

ANALYSIS REPORT:

Study on Tesla's Marketing Management in China

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ABSTRACT

With the rapid development of the automobile industry, new energy vehicles will become the trend of future automobile development. As the representative of new energy pure electric vehicles, Tesla Motors will also open up a new era in the field of new energy vehicles. Therefore, it is of great value to study Tesla's marketing model in the Chinese market.

This paper uses PESTEL model to analyze China's macro environment, Porter's Five Forces model to analyze Tesla's competition situation in China and SWOT model to analyze the opportunities and threats Tesla is facing, as well as its own strengths and weaknesses, thus determining Tesla's marketing strategy in China. Although Tesla has achieved success in the Chinese market, it also faces many difficulties, such as localization and localization of products, diversification of models and high prices, which restrict the growth rate of Tesla's sales in China. This paper hopes to provide reference for the development of new energy vehicles in China through the research on Tesla's marketing strategy.

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CHAPTER 1

1.RESEARCH BACKGROUND

In recent years, due to the rapid development of China's economy, the automobile has become one of the most important transportation tools for the masses. The rapid development of the automobile industry has also brought about a series of problems, especially the improvement of people's awareness of environmental protection. The most concerned problem is the urban air pollution, which can be attributed to the emission of automobile exhaust to a considerable extent.

Traditional vehicles generate power by burning fossil fuels, and the pollutants emitted after burning

are harmful to cancer. Therefore, the development of traditional gasoline diesel vehicles has been affected. In this regard, the State promulgated the Energy Saving and New Energy Vehicle Industry Development Plan, which defines the concept and technical specifications of new energy vehicles; In terms of policy, China strongly supports the marketization process of new energy vehicles, and has issued a series of supportive policies in research and development, production, consumption and other fields, providing Tesla with greater development space in China.

Because of the huge potential of China's new energy vehicle market. In 2013, Tesla established its China branch in China. At present, China has become Tesla's largest overseas market; In 2017, Tesla's sales in China doubled to US \$2 billion; In 2020, Tesla's sales will increase by 30.3% to US \$6.66 billion, accounting for 21% of Tesla's total sales of US \$31.54 billion. (Yu Guojun, 2019)

Tesla Motors is in the initial stage in the Chinese market. How to get rid of the traditional car development model, build an enterprise development model in line with the modern new market, overcome the competition with local new energy vehicle brands, the shortage of charging equipment, the change of people's consumption concept, etc. Studying Tesla's pioneering journey

in China can provide guidance for the development of new energy vehicles in China.

CHAPTER 2

2.EXTERNAL MARKETING ENVIRONMENT ANALYSIS – PEST ANALYSIS

2.1.1Analysis of political and legal environment.

In recent years, environmental issues and energy structure adjustment are the main factors considered by the state in formulating policies. The damage of traditional automobile exhaust emissions to the environment has exceeded the limits of some cities, and has caused a huge impact on people's lives and health. In order to reduce carbon emissions, save energy, and advocate environmental protection, the government has successively introduced a series of policies and regulations to encourage and promote new energy vehicles, making traditional automobile manufacturers and powerful new energy vehicles enter the automobile market. Domestic new energy vehicle manufacturers seize this rare opportunity, vigorously develop and produce, and promote the development of new energy vehicles. Tesla does not produce in China and cannot enjoy this favorable condition, which will eventually lead to more intense competition for Tesla.

2.1.2 Economic environment analysis

China's national economy has grown year by year, the per capita income has been greatly improved, and the national consumption capacity has been constantly enhanced. However, due to the gap between rich and poor, consumers have different demands for cars. In this case, automobile enterprises need to conduct product research and development according to market demand and consumer differentiation and diversification, and manufacture different automobile products to meet the needs of consumers. At present, although China's economic growth and auto consumption have fallen back compared with the previous years, from the perspective of the world economy, they still remain at a relatively high level, providing Tesla with broad development space for sustainable growth.

2.1.3 Social and cultural environment

With the continuous growth of population, fossil energy is increasingly depleted, and environmental pollution is rapidly increasing. The common goal of all mankind is to seek alternative resources and develop new energy. In this context, green and environment-friendly products are more in line with the public's consumption concept. The consumer psychology of China's automobile industry has gradually returned from simply pursuing luxury to focusing on the quality of life and environmental

harmony. In recent years, the pollution of traditional cars to the atmospheric environment is obvious. Chinese consumers are more positive about the green concept of new energy vehicles, and Tesla's positioning just meets their consumption concept. What is worth reflecting on is that Tesla's product line is relatively narrow and the price is relatively high, which has deterred many potential consumers.

2.1.4 Analysis of scientific and technological environment

With the growing national economy and the continuous improvement of people's living standards, people generally use cars to travel. The country attaches great importance to the technical improvement of cars. Tesla's technology is far ahead in the field of new energy vehicles, which plays a very important role in promoting the development of new energy vehicles in China. From the current situation in China, the electric vehicle technology in China is still at a low level, and the supporting infrastructure is not perfect enough to meet the needs of people. However, the number of lithium batteries produced in China ranks third in the world, accounting for 30% of the global market, laying a solid foundation for the development of new energy vehicles in China.

2.2 Meso environment analysis Porter's five forces model analysis

2.2.1 Threats from potential entrants

At present, China has not issued policies to allow foreign auto enterprises to establish wholly owned new energy auto businesses in China. However, the state allows foreign-funded enterprises

to enter into joint ventures and alliances with local enterprises. This has enabled many foreign brands to enter China's new energy vehicle market through cooperation with domestic automobile

enterprises. In addition, domestic qualified traditional automobile enterprises have also entered the

new energy automobile market. All these have brought difficulties to Tesla's rapid development in China's automobile market.

2.2.2 Supplier's bargaining power

Pure electric vehicle manufacturers have strong bargaining power. From the business perspective, Tesla's production in 2018 is five times that in 2017, which is very attractive to suppliers in the industry chain and is conducive to reducing the bargaining power of Tesla suppliers. Tesla's

successful establishment in Shanghai, China, has created more cooperation opportunities for Chinese suppliers. Because of Tesla's special body design, traditional parts manufacturers do not have competitive advantages.

2.2.3 Customers' bargaining power

At present, Tesla is mainly oriented to the high-end market and the price is on the high side, while the price of domestic new energy vehicles is generally lower than 300000. If the low-cost models launched by Tesla can be launched and sold in China, more Chinese consumers will be willing to buy them, reducing the bargaining power of buyers.

2.2.4 Threat of alternatives

Traditional fuel vehicles are still the largest substitutes for new energy vehicles in the current Chinese automobile market. From the perspective of environmental protection, the Chinese government has restricted the production and sales of traditional fuel vehicles. With the continuous

improvement of new energy vehicle technology, the widespread popularity of charging stations and

the support of the government, it is a general trend for new energy vehicles to replace traditional fuel vehicles. In addition to traditional fuel vehicles, plug-in hybrid electric vehicles are also Tesla's main substitutes, such as domestic brand BYD. The national double credit policy focuses on supporting pure electric vehicles, so pure electric vehicles are the stars of the future of automobile development.

2.2.5 Competition of Existing Competitors

At present, Tesla Motors has two major competitors in China, the first is BYD, which accounted for

14.26% of the market share in China in 2017; The second is BAIC BJEV, with a market share of 13.27%.

Tesla not only faces the competition of domestic brands, but also the alliance between powerful foreign auto companies and Chinese auto enterprises will become a competitor of Tesla, which brings difficulties to Tesla's development in China. Therefore, Tesla should play its core competitiveness in brand, performance and after-sales in the Chinese automobile market. At the same time, it makes up for the weakness of high tariffs in the Chinese market.

2.3 Micro environment analysis SWOT analysis

2.3.1 Advantages

(1) Brand advantages

Tesla has been less than 20 years since its brand was founded. Although Tesla has no long brand history, as an emerging automobile brand, it defines itself as a technology enterprise rather than a member of traditional automobile enterprises. Tesla's simple and modern design, high-tech and high-performance features fully demonstrate the strength and innovation of new energy vehicles, giving Tesla a strong brand advantage.

(2) Leading product technology

From the perspective of the whole new energy vehicle industry, compared with its peers, Tesla Motors attaches great importance to the innovation and optimization of technology. It has more than 200 patents. Its outstanding technologies, such as high endurance, high acceleration, intelligent auxiliary driving technology, and overcharge, make Tesla a core competitive force.

(3) Excellent supporting service system

Tesla has an excellent supporting service system, including experience stores in major cities and online car ordering services, so that consumers can enjoy the service experience of convenient car purchase. Secondly, all major cities have maintenance centers to provide customers with convenient maintenance services. In addition, it has a super charging station network and charging supporting facilities, eliminating the worries and concerns of Tesla users about long-distance driving.

2.3.2 Disadvantages

(1) The price is on the high side

Due to the expensive production materials used by Tesla Motors, its production costs have increased. In order to ensure high endurance and strong acceleration performance, Tesla uses high battery specifications. Because Tesla's models are not produced in China, they must rely on imports, which creates high tariffs and increases the cost of products, making Tesla's price high.

(2) Limited model selection

As of the beginning of 2016, Tesla Motors had only launched three models, but only two models were actually sold in the automobile market for a long time, which is relatively less than the dozens

of models of traditional automobile enterprises. In addition to the small number of models, its price

is also higher than other traditional high-end cars.

(3) Tesla has poor comfort

Because of the sporty adjustment style, the shock absorption of Tesla Model Y is hard. When passing through the deceleration strip, the sense of turbulence is strong. When passing over the gravel road, the vibration from the chassis is also obvious; In addition, the NVH performance of the

vehicle is also average, and the sound insulation effect in the vehicle is poor; The cushion of the rear seats is also short, which makes it uncomfortable to ride for a long time.

2.3.3 Opportunities

(1) Electric vehicles are becoming more and more popular

Automobile exhaust is the primary culprit of air pollution, which has attracted more and more attention. Green travel has also become the first choice of the general public. New energy vehicles,

as a means of transportation with zero pollution and emission, are bound to become the trend of the market. As the pioneer of new energy vehicles, Tesla will surely gain greater market share in China if it can increase its model selection and lower its price.

(2) The government gives preferential policies to new energy vehicles

With the continuous development of new energy vehicles in China, the government has gradually realized that new energy vehicles play a very important role in controlling urban air pollution and saving energy. For this reason, the Chinese government has issued many relevant regulations and policies to promote the development of new energy vehicle industry, such as: 1) government financial subsidies; 2) Traffic restriction and license plate restriction measures in major cities; 3) Formulate new energy vehicle industry standards to achieve brand compatibility; 4) It is planned to

build charging equipment and improve infrastructure. The above favorable policies provide

powerful conditions for the development of new energy automobile industry in China.

(3) Young and personalized consumer groups

Because of Tesla's high price positioning, many ordinary consumers are deterred. However, with the vigorous development of China's economy, the consumption capacity of young consumers in China is constantly improving, and the number of young consumers who buy high-end brand cars is increasing. Tesla's personalized, modern model design, high-tech and high-performance features are very consistent with the consumption concept of the new generation of consumers. Chinese young consumers have a high sense of identity for Tesla's car license plate, which makes Tesla a customer group with high loyalty in China.

2.3.4 Threats

(1) The tariff of Tesla Motors in China is relatively high, so it is less likely to get subsidies from the Chinese government. The selling price is affected by the change of exchange rate
Tesla's current models are not produced in China and are mainly imported from abroad, so it cannot enjoy the preferential policies of the Chinese automobile market, such as financial subsidies for new energy vehicles. Secondly, because of China's high tariffs, Tesla's domestic price is much higher than that of the United States. In addition, in recent years, the RMB exchange rate has continued to decline, which is bound to cause the sales price of Tesla Motors in China to rise.

(2) New energy vehicle brands are springing up in China, with a small target customer group

Because the new energy vehicle market has broad prospects, traditional automobile manufacturers and network technology enterprises have entered this emerging market. These new energy vehicles of Chinese brands can now obtain preferential policies from the Chinese government to attract a large number of consumers. In addition to traditional automobile manufacturers, enterprises with strong capital at home and abroad also participate in the competition. Due to the high price positioning of Tesla and the low recognition of Tesla cars by high-end consumers in China, the number of buyers is small.

CHAPTER 3

3. TESLA MOTORS' MARKETING STRATEGY IN CHINA

3.1 Product Strategy

Tesla Motors is quite different from traditional automobile enterprises in marketing mode. It has positioned its products as high-end fashion, green and environment-friendly, and has been sought after by high-income consumers. Tesla has set up a super factory in Shanghai for large-scale production, which has greatly improved its sales and revenue. Tesla Motors adopts the sales mode

of combining online and offline, and also provides perfect after-sales, repair, maintenance and other services. It has brought a good service experience to the majority of consumers, and customers choose Tesla to enter its ecosystem. Tesla electric vehicles are welcomed by target customer groups because of their environmental protection and high performance characteristics.

3.2 Price strategy

With the maturity of China's automobile market, consumers have become more and more rational in their consumption of automobiles, focusing on cost performance. At present, Tesla Motors has flexible pricing and can meet the needs of consumers at different levels. However, the high tariff makes Tesla's price in China on the high side. Although some consumers prefer new energy vehicles, low prices are an effective means to open the Chinese market. To achieve this, Tesla Motors must be localized, which can effectively avoid the tariff generated by purchasing from abroad, thus reducing the price. Secondly, domestic Tesla can also get subsidies for new energy vehicles, further reducing the price.

3.3 Promotion strategy

In order to attract potential customers, Tesla can launch a sales promotion of old cars for new ones. The range and charging network coverage are the most worrying problems for customers who buy new energy vehicles. If Tesla Motors can achieve long-distance travel, it can alleviate customers' concerns to a large extent. Therefore, Tesla can clearly mark the specific location of Tesla charging station on the map through cooperation with navigation software, so that customers

can easily find the charging place. In addition, Tesla can expand online intelligent services.

Customers can enter their purchase needs and preferences on Tesla's official website to match the

appropriate models and help customers accurately select Tesla models.

3.4 Public relations strategy

In recent years, urban pollution is serious, and reports of air pollution harming citizens' health frequently occur. Tesla's green environmental protection concept of new energy vehicles has been affirmed by the majority of consumers. Tesla should strengthen publicity to establish its core brand

image. For example, Tesla can host the auto industry summit forum with the theme of "green action", which can drive and influence other auto brand manufacturers and further consolidate Tesla's brand image. In addition, Tesla agrees to use more than 200 of its patents in good faith with other automobile manufacturers. Tesla can focus on promoting its technological advantages so that it can establish a brand image of innovation and technology pioneer in the industry.

3.5 Power strategy

With the development of China's urban economy, people's car ownership has become increasingly

large. Urban traffic planning and car growth do not match, and traffic congestion has gradually become a common phenomenon. Therefore, in order to solve this problem, the government has successively introduced vehicle licensing and traffic restriction measures, and also supported the development of new energy vehicles from the policy perspective. As long as entering the new energy vehicle catalog, Tesla can enjoy national preferential policies, which is the direction of Tesla's active efforts in the future. Therefore, Tesla should further enhance its competitiveness, realize localization and localization as soon as possible, strive for preferential support policies of the Chinese government, and better help Tesla to develop the Chinese automobile market.

CHAPTER 4

4. OUTLOOK

The Chinese government's strong support for new energy vehicles has brought a broad space for the development of new energy vehicle enterprises. However, Tesla, as the representative of new

energy vehicles, has a unique sales system and excellent technical support, making it an unprecedented success in China. Tesla's success has also promoted the vigorous development of new energy vehicles in China. However, Tesla faces many difficulties in its development in China. For example, the localization and localization of production, the diversification of vehicle models and the high price limit Tesla's sales growth rate to a certain extent. How to solve the above problems is an urgent problem for Tesla's sustainable development in China, which will also become a new growth point for Tesla's sales in China.

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