their complete local supply chains and software capabilities, will continue to set pace and define technological standards.

Second, global expansion will enter a new phase. China is transitioning from the world's largest automotive consumer market to a key automotive exporter. Leveraging first-mover advantages in electrification and cost competitiveness, Chinese automakers will accelerate their overseas presence—evolving from simple trade exports to localized production, brand building, and after-sales service systems—enabling deeper global engagement.

Additionally, the market landscape will undergo accelerated consolidation and reshaping. Intense price wars and technology competition will continue to weed out less competitive players. Brands lacking core technologies or slow electrification transitions face significant pressure. The market will shift from a period of diversified competition to one dominated by strong leaders while also fostering new opportunities in personalized and niche segments.

In summary, the future of China's automotive market will be a new landscape driven by technological innovation led by Chinese brands and positioned at the heart of the global stage. Its development model will offer a “Chinese blueprint” for the transformation of the automotive industry worldwide.

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Conflicts of Interest

The authors declare no conflict of interest.

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