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The global Business Environment

LCBB4005

**ASSESSMENT 1: ENVIRONMENTAL ANALYSIS OF
AUTOMOBILE INDUSTRY**

Executive summary

This study involves the analysis of the external and internal business environment of Tesla. ***The external business environment*** deals with the economic, political, legal, demographic, competitive, social, and technological factors whereas the ***internal business environment*** can be defined as the internal elements that form the structure of a business organization, such as HRM, mission and objectives, technological capacity etc. The report focuses on the SWOT and PESTLE analysis of Tesla in order to identify its competitive advantage as well as threats. Furthermore, certain business models such as Porter's Diamond model, Porter's Value Network, and Porter's Five Forces have been applied to evaluate the position of Tesla in the international market.

Table of Contents

Introduction	4
Background	4
Recent changes in global business environment (PESTLE)	5
Application of business model (Porter's diamond, value network and five forces)	8
Porter's Value chain	8
Porter's five forces	11
Porter's diamond model	14
SWOT analysis	16
Competitive advantages and threats.....	17
Reasons behind international trade	17
Conclusion	17
Reference List	18

Introduction

The report is based on the environmental analysis of *Tesla, the American electric vehicle and clean energy company* located in the United States. In recent times, this company has observed a significant growth in China which supports the idea of global expansion for this company. This report focuses on the micro and macro environmental factors that are providing barriers and opportunities for this company.

Background

Tesla is one of the famous automotive companies from America that design, manufacture and sell advanced electrical cars and components (Tesla, 2022). This company was founded in 2003, it operates its business from its headquarter situated in silicon valley, the CEO Elon Musk has implemented various strategies to extend its business in a global marketplace successfully.

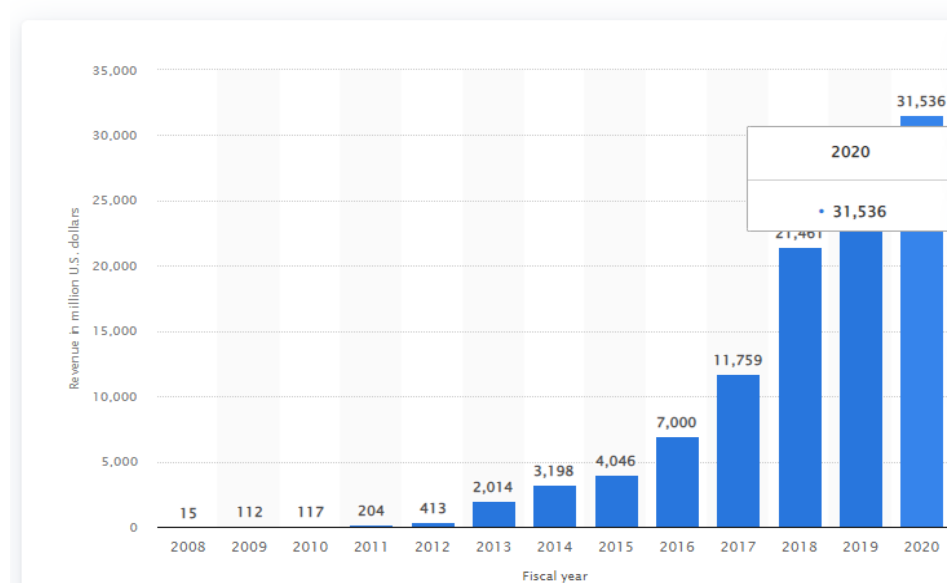


Figure 1 : Revenue of Tesla

(Source: taista , 2022)

The revenue of this company is 31.5 billion dollars (Staista.com, 2022). Tesla Roadster and Model S are some successful inventions of this company. This company is known for electric cars and solar panels and energy storages. The aim of this company is *“to accelerate the world's transition to sustainable energy.”*

Recent changes in global business environment (PESTLE)

Political Factors	• The changes in the political environment of the US and other countries have led to Tesla's growth and expansion in the domestic and international market. • The government aid has strengthened the financial capacity of the company.
Economic Factors	• The economic factors are conducive to the profitability of Tesla. • The increasing sale of these electric automobiles has boosted the global economy
Social Factors	• The socio-cultural factors are favourable for the growth of the company. • The increasing awareness of the people and an environment friendly attitude has increased the demand for the electric cars manufactured by the company.

Technological Factors	● Cars manufactured by Tesla are trying to keep up with the technological advancement of recent times. ● The technologically advanced global population creates a huge demand for Tesla cars (Du and Li, 2021, p.16).
Legal Factors	● The automobile company needs to formulate its policies keeping in mind the rules and regulations of the countries in which it wants to expand its business. ● Its limited sales overseas as well as the restriction of many states on its direct sales may cause hindrance for its growth.
Environmental Factors	● The environmental factors play an important role in the business strategies of the company. ● Climate change and the issues of using resources support the growth of the company.

Discussion

Political Factors

The trade policies of the foreign countries as well as the changing economic cycle have a huge impact on the growth of the company. Other factors such as foreign government taxes, tariffs,

custom regulations, price, and preference of the foreign nations play a significant role in the development of the organization.

Economic Factors

Tesla's revenue was about 31.5 billion US dollars in 2020, thus an increase of revenue by 28% than the previous year can be noticed. It can be said that Tesla's largest sales market is the US.

Social Factors

The people across the globe are more or less aiming towards a sustainable society, thereby trying to reduce the emission of greenhouse gasses. With the objective to reduce the carbon footprint, some people are willing to pay a good amount to purchase Tesla's electric cars that are environmentally friendly (Lee *et al*, 2020)

Technological Factors

With the increasing global population that is technically advanced, the demand for Tesla's autopilot electric cars are very high in the market. In addition to this, the features of the cars include the ability to connect to the Netflix and YouTube accounts (Almuzel *et al.*, 2018).

Application of business model (Porter's diamond, value network and five forces)

Porter's Value chain

The value chain analysis can help in identifying the business operation and practices that Tesla has taken into consideration to increase the value of its business along with getting the advantages from the competitive marketplace (Lugtu, 2019, p.95).

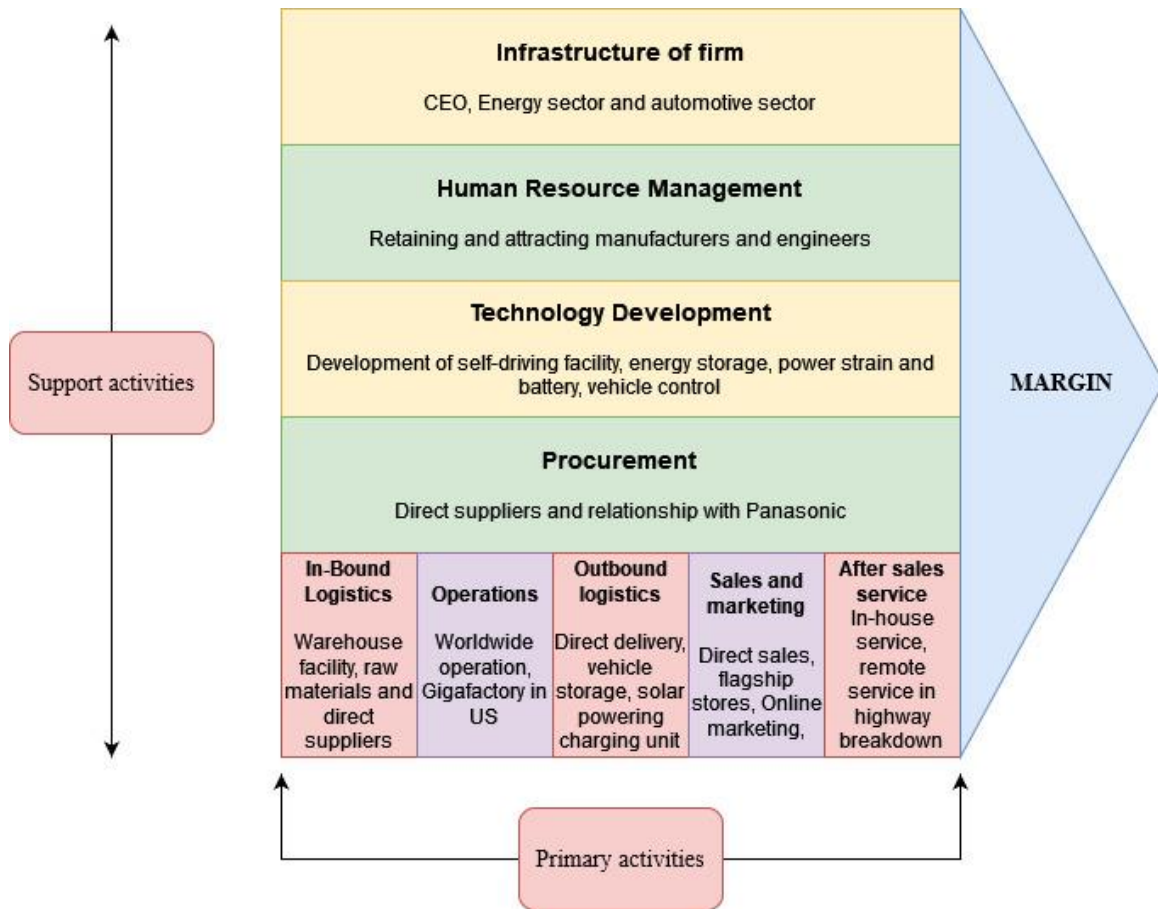


Figure 2: Value chain analysis of Tesla

(Source: Tesla *et al.*, 2018)

Inbound logistics of Tesla

Raw material sourcing and maintaining the expenditure is one of the most difficult tasks for Tesla, a huge range of materials including aluminium, steel, nickel, lithium, copper etc is needed in the invention of electric cars. ***‘Contemporary Amperex Technology Co. Ltd’*** is the main supplier for electric batteries of this company. In recent times Tesla has operated four warehouses globally. This company has made partnerships with Toyota and Daimler to exchange funding, knowledge’s for power strain technology.

Operations of Tesla

This company has designed and operates its cars, battery cells with its own facilities that help in increasing the rates of production as well. Along with body design and assembly Tesla has managed the recharging system. Using high tech robots in the workplace also helps this company with better opportunities. In 2020, this company will have created half a million of advanced vehicles. The table helps in analysing the production capacity of this company.

Installed Annual Capacity		Current	Status
Fremont	Model S / Model X	100,000	Production
	Model 3 / Model Y	500,000	Production
Shanghai	Model 3 / Model Y	450,000	Production
Berlin	Model Y	-	Construction
Texas	Model Y	-	Construction
	Cybertruck	-	In development
TBD	Tesla Semi	-	In development
	Roadster	-	In development
	Future Product	-	In development

Figure 3: Capacity of Tesla

(Source: Statista, 2022)

Outbound logistics of tesla

Tesla operates its business within 35 countries from raw material sourcing to supplying, this company has implemented the online platform and switches from the traditional delivery system to direct delivery system. In this context, the customers can easily show their desire for having their customized car online. With the help of this direct sale method the time of supplying the vehicles has been decreased and the cost value of the customized product has been increased.

Marketing and sale

Elon Musk implemented the “***Zero dollar marketing strategy***” that helps in increasing the brand awareness of this company. Implementation of online platforms is also a successful strategy of this company. Through the home mortgage this company has also supplied solar roofs with various opportunities. Direct sale method has been utilized by his company to avoid the involvement of any third party.

Services

Reports suggest that allegation and dissatisfaction of customers about the after services that this company should provide is shown (Tesla *et al.*, 2018, p.49). According to a customer, Tesla made him wait for about a week in the time of servicing his tesla model. Therefore this company must be more effective towards dealing with the issues related to the customers.

Porter's five forces

The porter five forces is a framework developed in 1991 by Marcel porter, with the help of this model helps in identifying the competitive environment of Tesla.

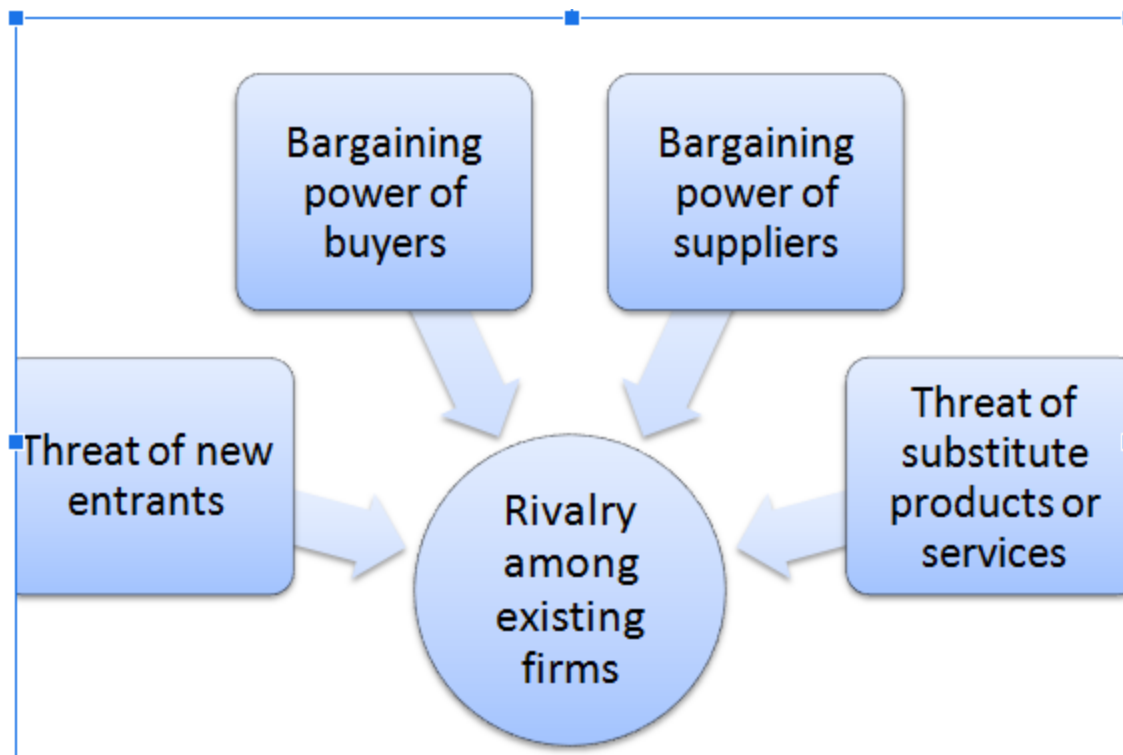


Figure 4: Porter's five forces

(Source: Thomas and Maine, 2019)

Competitive rivalry among existing firms (Strong)

In any marketplace competition is a common factor that allows a company to be more effective with its business practice and strategy (Thomas and Maine, 2019, p.40), . Hence, competition in the automotive industry comes with aggressiveness that can affect a business. Ford, Toyota, BMW are one of the strongest competitors which exist in the same industry therefore the competitive rivalry with Tesla can take place.

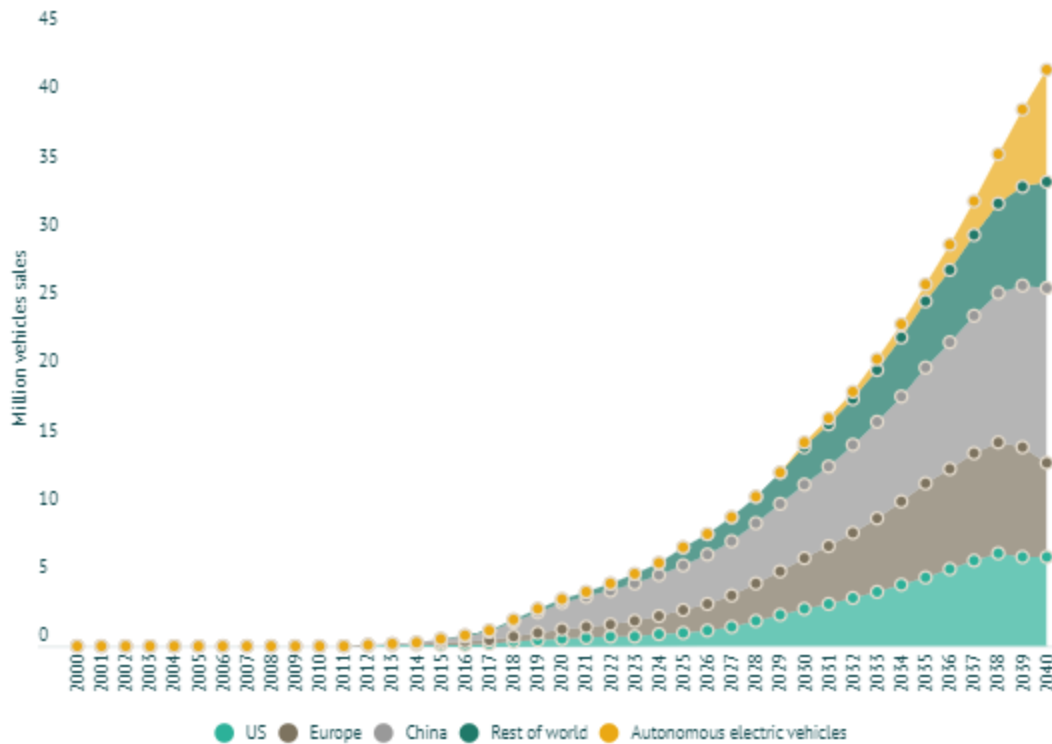


Figure 5: sales of Tesla

(Source: Staista, 2022)

Bargaining power of buyers (Moderate)

Customers of Tesla are the direct factors who determine the revenue of this company, products from this company allows its customers to avoid high switching costs, which help in keeping the customers engaged with this company . Perhaps, limitations in supplying procedures and barriers can affect the loss of customers related to this company. Sometimes, price suitability also affects the bargaining power of the buyers.

Bargaining power of suppliers (Moderate)

Tesla, being a well-developed and growing company allows its supplier business opportunities, this company has a good number of suppliers that decrease the bargaining power of the suppliers. Panasonic, **Contemporary Amperex Technology Co. Ltd** is some of the biggest suppliers of Tesla.

Threat of substitute's product or service (Moderate)

Tesla has noticed the importance of substitute products as well, therefore besides inventing advanced technological vehicles, this company has decided to invent the battery and solar panel as well. This initiative helps this company to grab the attention of the customers (Castro Caballero *et al.*, 2020, p.56).

Threat of new entrants (Weak)

The reputation and success of the company help them to maintain the desirable place in the competitive marketplace, hence it is quite difficult for any new entrance to make an effect on its business. Moreover, Tesla has satisfied its customers with their needs and requirements as well.

Porter's diamond model

Chance

The recent covid 19 pandemic affected the business of tesla, although with the help of online platform this company has encouraged its customers with their purchasing (Jing, 2020, p.47).

Firm Strategy, Structure and Rivalry

Tesla has implemented various strategies to maintain its position in the competitive market place, this company not only satisfies its customers with high tech vehicles but also with batteries and solar panels. Besides the competitors including BMW, Toyota this company uses robots in their organization for better productivity and profitability as well. Maintaining sustainability is one of the strategies that benefited this company. Vehicles with Zero carbon emission help Tesla with eco wealthy.

Factor Conditions

The human resource management of Tesla helps this company in identifying the potential areas for further growth (Han *et al.*, 2021, p.98). Tesla implements various advanced technological supporters including robots for additional support in their departmental work that help this company to be more effective.

Demand Conditions

After identifying the huge demand and interest of Tesla's product in Asia, UK and other countries biome oil independent. The demand of Model S helps Tesla with better opportunities and advantages.

Related and Supporting Industries

Tesla has already made changes in their departmental work after inventing the battery and solar panels, therefore this company has the potential to implement some additional business along with the vehicles.

Government

In the time of implementing technological advanced or any other resourcing availability the government policies must be taken into consideration. In the recent Covid 19 pandemic situation also Tesla has maintained the rule and regulation accordingly.

SWOT analysis

Strength	Weakness
• Strong employment retention rate of Tesla can be considered as their major strength • In year 2019, Tesla managed to reach 367,386 deliveries in a year which made them leading automotive company • Implementation of 1.8 billion dollars in R&D is a major strength of this company (Guangul and Chala, 2019, p.1)	• Complexity in manufacturing process and its weakness compared to other brands is a significant weakness • Limited presence in other countries can also be considered as a major weakness • Premium product range and high price provides a high earning customer range which restricts their target market
Opportunities	Threat
• Expansion in global stage can help this company to grow further as the Asian markets are currently fastest growing market • Recent trends in sustainability can help this company (Mo and Wang, 2021, p.440) • Improvement of driving experience can help this company to gain a large target audience	• Trends of electric car technology can provide extensive competition for this company in near future • Issues regarding safety is enhancing the chances of lawsuits of this company • Lack of proper regulations for self-driving technology can create a barrier for the growth of this company

Competitive advantages and threats

The automobile company's research and development keeping in mind the current demand of the target market will help it to gain competitive advantage in the international market. The increasing sales of the company that aims to manufacture the most technologically advanced automobiles, is quite high in recent years, thereby indicating its potential sustainability in the market. However, the Tesla cars are very expensive, therefore, the target market becomes limited. On the other hand the lack of proper regulations associated with self-driving may prove to be an obstacle for its future growth (Belo, 2021)

Reasons behind international trade

Tesla's business ventures have earlier focused on China's market thereby resulting in its huge demand in the Chinese market. There has been an increasing demand for electric cars all over the world, and since Tesla's brand value has received immense popularity in recent times it should target the growing markets of the other economically developed countries... The company should expand its business by entering into the international markets, and specifically focus on Asian market that is growing very fast, and can prove to be a potent target market for its electric cars (Kancherla and Daim, 2018, 40).

Conclusion

Therefore, it can be seen that there are significant opportunities for this company to grow further. Recent trends regarding sustainability are providing this company to grow further. Fast-growing markets of Asia can be considered as an ideal expansion market for this company as it will help the company to grow further. Recent sales figures of China support the idea of global expansion of this company.

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