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Introduction

This report is aimed at analysing the effects of such shifts in the external macro marketing environment on the competitive stance of organisations that are pioneers and followers in the same industry. The report is on the electric vehicle sector worldwide, as it is highly influenced by rapid technological revolution and the stringent political and regulatory forces. In this sector, Tesla is considered to be the first mover since it became one of the first companies to commercialise mass-produced electric cars, establish an international charging infrastructure, and become a leader in the field of innovation (Tesla, 2025). In comparison, BYD is the follower company that has ventured into the electric vehicle market later than Tesla but has surged fast by assuming fast follower tactics, including concentrated focus on costs, rehabilitation, and home-based market creation (Nolan, 2024).

To examine the impact of the external environment on these two companies, the report uses two macro factors with the most significant influence on the electric vehicle industry. One of the greatest contributors to the performance of electric vehicles, battery innovation, manufacturing efficiency, and digital features is technology. This report will provide a critical analysis of how the chosen macro factors present opportunities and threats to Tesla and BYD. Further, it will evaluate the strategic response of each company to these external pressures to ensure that they are competitive.



Figure 1: TESLA (pioneer) and BYD (follower)

(Source: Tesla, 2025; BYD, 2025)

Task 1: Macro Marketing Environment Analysis

Overview of the Macro Marketing Environment

The macro marketing environment comprises macro external forces that determine the capacity of an organisation to add value to customers and its competitive power (Gini and Agala, 2023). The PESTLE framework is a commonly used macro environment analysis that assists firms in knowing how the fluctuations in the external environments can influence the market demand, consumer behaviour, and competitive behaviour. The technological and political regulation factors are particularly powerful in the electric vehicle industry due to the fact that electric mobility relies on innovation and government subsidies (Li, et al., 2023). Thus, this part looks at the opportunities and threats that the shifts in these two macro factors pose to Tesla and BYD as the first mover and the fast follower, respectively.

Factor 1- Macro Factors: Technological Factors

Macro environment actors that can have a significant impact on the electric vehicle industry include technological forces (Fedotov, 2022). New technologies redefine industries and establish new business frameworks. The technological advancements in the case of electric vehicles entail battery technology, artificial intelligence, automation, electricity systems, and electronic integrations like vehicle software applications (Abro, et al., 2023). These technological developments have an impact on the way that firms design products, production, as well as service provision to consumers.

In the case of Tesla, technology has been the basis of competitive advantage. Tesla being the first one, relied on the advances made in the efficiency of the lithium-ion battery and software integration to establish itself as a high-performance brand of electric cars (Forbes, 2022). The initial investments made by Tesla in battery technology generated the prospects to launch the long-range models which influenced the customer expectations in the market. The opportunity to differentiate through continuous product improvement was also created by its development of autonomous driving systems as well as over-the-air software updates. The development of batteries that are rapidly advancing, like sodium-based batteries and solid-state batteries adds pressure in terms of competition (Lou, et al., 2021). With

the increased access to technology, a follower such as BYD will be able to quickly be on track with the emerging technologies because they can access the latest technologies at a reduced price. This implies that Tesla is at risk of losing its first-mover advantage as technology is increasingly being standardised in the sector.

In the case of BYD, technological aspects provide great opportunities as well but differently. The advantage of BYD is a fast follower since it can operate and embrace technologies once they have been tested by its pioneers. It is emphasised that companies can be able to utilise new technology to enhance efficiency, which corresponds to the strategic direction of BYD towards vertical integration (Islam and Islam, 2025). BYD manufactures its own batteries, which gives it the power to keep the costs, rate of production, and stability of the supply chain within check. This has been enhanced by the increasing supply of low-cost and high-performance battery technologies, and this will provide BYD with opportunities to expand to more places with cheaper vehicles. In contrast to Tesla, BYD is oriented towards the mass market adoption and technology is employed to lower costs of production and enhance the scale of manufacturing (BYD, 2022). This poses competition to Tesla particularly in the markets where affordability is the primary concern of the customers.

BYD has technological threats due to the dynamism of technology and the level of investment is high. Despite the low-cost production, BYD has to remain in front of the ongoing modifications in the battery standards and safety demands, and software functionality (Reuters, 2025). The rapid innovation is a risk to the company because some of the technologies that BYD has developed may go out of date at a faster rate than anticipated. Moreover, Tesla's autonomous driving remains a competitive technological threat to BYD, as AI-driven software development needs significant amounts of driving data and prolonged research.

Factor 2- Macro Factors: Political Factors

Another principal macro environment participant in the electric vehicle industry is the political and regulatory factors. In the macro environment, companies have to abide by the law and expect government policies to change including the trade policies, laws on consumer protection, and environmental laws (Turner, 2021). With electric vehicles, the influence of political forces is closely associated with the national

energy policies, climate policies, and governmental efforts to decrease carbon emissions. The regulatory pressures have a potent effect on the development of the industry and its positioning.

In the case of Tesla, the political and regulatory environment has provided the company with a major opportunity. In a variety of countries, a range of incentives (tax credits, grants, and subsidies) was implemented to stimulate the sale of electric vehicles (Fleming, 2021). Through these policies, Tesla was able to expand its markets in the early days and it was able to boost its product demand in the mature markets like the United States and Europe.

The Tesla opportunities are also created by the government's promises to cut carbon emissions and the tight regulations on petrol cars (Jolly, 2024). Policies such as restrictions on the sales of combustion engines in future years make Tesla products more appealing to consumers with environmental concerns (Tesla, 2021). Nevertheless, threats are also caused by regulatory forces. Tesla will need to keep up with changes in the subsidy programs or the new compliance regulations implemented by the governments. As an illustration, stricter safety measures regarding autonomous driving systems will put pressure on Tesla to demonstrate the efficiency of its technology. International politics among nations may also interfere with the international operations of Tesla in importing products or exporting cars to various regions due to trade regulation policies.

Political and regulatory conditions present good opportunities to BYD especially given that the Chinese government encourages mass production of clean energy vehicles (Nelson, 2025). Aftermath incentives of the government, research investments and favourable industrial policies have assisted BYD to gain production capacity and increase its domestic market. The international climate commitments also generate international demand for cheap electric cars, which are part of the strategy of BYD (ESG News, 2025). The political encouragement of the construction of local manufacturing sites in Europe and Asia provides BYD with chances to access the new markets and minimise reliance on exports. Meanwhile, the threats are also posed by regulatory pressures. As BYD ventures into new markets in foreign countries, it has to conform to strict safety, quality and data protection policies that might not be similar in its domestic country (BYD, 2025). These

regulatory hurdles make it difficult for its operations and can slow down its international expansion. There are further threats in the form of trade policies/restrictions by foreign governments particularly to Chinese companies. Overall, political and regulatory pressures influence both the market conditions, intensity of competition and growth in the long run.

Task 2: Strategic Responses of Pioneer and Follower Organisations

Strategic Responses to Technological Pressures

The pressures in technologies force companies operating in the electric vehicles sector to be innovative, efficient, and competitive (Cabigiosu, 2022). Tesla and BYD react to these forces in a strategic manner, and their responses are different due to their pioneer and follower status. This concept can be used to understand why Tesla is oriented to technological innovation leadership, and BYD leverages technology to gain scale and cost efficiency.

The strategic reaction to technological pressure adopted by Tesla is based on the need to stay on the course of an innovation leader (Denning, 2023). Being a pioneer, Tesla has invested much in research and development, especially battery chemistry, autonomous driving systems, and software capabilities. Tesla implements continuous upgrading of the performance of the vehicles and adds new features to the vehicles using over-the-air software updates, without customers having to visit service centres (O'Kane, 2018). The large-scale production facilities (the gigafactories) are also constructed by Tesla to enhance the manufacturing speed and optimise the processes within the supply chain (Tesla, 2025). These moves demonstrate strategic interest in the utilisation of technology in order to support brand positioning and maintain differentiation.

The reaction of BYD to technological pressures on it is the strategy of a fast follower. Rather than concentrating on high-cost innovation, BYD focuses on the utilisation of technology in order to lower the costs of production and increase the market reach (Shan, 2024). Technology development provides the company with chances to enhance efficiency, which is evident in the vertically integrated structure of BYD. BYD manufactures its batteries and a lot of other important parts internally reducing reliance on suppliers and ensuring the business is not affected by interference in the supply chain (EVBooster, 2024). BYD is also technologically driven to come up with affordable vehicle models that attract the masses. This is unlike Tesla, which has a major focus on high-end customers with advanced levels of technology.

The other difference regarding the strategy is related to autonomous driving technology. Tesla has a great amount of research in the development of a global

data-driven autonomous system (Tesla, 2024). BYD also implements driver assistance technologies, although at a lower investment level, which can be explained by its policy of focusing on manufacturing efficiency rather than expensive technological risk. Tesla focuses on software-based peculiarities, whereas BYD focuses on low costs and stability.

Overall, Tesla is addressing the pressure of the technology wastage by being at the forefront of innovations and solidifying itself as a luxury brand in the field of technology (Williment, 2025). BYD retaliates by scaling and cost reduction through technology. These differences in strategies reflect how the pioneer utilises technology to be in front whereas the follower utilises technology and gains market share.

Strategic Responses to Political and Regulatory Pressures

The access to markets, compliance of the products, safety, and global expansion of the electric vehicle industry affect political and regulatory pressures. Tesla and BYD have no choice but to be strategic when responding to government policies and regulations to stay competitive. Tesla also reacts to political and regulatory pressure in that it aligns its long-term strategy with global environmental objectives. Electric car incentives are provided by the government, and Tesla makes the most of this, launching production in areas where sustainable mobility can be achieved (Loader, 2025).

Indicatively, Tesla constructs manufacturing plants in other countries where the regulatory framework is favourable and the country can tap renewable energy. This will decrease the cost of operations and improve the environmental position of Tesla. Tesla is also working on fulfilling the needs of safety and compliance with autonomous driving technology, and the main direction is constant testing and upgrading of software. However, this comes with the challenge of having to operate in convoluted regulatory environments that vary among countries. Tesla adjusts its market entry approach by collaborating with the government to develop the infrastructure, including charging networks, and being included in the policy debate regarding the clean energy transition (EVBossters, 2023).

The political and regulatory environment is a strategy that BYD is responding to because of the high degree of government support in China, which is facilitated by subsidies, research funding, and the provision of infrastructure (Nelson, 2025). BYD enjoys the benefits of these opportunities by growing fast in the domestic market and developing large-scale production capacity. Entering foreign markets, BYD modifies its approach to adjust to the local policies and laws concerning safety, data privacy, and product quality. This will aid BYD in establishing confidence in the foreign market and minimise the chances of attracting regulatory fines.

The positioning of the products by the two companies is also affected by regulatory requirements in various regions. Tesla appeals to markets where the environmental policy is strict by leveraging its robust environmental identity. BYD specialises in providing relatively cheap electric vehicles with minimum regulatory standards that remain affordable to price-sensitive customers (Writer, 2025). The other strategic reaction between the two firms is the opening of local manufacturing plants to limit the exposure to trade barriers and import tariffs. Tesla constructs plants in China, European countries, and the United States, whereas BYD invests in the development of globalisation in the form of cooperation and local production.

Overall, Tesla is reacting to the political and regulatory pressures, adjusting to the environmental positioning and investing in the heavy technologies of compliance. BYD reacts in a way that it utilises domestic backing and changes its global approach to suit the regulatory expectations. Their different roles as a pioneer and a follower can be traced in both methods that make the firms stay competitive.

Conclusion

In conclusion, this report discussed the impact of technological and political regulation aspects on the competitive landscape of the electric vehicle business, and Tesla and BYD as the pioneer and follower, respectively. It was revealed in the analysis that the two macro factors generate important opportunities and threats which determine the way each company formulates its strategy. Battery systems, software, and automation are the areas of technological development that flow into the innovation throughout the industry and give the companies a chance to be fast and dangerous to those that lag. Politics and regulatory changes, such as environmental regulations, subsidies and regulatory changes, are also core in defining market growth and competitive forces.

On the basis of these findings, the analysis of the strategic responses revealed that Tesla and BYD have varied strategies depending on their pioneer and follower positions. Tesla gets back by staying on top of technological innovation, reinforcing its high-end status, and being in alignment with the global sustainability targets. By contrast, BYD leverages technology to aid in cost leadership, attain large-scale production and enter into global markets by adapting to regulatory demands. These are the strategic differences that enable each firm to be competitive with the external pressures that are similar. In general, the report emphasises that strategic decision making in the electric vehicle industry is a necessity of both the technological and regulatory forces which have to be constantly adjusted to in the long run guarantee competitiveness.

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