

The Global Business Environment

Assessment 2

Tesla

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Introduction

The selected organisation from the automobile industry is Tesla. Tesla is an organisation that manufactures electric cars, but also focuses on alternative sources of energy than fossil fuel. It is an organisation that has succeeded to evolve by creating niche products luxury electric vehicles. Further that it has contributed to the development of the electric car industry and had been a promoter of reducing pollution and climate change.

Tesla has been founded in 2003 and since then has been able to produce more than one million electric vehicles and it is considered to be a top producer in the United States of America and across the world for electric car vehicles. Its leadership is visionary and that has contributed to the growth objectives.

This report is analysing the impact of the pandemic on the industry, whilst assessing Tesla's activity and strategies. It looks at PESTEL analysis, it evaluates the survival factors for the industry and the success factors for the industry.

The impact of the pandemic on the automobile industry (electric car industry)

PESTEL analysis

Political factors: Tesla is an international organisation present in different countries and its activity could be affected by the political climates of each country. Because Tesla produces electric vehicles, it relies on electricity more than traditional fuel which can pollute the environment. Some Governments are getting involved in the development of the industry and give incentives to the customers and the possibility of a specific tax credit if they use an electric car.

Economic factors: The rapid development of the electric car industry has been a boost to the global economy especially between 2016 and 2017. The development of the industry has also led to a more cost effective products offer making the electric vehicles more accessible for ordinary customers. The economic growth was in accordance to the local economy of each country and their involvement.

Social factors: Tesla is perceived by customers as a luxurious brand due to the innovative technology and they are attracted by that. Also the element of contributing to creation of a better environment by driving an electric car is also a shaping factor for the industry. The idea of renewable energy has become very popular among the society and Tesla is contributing to the development of the market.

Technological factors: Tesla is a very innovative producer where technology plays an important role. Their electric vehicles include different new technologies and gadgets that give them

competitive advantage. Other organisations and big players such as German car producers had their own features to electric cars, but Tesla's technology enhancement stands up within the industry.

Environmental factors: Tesla's activity operates within strong principles related to protection of the environment. It is involved in different programs towards climate protection and is a direct supporter of the initiatives towards a controlled used of resources issues. From the point of environmental factors Tesla is expected to grow as its products are considered to be sustainable for the future.

Legal factors: The legal factors depend on the country where the business operates. Tesla has to respect all the legal requirements for each market it enters. Legislation that regards the automobile standards can differ form country to country. Tesla owns patterns related to their technologies and it promotes its activity overseas (Ahmad, Khan, 2019).

Based on the PESTEL analysis for the electric car industry, it can be evaluated that Tesla has been able to surpass multiple challenges and had been able to continue its ascension and growth. Pandemic is seen as another challenge within the organisation and it has been developed strategies to cope and adapt to the changes imposed by the pandemic. The disruptions caused by pandemic had no precedent and the industry, including Tesla had to coordinate resources and plan towards achieving objectives. Statistics had shown through pandemic the preference towards buying an electric car had increased (Fig.1) (EY, 2021).

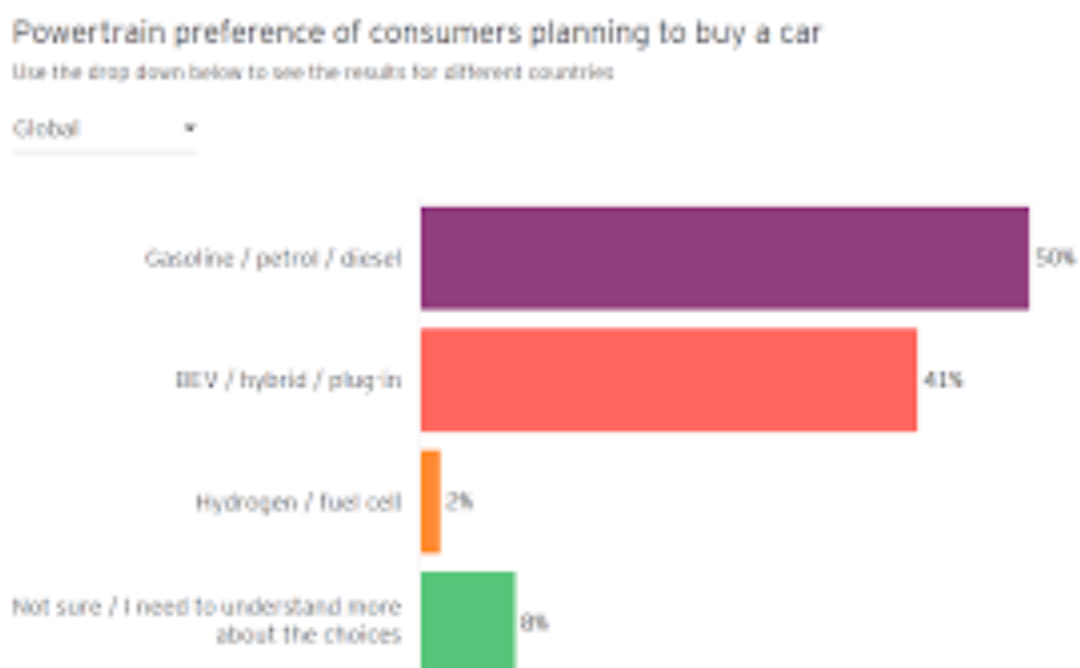


Fig 1. Preference of consumers planning to buy a car

Pandemic has challenged the Electric Car industry, especially with China being one of the earliest affected by the virus. China is a market that plays a great part in the electric vehicle industry. The pandemic impacted the supply and the demand of the electric cars, but it is estimated to be on short period. The travel restrictions imposed by Governments had also an input to the disruptions and social distancing. This has pushed the electric vehicle producers to sell online mostly. Being forced to close factories had also impacted negatively the industry (Science Direct, 2021).

Survival factors for the industry

The electric vehicle (EVs) industry is still a small fraction of the automotive industry and pandemic has slowed things. In 2020 the fraction of the registered electric vehicles was 1.8% with only a small rise of 0.4%.

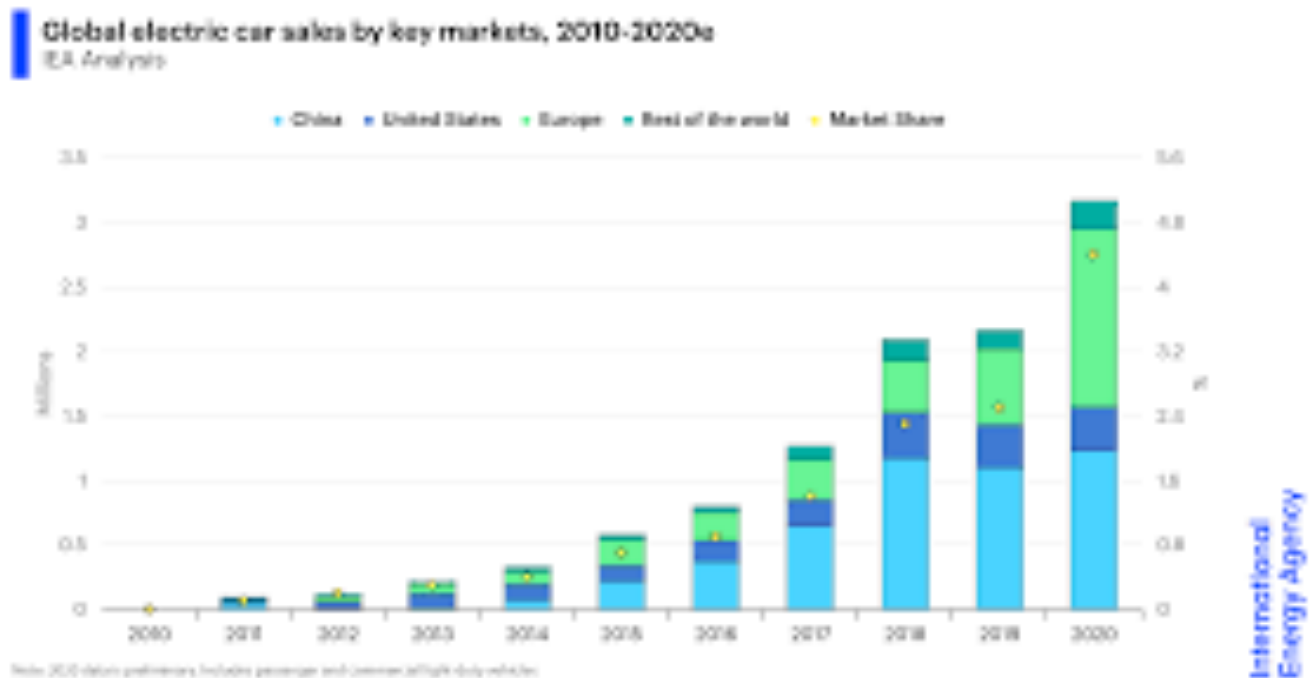
The pandemic has affected the activity of many EVs producers, having to close down factories. Audi E-tron, the electric vehicle from Audi has risen with 43%, whilst Porche Taycan was only on eight place, having a rough sales start.

Tesla has had to close its factories temporarily in 2020 and to suspend production due to the pandemic restrictions. Tesla has complied with the requirements, but had insisted that some basic operations can not be completely shut down because there are vital for assisting the clients (Kokalitcheva, 2020).

Pandemic had affected majority of industries and many had focused towards helping and providing resources towards fighting the Covid 19 virus. Tesla also has looked into developing ventilators for patients affected by the virus and had delivered 1000 ventilators to the Government. Tesla had to shut factories when lockdown measures were imposed by authorities and could not produce the ventilators itself. Ford Motor Company is another important player from the automotive industry who intended to help by producing 50,000 ventilators in collaboration with the General Electric Company's healthcare subsidiary (Varshney, 2020).

Success factors for the industry

“Electric car sales in 2020 broke all records amidst the crisis caused by the pandemic” (IEA, 2021).



The global car sales had decreased during pandemic. This had happened because the population had to prioritise differently and also unemployment had known a significant rise. Many small business had major problems and fighter to survive. Over the year n 2020 the automobile industry had started to gradually redress but the regress of the sales had been very large. Despite that the electric vehicle sales had registered increased (IEA, 2021).

According to Moore (2021) during pandemic Tesla has managed to keep their factory in California productive and 8 out of 10 electric vehicles registered in the United States of America (USA) were produced by them. In 2020 Tesla had 79% from the total number of electric vehicles registered in the USA. Despite the pandemic Tesla’s electric vehicles had continued to gain popularity and had been ranked among top five electric vehicles of the year.

Tesla has been able to keep an ascension in their sales whilst competition has struggled. Tesla surged its value and had a rise in shares, despite pandemic. A contributor to the rise of Tesla’s shares is that the organisation had issued numerous shares (32.74 million) in secondary offerings and had conducted a stock spilt (Lange, 2021).

The Covid-19 pandemic has sliced the industries worldwide. Manufacturers had to close factories, stores. It is considered that the pandemic has benefited Tesla because it paused the activity of other major players with great financial resources. Delays in launching competitive products due to pandemic has provided Tesla extended on medium term to remain the front for the electric vehicles.

Tesla's competitive advantage

Tesla has competitive advantage of having innovative products and developing multiple technologies. The investment in battery manufacturing has created economy of scale and had allowed the organisation to lower the input cost. Despite that the cost of the battery has been reduced but practicing economy of scale rather through research and development. Another technology that Tesla had developed is the self driving, the Autopilot and had been able to gather large volume of real time data. This contributes to more precision in developing algorithms for machine learning technology. Another competitive advantage for Tesla is the development of the supercharger infrastructure that is used for charging electric vehicles and that no other competitor has this complexity.

The support from the USA Government also plays an important role in rise the industry as it has included the electric vehicles for developing infrastructure locating more than 100 billion dollars and analysts had emphasised the benefits that Tesla gets from this.

Other players from the electric car industry have developed cars that compete with Tesla. Jaguar, the luxury car producer had created I-Pace electric SUV. For Tesla this has increased competition and the likeliness of having superior products in the market. The electric vehicle industry leaders are forecasting an increase through sales penetration towards 2025 by expanding supply.

Conclusion

This report had analysed multiple sources for analysing the impact of pandemic on the electric vehicle industry. This had contribute to the complex analysis of the disruptions caused and the reaction of the business within the industry.

The report had made use of the PESTLE analysis to analyse the macro environment for Tesla, it had emphasised the struggles of the industries given by lockdown measures, but also changes in demand and supply.

It has been concluded that Tesla has remained on a favourable position and it has been highlighted the competitive advantage of Tesla. It has been observed that the pandemic had benefited Tesla

because it had delayed the activity of major competitors and it had benefited of new Governmental support. That is why it is recommended for Tesla to ensure it produces niche products and it creates strategies to the lifecycle of their products through continuous development and innovation.

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