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Where Chinese Exports Are Gaining the Most Market Share

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Allison Nathan: The US-China trade relationship gets most of the attention, but is that where the most consequential competition is taking place? And what does that mean for companies and investors? I'm Allison Nathan, and this is Goldman Sachs Exchanges. My guest today, Trina Chen, co-head of Greater China Equity Research at Goldman Sachs, has studied 11 sectors and 40 Chinese and global companies to see where Chinese firms are gaining ground and what that means for competitors and investors.

Trina, welcome to the program

Trina Chen: Thank you for having me.

Allison Nathan: So Trina, as I just said, so much of the conversation around Chinese companies going global centers on the US-China relationship, but you actually did a lot of work and mapped out where Chinese companies are gaining share worldwide. What did the picture look like? And first tell us a little about the analysis you did.

Trina Chen: We actually looked through over 10 sectors across all the different industries. So, these are very traditional ones such as white goods, fridge and washer, and they could be EV, and all the way goes through some of the newer sectors such as the surgical robots, power equipment, to even services sectors such as express services.

And what we found was a pretty clear, consistent picture in share gaining. But if you look in the details of all these products in the past five to 10 years, about half of them, actually the export went to emerging markets. And in these markets, the share gain and the revenue growth has been very tremendous, and we're looking at aggregated revenue growth is probably 15 times of the local market organic growth. And this is where market share today of the Chinese product in emerging market

has probably reached 24%. And we see very similar trend in US and Europe, but it may be relatively modest, and we're looking at 10% to 16% market share achieved in the ex-China market by these companies.

Allison Nathan: So, market share is gaining everywhere for Chinese exports, but most strikingly in the emerging markets. When we think about this growth in Chinese exports, we generally think that that means falling prices. Does the data that you're looking at actually back that up?

Trina Chen: That's where I think we got one of the biggest surprises in the study is when we look at the chart, we say, "Wow, this looks different." Intuitively, I think we would all associate with the Chinese product, with price deflation, price cut.

But in reality, what the chart actually shows you, at the beginning of the entry, Chinese product typically come to a market with 30% on average discount to the incumbent local peers' price. But in the subsequential years, you actually see price rise over the many years post the initial entry. The rise of price could be driven by pass-on-the-cost inflation, it could be cyclical factors, but there's also better product, better prices. So, if you look at the

relative price between Chinese price and their competitor in this market, the discount usually stays quite stable over the period of time. And for example, EV, I think everyone talk about EV, but if you compare same model, Chinese EV versus global, some of the brand names, the discount is around 20%, and it's been very stable in the past three to four years.

There is one exception I always want to mention that is RVC, which is robotic vacuum cleaner you use at home and this product, when it comes to the US market, came at 40% discount. And today, it's 60% premium. Price tripled way faster than its competitor because it keep innovating, have all the different functions.

If you go to Amazon, you could actually see how impressive it could be. But that's one example of innovation also keeps price higher. So I think it's fair to say the enter of the Chinese product does not necessarily create additional pricing pressure for the many years post the initial entry.

But there is a point. As competition carries on, at certain point, you start to see revenue start coming or companies coming under stress and contraction of revenue or deceleration of growth. That's where we start to see price

cut. And these price cut typically are initiated by companies who have been losing market share and trying to defend their market share in a very challenging situation and competition.

Allison Nathan: So the perception that Chinese exports are gaining market share because they're cheaper, if I understand what you're saying correctly, is true at first, but actually less true over time, and again, if I heard you correctly, product quality ultimately leads a closing of the gap between the price of the Chinese export and the local product. Is that right?

Trina Chen: That's correct. I wouldn't say that's happened to all the products, but we definitely see a number of products present themself in the history that way.

Allison Nathan: And so, then we think about the incumbents that are competing against these Chinese exports. Some of them have done a better job than others about hanging on to market share, as you just alluded to. What makes incumbents more competitive and able to do that, and what makes some of them less able to do it?

Trina Chen: Yes. We think the product nature matters. If you look at a product that is more modular, B2C or high growth, then you tend to see very fast that market share gain by Chinese companies. But on the other hand, if you look at a product that is more interconnected, B2B, more mature, and you tend to see that it takes a lot longer actually to gain market share, or they tend to be more formidable for the local incumbents.

Now, entrenched with this, we think it's a competitive moat entry barrier for these products or segment, and it has to build on a very complex interconnected network, for example, service and maintenance for full life cycle for industrial robots. And you could also have these highly complex and the fixed-cost-intensive global network for express service such as TDI. And local offline channel matters, and that's also very valuable. And the most important, a long-term track record where you could have build customer trust and belief in your products.

I think these are the things that take a very long time to build, therefore I think it takes a lot more to compete.

Allison Nathan: If you think about those factors, are there particular regions or sectors or industries that are especially vulnerable to rising Chinese competition?

Trina Chen: So, the first thing that comes to mind is industrial segment, because this is where Chinese company has built a lot of competitive strengths over the past years. So, within that, you could see the early achievers, companies or sectors who already have built strengths in competition and on track with continued market share gain. And I would say these are white goods, electric vehicles. But also keeping in mind of the sectors that new competition from China rising in the sectors, what we called late comers. And these are, for example, robotaxi, medical equipment such as surgical robot, you could also see power equipment in transformers, and these are all examples.

Now, there is also another segment that I would probably categorize as outside industrial that is servicing. And I would say worth monitoring, for example e-commerce. And on top of that, our analyst has been writing this year a big theme in terms of drug discovery. Some of the AI-related sector also worth looking into.

Allison Nathan: And you actually describe some of this expansion through really this lens of disruptive innovation. I think you've touched on that a little bit

already in our conversation, but what does that really mean to you and why is that working so well?

Trina Chen: Yeah. I was quite amazed when we first start to match this theory developed by Professor Christensen in the ‘90s and with the Chinese competition coming to “go global” cases. And it's a classic case what the theory is describing about. But there's, I think, two aspects. One is for Chinese companies. You wonder why do they succeed when they come into this market initially? The fact is, as described in this theory, Chinese company, many of them, not all, many of them, they enter the market in a segment that is underserved by established incumbents. And these are basically places also the allocation of resources of incumbents has been also relatively lean because this is not their focus. So you essentially are competing in an asymmetrical environment, and therefore you have high odds of success. So that is actually perfectly described by this theory. But I saw that the other side of this theory with service is probably even more to the large established global companies who's facing the Chinese competition.

Quite often, when we were doing the study looking at different products and sectors, we hear dismissive, we

hear retreat. Let them have the commodity market. Let us focus on what's most profitable, our best customer, and our best market. This is logically right.

However, as highlighted in the theory, it also can be very deceptive and delay your strategic response to the competition. So, in other words, if you see companies cede the peripheral market or the low-end segment, they essentially give the beachhead to the competitors, the Chinese competition, and let them have the opportunity to move forward from there to the upper market. So, you increase the risk in the future.

Allison Nathan: So, it's a function of both the decisions and the opportunities the Chinese companies are pursuing and the response of the incumbents themselves. Fascinating. So, when you take a step back and you think about this expansion that's occurring, how much of this is actually priced into markets?

Trina Chen: I would say we look at all the market cap responses to the changing of market share, the revenue. The first, I think, observation was very clear that the market never hesitated at all for companies who's in the process of losing their market shares. And the penalties actually I would describe it as ruthless.

For 10% to 15% market share loss or top line contraction, the market cap could shrink by 50%, 70%, 80%. So, multiples, earnings all come together. However, on the other side, it's also very interesting. Market is very skeptical in giving credit to Chinese companies this great "go global" ambition. So, if you look at the valuation price to sales, as today's valuation on, say, 2035, how much sales these company are targeted for in today's value, you would tend to see a lot of one times, even less than one times, which actually tells you the market is worried about these expansions or skeptical about these expansions.

Allison Nathan: Is that just, though, a reflection of the market's view of the opportunities of these companies, or does it also relate to the investor base? Who is owning Chinese companies if we put a global lens on that?

Trina Chen: I think market wants to look for profitable expansions and I have to say there is a very strong narrative out there in your earlier question in terms of how much price impact these expansion are. Are you just gaining market share? Or are you gaining profit? Are you being more profitable?

I think that we could see some of the successful examples, but the market probably wanted to see more to be convinced that going forward, this expansion does not end up with something similar to involution where the price actually gets killed because of competition.

The other things I would say is today's uncertainty in geopolitics, the market access, the trade frictions. And that's the question I get the most on this work is: What do we do, Trina? How do we think about these trade discussions and access restrictions, and how do we work around it? And it's very difficult because it's not something in our control. And I tend to think that at least number one, I view these restrictions or hurdles as more of a speed bump, so they could change trajectory, but they don't change the outcome in the long run because the competitor is here.

Having said that, from a practical perspective, you have to avoid, for example, product that's related to securities of a lot of countries. For example, if you think about our power equipment analyst, she would be very skeptical that Chinese transformer would ever go to the main grid of power grid in US and Europe for security reason.

You could also look at the sectors where the contribution to the economy is very significant, such as auto. That tends to create quite a lot of friction as you gain market share.

But on the other hand, look at a company who is expanding in export market. If they have a very strong market position and there's no substitution, that would work very well in this environment because that's the formidable competitive strengths probably to potentially overcome all these uncertainties.

Allison Nathan: Right. So there is the company themselves, and their growth opportunities based on their products and their strategies. But then, of course, as you just articulated, there is this broader lens that investors need to be strategic about the sectors they're focused on.

Trina Chen: Correct.

Allison Nathan: Thanks again, Trina, for sharing those insights with us. I've learned a lot.

Trina Chen: Well, it has been a great pleasure to be here. Thank you for having me, Allison.

Allison Nathan: This episode of Goldman Sachs Exchanges was recorded on Thursday, October 8th, 2026. If you enjoyed the show, we hope you'll subscribe to Apple Podcasts, Spotify, or wherever you get your podcasts, and leave us a rating and comment. I'm Allison Nathan. Thanks for listening.

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