



TESLA MOTORS

The global business environment A2

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REPORT

Global leader automotive industry Tesla Motor Company

Assessment 2

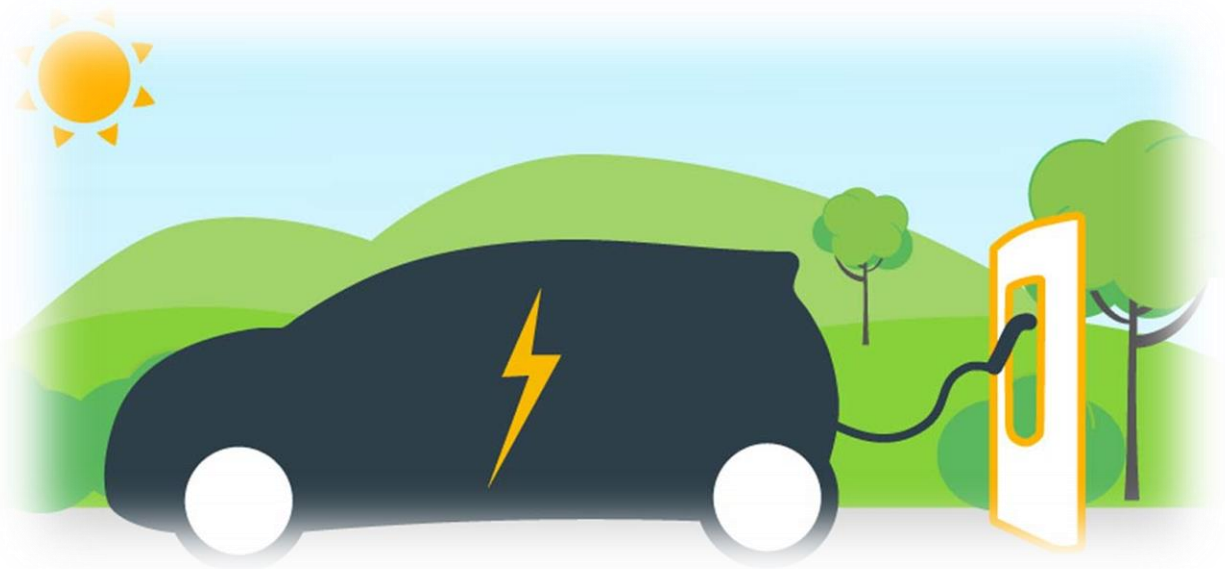


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I Introduction

“Globalization is a term used to describe the process of integration on a worldwide scale of markets and production. The world is moving away from a system of national markets isolated from each other by trade barriers, distance and culture. So, for globalization, national boundaries are not important economically, free trade and movement of labour and other resources result in breakdown of these boundaries and one big global marketplace.” says Worthington I., Britton Ch., “The business environment”, 7th edition, 2012.

A study conducted in the UK analyzes that the most sought-after model of electric vehicle in the world is the Tesla Model 3. Model 3 is followed by the Nissan Leaf, as well as the other two Tesla cars - Model S and Model X.

Tesla models dominate the Internet demand for electric vehicles. In the electric car sector, Nissan Leaf (16.1%), BMW i3 (4.4%) and Renault Zoe (2.2%) have taken an interest in Google-based search. The Model 3 dominates key global automotive markets, such as China, the United States, much of Europe and India. In Russia, they are interested in Nissan Leaf Russia, while in Mexico and Argentina most Tesla Model S users prefer it. The BMW i3 is popular in Brazil. The national origin of a particular car does not always match the demand in the same country. The BMW i3 is a German car, but there is considerable interest in Google searches from Japan.

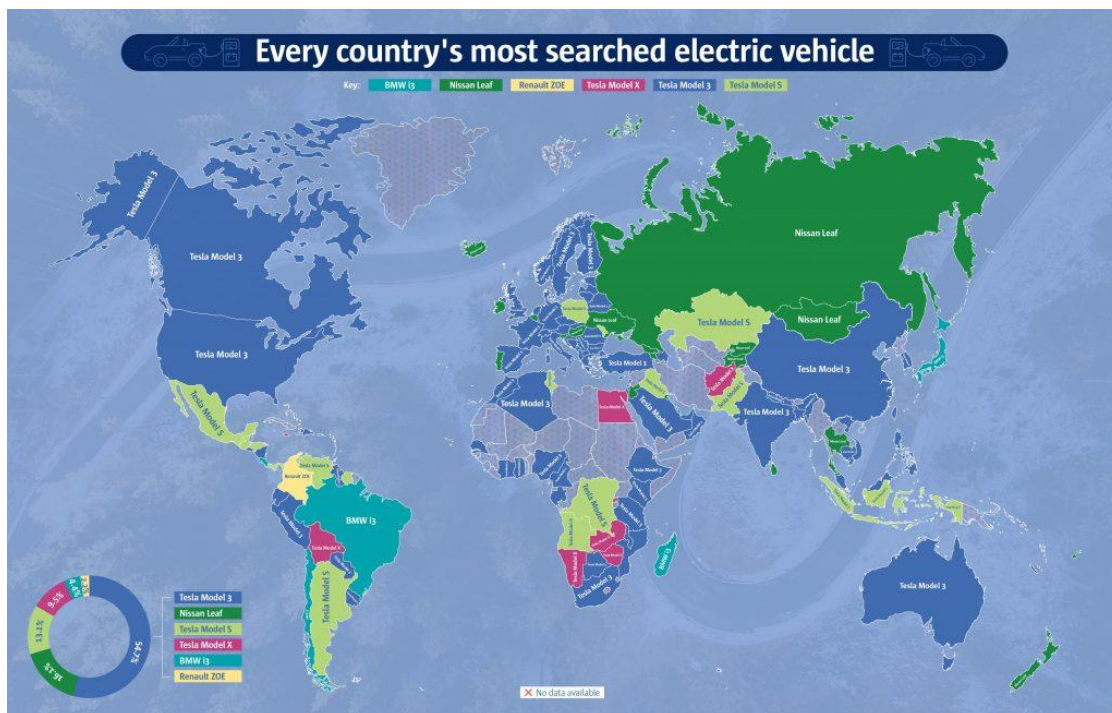


Fig 1.

The BMW i3 is made in Germany, but the country has more interest in the Tesla Model 3.

A plus for the company is the creation of its own network of Supercharger stations, where drivers can charge their vehicles. The idea for the construction of the stations is to increase the reception speed of electric cars. In parallel with the development of car production, Tesla expanding the network of Supercharger stations in the USA, Europe and Asia.

II Global electricity automobile

“The combination of environment factors that contributed to success within an organisation’s domestic market maybe absent in a foreign country, resulting in a failure of export attempts. In this section, question to be asked in analysing an overseas business environment are examined under the overlapping headings of the political, economic, social and technological environments.” says Palmer A., Hartley B., The business environment, 7th edition, 2012.

Internalization refers to the strengthened links between nations in terms of trade and the inertia of resources. The main goal of globalization is to increase the integration of national markets and at the same time the interdependence of countries around the world for a wide range of goods, services, and merchandise. In summary for the last 30 years, they have expanded significantly international trade flows faster than global production. The value of the dollar in 2006 reached 11.98 trillion dollars world commodity exports compared to 1995 were \$ 5.17 trillion, and exports of commercial services rose to 2.71 trillion.

Globalization has reached a rapid and wide-scale as a result of trade, providing new opportunities and horizons for accelerating economic growth, development and poverty reduction. There are threat concerns about the cost of trade globalization that can lead to increasing inequalities and loss of social cohesion through economic, social, political and environmental unsustainable factors, which in turn can affect businesses and companies, as well as in this case Tesla.

The dynamics of the market was also reflected in the significant demand for light electric cars on a global scale, as in fig. 1. shows the trend growth from 2010 to 2019. In 2019 the number of electric cars reached 2 264 400 units and compared to the previous year by 9% higher. The change in sales declines is due to stagnation in the two largest markets, the United States and China. The European market grew by

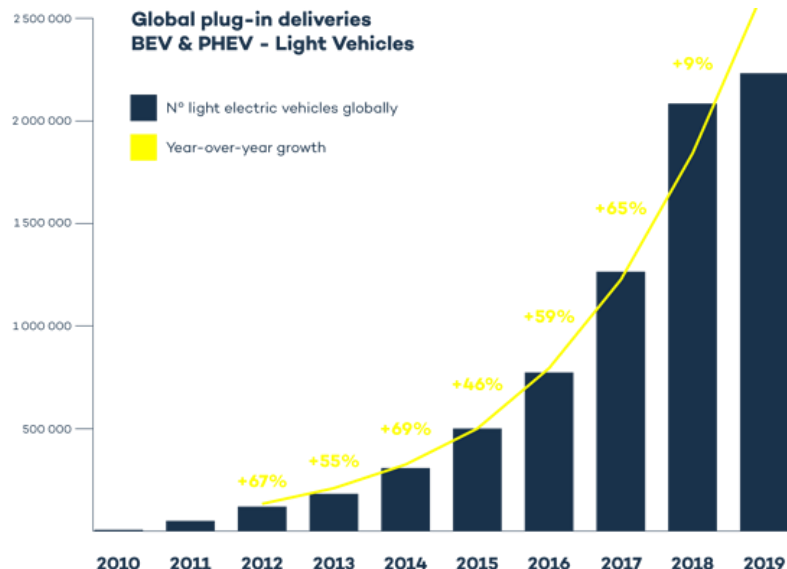


Fig 2.

44%, due to changes in grants and national taxation.

The global market determines supply and demand, and any environmental factor can affect production. Car electric companies have suffered from the COVID-19 situation and are expected to have difficulties in 2020.

Tesla has strong competitiveness in the global market, with Tesla leading with Model 3. Based on units of electric cars sold in an active market, Tesla plans to produce 500,000 Model 3s in 2016.

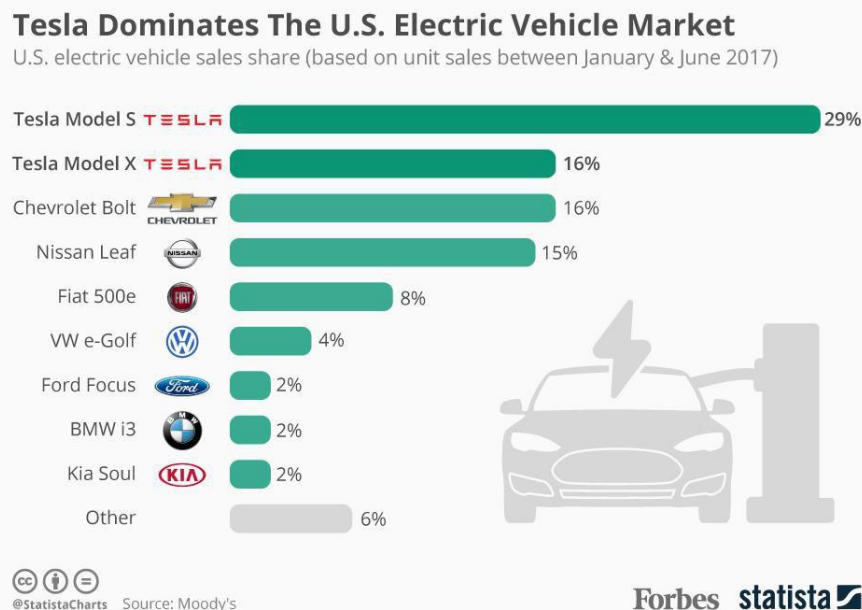


Fig 3.

Tesla has achieved something that nobody in the auto industry thought was possible, Matthew DeBord Dec 22, 2018, <<https://www.businessinsider.com/tesla-monopoly-electric-car-market-2018-12?r=US&IR=T>>, (Accessed: July 28, 2020).

Tesla's policies are to stay in the lead and not reduce sales in the global market. The company's cars have high demand, with the S and X models dominating the United States market with 45 percent of all American electric car sales. The world-famous Chevrolet brand with the Bolt model had 16 percent of sales, followed by Nissan Leaf with 15 percent.

1. Monopoly market structure

“Monopoly lies at the opposite end of the spectrum to competition. In its purest form a monopolistic market is one in which there is no competition at all; there is a single producer supplying the whole market. The monopolist has considerable market

power and can determine price or quantity sold, but not both because he or she cannot control demand.” says Worthington I., Britton Ch.

Elon Musk's company created the first new car company in the United States and conceived a micro monopoly. Globally, the electric car market accounts for only about 1% of total sales, with Tesla seeking to double to 2%.

The disadvantage of the company is that there is strong competition from cars internal combustion engines and to solve global warming problems and this is the reason why they are an example for other car manufacturers and to follow and be promoted following the example of Tesla. The disadvantage of the monopolies of electric car manufacturers is facing many difficulties and problems in growth and development, one of which is the uncertainty of the constant price of the monopoly.

The advantage of Tesla is that it has control over the price range of its mini-monopoly. Consumers are willing to pay for their brand of electric cars, and this has also helped them take out easy loans. Tesla's growing monopoly is difficult to compete due to its global market leadership.

Predicted over the next 50 years, Tesla will remain highly competitive in the monopoly, as doing business in this sector is difficult and will not be easy.

2. Demand in global automobile industry

“Demand refers to the quantity of a product that consumers are willing and able to buy at a specific price over a given period of time. In economic analysis, demand is measured not simply in terms of what people would like to buy – after all, most people would probably want to buy expensive holidays and cars.” says Palmer A., Hartley B.,

Demand refers to how many people actually have the opportunity and desire to buy a product at a given price and give a set of assumptions about the product and the environment in which it is offered. Nowadays, Tesla is the most valuable car manufacturer in the world.

The company's strategy is to increase customer interest and increase demand, and therefore there are many shopping centers with service centers, which allows consumers to charge or service their vehicles in service centers or in Plus service stations. Interestingly, the Model S provides an alternative to finding the problem online without physically touching.

III Tesla Motor Company

1. Vision, mission and purpose

Tesla's mission and vision reflect the nature of their production and their production of electric cars and panels. The company strives for leadership by maintaining a strong brand image and growing popularity to succeed in the global electric car market. The corporate mission and corporate vision achieve satisfaction for the company and serve as an indicator of the operational efficiency and development of Tesla's business.

The message of Tesla's mission was "to accelerate the world's transition to sustainable transport." In 2016, the company changed its mission under Elon Musk to "accelerate the world's transition to sustainable energy." The new statement reveals a small change, but significant for the company's business, in order to meet the market opportunities for renewable energy. The new corporate mission creates a clear expression of the importance of batteries and related energy storage products in the markets in addition to the electric vehicle market.

Tesla's vision in the global marketplace is to create the most exciting automotive company of the 21st century by managing the world's transition to electric vehicles. The focus of the corporate vision is tied to facilitating the growth of the global market and focused on the renewable energy of electric vehicles.

The corporate vision of the company aims to be captivating in the industry on the global market with a leading position and high achievements in business, through innovative and integrated technologies in their electric cars. The strategic approaches of the company satisfy the requirements and desires of consumers for the 21st century with the design and production of electric vehicles. The company predict current problems such as environmental protection and is looking for solutions with advanced technologies. The company's business is expanding, developing plans for new factories in developing regions in Asia. Tesla's competitors also expanding in a similar way to the company Tesla as Volkswagen, Nissan, Honda and BMW.

Tesla's growth is based on their concept of the company's sustainability, focusing on the triple line that interacts with each other: people, the planet and profit. People's influence is one part on which the company focuses on promoting a low-carbon lifestyle, increasing preferences for renewables in emerging markets. The other part is Planet, in order to reduce climate change, encourage the increase of environmental

programs, raise waste disposal standards and reduce the cost of renewable energy. They focus on profits to reduce battery costs, economic stability issues, the pace of technological change, increase business automation, increase the popularity of online mobile systems and expand international patent protection.

The company's focus on sustainability and growth and development is easily achieved, and today it is the most valued car brand, even after the situation with Kovid-19. Its competitiveness is so strong that it has even surpassed its industry giants such as Toyota and Volkswagen. In early 2020, Tesla achieved impressive success, surpassing the value of GM and Ford together.

Tesla's popular Model 3 sold more cars in 2019 than in the previous two years combined, giving the company the future to take big steps to increase its production capacity.

Currently, Texas, Austin, Tulsa, and Oklahoma are introducing incentives to attract Tesla's new U.S. plant. The company is building Giga Berlin in order to increase its global presence, which is the first European production facility, and is completing the ongoing expansion of their facility in China.

Tesla's strategy is not to lose the interest of customers and to promote the brand, as one of the methods they use is social media, with a strong presence on the Internet. Interestingly, the company is investing \$ 0 in paid advertising on a social media platform, with the car company relying on its social media commitments.

2. Value chain

“Customers choose among competitive offering on the basis their perception of the relative value they will derive from each supplier or product/services. When choosing a new pair of trainers, customers consider various criteria. These may involve the style, durability, comfort, price and self-image, and the importance of each criterion will vary according to each individual and purchase context.” says Banes P., Fill Ch, Page K., Marketing, second edition.

Each company strives to achieve optimization and efficiency of the activity that performs all this is analyzed with the value chain. The optimization of the company analyzes through value chains to build new sources of competitive advantage and increase operational efficiency. as well as to build new sources of competitive advantage. The value chain analyzes two types of activities - primary activities and supporting activities.

➤ Primary Activities:

- Operations:

Tesla was founded in 2003 and is headquartered in California, USA. In 2008, it launched its Roadster, and later the Model S. The company manufactures batteries and energy storage products. It also manufactures 3 models of powertrains in Gigafactory 1 and 2.

- Outbound logistics:

The leading manufacturing company is Gigafactory, which is one outside Reno, Nevada of Tesla's production network. The company's facility in Fremont, California, is based on several manufacturing operations, including the final assembly of the vehicle and end-of-line testing.

- Marketing and sales:

Tesla invests much less in marketing than its competitors in the global market. The company uses its website as well as social networks for marketing and promotion. Tesla owns a large network of shops and galleries, as they are used for marketing as well as for sales and service.

- Products and services:

In 2008 the company introduced its first product, Roadster, and after some time launched Model S. In 2015 launched Model X and then Model 3 in 2016. They developed a model truck that is powerful and safe for the environment and made for safer driving. Tesla offers a wide range of energy products, including storage products and solar tiles. Tesla's large network of shops and petrol stations offers after-sales service located in different parts of the world.

➤ Support activities:

- Technology:

There is strong competition in the automotive industry worldwide, and there are a growing number of brands looking for alternative fuel. Tesla's competitors with models of electric cars and hybrids plan to expand the range. Innovation is tied to technology and the company is attractive in the market with autonomous driving and electric mobility.

- Infrastructure:

Tesla's market segment is in the field of automotive and energy products. Elon Musk is responsible for making important decisions, and under him are vice presidents who head several departments, including sales, finance, manufacturing, engineering, and more.

- Human resource management

The company employs talented employees to implement good management of the organization and maintain high operational efficiency. Tesla focuses on human resource management to increase its competitiveness and growth and development.

- Procurement:

Tesla has built strong relationships and close relationships with several major suppliers. One of the company's leading suppliers is Panasonic, which supplies battery cells for their vehicles.

3. PESTEL analyse

“Societal and general environmental (often termed the macroenvironment) is typically analysed through the lens of PESTEL analysis, which focuses attention on political, economic, socio-culture, technological, legal, and environmental and/or ethical issues. At this point for the organisation a distinction can be draw between environmental scanning and environmental analysis.” says Worthington I., et. all.

➤ Political factor

The political factor is part of PESTLE analysis as the government affects Tesla's business on business and its macro environment. Government entities regarding trade can influence or limit the company's productivity and revenue, which is why external analysis of political factors is important for Tesla and the industry.

The external factor can affect the company as Tesla increases its financial results through incentives and support from governments. More and more countries are looking for alternatives to environmental pollution, and Tesla is proposing to minimize carbon emissions through the activities and products it offers on the world market, giving them the advantage of expanding the automotive business and free trade internationally.

➤ Economical factor

The influence of the economy is a factor in the macro-environment and the effect affects Tesla in their automotive business, such as variables of market growth, levels of currency trading, and others. I can give an example of the growth opportunities of the solar energy company, which is determined by the growth rate of the market.

The external factor is successfully influencing Tesla, as renewable energy is becoming increasingly popular in the world today. The company benefits from lower battery costs by reducing renewable energy costs and making the company more attractive.

➤ Social factor

The social factor is variable according to the trends that affect Tesla's macro-environment through employees, consumers, and shareholders of the company. This factor from PESTEL analyzes the strategies for their targeted markets and how the company responds to social trends to maximize benefits.

Tesla's growth potential is growing in parallel with the popularity of healthier lifestyles, such as the use of low-carbon cars. The company's socio-cultural opportunities provide a good prerequisite for growth and development internationally, as today's trends in low-carbon cars make it more attractive and increase the potential buyers of relatively expensive cars.

➤ Technologic factor

The technological conditions analyze the development of innovative energy and automotive correct solutions to Tesla. The aim is to find efficiency in the automotive industry and the cost-effectiveness of batteries.

Tesla has a huge advantage over its competitors because it provides the global market with innovative products with additional automation of its business processes. Technological improvement is part of the trends of car companies and Tesla has a huge opportunity for growth if it integrates online mobile systems in cars.

➤ Ecologic factor

Environmental trends are affecting Tesla's industrial environment, as the company provides solutions to climate change and waste standards through manufacturing. Their electric vehicles, solar panels and batteries are considered suitable for finding

solutions to deal with those external factors that are related to the use of environmentally friendly products and the sustainability of the business.

In conclusion, Tesla's PESTEL patent protection analysis can provide Tesla with secure business growth in the international market. Legal laws, regulations and conditions are part of the macro environment for any company, so Tesla must follow the policies of each country in which it trades to protect workers, consumers and the company.

Three environmental factors can significantly affect and are essential for company sustainability, namely economic, social and environmental. The economic factor refers to reducing costs, increasing productivity and optimizing operating parameters to increase efficiency. A social factor responsible for reducing security and health risks by aiming to improve safety conditions. The environmental factor refers to the reduction of energy consumption, reduction of consumption of materials, input materials, reduction of waste and use of an electrode with environmentally friendly materials.

4. Porter's forces analysis

➤ Strong forces: Competition

Tesla is competitive in the global market, and this part of the analysis provides information on the impact of competition on automotive solutions and energy resources.

Globally, there are highly competitive car companies that they rely on innovation and good marketing campaigns. Tesla's marketing mix sometimes strengthens the strength of competitors due to low costs. This aspect analyzes the priority for strategic management in the field of automotive and energy solutions in the company's industry.

➤ Power of Customers

The analysis of the five forces includes the influence of consumers on the automotive industry, batteries and solar panels. Tesla's operating revenues are determined by the direct factor - consumers, as external factors affect the intensity and maintain the moderate strength of the market power of the company's customers. These external factors are weak refer to low switching costs, moderate force refers to the presence of a substitute, and weak force refers to small volume of purchases.

Barriers for customers to purchase cars from other suppliers are reduced due to lower switching costs. Porter's Five Force analysis provides information on this external factor, which imposes a strong force on the automotive industry and the company.

➤ Power Suppliers

Tesla suppliers are an external factor and their influence is limited and controlled by the company regarding the distribution of product sales, therefore they have a low level of integration. Tesla uses franchised dealers for direct sales, creating an international network of urban centers around the world in showrooms and galleries. The advantage of the company is that it has a sales channel and has the ability to accelerate product development. Tesla has no worm conflicts and recreates a better customer experience.

➤ Threat of Substitutes

This external factor imposes a strong force against industrial production, such as finding alternative substitutes, we can give with public transport, which can easily attract customers. A barrier to the impact of this situation is the moderate availability of substitutes. The advantage of a private car over public transport is that it is more versatile, which is one of the advantages.

➤ Threat of New Entrants

Tesla's growth and development are powerful in the global automotive market, making it strong and powerful competition and a difficult brand to displace due to the high cost of developing their products and the popularity of leader Elon Musk. Another advantage for the company over the new competitors is the high production costs, which impose an obstacle for the new companies. Tesla can benefit from the growing economies of scale that new entrants can achieve if the production threshold is exceeded.

- Recommendation

The company's revenue increases every year, thanks to the leadership of Elon Musk. The company has a huge opportunity to improve its operations in the global automotive market by concentrating on the competitive market. This external factor is part of the macro business environment, and Tesla needs to consider the state of its business vis-à-vis other carmakers and energy solution providers.

IV Conclusion

Electric vehicles in the global market are increasing demand and supply daily and more and more companies are striving for this production with the introduction of electric models and hybrids.

Today, electric cars are one of the solutions to the problem of environmental pollution and are the answer to the questions of green and clean mobility.

Electric transport has advantages in terms of carbon dioxide emissions and human health over internal combustion engines.

Tesla develops electric vehicles and products to generate and store clean energy, has the concept and goal to be better, faster, and more fun to drive than gasoline cars. Tesla's main mission is to balance the triple line of people, the planet, and profit, which is why they seek to protect the planet by reducing fossil fuels from humans and moving towards a zero-emission future while making a profit.

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