

Auto Shanghai 2025: Innovation and Inevitability

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From April 23 to April 26, Fordham Partners Laura Rogers and Bernie Morris joined the Australian Automotive Dealer Association (AADA) Study Tour at Auto Shanghai 2025. This year's event stood as a clear milestone in the evolution of the global automotive industry, reflecting current industry trends and a trajectory towards an electrified, digitised, and intelligent future of mobility.

Chinese innovation: Surpassing expectations

One of the most glaring takeaways from the tour was the prominence of Chinese innovation. Long gone are the days of China being perceived as merely a follower in the technology space. Now, the country is at the forefront - not only driving innovation but setting the global benchmark.

This ascendancy has not happened by accident, but rather through a structured and phased approach. In 2017 China launched their Next Generation AI Development Plan with the goal to position AI as a core driver of economic transformation by 2025 and establish the country as a global hub for AI innovation by 2030.

Auto Shanghai 2025 highlighted how this technological advancement is now playing out in the automotive sector. Not only is China leading the world in electric vehicle manufacturing and sales, but the Chinese original equipment manufacturers (OEMs) are also reimagining the automotive experience. Pop-up stores in shopping centres, immersive digital showrooms, and app-based test drives reflect their agility in adapting to consumer behaviour in modern retail environments.

This shift has taken place in a relatively short period of time due to two primary drivers:

- **Government policy and implementation:** The Chinese government's ability to swiftly enact and enforce progressive policies has been critical. For instance, policies such as the consumer goods trade-in program, subsidising the trade-in of internal combustion engine (ICE) vehicles registered pre-June 2012; or imposing a vehicle license lottery on ICE vehicles in some major cities with the potential for the license to cost up to \$US15,000, has rapidly accelerated consumer migration towards electric vehicles (EVs).
- **Consumer mindset and cultural readiness:** Unlike more cautious or skeptical Western markets, Chinese consumers are open - even eager - to embrace new technology. They view advancements not with suspicion but as enhancements to quality of life. This cultural willingness to adopt change has given rise to vehicles packed with innovative features - not necessarily out of necessity, but to cater to consumer demand for the 'best of the best.'

Barriers for Chinese OEMs entering the Australian market

Whilst several Chinese automotive brands have 'dipped their toes' in to the Australian market, this may only be the tip of the iceberg as there are over 150 automotive manufacturers in China. As other Chinese OEMs consider bringing their product down under, entry into the Australian market still faces a number of potential hurdles:

- **Safety and regulatory standards:** Compliance with the Australian Design Rules (ADR) and achieving a 5-star ANCAP rating is essential for credibility and consumer trust.
- **Brand recognition and trust:** Many Chinese brands still lack strong visibility in the Australian landscape, and building a brand takes time and investment.
- **Aftersales support and parts infrastructure:** Ensuring reliable service, spare parts availability, and local technical expertise will be critical to gaining long-term customer confidence.
- **Overcoming perceptions:** The stigma of 'Made in China' still lingers in parts of the Australian market. The challenge will be shifting this perception from skepticism to admiration, positioning Chinese manufacturers as leaders in automotive technology.

Challenges for Australian dealers

For Australian dealers, the path forward is equally complex. Key challenges that we see include:

- **Navigating Consumer Law (ACL):** With increased complexity of EVs and digital platforms, warranty and service obligations under ACL become even more significant.
- **Capital investment:** The implementation of a new OEM franchise will of course require some form of upfront investment for the dealer - this may include showroom fit-out and signage, staff training, tools, and marketing. Dealers must balance enthusiasm with financial prudence.
- **Mindset shift:** Like consumers, dealers must confront their own biases. Understanding that 'Made in China' no longer implies inferior quality is crucial for aligning with consumer trends.

The inevitable march forward

There's no question that Chinese brands will continue to enter the Australian market – but how many and for how long they will stay is still unknown. The intention appears to be for the long-term. Unlike markets with restrictive trade barriers, Australia remains open, and Chinese OEMs are making rapid inroads. Consumer acceptance is already happening, with strong sales growth recorded over the past three years - 14.6% of Australian new vehicle sales this year up to the end of March are from Chinese OEMs, up from 8.6% for the full 2022 calendar year.

The Australian new vehicle market is not expected to expand significantly in size in the short to medium term, so the growth of Chinese brands will likely need to come at the expense of more established players and potentially some of their own. Several dealers have already embraced new Chinese franchises - and more will follow.

Leap of faith or missed opportunity? Strategy & timing are key

The direction of the Australian automotive market is becoming increasingly clear. Sales of Chinese vehicles have seen steady and substantial growth over the past three years, and this trend shows no signs of slowing. Yet for dealers, the strategic dilemma remains: which brands to back, and how deeply to invest?

There is undeniable risk – some brands may not achieve the market traction hoped for, and early investment could prove costly. But perhaps there is a larger risk: standing on the sidelines while competitors reap the rewards of early adoption.

Ultimately, each dealer must weigh up whether the greater risk lies in boldly committing to the future or cautiously clinging to the past. As the Chinese automotive wave continues to build

momentum, the key question now becomes one of timing and strategy: not if, but **how** and **when** to jump in if the name of the game is to retain your market share.

If you would like more information, please reach out to your [Fordham Partner](#).

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