

GLOBAL BUSINESS ENVIRONMENT - ASSESSMENT 2

LCBB4005



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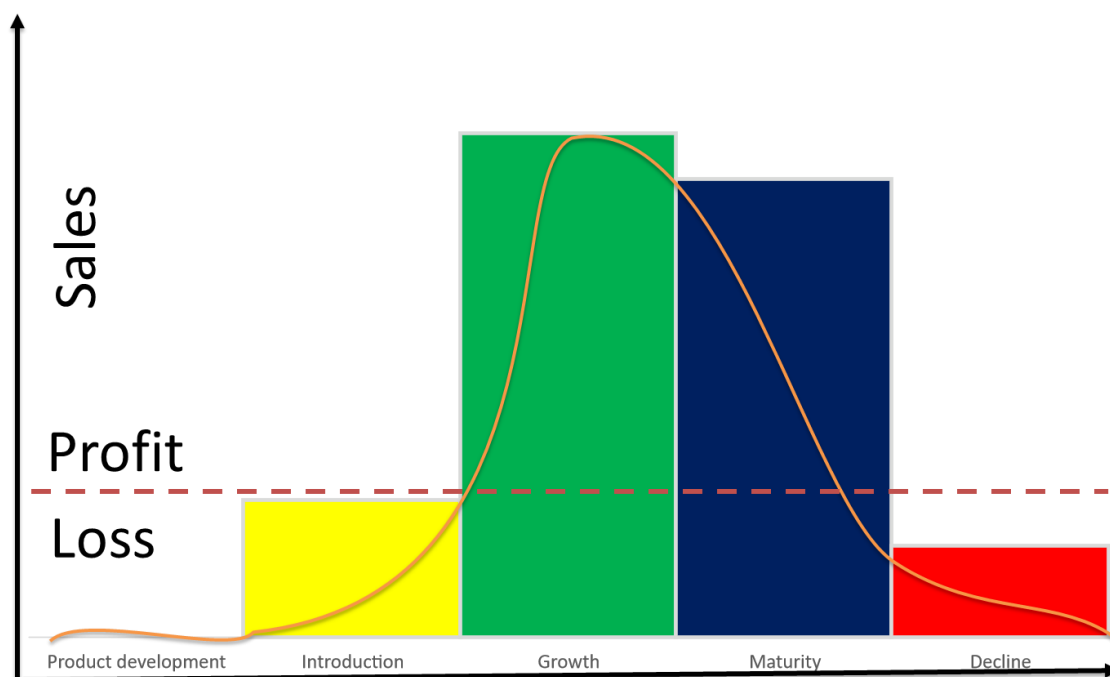
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Introduction:

The purpose of this work is to apply the product life cycle theory (Hill, C, 2007 pp.164 - 168) and to observe and evaluate one of the most recognisable brands in electric car industry nowadays, Tesla Motors. The product life cycle will give us the opportunity to see the stages of life that this product goes through. It will reveal to us the marketing strategies that Tesla Motors are implementing to stay sustainable in the car industry market. The Tesla Motors company is a producer of vehicles with unique characteristics, and it is an organisation with a vision to change the automotive industry entirely. Their vehicles are completely battery-powered, and they do not produce emissions. This in itself is not new, but what is a fundamental change is that Tesla has been able to produce a battery, which completely overtakes traditional batteries, producing vehicles with much higher ranges and performance data even in advance of its petroleum counterparts. This technology has overtaken the giants in the global automotive industry, and they have been unable to produce a competitor product as yet, instead of buying Tesla batteries for their own models while they attempt to catch up (Marketline, 2013). **Product life cycle stages:**

Product life cycle



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- Product development – in this stage, the product is under development, and the company has only costs. In this period does not have sales and have investments costs.
- Introduction – The product is introduced to the market, and it is starting to returning back the investments. In this stage, the product does not bring profits because of the investments costs in the previous period.
- Growth – In this stage, the product is well accepted in the market, and it is starting to bring profits in this stage the demand for the product is high, and new competitors may enter in the market.

- Maturity – in this stage, the profits and sales are stable. The product has achieved acceptance by most of its potential buyers. The preferences for the product are decreased
- Decline – in this stage, the sales are low, and the losses are more than the profits. The product is not needed for the market (de Lautour, 2018, pp. 57 – 60).

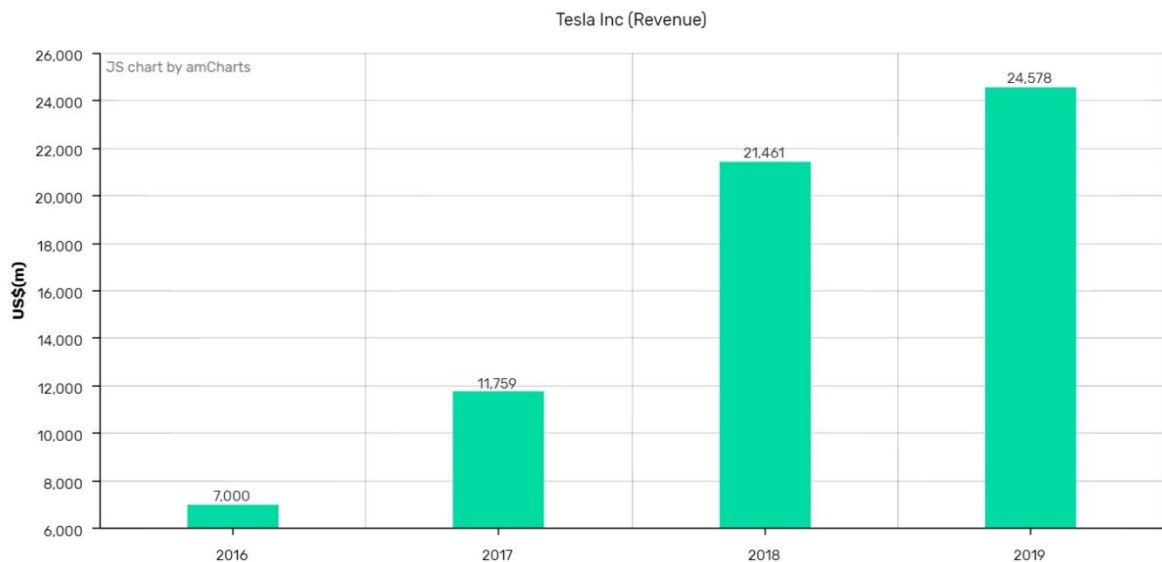


Figure 1 taken from MarketLine (2020) Available at: <https://advantage-marketlinecom.ezproxy.uwtsd.ac.uk/Company/Summary/tesla-motors-inc>

This revenue graphic will guide us through the process of analysing the life cycle stages that the product has been going through and will support my opinion about the stage that the company is in at the present time.

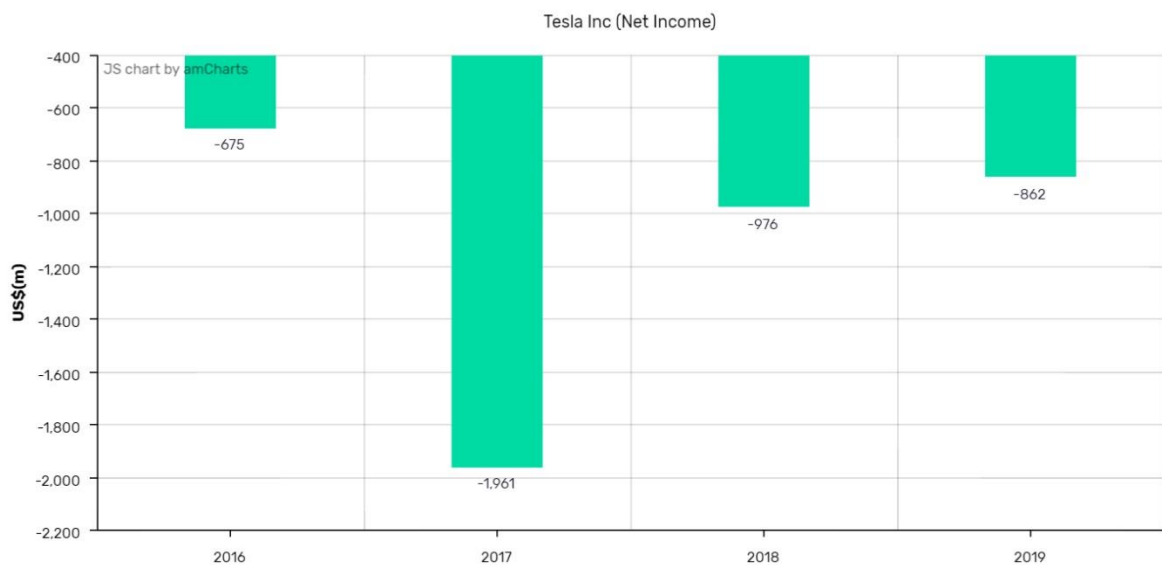


Figure 2 taken from Marketline (2020) Available at: <https://advantage-marketlinecom.ezproxy.uwtsd.ac.uk/Company/Summary/tesla-motors-inc>

The stages that Tesla Motors going through

➤ Product development stage:

From the period of nine years from 2003 to 2012, Tesla Motors inc. were in development and research stage of its life cycle. Till 2010 it was known very little about the first car that they will produce, but in 2010 the official information about their product was revealed on their official website with the specifications of the automobile (Tesla 2010). The first mass-produced electric car model became a fact in 2012, and the first buyer of the car was Jeff Skoll, the first president on eBay (Boudreau, 2012).

➤ Introduction stage:

I can consider based on the two graphics on revenue and net income, that Tesla Motors inc. is in the introduction stage of the product life cycle theory. The graphics indicate two major factors that are the building blocks of my consideration. According to the theory in the introduction stage, a company or organisation have profits, but they are still in a negative balance (de Lautour, 2018 pp. 57 – 60).

- The graphic in Figure 1 is showing us a constant exponential growth of the revenue, and it means that they have a profit from the products.
- Meanwhile, figure 2 reveals to us that the company still suffering losses, which is the exact explanation of this stage of the theory.

The trend looks like the revenue will grow up, and the net income has a trend slowly to go from negative to positive. Based on my knowledge over the life cycle, I would like to say that it looks like the company will enter in the growth stage, in a short period of time.

The strategies that Tesla implemented

- **Line filing** The company provides more variety for the same customers in the same industry (Cambridge English dictionary, 2020). Tesla is filing their line as they were producing new models. They started their line with Tesla model 3, and nowadays, they have three more models, S, X and Y (Tesla(1), 2020).
- **Line extension:** The company produces products in the same industry but focuses on a different target market. Starting with just one model in 2012 Tesla Motors showing the intention to implement line filing strategy and just after seven years since the company take a share in this niche market they already represent new electric class cars. The model is named Cybertruck. This model is the first-ever made electric truck with stainless steel shell and armoured glass, and it is bulletproof to 9mm handgun (Benet, 2019).

PESTEL analys on Tesla Motors inc.

Political:

The governments around the world, and also the government of the United Kingdom have an interest in lowering the emissions produced by the new automobiles (Department for transport, 2012). In the case of Tesla, their products are less harmful to the environment even when we accept the fact that the energy that the batteries of the cars are using is from unsustainable sources that have an impact on the air pollution. The government of the United Kingdom supporting the electric car industry as it provides the citizens with grand with the idea the cars to be more affordable for the customers. In the case of Tesla, it has a positive impact (Gov.uk, 2020).

Economical:

The impact of changes in other external factors conducts to changes in economic conditions. Cars are considered as luxury goods in most of the developing countries and have to be valued accordingly to obtain major markets in these countries. At Present, Tesla cars in these developing regions are considered pricey and even if one desires to buy a Tesla car, the need for charging stations is not completely fulfilled. According to the Worlds bank GDP report (2019), the people around the globe have more and more buying power, which giving them the opportunity to buy a luxury product such as an electric car. Despite that, the Tesla cars are in the upper-middle-class when we talk about the price, their cheapest automobile £40,490 for a basic concept (Tesla(2), 2020). Which means that is not so affordable for many people even with the grant from the government. Undoubtedly, the effect of the COVID-19 pandemic situation will have an impact on the economic situation in the company, and we will be able to see it at the end of this financial year.

Socio-economical:

With the world moving towards a more concerned for the environment societies, the people are willing to make their impacts in the direction of reducing the carbon footprint. Therefore, the idea for an electric car looks more promising in the long run. Electric cars are less costly in terms of fuel consumed and care as compared to conventional cars (Wappelhorst et al. 2018, p.32). The social factors also take into consideration the want for preserving individual status. By making cars with better outfit and better in performance than fuel consuming cars, Tesla can gain a larger share of consumers, who are ready to pay decent sums of money for status as service and brand value.

Technological:

There is continuous innovation in technology, and Tesla has been innovative various tech advancements in the market. A recent example is the software that allows the users of Tesla to summon their cars the company has released the software on a testing period. This computer software can be utilised in every cars that have the full self-driving capacity or enhanced autopilot. This technology goes further than just moving the vehicle forward and backwards. It actually can be set to get to you from the parking lot (Harvard business review, 2020). Even If technology seems perfectly advanced and interesting, the company can work on making upgrades to reduce the limitation of being near of the car.

Environmental:

The humankind is shifting in the direction of a more sustainable future. The people are willing to pay for an electric car, to save on the additional costs of a conventional vehicle, and to do their part in protecting the environment. Tesla aims at reducing greenhouse gas emissions by curbing the two major producers of the production of electricity and transportation. Tesla has achieved to reduce emissions over four metric tonnes (Chasan, 2019). At the beginning of last year, Tesla has installed 3.5 Gigawatts of solar cells. They are producing approximately thirteen terawatts of emission-free electricity. Also, Tesla has produced the largest electric battery in South Australia. This has allowed them to produce large scale emission-free electricity, which has been used by cities for their daily use (Tesla(3), 2020)

Legal:

Tesla has successfully captured a large area of the market for a short period of time. With the idea of providing better service to its clients worldwide, Tesla willing to expand in other countries (Kennedy, 2020). To be able to do it, Tesla needs to stay updated with all the international patents and copyrights present in the region it is willing to compete. Some countries do not permit direct selling, in this kind of situation, Tesla must have to carry out a chain of suppliers, which will include various dealers. Tesla needs to follow the various labour laws and act accordingly. A recent example where Tesla violated the labour laws by threatening the labours when they tried to form unions (Liao, 2019).

Conclusion

Leading by inspiration and innovation spirit Tesla Motors inc. in my opinion, are trying to present to all of us a better sustainable future. The company is lead by one great visioner Elon Musk, and he is putting a huge effort to give to all of us a future with more green areas, more clean air. Looking at his last model Cybertruck, I see that he is not afraid to bring his ideas for the future in nowadays. The organisation is still young and still have a lot to prove to the customers. The electric cars are still in a very small share of the car market around the globe (Fortune business insights, 2019). To be able to push the world forward in one better direction than before becomes a difficult task when you must achieve a profit from it. I believe that every change comes with one step at the time, and I am glad that I am living in a time when this step has been made.

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