

Developing Strategic Capability (BMSW6011_SWAN)



STRATEGIC EVALUATION OF TESLA

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1. Organisational Overview

1.1 Organisational Background

Tesla Inc. is an automobile and energy technology company that has brought major evolution within the automobile sector since its initiation in 2003 by Marc Tarpenning and Martin Eberhard (EBSCO 2024). The company came up with the mission of accelerating the transition of the world towards sustainable energy which is demonstrated within their strategies and focus towards renewable energy solutions and clean transportation (EBSCO 2024). The company primarily operates within the electric vehicles and clean energy industry by shaping an integration of automotive manufacturing with clean energy generation as well as storage technologies. The EV industry in particular has witnessed massive growth over the past decade as a result of shifting government regulations alongside climate concerns, and technological advancement resulting in increasing competition with players like BYD competitors of Tesla. Their key focus presently is towards shaping a fully-autonomous and fully-electric future in the automobile industry (Forbes 2022). The current CEO of the company is Elon Musk, who was one of the primary investors within the company and is currently responsible for various operational decisions and strategic actions taken by the company (Tesla 2025). While considering the nature of ownership of Tesla, it is a publicly listed MNC listed within NASDAQ and has a global presence across various major countries such as the United States, Europe and China.

1.2 Products and Services

Tesla plc has a diversified portfolio of production services within the automobile and energy sector. Their key products consist of electric vehicles like the Model S, Model Y, Model S, Model 3, alongside a range of new age innovations like the Semi trucks and Cybertruck. Their Model S came out in 2012, which was their first EV model and the company has gradually increased their capability which allows them to manufacture over 1 million vehicles throughout the year alongside batteries, sales, energy products, etc (Tesla 2024). Alongside EVs, Tesla also has a broad range of energy solutions such as solar roofs, solar panels as well as battery storage systems such as Megapack and Powerwall (Tesla 2026). The utilisation of such products is generally towards storage and generation of renewable energy within businesses and households.

The key value proposition for customers is within the aspects of sustainability, performance, and innovation since Tesla stands out in the market through their autonomous driving systems alongside advanced battery technology and strong brand reputation relating to corporate responsibility.

In terms of revenue streams, the primary revenue stream is in terms of sales of automobiles, which is their primary contribution towards the revenue. It is accompanied by energy as well as storage products such as batteries which have been a rapidly growing segment. The company also has a range of software services, including a full self-driving system for their EVs (Tesla 2024).

1.3 Markets and Geographic Scope

Tesla has a diversified range of customer segments, ranging from individual consumers to businesses as well as government institutions that require sustainable transportation as well as energy solutions. However, in terms of income groups, their EV segment mainly targets middle to high income consumers, considering the premium prices of their vehicles.

In terms of geographic segments, the company operates globally with major presence across Europe, North America, and the Asia of Pacific alongside manufacturing units within China and the US (Statista 2026). However, their largest market currently is the US (Statista 2026). In terms of their current market position, Tesla stands out as a global leader within the electric vehicle segment, despite increasing competition, coming from various Chinese automobile manufacturers like BYD (Statista 2026).

1.4 Recent Strategic Developments

One of the most prominent strategic decisions taken by Tesla Plc in the last three years has been expanding to the field of robotics and artificial intelligence, which involves investing towards autonomous driving technologies as well as humanoid robots. It includes the development of the Tesla Optimus, which is a general purpose, autonomous humanoid robot that is able to perform repetitive and unsafe activities. For that purpose, the company also invested towards relevant software development to ensure proper navigation, interaction, perception, and balance with the physical environment.

Another key strategic decision for Tesla has been the multibillion-dollar collaboration for development of a LFP prismatic battery cell manufacturing facility with LG Energy Solutions that is expected to be operational by 2027 (Singh 2026).

2. External Environment and Stakeholder Analysis

2.1 PESTLE Analysis

Political: While considering the political factors within the US, reports suggest that the US government demonstrates strong support towards EV adoption through a range of policies like the inflation reduction act where it offers \$7,500 in terms of tax credits for new electric vehicles (U.S. Department of Energy 2026). At the same time for EV manufacturers like Tesla, relevant, written argument, alongside verification and qualification of the vehicles allows the provision of clean vehicle tax credits (U.S. Department of Energy 2026). The presence of such state and federal incentives come out as an opportunity for Tesla by boosting EV adoption among the population.

Economic: The premium pricing of the EVs of Tesla requires higher purchasing power from customers. Within this aspect, the rapid growth of the US economy over the past year (2025) with a 3.8% growth in GDP demonstrated significant opportunities for Tesla (Kaye 2025). It was primarily in terms of increase in consumer spending by nearly 2.5% annually alongside increasing purchasing power of customers that is likely to be boosting the sales for Tesla (Kaye 2025).

Social: In terms of social factors, a 2020 McKinsey consumer sentiment survey undertaken in the US highlighted a high preference towards sustainable products and over 60% consumers willing to pay a premium price for products with positive environmental impact (McKinsey 2023). This is one of the key factors that is likely to boost EV adoption, reflecting acceptance among mainstream consumers and it is likely to bring opportunities for strong shift in consumer preference towards sustainable transportation.

Technological: The technology infrastructure within the US has been constantly evolving with opportunities for new innovation, which provides Tesla with advantages across areas like battery development, AI as well as autonomous driving technology (Whitehouse.gov 2026). Primarily it

provides opportunities for further innovating and improving accuracy across their products like Full Self-Driving as well as software ecosystem. However, at the same time, it also brings the threat associated with other competitors like General Motors and Ford innovating towards electric mobility.

Legal: There add a range of strict regulations, put forward by the US government associated with autonomous driving, vehicle safety as well as data production. U.S. The Department of Transportation (USDOT) came up with the Automated Vehicles Comprehensive Plan that outlines a range of principles and coding regulations associated with Automated Driving Systems (ADS) with the aim of improving vehicle safety (U.S. Department of Transportation 2026). This will bring threats for Tesla like restrictions as well as legal liabilities on the sales of certain EV models.

Environmental: The shifting preference of customers in the US towards sustainable mobility solutions alongside ambitious emission related targets by the US government have resulted in accelerating the pace of EV adoption, which will be a major opportunity for Tesla.

2.2 Industry and Competitive Environment

The evaluation of the competitive environment within the US EV market has been undertaken using Porter's Five Forces within which the competitive environment is evaluated based on five key dimensions to identify opportunities and competitive threats (Pangarkar and Prabhudesai 2024).

Competitive Rivalry: The aspect of competitive rivalry within the US EV market is significantly high. This is primarily as a result of growing export of electric vehicles by Chinese automotive manufacturers such as BYD. This has led to significant pressure faced by Tesla that has been a pioneer within the US EV industry as BYD Sarpa Tesla in terms of sales as well as market share across Europe (Wayland 2026). This is further driven by aggressive pricing alongside new age EV models resulting in price wars and impacting profitability margins for Tesla.

Threat of New Entrants: Another component of Porter's framework is the threat coming from new entrants. The threat associated with new entrants is moderate within the US market due to the requirements of high investments, technological expertise as well as compliance with various

regulatory standards (Chernykhovskaya 2024). However, in order to ensure consistently maintaining their market position it is required to focus on continuous innovation and technological leadership to avoid any new entrants to enter or established in the market.

Threat of Substitutes: The threat coming from substitute products also stands out to be moderate since substitutes mostly include petrol or diesel, vehicles or hybrid vehicles or the option for public transport. With the increase in EV adoption, there is a lower level of threat associated with such substitutes to electric mobility.

Bargaining Power of Suppliers: Suppliers add a critical part of the supply chain for Tesla since they are heavily dependent on their suppliers for relevant raw materials, such as cobalt, lithium and nickel used for batteries (Jagani et al. 2024). However, lack of adequate domestic supply followed by dependence heavily on global sourcing leads to higher level of supplier power.

Bargaining Power of Buyers: In terms of bargaining power for the buyers, the high competitive rivalry as well as the presence of other alternatives from Chinese manufacturers like BYD alongside brands like Audi and Mercedes coming up with EV models results in high bargaining power for buyers. While looking at the statistics, 24 new EV models were launched in 2024, resulting in 15% greater availability, which provided wider options for customers (IEA 2026).

2.3 Stakeholder Analysis

Key Stakeholders: In terms of stakeholders, the primary stakeholders for Tesla plc include customers from different geographic behavioural as well as psychographic segments within the US. It is followed by employees, including factory workers, engineers, as well as other staff members associated with the supply chain. Another case stakeholder involves their suppliers who are primarily responsible for supplying relevant materials like lithium and nickel that are essential for manufacturing batteries of the EVs. Government institutions that regulate the EV market through the development of various regulations and norms are also a key stakeholder since they provide incentives, including tax credits that boost EV adoption.

Mendelow's Matrix: For evaluation of the significance of each stakeholder, the Mendelow matrix is being used. The use of the following framework allows better understanding regarding

the power and interest of each stakeholder, which further reflects the influence of each stakeholder on actions and organisational decisions (Gerassimidou et al. 2025).

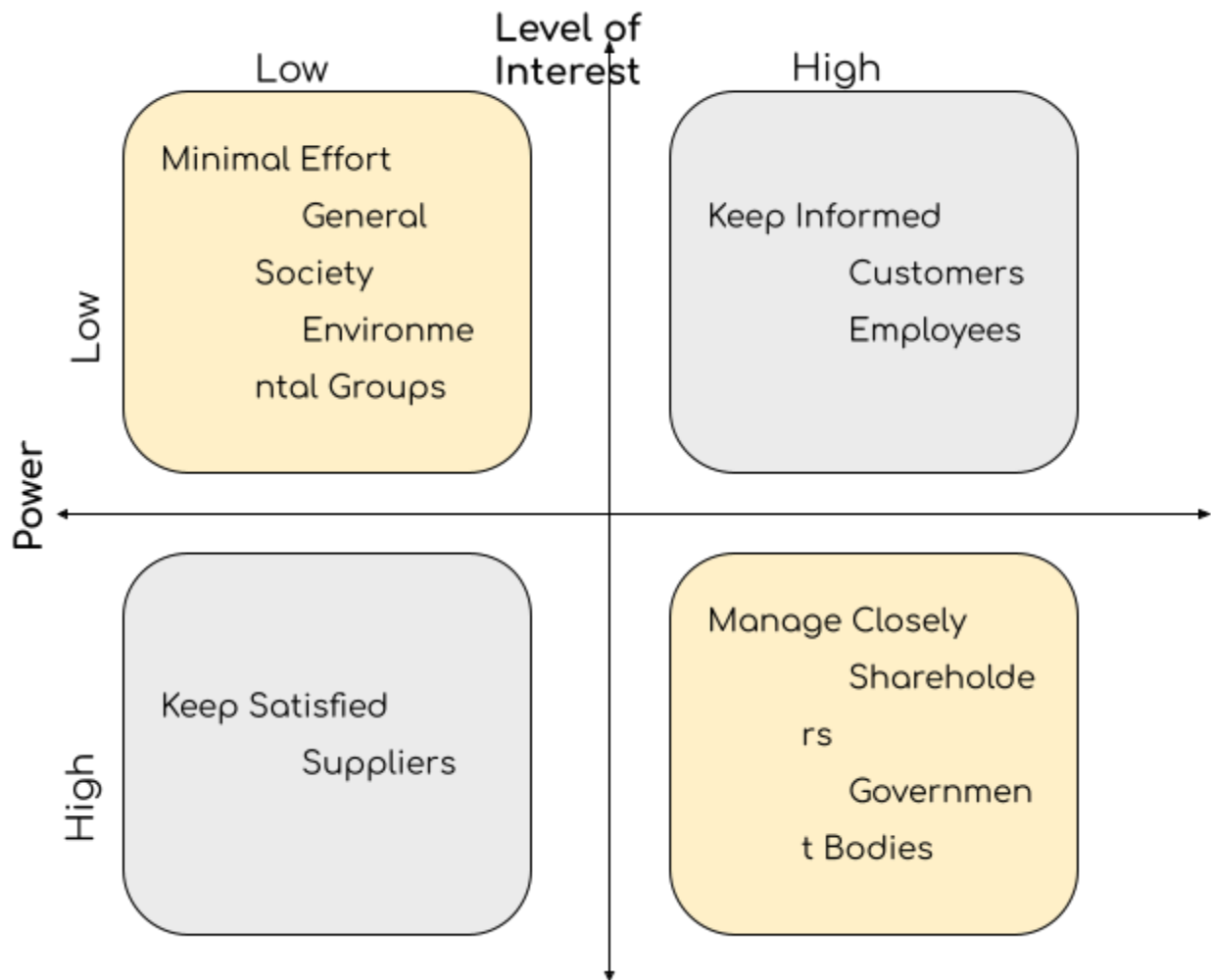


Figure 1: Mendelow Matrix

Source: Self Developed

According to the matrix, the key stakeholders with high-power and high-level of interest are the government and regulatory bodies that influence the supply chain of Tesla using their tax credits, safety laws and emission regulations. It is followed by investors to expect innovation and profitability. It is followed by stakeholders with low interest, but high power that include suppliers that are critical providers of raw materials who influence the space and efficiency throughout the supply chain and manufacturing process, and are required to be kept satisfied.

Another group of stakeholders includes customers with high interest towards innovation and sustainability within the product, followed by employees with high interest towards working conditions as well as job security and hence they are required to be kept informed. However, minimal effort is to be provided to stakeholders, including environmental groups and general society who are having indirect ability to influence brand perception.

Within this aspect, there is likelihood of conflicts since potential clashes in opinions come between investors and customers where investors look for higher margin for which Tesla is required to increase prices of their EV. At the same time, customers demand for lower pricing, considering the availability of other alternatives like BYD in those prices. Additionally, investors are likely to be pushing the company for higher margins while affordability is the key focus area for customers. At the same time, regulators coming up with strict laws on technology usage like that of ADS further increase compliance cost, which reduces Tesla's ability to balance pricing, profitability and innovation.

3. Internal Strategic Capability Analysis

3.1 Resource and Capability Analysis

The internal resources and capabilities within Tesla consist of a unique combination of intangible and tangible resources, accompanied by strong organisational capabilities that help it in maintaining a strong competitive position within the US as well as global EV market.

Tangible resource

While considering tangible resources, Tesla has a significant extent of financial resources owing to a diverse range of investors as well as growing profit margins. With a massive amount of financial resources, including capitalization of more than US\$1 trillion, the amount of financial resources available for Tesla comes out to be one of the most prominent tangible resources that allows them for investing towards R&D, manufacturing as well as innovation (Alsharari 2022).

It is further accompanied by the presence of physical assets, including the available infrastructure for Tesla. It includes the presence of various manufacturing facilities and plants, including the Gigafactories in Texas (Gigafactory Austin) and California (Fremont Factory). The presence of the following facilities are central to the manufacturing for Tesla since they support large-scale

production alongside, allowing the achievement of economies of scale across the US as well as global market.

Another key tangible resource is that of the available technology infrastructure, which involves the presence of various software and hardware systems alongside the presence of the autonomous driving hardware as well as the proprietary battery technology.

Intangible Resources

One of the most prominent intangible resources available for Tesla is their brand reputation since the brand image for the company is of an associated disability, innovation as well as premium EVs. This leads to strengthening loyalty of the customers as well as providing a differentiated position within the US market. According to a report, it has been found that the buyers of Tesla are experientially and emotionally invested towards the brand which also makes them overlook various minor issues since they are primarily brand believers (Forbes 2026).

Another essential intangible resource for Tesla is the presence of intellectual property and technological expertise. With advancements across areas of energy, storage, battery efficiency, as well as autonomous driving systems, the company has been able to differentiate themselves in the market and also achieve a competitive edge.

The presence of an innovation driven organisational culture also came out to be an essential intangible asset. Tesla is known for their innovation driven and high-performance culture where employees are encouraged to engage in risk taking and come up with new ideas for boosting the extent of innovation (Qin 2023). It supports innovation and agility alongside improving performance efficiency.

Capabilities

Tesla is characterised by a range of unique organisational capabilities that become a key part of their competitive strength.

- One of the primary capabilities is their innovation capability since they consistently engage in EV innovation, particularly across areas like further improvement of the

autonomous driving ecosystem as well as improvements in battery technology for better range (Kim 2020).

- Another capability includes their manufacturing efficiency since the presence of Gigafactories across various key locations allow Tesla to engage in cost efficiency and high volume of production to meet the increasing demand for EVs and it also helps them to reduce the pricing by increasing the volume of production (Cooke 2020).
- Vertical integration is another key capability of Tesla since they are in significant control of the majority of their value chain, arranging from design to sales as well as control on the intermediaries and quality of the vehicles. However, within this aspect, the company also applies the aspect of vertical integration within their sales process, making the prices of the EV unnegotiable (Chen and Perez 2018).

3.2 VRIO Framework

Utilisation of the VRIO framework allows evaluation of the key capabilities and resources of Tesla followed by providing relevant knowledge regarding the role of those resources in competitive advantage for the company (Ariwibowo et al. 2021). allows evaluation of the key capabilities and resources of Tesla followed by providing relevant knowledge regarding the role of those resources in competitive advantage for the company.

Capability/Resource	Valuable	Rare	Imitable	Organisation	Competitive Implication
Brand Image/Reputation	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage
Autonomous Driving Systems	Yes	Yes	No	Yes	Temporary Competitive Advantage
Gigafactories for Production	Yes	No	No	Yes	Temporary Competitive Advantage
Battery Technology	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage

Global Supplier Network	Yes	Yes	Yes	Yes	Sustainable Competitive Advantage
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The brand reputation of Tesla allows them for keeping a premium pricing within their products since customers are willing to pay more for their EVs. At the same time, ADS features in their EVs contribute towards their competitive advantage through creation of product differentiation and positioning Tesla in a stronger position within the future of electric mobility market. The Gigafactories contribute through helping Tesla in achieving economies of scale as well as reducing their production cost due to increasing in volume of production which enables faster global expansion and leads to competitive advantage (Cooke 2020). It is further accompanied by the global supplier network that allows adequate raw material access and minimises risks and disruptions within the supply chain.

The aspect of brand reputation, followed by battery technology, as well as the global supply network of Tesla address all the criteria of the VRIO framework. Hence, it can be highlighted that the following resources come out to be key sources of sustainable competitive advantage for Tesla. Additionally, the following resources come out to be difficult for the competitors to replicate. Since Tesla has the first mover advantage alongside continuous innovation as well as proprietary knowledge. At the same time, their giga factory production system followed by vertical integration as well as autonomous driving systems also form a temporary point of competitive advantage for them.

3.3 Strengths and Weaknesses

The key strengths for Tesla includes,

- Technological leadership is one of the primary strengths for Tesla mainly because with the first mover advantage as well as continuous innovation, the company has been able to come up with their advanced battery systems alongside reliable software, as well as autonomous driving systems that are its key differentiators from competitors (Kaouthar 2024).

- Strong brand image and positioning comes out to be another key strength for Tesla since it is having a strong position within the US EV market, despite having the second position after BYD recently surpassed it in terms of market share and sales (Cagle 2019).
- The presence of a direct to consumer sales model is also another major strength for Tesla since it helps in improving margins alongside strengthening customer relationships.

The key gaps or areas of weakness for Tesla are,

- Even though Tesla has a diversified product portfolio, they are still heavily dependent on the sales of electric vehicles, which makes it vulnerable across such situations when the demand for EV declines.
- There is a lack of strong supplier network within the US and the company is mainly dependent on their global supplier network for essential raw materials like lithium. However, such fluctuations and uncertainty in terms of supply network can result in cost volatility as well as supply risk for Tesla.
- There has also been a range of criticism and scrutiny regarding the autonomous driving systems as well as compliance with various vehicle safety related regulations by the US Department of Transportation (Bloomberg 2026).

Link with Strategic Performance

The strengths of Tesla have direct contribution towards establishment of a strong market position for them and also bringing opportunities for growth within the US EV sector. Additionally, they have a strong brand reputation, followed by technological leadership and innovation culture that allow high demand despite the presence of premium pricing. At the same time, the vertical integration is supporting the capability and cost efficiency elements for Tesla.

At the same time, weaknesses such as supply chain, risk, and rising competition are likely to be disrupting their supply chain, and also limiting growth in the long run.

4. Strategy and Competitive Position

4.1 Current Strategic Approach

The primary strategy of Tesla within the US market is mainly focused on differentiation that is further supported by the aspect of innovation alongside technological leadership and premium branding. Han (2021), highlighted that one of the primary differentiation strategies by Tesla included their focus on direct sales and service alongside having their own charging infrastructure network that enabled them for achieving quantitative efficiency and creative innovation. At the same time, another report published within Forbes highlighted product differentiation to be ineffective within the automobile sector for decades resulting in automobile manufacturers being dependent on brand image and positioning for establishing their market (Adamson 2026). However, the report highlights Tesla keeping their strategic approach towards differentiation through the development of electric vehicles that had sufficient range alongside a strong charging network, which brought opportunities for replacement of combustion engine vehicles (Adamson 2026).

However, with the increasing competition, Tesla has shifted their strategy approach towards adoption of a hybrid strategy by combination of cost leadership and differentiation. This is primarily evident in terms of their aggressive price reduction by nearly 20% for the Model Y and Model 3 across Europe and the US to improve their competitive position against brands like BYD (Forbes 2026a). The price cut reflects the shift from a purely differentiation approach to a cost focused approach in order to adapt to the changing competitiveness of the market (Forbes 2026a).

Some of the prime factors that the company focuses on for competing within the US market include their technological superiority in terms of strong charging infrastructure network alongside battery efficiency as well as their autonomous driving systems. Additionally, they are direct to the consumer model followed by vertical integration that leads to better control throughout the production and distribution stages alongside elimination of intermediate is that allows them to improve their profit margins as well as customer experiences.

However, their hybrid strategy has been lacking adequate effectiveness under the intense competition and declining market share. Their market share has eroded gradually despite strong

position in the US as a result of competitive forces like new entrants. Despite consistent use of the hybrid policy, Tesla has lost its dominant position in the global market to Chinese carmaker BYD accompanied by declining sales as well as reducing market share (Reuters 2026). Hence even though cost leadership strategy can bring short term gains in competitiveness, their premium brand identity comes at risk considering it to be a source of sustainable competitive advantage for the company.

4.2 Competitive Position

Tesla has been maintaining a dominant position within the US EV market for a significant timeframe. However, increasing competition from Chinese automobile manufacturers like BYD have resulted in significant decline within their market share. A recent report highlighted Tesla accounting for nearly 38% of the EV sales within the US in August 2025 (Reuters 2026). However, there has been a significant decline within their competitive position. Since the company was able to capture nearly 80% of the EV market in the US back in 2017, which has now declined to 38% (Alim and Douglas 2024). This is primarily as a result of the launch of new vehicles by their competitors like BYD as well as various traditional car manufacturers entering the EV market. Additionally, the Model 3 and Model Y launched by Tesla faced significant competition from newly launched EVs such as the BMW i5, Honda Prologue and the Kia EV9 SUV (Alim and Douglas 2024).

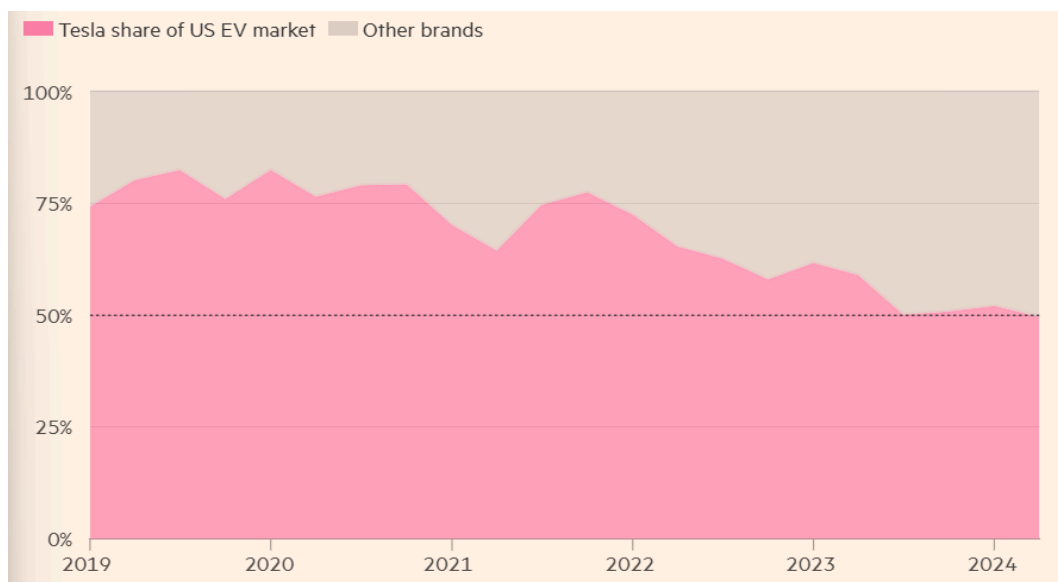


Figure 2: Share of EV market within the US for Tesla and other brands

(Source: Alim and Douglas 2024)

The news reports also highlighted the market share for Tesla in the US dropping below 50% for the first time in 2024, which further demonstrates the growing competition.

However, within this aspect, some of the key sources of competitive advantages include,

- Strong brand image and recognition alongside the first mover advantage across various areas of innovation, including autonomous driving and battery technology
- Advancements within their software ecosystem as well as data capabilities
- Strong and extensive charging infrastructure across the US providing enhanced customer experience

At the same time, some of the key sources of competitive disadvantage include,

- Limited product portfolio in comparison to other competitors that keep coming up with new models and designs of EV
- Growing price sensitivity among the US customers alongside aggressive pricing by competitors, resulting in reducing margins for Tesla

Based on the statistics as well as sources of competitive advantage and disadvantage, it can be highlighted that the market position for Tesla is shifting from being a market leader to one of the key competitors across a saturated market, resulting in the need for an adaptation strategy.

4.3 Strategic Alignment or Drift

Strategic alignment

The code strategy for Tesla is significantly aligned with their external environment in terms of,

- Strong alignment as well as compliance with various sustainability policies as well as accelerated pace of EV adoption within the US.
- Consistent investments and strategic partnerships for driving innovation for further expansion of their internal capabilities and also leveraging the growing AI infrastructure within the US

- Expanding to autonomous driving and AI utilisation in alignment with various technological trends and government investments towards strengthening of the technology infrastructure

At the same time, various internal strengths of Tesla, including their strong research and development capabilities, followed by brand reputation, as well as vertical integration supports their differentiation strategy by highlighting strategic coherence between their competitive position and available capabilities.

Evidence of Strategic Drift

While considering the aspect of strategic drift, one of the key evidence has been growing focus towards robotaxis, robotics and AI within which the CEO, Elon Musk has been increasingly investing towards a range of other projects, resulting in distraction from the core automotive market (Forbes 2026b). There have been rising concerns regarding the strategic pivot since competition within the EV market has been intensifying significantly over the past couple of years.

In addition to that, another aspect of strategic drift has been the weakening product differentiation strategy that was considered as the primary source of competitive advantage for Tesla in the initial years. Within this aspect, inconsistency within the pricing strategy, including frequent price cuts and efforts to move towards the cost leadership strategy resulted in strategic ambiguity (Forbes 2026a).

Risks and Limitations

The key risks and limitations for Tesla are,

- Aggressive reduction in prices for maintaining their competitive position brings the risk of declining profit margins, which can further impact their ability to secure long-term competitive advantage.
- Declining market share within the US highlights the rising competition that further brings the threat of declining dominant position within the US, which also impacts their long-term growth strategy.

- Leadership controversies, as well as various brand related limitations are likely to be having a negative implication on customer sentiment, perception, as well as demand for the vehicles (Nielsen and Shepherd 2025).

5. Future Strategic Direction

5.1 Vision, Mission and Values

The present mission of Tesla is ‘*to accelerate the transition towards sustainable energy globally.*’ Their mission statement reflects their commitment towards environmental sustainability as well as technological innovation with the aim of revolutionising the automobile industry (Tesla 2023).

Their vision primarily focuses on establishing their position as a global leader within clean energy as well as mobility through the integration of electric vehicles, renewable energy solutions as well as energy storage products. This reflects through their long-term strategic plan that focuses on the elements of full ecosystem integration, affordability and scalability.

In addition to that, the code values of Tesla can be considered as,

- Technological leadership and innovation
- Customer centric experience and design
- Environmental responsibility as well as sustainable development

Alignment with current strategy

The current strategy of Tesla has a strong alignment with their predetermined vision and mission in terms of,

- Focus towards constant innovation and development of new energy solutions and EV production demonstrates direct support towards their sustainability and carbon reduction goals.
- Investment towards renewable energy and battery technology further reflects their commitment towards long-term environmental impact.
- There, vision of improving scalability is further evident from their expansion and establishment of new Gigafactories across the US as well as globally

However, at the same time, there are certain misalignments, which includes,

- Growing distraction from the core automobile sector and increasing focus on autonomous driving, robotics and artificial intelligence can result in shifting from there, primary sustainability mission
- Frequent price deductions and major price cuts such as the recent cut-off 20% across certain models, demonstrate a shift towards cost leadership strategy instead of depending on their purely innovation-based differentiation which was their key source of competitive advantage since initiation
- Lack of new designs and increasing number of new designs, being rolled out by competitors, further create alignment with their vision of greater market accessibility

5.2 Strategic Risks

Some of the key strategic risk include,

- Strategic drift is one of the most prominent risks identified for Tesla since distraction of Elon Musk towards robotics and AI is likely to be diverging the business from their original mission of sustainability within the automobile industry (Gachanja et al. 2021).
- The expansion across multiple domains by Tesla, including energy storage, EV, robotics, AI, and autonomous driving can result in creating various supply chains as well as execution challenges. Over diversification of the product portfolio is likely to cause strain in terms of financial resources as well as managerial attention alongside compromising quality control, leading to decline in chances of success across different product segments (Goltabar et al. 2025).
- Competitive threats, including the increase in export by Chinese automobile manufacturers result in creating the strategy risk of losing their dominant market position within the US as well as bringing the need for shifting to cost leadership by engaging in price reduction.

5.3 Strategic Options for the Future

Option 1: Expanding to affordable mass market segments through low priced EV

One of the primary strategy options for the future for Tesla is to boost the development as well as production of low cost electric vehicles that can help in targeting the mass market.

The strategy option can be considered to be highly suitable since there has been an increasing level of price sensitivity as well as growing demand for affordable electric vehicles within the US as well as globally (Archsmith et al. 2022). This will further align with the mission of Tesla for mass adoption as well as capability in terms of sustainable transportation.

There will be strong acceptability for the following option from customers who are increasingly looking for affordable EV. However, there may be criticism from investors due to reduction in margins from the low price EVs.

The feasibility of the following option will be mainly determined by structured cost management since economies of scale alongside manufacturing capabilities as well as cost optimisation techniques can help in maintaining profitability margins for Tesla.

The option will be capable of enhancing the competitive position for Tesla by helping them in regaining the market share and also maintaining a balance between differentiation, cost leadership as well as brand reputation.

However, the following strategic option will also include the risk of margin erosion as well as profitability pressures like aggressive cost cuts alongside extra costs like research and tariff brought 37% decline in margins of Tesla according to statistics from 2025 (Hoskins 2025). Additionally, it also involves the risk of brand dilution since their competitive advantage is dependent on their premium positioning which will be majorly affected from the following strategic option.

Option 2: Maintain strict focus on the EV business as well as operational excellence

The following option will include prioritising improvement within product quality alongside expansion of service infrastructure, including charging infrastructure and also improving operational efficiency within the US market (Ramraj et al. 2023).

This will be a suitable plan since it will help in addressing the strategic drift as well as quality issues faced by customers.

It will be strongly acceptable by customers as well as regulators due to improvement in operational efficiency as well as better customer experience as a result of quality upgrades and improved charging infrastructure.

It will also have greater feasibility, considering the availability of existing capabilities and resources for innovation that can help in operational excellence.

This will overall result in enhancing satisfaction of customers, followed by improving brand loyalty as a result of better quality of the EVs.

However, the following strategic option will also bring the risk of higher reliance on particular business segment resulting in declining diversification of their portfolio. An issue coming within the EV segment would be likely to impact the overall performance for them.

6. Conclusion

6.1 Summary of Key Findings

Based on the findings from the following strategy evaluation of Tesla, it is evident that the US market brings out a range of opportunities for the organisation to further improve their operations. Based on the external analysis, Tesla was found to be operating within a supportive micro environment with a range of government incentives alongside increasing EV adoption as a result of environmental consciousness and growing technology infrastructure. At the same time, internal analysis highlights a range of strengths such as the brand reputation alongside advanced technological capabilities as well as vertical integration that provides a sustainable competitive advantage for Tesla in the US market.

Overall, it can be summarized that Tesla has been able to maintain a dominant position within the US market, but external competition followed by

internal limitations have become key factors challenging its dominant position.

6.2 Strategic Challenges Identified

Some of the strategy challenges identified through the following report includes the declining market position and share of Tesla within the US market. It is further accompanied by increasing

price sensitivity among customers as well as competitive pressure, resulting in price reduction of various vehicles that further impact their premium position and profitability. Alongside that strategic drift as a result of expanding to areas like robotics and AI followed by over diversification of the product portfolio result in compromising with the quality control as well as operational excellence.

6.3 Recommended Strategic Directions

The recommended strategic direction is to focus on expanding within the affordable mass market primarily due to the need for initially gaining the market share. Through the use of the following strategic option, Tesla will be able to regain their market position by becoming accessible to a larger segment of customers within the US alongside using their Gigafactories to increase the pace of production for better scalability as well as improve their profit margins.

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