



LCMB7024

Marketing Management

Assessment Component 1

Marketing Environment Analysis

Report Title: Marketing Environmental Analysis for Pioneers and Followers over Tesla, Inc. and Ford Motor Company in the Electric Vehicle Industry

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Introduction

Over the last decade, the electric vehicle (EV) industry has been growing more than it has ever grown before due to the changing tastes in the consumer market, the interventions of government policies, and the pace at which technology is advancing. This report is a critical analysis on the macro marketing environment of two well-known organisations in this industry; Tesla, Inc. as the pioneering organisation and Ford Motor Company as the follower organisation. The report provides an analysis of the opportunities and threats presented by the key external macro-environment factors to each company. In addition, using proven strategic marketing models such as Porters Generic Strategies and Ansoff Growth Matrix, the report compares and analyses the strategic responses adopted by the two organisations in maintaining a competitive edge to growth in a market environment that is changeable and fast moving.



Figure: EV pioneer Tesla & Ford (Ansoff et al., 2020).

Task 1: The Macro Marketing Environment by Critical Analysis

1.1 Critically analyse the macro marketing environment

Macro marketing environment refers to sweeping external forces that affect strategic decisions made by an organisation but are usually not directly controlled by such an organisation (Kotler and Keller, 2021). PESTLE, among other frames used to analyse these forces, include political, economic, social, technological, legal and environmental forces. In the case of organisations in the EV industry, two relatively important macro-environmental drivers over the past few years have influenced organisational competition: political/regulatory and technological forces. It is critical to know how these external forces generate opportunities and threats to succeed in strategic marketing management (Wilson and Gilligan, 2020). Tesla, Inc. and Ford Motor Company should always observe and act upon these forces to remain relevant and competitive in the market.



Figure: Macro marketing framework (BloombergNEF, 2023).

1.2 Macro-Environmental Factor: Political and Regulatory Forces

Political and Regulatory Development

Governments all over the world have implemented upfront policies in order to speed up the process of making the internal combustion engines (ICE) switch to electric vehicles. A proposal by the European Union to outlaw new sales of petrol and diesel automobiles by 2035, the United States Inflation Reduction Act (IRA) of 2022 that offers significant tax incentives to those buying EVs, and an aggressive round of subsidy plans in the United States have collectively transformed the car industry (Shepherd and Massoudi, 2022). These regulatory changes are indicative of a wider political desire to deal with climate change and mitigate carbon emissions in a way that provides all automotive manufacturers with an entirely different operating environment. Regulatory change has been especially noticeable in size and pace, effectively necessitating a strategic shift to electrification in the entire industry (Bohnsack et al., 2020).

Impact on Tesla, Inc. (Pioneer)

In the case of Tesla, since the company is the first to venture into the EV market, political and regulatory factors have presented tremendous opportunities. The earlier decision of Tesla to pursue a fully electric range of products implies that this company is by definition in alignment with the movement of the regulatory process. This is because the governmental subsidies and tax benefits like the federal tax credit of \$7,500 under the IRA directly affect Tesla by ensuring that its vehicles are more affordable and appealing to buyers (Mangram, 2024). In addition, regulatory credits could be obtained by zero-emission vehicle (ZEV) obligations in certain states, such as California, have offered Tesla a profitable income source, with the company collecting several billion dollars in credit sale to legacy car manufacturers that are unable to achieve emissions goals on their own (Perkins and Murmann, 2022).

Nonetheless, there are also some threats to Tesla posed by political forces. With the entry of additional competitors into the EV market, the competitive advantage of regulatory credits is reduced. Furthermore, the geopolitical tensions, especially the ones between the United States and China, pose a threat to the functioning of Tesla in its Shanghai Gigafactory and access to the largest EV market in the world (Chen and Perez, 2023).

Impact on Ford Motor Company (Follower)

In the case of Ford Motor Company, the political and regulatory environment as a follower organisation has brought opportunities and dramatic threats. The opportunity is that there are government incentives that could be taken advantage of to counterbalance the heavy cost of investing in changing Ford to produce EV and not ICE. Ford, which has extensive manufacturing capacity in the United States, has been a beneficiary of the domestic manufacturing needs of the IRA (Sturgeon and Van Biesebroeck, 2021). Ford has used these incentives to promote its pace in electrifying its products, with its Ford Model e division, which it established in 2022.

Nonetheless, the regulatory requirements are also a meaningful threat to Ford because the company will have to balance between the challenging and expensive conversion of its previous ICE business and at the same time develop EV capacities. The economic cost of keeping two production lines, traditional and electric, imposes significant pressure on the resources and financial profitability of Ford (Jacobides and MacDuffie, 2023). Tighter regulations on emissions also serve as a further blow to profit-generating divisions of ICE-based trucks and SUVs that continue to be profitable areas of Ford.

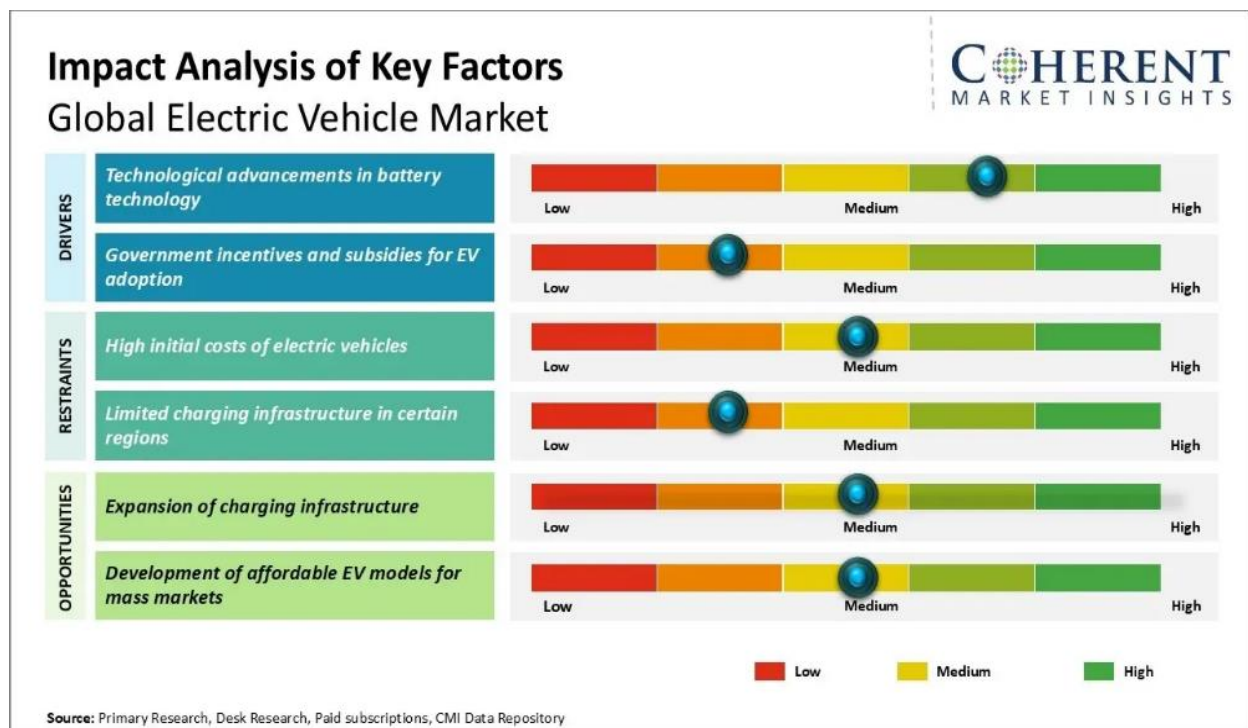


Figure: EV market impact (Chen and Perez, 2023).

1.3 Macro-Environmental Factor: Technological Forces

Overview of Technological Developments

The technological environment in the EV sector has changed fast, including developments in battery technology, autonomous driving, electric vehicle charging systems, and software-defined cars. Battery prices have dropped about 90 percent of what they were 10 years ago and in 2023, the prices of lithium-ion battery packs are lower than 140-dollar a kilowatt-hour (BloombergNEF, 2023).

At the same time, solid-state battery developments appear to deliver even higher energy density, reduced charging time, and enhanced safety. It has also changed the competition in the industry due to the integration of artificial intelligence, over-the-air software updates, and advanced driver-assistance systems (ADAS) (Teece, 2023). Those technological forces are not only redefining the definition of competitive advantage in the automotive industry, but they are also transforming consumer expectations.

Impact on Tesla, Inc. (Pioneer)

Technological forces helped Tesla to create and strengthen its pioneering status in the EV industry. One of the largest opportunities is the fact that Tesla has invested heavily to develop proprietary battery technology, such as the 4680-battery cell, which will allow Tesla to lower its production costs and improve vehicle range (Xu et al., 2020). The vertically integrated technology, including battery manufacturing, software design, autonomous driving systems (Full Self-Driving), and the unique Supercharger network Tesla operates, gives it a competitive moat.

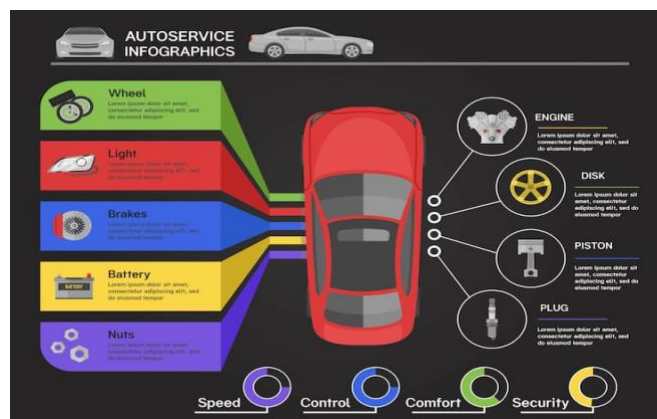


Figure: Tesla car features (Jacobides and MacDuffie, 2023).

The capability to provide over-the-air software updates enables the company to never end its integration of improvements to the functionality of the vehicles once purchased, establishing a differentiated customer experience that is difficult to force traditional automakers to follow (Cusumano et al., 2021). However, Tesla is also threatened by technological forces. Fast-paced technology adoption implies that the technology gap between competitors is getting reduced. Chinese firms like BYD have come up with viable battery technologies including lithium iron phosphate (LFP) batteries that question the technological edge of Tesla (Liu and Zhang, 2022).

Ford Motor Company (Follower) Impact

To Ford, the forces of technology are a two-sided threat. The maturity and technical cost-reduction trends in EV technology represent an opportunity where Ford can use already-established supply chains and relationships to gain access to the latest and greatest technology without having to necessarily create everything internally. An example of this strategy at Ford is the strategic alliance between Ford and SK Innovation on battery manufacturing and the joint venture with Volkswagen on the MEB platform in European markets (Jacobides and MacDuffie, 2023). Such collaborations enable Ford to speed up its technology development process and control the development costs. But technological forces equally represent a major threat to Ford.

The ICE history engineering background of the company simply cannot be directly converted to EV capability, necessitating significant workplace reskilling and clean-sheet manufacturing procedures (Sturgeon and Van Biesebroeck, 2021). The software potential at Ford is significantly inferior to that of Tesla, and this is a significant drawback because vehicles are turning more and more into software-defined systems. The rate of technological innovation threatens to make the current EV investments at Ford become outdated before they can yield significant values, resulting in a continued tension between the urgency of becoming innovation and the financial constraints of carrying two-technologies-portfolio.

Task 2: Strategic Despondences of Pioneer and Follower Organisations

2.1 Strategic Marketing Frameworks: Overview

Two recognised frameworks are used to compare the strategic responses of Tesla and Ford. The Generic Strategies framework defines three generic strategies as cost leadership, differentiation, and focus, by which organisations can gain competitive advantage (Porter, 2021). Growth Matrix of Ansoff offers a complementary perspective, classifying the strategies of growth as market penetration, market development, product development and diversification in response to the interaction of existing/new markets and existing/new products (Ansoff et al., 2020). Collectively, these frameworks form the overall foundation to comparing how each organisation strives to maintain growth due to macro environmental forces.



Figure: Marketing frameworks (Kotler and Keller, 2021).

2.2 Tesla's Strategic Response

Porters Generic Strategies: Differentiating into Cost Leadership

Tesla first tried a definite differentiation policy, establishing itself as a luxury producer of technologically sophisticated electric cars. The initial products of the company, which included the Roadster, Model S and Model X, were oriented toward wealthy early adopters and focused on superior performance, extreme technology and brand image (Mangram, 2024). Such distinctions were emphasised by Tesla exclusive direct-to-consumer sales model, exclusive Supercharger system, and autonomous driving functionality.

Nevertheless, over time, and as more and more competitors became a fact, rising competition, and the prospects to be offered by regulatory incentives, Tesla increasingly factored aspects of cost leadership into its strategy. The launch of the Model 3 and Model Y at vastly lower prices and gradual price cuts throughout 2023 are indicators that Tesla is pursuing mass-market segments with the goal of achieving economies of scale through volume (Cusumano et al., 2021). Tesla investments in manufacturing innovation, especially Gigafactory facilitate this strategic evolution (Teece, 2023).



Figure: Porters Generic Strategies (Teece, 2023).

Ansoff Growth Matrix: Multi-Directional Growth

The Tesla growth strategy simultaneously includes several quadrants of the Growth Matrix of Ansoff. As far as market penetration is concerned, Tesla has been aggressive in pricing and Supercharger networks to enhance adoption in the existing markets of the United States, Europe, and China (Chen and Perez, 2023). In market development, Tesla has penetrated new geographic market in areas such as India, Southeast Asia, and emerging markets, as well as opened its Supercharger network to non-Tesla vehicles, ongoing to increase its ecosystem influence.

The product development activities by Tesla are apparent in the launch of the Cybertruck, which is the next-generation affordable vehicle platform, and in the launch of the Semi truck that focuses on commercial logistics. Tesla is, perhaps, most ambitiously diversified, not only in cars but also in energy storage (Powerwall, Megapack), in solar energy systems, and in its artificial intelligence development through the Dojo supercomputer system and through the Optimus humanoid robot programme (Xu et al., 2020). This multi-faceted expansion strategy is indicative of the reaction of Tesla to both regulatory tailwinds and technological opportunities.



Figure: Ansoff Growth Matrix (Liu and Zhang, 2022).

2.3 Ford's Strategic Response

Porters Generic Strategies- Focused Differentiation

Ford has strategized in a manner that can most easily be described as focused differentiation meaning that it has concentrated its EV programme on segments in which it already has existing brand equity and market share. An ideal example of this strategy is the Ford F-150 Lightning, an electrified variant of the best-selling vehicle in U.S. history, aimed at used to make the most of the established F-150 brand identity in the electric pickup truck market (Perkins and Murmann, 2022). Likewise, the Mustang Mach-E relies on the legacy and emotional connexion of the Mustang brand as a strategy to enter the electric SUV market.

This targeted market specialisation enables Ford to market to particular customer groups where brand loyalty and product familiarity offer competitive advantages compared to Tesla and new entrants in the EV industry. Nonetheless, Ford is experiencing tremendous cost pressures that hamper its positioning under strategy. In 2023, the Ford Model e division of the company saw the company report significant operating losses of over \$4.7 billion and in the process showcases the financial problems of having to compete on both differentiation and cost dimensions at the same time (Jacobides and MacDuffie, 2023).

Ansoff Growth Matrix: Selective and Measured Growth

The fact that Ford utilises the Growth Matrix by Ansoff is indicative of a more conservative and selective strategy than Tesla. Ford has placed more emphasis on product development, which has seen it develop electric variants of established models to cater to their existing customers. The F-150 Lightning, Mustang Mach-E, and E-Transit van are product development initiatives that build on the knowledge Ford has in the commercial and consumer vehicle markets (Sturgeon and Van Biesebroeck, 2021). Both companies have leveraged the strong network of dealers that Ford has the benefit of having over Tesla, which operates a direct-to-consumer sales strategy, to make EVs more accessible and visible to mainstream customers.

Ford has made relatively little effort in its market development pursuits, but the company has opened the expansion of its EV offerings in European markets by forming a partnership with Volkswagen. It is worth noting that Ford has mostly shunned aggressive diversification outside of its core automotive operations, instead opting to commit itself to the electrification transition of its already present industry segment (Wilson and Gilligan, 2020). This calculated stance is a sign that Ford is understanding that the ICE-to-EV transformation needs targeted strategy emphasis and not divergence of resources towards non-related projects.

2.4 Comparative Evaluation

Tesla and Ford strategic responses demonstrate radically different ways of managing the same macro-environmental forces. Being a first mover, Tesla enjoys the early strategic alignment with regulatory trends, technological advantage and a purpose-built organisational architecture that suits the EV age (Bohnsack et al., 2020). Its offensive, multi-quadrant expansion plan and its changing hybrid differentiation-cost leadership status are indicative of the confidence and flexibility of first-mover that has defined industry standards. The follower Ford, has a more complicated task to protect profitable legacy operations (BloombergNEF, 2023).

The selective product development strategy and focus differentiation used by Ford are a realist approach that capitalises on the company already possessed resources such as brand equity, dealer networks, and market knowledge but exposes the company to competitors that are more dynamic and freer of the old strangles (Shepherd and Massoudi, 2022). This comparative analysis indicates that brand heritage gives Ford an important short-term differentiation.



Figure: competitive advantage. (BloombergNEF, 2023).

Conclusion

This report has critically examined how political/regulatory and technological macro-environmental forces have presented different opportunities and threats to Tesla, Inc. and Ford Motor Company in the EV industry. The first-mover advantage has helped Tesla to take advantage of regulatory incentives and technological leadership, and the follower status of Ford introduces the complicated issue of getting legacy operations realigned with a fast-evolving market environment. By using Porters Generic Strategies and Ansoffs Growth Matrix, the analysis can show that Tesla follows an ambitious, multi-directional growth strategy that is supported by the changing cost-differentiation advantages of the company, whereas Ford follows a more cautious, brand-based strategy that revolves around a selective product development strategy. The results highlight the importance of the fact that the ability to maintain a competitive edge in the EV market is steadily based on an ongoing strategy adjustment to the external macro-environment factors.

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