



TESLA'S MARKETING STRATEGY (25%)

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INTRODUCTION

The tesla's mission is to create a sustainable products and accelerates the development of sustainable energy in the world. Tesla it was founded in 2003 by Martin Eberhard and Marc Tarpenning that they call the company tesla in memory of Nikola Tesla. Thereafter, the company's shares were bought by Elon musk which has become the main owner. In 2008 tesla has launched the tesla roadster addressed for a niche market that it's represented the first electric cars with a high-quality battery that allowed an autonomy of 365 km. however, tesla has changed its strategy with the new model S by turning to a different market target by putting itself in competition with other brands such as BMW, Audi , ect. by positioning itself in a medium-high position on the market. Furthermore, tesla has launched another product line with Model X affirming its supremacy in the electric cars market with a cutting-edge technology and innovative design that characterize tesla. Actually, tesla is direct to a medium-high segment target market but its vision is to become the best company automotive of the 21st century by starting to product new models with the aim to turn to a mass market going forward. in fact, Elon musk has given away the its patents for free so that to accelerate and promoting the electric cars vehicle technology and driving the other companies towards the electric cars. furthermore , the communication strategy that tesla has is outstanding as the company make the most of the advertisement only via social media as well as web forum by standing out by the main players.

1 PESTLE ANALYSIS

the analysis P.E.S.T.L.E make an in-depth analysis to external factors: political, economic, technologic, social and legal that can influence the companies. (Rothaermel, 2014).this analysis is a useful tool to understand the success and the advantage competitive of a particular organisation. tesla's case embraces the entire macro-environment of the electric automotive industry which is affected most by the political and economic factors that have a huge impact on the automotive market in particular the electric cars.

Political factors

The new green deal to take climate change makes clear that the best chance of avoiding the worst impact of climate change is to limit global warming to 1.5 degree (EU, 2019). This is favourable aspect as tesla could increase electric cars sales and strengthen the position on market. In addition, tesla has the opportunity to enhance its financial performance through incentives from governments for electric cars with the purpose to encourage the people to switch from petrol cars to electric cars (Yanni Liang, n.d.).

Social aspects

Tesla has growth opportunities in account of the popularity of energy efficient cars and alternative fuels grows which can only have a positive effect on global climate concerns. furthermore, tesla stand for an environmentally friendly brand solution. This wealth distribution trend increases the population of potential buyers of the company's relatively expensive cars. Furthermore, tesla is expanding its product offering beyond luxury sport cars to include SUVs and more economical car model (Tesla, 2019)

Technologic aspects

New technologies are changing the traditional practices by using the robotic and the artificial intelligence by creating a new challenge for the companies going forward (Pan, 2018). The technological change is an opportunity for tesla to improve its products' technologies. Tesla is developing an autopilot system based on artificial intelligence will be able to conduct short and long distances trips with no action required by the person in the driver's seat (tesla autopilot). Tesla also develop other kind of technology- solar panels, rooftop solar tiles regarding the energy solar sector and different types of high level of batteries, charging stations, computers and major components for tesla model cars. Thus, Tesla Brand represent quality and cutting-edge technology. However, the rapid growth of technology could threat its market because of rapid obsolescence of technologies which tesla used in its production. (Tesla, 2019)

Legal aspects

Tesla has opportunity to expand its business, considering that Elon musk has made the patents open and free for anyone. Additionally, by making the patents free has the opportunity to promote the company's electric vehicles and energy solution products, based on energy consumption regulations that client organizations must follow (thedriven.io, 2019). Moreover, tesla sell its products only through direct sales just in its stores. However, this is considering a threat in the united states because many states don't allow the direct manufacturer auto sales by franchise but the cars can be sell just through the dealers(engadget.com, 2014)

Environmental aspects

Productivity measurement should reflect a huge benefit of sustainable construction in account of reducing lifecycle cost and carbon emission (Hu, 2017)

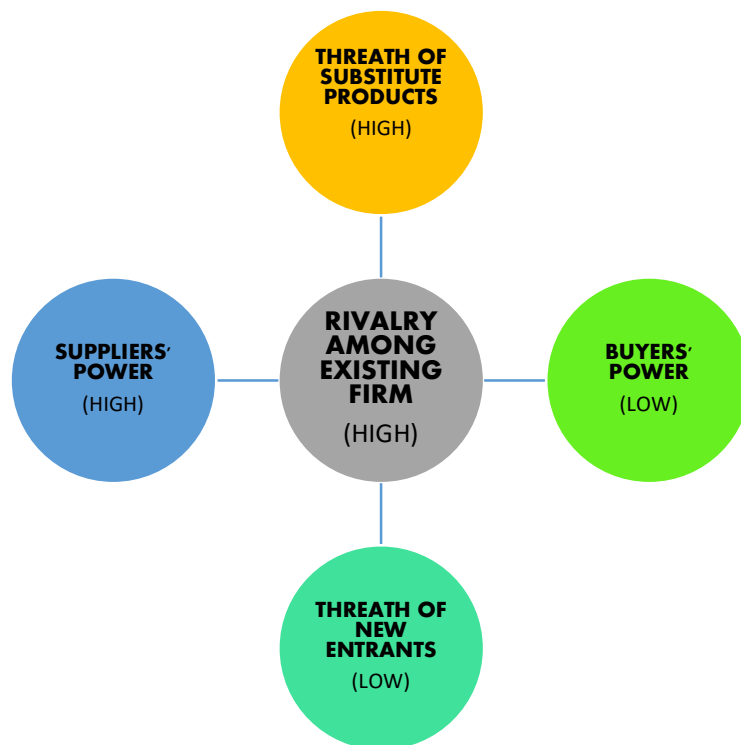
The climate change give the opportunity for tesla to expand its business. promote electric cars, Batteries and energy solar system which represent an opportunity Market based on the nature of its products. thus, tesla is viewed as a most sustainable company of electric cars.

Economic aspects

The Covid 19 has wrought economic disruption, contributing to a dangerous and volatile global upheaval politically, socially and geopolitically. The auto industry has been devastated by the pandemic by dropping from 30 to 20% in 2020 and the profit will fall by 100 billion dollars. (McKinsey & Company, 2020) The economic instability threatens the company's financial performance in account of the huge changes of the economy. However, the costs of renewable energy is decreasing and this could be an opportunity for Tesla because it could enhance his business as the energy renewable getting less expensive and more popular.

2 FIVE PORTER FORCES MODEL

Porter considers that by looking at competitors, the strategist can manage a competitive environment through 5 main elements of market (Porter M., 1979). Porter's five forces is a marketing model that analyses the 5 forces around every industry so that to determine the weaknesses and strength of the company. In other words, this model helps the companies to evaluate the industry attractiveness.



Threats of substitute products (HIGH)

The substitute products are the same product or service that have the same function from other companies. Hence, The switching costs between substitute products is the main element of the threat of substitute products (Klemperer, 1995).

The threat of substitute of products for tesla is high because the electric car doesn't give any major difference with conventional car in terms of its basic function. Furthermore, the price of tesla electric cars are still expensive which make the market accessible by the upper-class society .In addition, low switching cost enables substitutes such as public transportation, to easily attract customers. Thus, this aspect must be considered as primary strategic management aspect .

Rivalry among existing firm : (HIGH)

The market is composed by large number of organizations that compete against each other by creating differentiation, exit barriers and switching cost between competitors. (Hubbard, 2011). The rivalry among existing firms of tesla is high because the multiple companies have attempted to create electric smart cars to compete with tesla by creating more aggressiveness. Furthermore, in spite of the rapid advancement of technology multiple similar companies such as Nissan, bmw, Chevrolet , jaguar have all announced plans to the development of mass market electric vehicles by creating more competition between companies. So, on this point tesla must have a high-priority strategic management consideration on the energy and automotive sector.

Threat of new entrant (LOW)

The threat of new entrant consider how new entrants can affect the market and how them may affect the competitive advantages. Thus, the threat of new entry depends mainly of entry barriers (Jhonson, 2008)

The threat of new entrant is considered low because of huge venture capital that the electric cars' sector request which make difficult to access in this market for a new brand by creating a barrier to entry. In other words, high costs impose a barrier to new firms. In addition, tesla has benefit from increasing economies of scale, which new entrants can achieve just overcome a production threshold. As a result of 5 porter analysis the threat of new entrants can be considered as secondary strategic management aspect

The bargaining power of suppliers (HIGH)

The bargaining power of suppliers depend of the number of suppliers and the size of suppliers. In fact, the profitability depend of suppliers as can threaten the organizations by increasing the prices of supplies (Porter M., 1979)

The supplier's power is high because there are limited suppliers that specialize in electric cars spare parts. Many suppliers aren't capable or willing to change their production to allow the specialized production of tesla vehicles. As a result of limited suppliers tesla become less effective with its choices of suppliers often having to pay certain suppliers more than others due to minimal competition. Moreover, tesla must maintain a good relationship with their suppliers so they keep on give high-quality materials and keep its confidentiality based according to the agreement. Tesla must consider this point as primary strategic management aspect

The bargaining power of powers (HIGH)

The Bargaining power of buyer is the pressure that have the businesses from consumers to get lower prices and high quality of product (Slater, 2002).

The power of buyers is high as the customers can choose the products either from tesla or to another company such as Audi, porche', BMW and any other companies of this segment market. However, the increasing of range to electric cars from news brands such as Toyota , honda, and other companies directed to the mass market, may result less expensive for the customers who may choice a cheaper company than tesla. As a result, tesla must be considered this aspect as primary strategic consideration.

3 SEGMENTATION, TARGETING, POSITIONING

STP is an important model that descript how to construct marketing strategy which identify a specific segment and developing products for a specific target (Kotler, 2016).

The segmentation define the segments by looking different features : geographic, demographic and psychographic. Furthermore, the segments looking at behavioural consideration of customer. The concept of market segmentation is to recognise the differences between consumers (Moutinho, 2000)

Targeting identify specific segment identified. Once the firm has identified its market- segment opportunities, it must decide how many and which ones the target to sell product to, in order to be attracted to consumers regard its products. (Kampamba, 2015)

Positioning is the act of designing the company's market offering and image the occupy a distinctive place in the minds of the target market. The object is to establish the brand in the minds of consumer in order to maximise the potential benefit to the firm (Kotler, 2016).

Segmentation

Tesla uses mono-segment positioning which means they focus on one segment in details. However, they pay close attention to understanding customers sub-groups activity(micro-segment) within these market segments. Hence, as a result of segmentation, tesla focused on a medium-high consumers to which life-style is mostly wealthy. Furthermore, the tesla's customers turn out more to be environmentally friendly.

TYPE OF SEGMENTATION	SEGMENTATION CRITERIA	TESLA TARGET		
		VEHICLES: MODEL S, MODEL X, MODEL 3, OTHER MODELS	ENERGY STORAGE : POWERWALL 2: POWERPACK 2	SOLAR ENERGY SYSTEM: SOLAR PANELS INVERTERS; RACKING;
Geographic	Region	North America, Europe , Singapore China	North America, Europe , Singapore China	North America, Europe , Singapore China
	Density	Urban and rural	Urban and rural	Urban and rural
Demographic	Age	30+	30+	30+
	Gender	Males and Females	Males and Females	Males and Females
	Occupational	Employees, Doctor, managers	Employees, Doctor, managers	Employees, Doctor, managers
Behaviour	Degree of loyalty	Highly loyal,	Highly Loyal	Highly Loyal
	Benefit sought	Environmentally friendly, Innovation technology	Environmentally friendly, Innovation technology	Environmentally friendly, Innovation technology
	Personality User status	Non users, potential users	Non users, Potential users	Non users; Potential users
Psychographic	Social Class	Middle class, Upper Class	Middle class, Upper Class	Middle class, Upper Class
	Life-style	Wealthy lifestyle	Wealthy lifestyle	Wealthy lifestyle

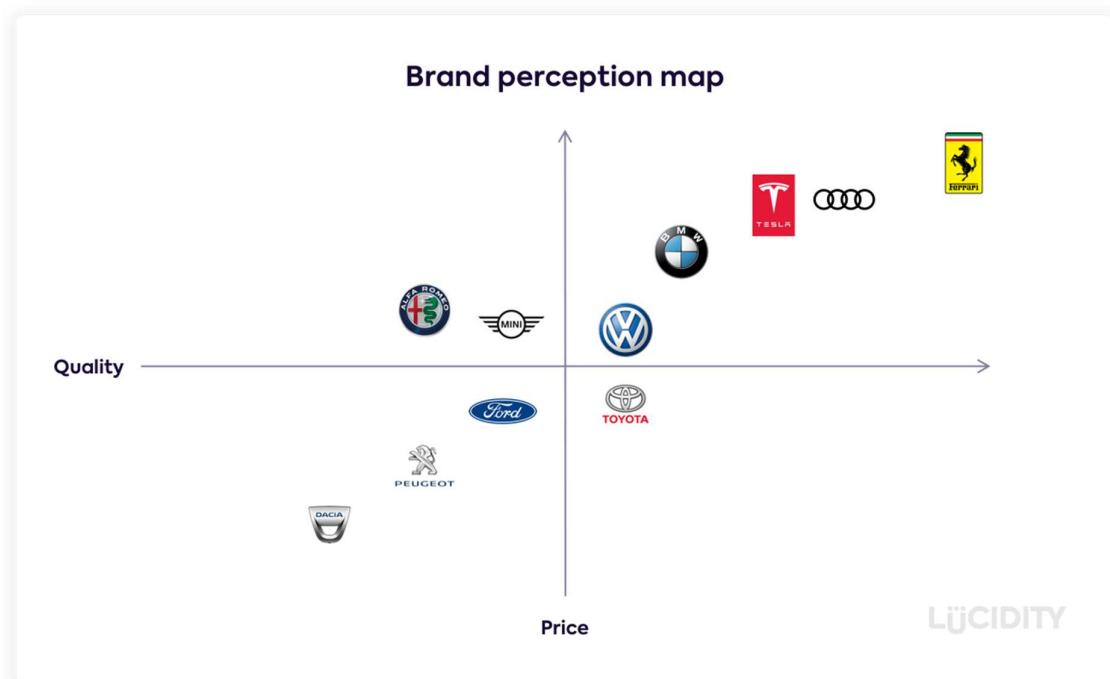
Targeting

The tesla's target was consumers who could afford luxuries cars that were eco-friendly with a high-technology and so just a niche market. However, tesla has expanded his target to reach out to a variety of consumers. From tesla model 3, the company have been starting to shift into a larger and more competitive market. however, remain upon medium-high range level by offering products of high-quality

Positioning

Tesla is positioned in the electric cars as a high-end manufacturer and dealer. however, Tesla could be direct to mass market going forward in account of the Paris's agreement on climate change that may open a new scenario of new entrants on the electrics cars' market such as Toyota, Skoda, Bmw ,ect.

The figure below shows that tesla is positioning in a high-medium segment of market by having a competitive advantage in electric cars market.



4 SWOT ANALYSIS

The swot analysis conduces an analysis of the external factors that could affect the companies by focusing on Strengths, weaknesses, opportunities and threats and creating an appropriate strategy which the organization based on. The strategy implementation occurs if the organization implement the right policies and practices which are being aligned with its strategy (Barney, 2006)

STRENGTHS -Innovator's spirit -originality -positive customers experience -Best electric cars vehicle in the industry
WEAKNESSES -high debt load -Free source of patents -capacity issues
OPPORTUNITIES -market expanse in other countries -introduction more model cars -production own batteries without suppliers

THREATS

- Major Competition
- Shortage of raw materials

Strengths

Tesla is the most electric cars producer in the world quite on advantage with respect to over companies that are about enter in the industry. Furthermore, the customers appreciate tesla's innovations spirit, originality and positive customer experience with the product justify tesla's premium pricing and choice of different competitive strategy.

Weaknesses

High debt load- is one of the most considerable weaknesses of tesla as of 2016 tesla had almost 2.27 billion dollars of long term debt along with capital on its balance sheet, compared to only 1.22 billion dollars of cash only (marketwatch.com, 2020). The company may have to reduce or delay capital expenditures if is unable to satisfy its debt .Furthermore, tesla has made all its patents free source, thereby having a risk of losing the competitive advantage in the market by allowing the other companies to produce an high quality of electric cars. In addition, tesla manufacturers at just one plant located in California that has the capacity to produce about 500.000 vehicles by making for the company to target higher volumes. (times, 2020) . in fact, by comparing for example with Bmw which has some plants in Germany, brazil , UK, U.S, China That produce a huge amount of vehicles than tesla (Bmw, 2020) Thus, tesla must increase the production rate to compete with this kind of players.

Opportunities

Tesla has the opportunity to expand its market in other countries where the company doesn't have a massive presence for example, in India. Another opportunity is that tesla can introduce more affordable models of cars by continuing to broaden its market for consumers even for mass-market. Moreover, tesla rely on Panasonic for all its battery manufacturing in the cars. thus, the company can make their own battery cells as could be extremely beneficial for the company enabling them to increase manufacturing whereas can reduce production costs.

Threats

Tesla faces extensive competition from both self-driving technology and alternative energy as a electric hybrid and plug-in hybrid cars in the competition offers their products at much lower price. Also, tesla uses raw materials such as aluminium, lithium, steel , cobalt (Arstechnica.com, 2020) thus, it's faced a bit of shortage of these materials and fluctuating prices from suppliers by impacting the tesla's production line.

5 MARKETING STRATEGY 4 P

The marketing mix 4 p is a model that provide the 4 variables that allow the firms to analyse the business environment so that to satisfy the target market needs. (Gandolfo, 2009)there are main marketing variables:

- Product variables:
- Price variables:
- Promotion Variables:
- Place variables

Tesla has significant managerial control in its elements of marketing mix that maximizes the effectiveness to reach its target customers.

Product variable

This element identifies the production to target customer of the company. Apart from to produce the electric cars, tesla has purchased the shares of solar city corporation to produce energy's storage products such as a batteries, powerwall and powerpack as well as solar energy system that include solar panels, inverters and electrical hardware (Tesla, 2019). In this case company has diversified its market by turning to a different segment market, though, is part of the sustainable energy anyway .

Tesla Production

CATEGORY	PRODUCTS
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VEHICLES	Model x, Model 3, Model S, other cars
ENERGY STORAGE	Powerpack, powerwall, batteries
SOLAR ENERGY SYSTEM	Solar panels, inverters ,electrical hardware

Place/distribution

When a company makes decision about place, it means which Venues uses to sale a product and in which way deliver that products on the market. tesla's consumers can try and view the products at company-owned stores and galleries to which are located in shopping centres and some areas. Moreover, tesla allow to his customers to use the official web site to buy the products and to complete-if he decided to buy a car- sales transactions. Furthermore, tesla's customers can use the maintenance service center where the company can render service as part of its sales contracts as well as to use the charging station scattered throughout the territory o charge the battery (business, 2016).

In sum up, The principal element of distribution/place are:

- -tesla's website
- -charging stations
- -store and galleries-
- -owned service centers

Price

Price is the one element of the marketing mix that produces revenue: the other elements produced costs. A pricing strategy allow to achieve a high-performance In a business. Price also communicates to the market that the company's intended value positioning of its product or brand (Kotler, 2016). Tesla pursues 2 pricing strategies:

- -Premium Pricing Strategy
- -Market oriented pricing strategy for solar panels and all products through the subsidiary solar city

More companies use a premium price strategy when they want to charge Higher prices than their competitor for their products. the object is to create the perception that the product must have a higher value than competing products as the prices are higher.in other word, the customers would pay more for tesla brand because they considered it an high quality brand, thus, tesla is considered innovative in terms of advanced technology as well as innovation on cars' design. Moreover, tesla use a market based-pricing related to solar panels and each products regard the subsidiary solar city. This strategy, allow a business to set higher prices when a product is initially introduced so that it can align the prices with market prices to remain competitive (Panmore.com, 2018).

Promotion

Promotion includes all activities that involve communicating with the customers about the products, its benefit and features. Tesla promotional mix has the following components which are according to significance in the automotive and energy solution:

- -Viral Marketing: the viral marketing is a method to sell product through the word-of mouth. In the digital era the viral marketing mostly occurs on internet social media. Tesla based its political promotion almost everything on viral- marketing. For example, the presentation of the pick-up tesla cybertruck online on social media is largely promoted through viral video (thesocialgrabber.com, 2019).
- -Sales Promotion: The sales promotion is a set of technique that allow to attract new customer through discount, freebies and coupons. Tesla, in particular, concentrate the sales promotions on his referral programme in which any tesla's customer can share a referral code with a new tesla buyers by getting a reward or bonus. (tesla.com, 2019)
- -Public Relation: Tesla uses public relation to enhance its popularity. For example, The tesla's owner Elon musk has allowed his patents to the other companies to driving the sustainable energy as far as the electric cars concerned. Furthermore, tesla has a public relation through annual report , speech and press release as well as through social media such as twitter where Elon musk has 10 million of followers
- -Direct Marketing : unlike the other companies Tesla doesn't sell its cars through the third party dealers but sells its product directly through its stores . However, the consumers can just see and try the products in the tesla stores and conclude the purchase just via tesla's website

6 ANSOFF MATRIX TESLA

The Ansoff matrix is a marketing Model which helps the companies about their market strategies for the expansion. In other word, this model indicates to the companies if there is a condition to adopt growth strategies Through 4 vectors: Market penetration ,Product development, market development diversification (Kotler, 2016)



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Market penetration

The market penetration is a strategy that the company make to grow the sales of it current product in the current market. tesla is focused to sell its products by doing an aggressive marketing in the U.S and 29 countries in the world. Furthermore, this strategy helps the company to increase the market share so that it gains competitive advantage in the market. in this way, this strategy maximizes the revenues from the markets where tesla operates

Product development

The product development is a strategy where the company launch a new product in the same market by adding a new product in its portfolio products. in this case, tesla apart from to product electric vehicle, it offers solar panel, battery power storage products as well as to develop pick- up trucks such as tesla cybertruck.. In addition, tesla must invest in R&D not just on cars but also to enhance the solar energy sector that will be one of the new key sectors going forward, in account of the new rules by the new green deal.

Market development

The market development strategy is being used from companies that want expanding their products in a new market either geographically or demographically. Tesla is working on a significant expansion in a new markets both china, India, Singapore, Canada and also in some states in the U.S such as Arizona , Wisconsin and Texas.

Diversification

The diversification strategy encourages the company to create a new product in a new market. in other word, it means that the company introduce itself in a new industry. Tesla motor in 2016 has

done the diversification's strategy by acquiring the solar city company to enter in energy storage sector by producing solar panel as well as battery power storage products. However, tesla focuses most of its efforts on market penetrations and product development to increase its business.

Recommendation

Tesla automotive is the pioneer of Electric cars and one of major producers of energy storage, batteries and solar panels. Tesla is outstanding from the other companies as the strategy that it adapts make the brand flawless. However, tesla should improve the marketing communication so that to enhance its marketing strategy addressing the advertising in the main media either such as radio, tv, to grow his brand as well as the awareness of its products on the mind of the consumers. Furthermore, this kind of communication make the brand more attractive than it is. In addition, tesla should enhance its production by increasing the production rate. This operation requests a huge investment on it production and mostly in the making and building new Gigafactories in different countries and reaching the same production rate than the other players.

CONCLUSION

As a result, Tesla automotive will continue to keep a competitive advantage for years in the future. Nevertheless, In account of new green deal to protect the climate, tesla will have to face a huge competition as the main competitors and even the brands relate to mass-market will change their strategy by starting to produce wholly electric vehicles. This is a huge threat for tesla which should consider to product new models relate at mass market and making them more accessible to consumers . As a result of this threat, tesla should consider to take the patents off the market by protecting them. Hence, Tesla should rethink its strategy to become more profitable and create a breakthrough on the mind of consumer through new innovative models that may create a second turning point along the company's path.

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