

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit [www.djreprints.com](http://www.djreprints.com).

<https://www.wsj.com/business/autos/ford-tried-to-sell-the-electric-mustang-to-china-the-tesla-wayit-didnt-work-72bb6dbb>

## AUTOS

# Ford Tried to Sell the Electric Mustang to China the Tesla Way—It Didn't Work

Detroit automaker changes its China strategy after EV sales in the country suffer from marketing, sales missteps

By [Selina Cheng](#) [Follow](#) and [Raffaele Huang](#) [Follow](#)

Updated Sept. 26, 2023 12:24 am ET



Ford saw its Mustang Mach-E as a strong competitor to Tesla's EVs. PHOTO: ALEX PLAVEVSKI/EPA/SHUTTERSTOCK

After years of sales troubles in China, Ford Motor [F -0.17% ▼](#) saw a chance to ride the tide of electrification to arrest its demise.

From around 2020, the automaker followed Tesla's [TSLA -0.73% ▼](#) formula of bypassing dealers to sell its cars directly to consumers. It introduced the Mustang Mach-E—an electric SUV with the iconic galloping horse logo, which Ford's executives saw as a strong competitor to Tesla's EVs.

Three years later, Ford remains an also-ran in the world's biggest auto market, prompting the company to recalibrate its China strategy yet again. In August, Ford pulled the plug on its direct-sales business. The Mach-E hasn't fared well, with sales at a few hundred a month this year, far behind the tens of thousands of vehicles offloaded each month by Tesla and many Chinese rivals.

Ford's market share in China was 2% last year, with sales down 61% from 2016 on a wholesale basis.

People familiar with Ford's China business point to flawed marketing and sales strategies, such as not giving the Mach-E a Chinese name and underestimating how crowded the EV market would become. They also point to execution problems, including Ford's slowness in introducing direct-sales stores. The Mach-E also didn't have the best features among rival cars in a similar price range.

"Their EV strategy for China was the Mach-E. When that didn't work out, they didn't have anything," said Tu Le, founder of consulting firm Sino Auto Insights.

A Ford spokesman said the automaker is developing localized EVs and working with its joint venture partners to strengthen its EV business. The company is "nimble and decisive enough to pivot to a new plan," he said.

CEO Jim Farley has said he plans to narrow Ford's focus in China to commercial vehicles, shrink spending, become light in assets and use the country as an export hub. At recent auto shows in China, the company has been emphasizing its outdoor vehicles such as the Explorer.



Ford CEO Jim Farley is aiming to reset the company's China strategy. PHOTO: MARK HUMPHREY/ASSOCIATED PRESS

Farley's efforts to reset Ford's China strategy come after earlier failed attempts by his predecessors, who set out aggressive targets that weren't met.

In the U.S., Ford is also dealing with a China and EV-related issue. The automaker has come under scrutiny from lawmakers about a new battery plant in Michigan where it had planned

to produce cells using technology from Chinese battery maker Contemporary Amperex Technology, or CATL. On Monday, Ford said it was halting work and limiting spending on the factory until it is confident in its ability to operate it competitively.

Ford's Mach-E struggles serve as a cautionary tale for foreign companies in China. Nimble Chinese brands are offering attractive products quickly, often with cutting-edge technology, while foreign name brands—even iconic ones like Mustang—no longer guarantee an automatic status in the market.

After losing market share to local competitors, Western carmakers are pivoting. Volkswagen, the biggest foreign carmaker in China, is planning billions of dollars of investments to build a new research and procurement center for EVs and to join with local companies. General Motors, with its joint-venture partner SAIC Motor, has a goal to launch 15 EV models in the country based on a new platform by the end of 2025.

Some brands have retreated—Stellantis' Jeep ended its manufacturing operation in China after sales dwindled and it moved to imports only.

In May, Farley said Ford is staying in China, even if it won't serve everyone.

## Following Tesla

The Mach-E was seen within Ford as an SUV that can compete with Tesla. Ford's market research showed that in China, the Mach-E would be a direct rival to Tesla's Model Y, which is also an SUV, people familiar with the matter said.

Ford also looked at Tesla to see how to sell EVs. Tesla established the business model to sell vehicles directly to customers—and many Chinese EV brands followed suit.

Directly selling cars allows automakers to have a closer relationship with customers, obtain more sales-related data and have greater control over pricing. But it can be costly to run direct sales channels if the car volume is small. GM has also been directly selling some of its Buick and Cadillac EVs in China.

In 2020, Ford set up a new EV subsidiary in Nanjing, near Shanghai, which was put in charge of running the automaker's new direct-sales network. It also employed a few hundred engineers who focused on EV technology research and development, people familiar with the matter said.

In 2021, the Mach-E went on sale with the price tag of 265,000 yuan, which was equivalent to around \$41,000, becoming the first car that Ford sold directly. Also for the first time, Ford started producing its Mustang line in China.

But by then, the electric car market was already crowded. The same week as the Mach-E launch, Chinese brands including Geely's Zeekr and XPeng launched EVs of comparable value. Tesla started to produce cars locally and began delivering its Shanghai-made Model Y to Chinese buyers earlier that year.

Among similarly priced cars, Mach-E's driving range is shorter than the basic versions of Tesla's Model Y and XPeng's P7, and it has fewer cameras and radars for driving-assistance features than NIO's ES6.

Both the launch and the delivery of the Mach-E were delayed by months, partly because of battery procurement issues in China, people familiar with the matter said.

In China, Ford used a type of lithium-ion battery that combines nickel, cobalt and manganese that is produced by Chinese battery and EV maker BYD, people familiar with the matter said.

Soon after the Mach-E went on sale, BYD shifted to focus on a new type of battery that uses a different technology, which became popular in the market. A Ford spokesman said BYD's battery production was disrupted by China's stringent Covid-19 control measures back then, leading to Mach-E's slower ramp-up.

Foreign-brand cars in China usually have a Chinese name for local recognition. But after Ford in 2018 lost a trademark lawsuit against a Chinese carmaker that used the name Yema—an unofficial but commonly known nickname for the Mustang—it didn't give the Mach-E a Chinese name for more than a year after the release.

When the Mach-E was introduced in 2021, Ford had around 20 stores across the country, the carmaker said in a statement. By early 2023, it said it had 103 stores and test-drive centers. But that was still a fraction of the facilities offered by some Chinese rivals.

Mach-E's sales didn't take off. In the first nine months of 2022, Ford sold about 5,000 Mach-Es, according to the automaker's latest available data. In 2022, more than four million pure electric vehicles were sold in China.

Ford has abandoned the Tesla-like approach of selling directly to consumers, recently going back to selling through dealerships. This year, it has laid off employees from the EV subsidiary

in Nanjing.

In August, Ford's joint venture with Chinese state-owned carmaker Chongqing Changan Automobile took over Mach-E's sales, customer services and its app.

Ford will expand the Mach-E's sales channels by leveraging Changan Ford's existing dealer network, a Ford spokesman said. Ford and Changan plan to launch new electric vehicles in 2024 in China, Changan's chairman said in May.

Farley, Ford's CEO, said in May that to compete with giants like BYD, Ford has to either beat them on cost or bet on distinct brands.

"It'll be a lower investment, leaner, much more focused business in China," he said.



Chinese workers assembled cars at a Changan Ford facility in Harbin, China, in 2017. PHOTO: IMAGINE CHINA/REUTERS

—*Nora Eckert and Yoko Kubota contributed to this article.*

Write to Selina Cheng at [selina.cheng@wsj.com](mailto:selina.cheng@wsj.com) and Raffaele Huang at [raffaele.huang@wsj.com](mailto:raffaele.huang@wsj.com)

*Appeared in the September 26, 2023, print edition as 'Ford Bid to Sell Like Tesla Falls Short in China'.*