

Tesla Strategic Management Report



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Executive Summary

Tesla Inc is the first electric car firm that does not just build vehicles but builds a countrywide unified charging system also, and perhaps among its utmost successes is that it is the company that transformed the public insight of electric vehicles (Mangram,2012). The paper conducts Tesla's strategic analysis by conducting external and external analysis, assessing the strategic choices for more modified consumer care and broader suggestion of the proposed strategy on various sections of the firm. Then justification of the proposed strategy through Porter's Five Forces, Ansoff Matrix, and Porter's Generic Strategies tools, and finally the recommendations suggested for the proposed strategy. The three key reasons behind Tesla's achievement and competitive advantage are vertical integration, a supercharger system, and superior technology. These three aspects develop a worthy cycle that endures extending Tesla's lead. Moreover, Tesla requires to endure to raise competence as well as less industrial values as it presents new lesser-estimated cars for the majority. It has extended its company with further battery producers and is seeking into creating its exclusive battery (Van den Steen, 2015). Tesla recommended strategy is the quickening global change to sustainable energy. Which will assist the company to have more modified customer care guaranteeing future resilience and the company to also have a sustainable competitive advantage. Tesla widely appeals to all possible consumers, whose interest in environmentally friendly goods will hasten the global change to sustainable energy. Tesla's generic strategy will guarantee the company's competitive advantage through the proposed strategy of the suitable strategic goal of sustainable change globally through raising investment in research as well as development (R&D), to come up with goods that gratify market demand for improved renewable energy resolutions, like batteries for numerous objectives.

Introduction

Being Strategic indicates being future-oriented, insightful, open-minded, and making choices grounded on indication as well as considered instincts. Hence, businesses being strategic mentions the roadmap and long-term objective for a corporate and how it plans to attain them. This enduring planning, monitoring, analysis as well as valuation of all provisions a company requires to achieve its aims and goals is known as strategic management (Bilbeisi and Kesse, 2017). And variations in the corporate settings will need companies to continually evaluate their strategies for achievement. Strategic management is usually assumed to have both financial and nonfinancial aids. A strategic management procedure assists a company as well as its leadership to contemplate and plan concerning its future being and establishes a path for the company together with its workers, resulting in better operative competence, profitability, and market share. This paper conducts Tesla's strategic analysis through its internal and external analysis and analyses Tesla's proposed strategy by justifying it through Porter's Five Forces, Ansoff Matrix, and Porter's Generic Strategies and recommendations suggested for the proposed strategy.

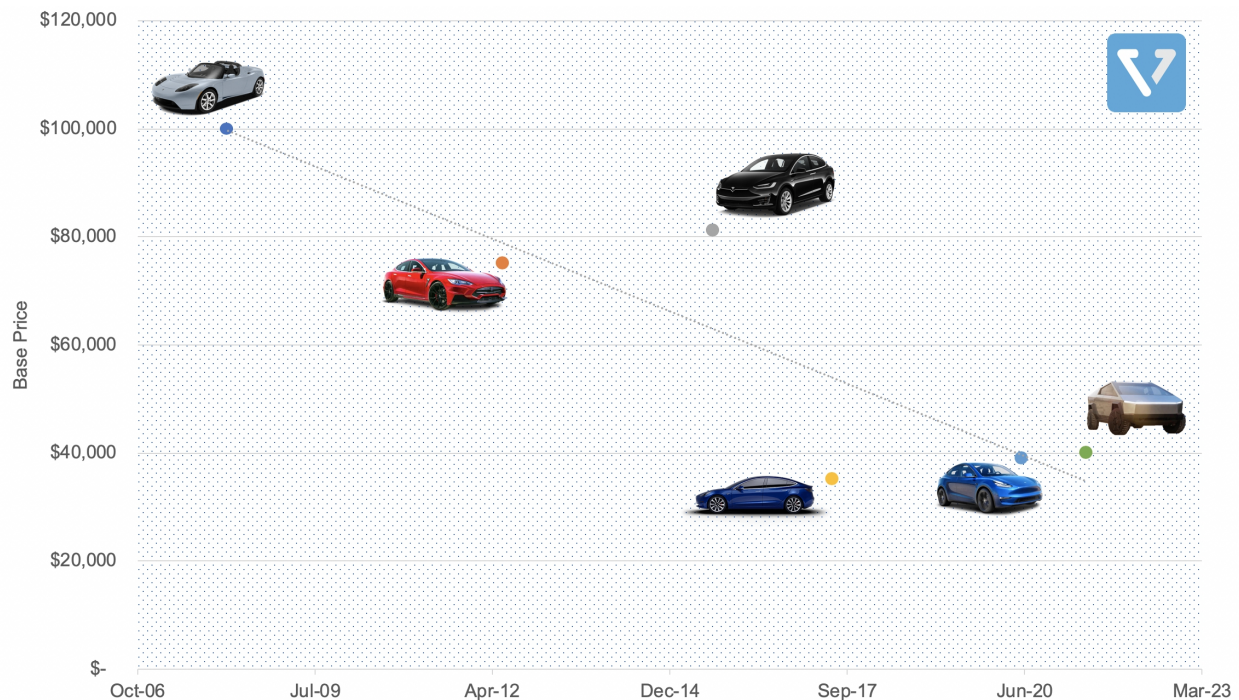
Tesla Strategic Analysis

Tesla Inc is an outstanding firm, as it is the primary car organization to go public since 1956 in the United States (David, 2011). Also, the primary electric car firm that does not just construct vehicles but builds a countrywide unified charging system also, and perhaps among its utmost successes is that it is the organization that transformed the public insight of electric vehicles. The company made electric vehicles unruffled. Tesla's task is to hurry the global's change to bearable vigour. The company plans to build sports vehicles, utilize that money to build an affordable vehicle, and then an even more affordable vehicle, and meanwhile accomplishing the above, offer zero-emission electric power generation choices also. Tesla's proposed strategy is to

accelerate global change to sustainable energy (Välikangas, 2018). Where it builds sports vehicles, utilizes the cash to figure reasonable vehicles, and utilizes the cash to figure more reasonable vehicles.

Tesla has remained on this path as shown in (Figure 1) below that demonstrates the past drive of Tesla's products. Afterwards constructing its primary recital roadster, Tesla then unconstrained its primary best sedan- classical S, trailed by the finest SUV-classical X, then the form bazaar sedan-Classical 3. In the future the objective of the company is to build the Classical Y (form bazaar SUV formed on the Classical 3), then the cyber track and new cohort roadster.

Figure 1: Tesla vehicle's sordid worth vs. issue time



Source: https://vested.co.in/wp-content/uploads/2020/07/image_0-24.png?w=1024

The accomplishment of Tesla as of now cannot be underestimated. As revealed earlier, Tesla is the primary car organization in the United States to effectively IPO as of 1956. Among the

reasons Tesla was capable to attain this is due to two main changes in the auto scenery; one is through the exclusion of the machine, more of the auto portions industrial has remained commoditized and may be developed since 3rd party sellers (suspension, dashboard, windshield, and others), and second, the electric motor is modest to create compared to the internal combustion engine (Schilling and Shankar, 2019). The outdated gasoline power engine contains over 2000 poignant fragments, meanwhile, the electric motor which drives an EV contains roughly 20. This indicates that Tesla may create a powertrain that joined off-the-shell fragments short of flouting the bank.

The three key reasons behind Tesla's achievement and competitive advantage are vertical integration, a supercharger system, and superior technology. These three aspects develop a worthy sequence that endures extending Tesla's lead. In Superior technology; a distinctive Tesla vehicle may be shattered down into three key mechanisms: Electric motor, battery, and Autopilot. Electric motors in Tesla are bigger than that of their opponents. Tesla engines are prepared with exclusive lodestones, enabling them not just lesser, nevertheless low-priced too, and more competent compared to their competitors (Habib et al., 2020). For instance, the Classical 3's diesel-powered is projected to cost around (46.1kg) \$754, meanwhile the BMW's i3 (48.37) \$841 as well as the Chevy Bolt is projected to price (51.49) \$836 (Kobayashi,2022).

Additionally, also, the company motor contains more rotation and improved performance.

Tesla's battery expertise is centuries forward compared to its opponents. For instance, the Classical 3 battery box is expected to contain 14% enhanced energy bulk. Battery superiority by Tesla does not halt the technology factor. Also, Tesla has admittance to the biggest battery industrial volume in the universe. As of its initial times, the company has maintained near relations thru Panasonic. The Japanese firm would generate batteries in Japan, then distribute

them to California for Classical S besides X vehicles. Since then, both firms have combined to brand batteries at Gigafactory 1 in Nevada in the United States. Recently, contain roughly 44 gigawatts hrs of battery volume (Johnson et al.,2020). This 44 GWh number nearly surpasses the volume of all other automakers joined, developing the company's production volume far forward than its competitors. This gap can surge even more as the company is approaching the end of Gigafactory 3 located in China and currently proclaimed Gigafactory 4 located in Germany.

The corporation among Panasonic together with Tesla has remained stony in current months, but, clatters over administration elegance, battery prices and engineering matters partake ragged the association. The stake price of Panasonic has agonized because of the absence of productivity of the combined undertaking, reducing through 33% in the previous two ages, meanwhile, Tesla's partakes raised thru 34%. As an outcome of the tautness, in china, Panasonic is not partaking in the building of Gigafactory 3 by Tesla (Kobayashi,2022). Rather the company has employed a contract with LG Chem to source batteries for this innovative workshop.

Tesla requires to endure to raise competence as well as less industrial values as it presents new lesser-valued cars for the majority. Tesla has extended its company with further battery producers, is seeking into creating its exclusive battery, finished purchases to boost battery industrial abilities, and can even go hooked on pulling out to be capable of sheltered raw materials for battery manufacture.

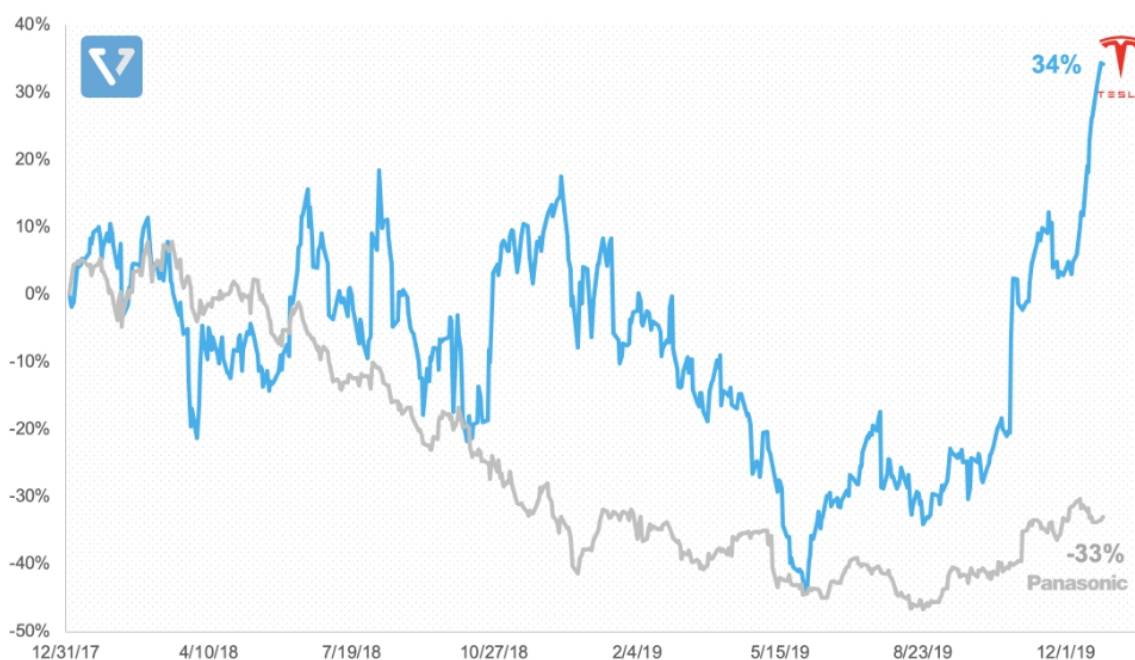


Figure 3: Tesla vs. Panasonic returns from the past 2 years

Source: https://vested.co.in/wp-content/uploads/2020/07/image_2-14.png?w=1024

Recently, Tesla's autonomous driving technology is at level 2. The company's autopilot abilities are better compared to its competitors. Regarding driving data, the company is second to Waymo. Tesla has recorded 1.3 billion miles, which depends on over half a million vehicles utilizing autopilot mode. Regardless of the amount of lashing data, the superiority of Tesla's data cannot be appropriate for complete independence (Kim, 2020). The firm seized a diverse method in creating its autopilot abilities. Distinct from its competitors such as Waymo and others in the AV enterprise, which hires tall exactness GPS, cameras, and LiDAR to develop a thorough plot of the setting, the company depends on the radar as well as cameras. Tesla chiefly utilizes cameras to map the 3D universe into 2D space. It is uncertain if this method will constantly effort to

attain complete autopilot since it is less correct. Tesla has promised full autopilot abilities in the future.

In the Supercharger network, Tesla has created a system of supercharges. Though the needful important capital asset, Tesla's supercharge system offers the firm a modest gain. No other EV manufacturers contain a charging system. Tesla meanwhile has hovered over the chance of introductory its supercharging system to other vehicle producers, but no exact strategies have remained proclaimed (Moritz et al.,2015). Tesla's supercharge abilities as of 2012, have raised from only a few in big cities in the United States to more than 1760 posts, with over 15,000 stands in 37 nations where 59% are situated in China and the United States. (figure 4)

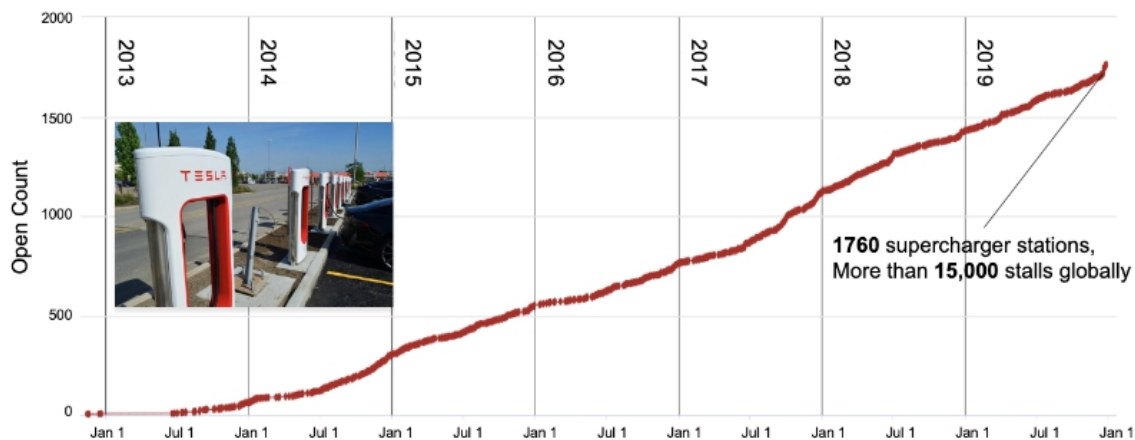
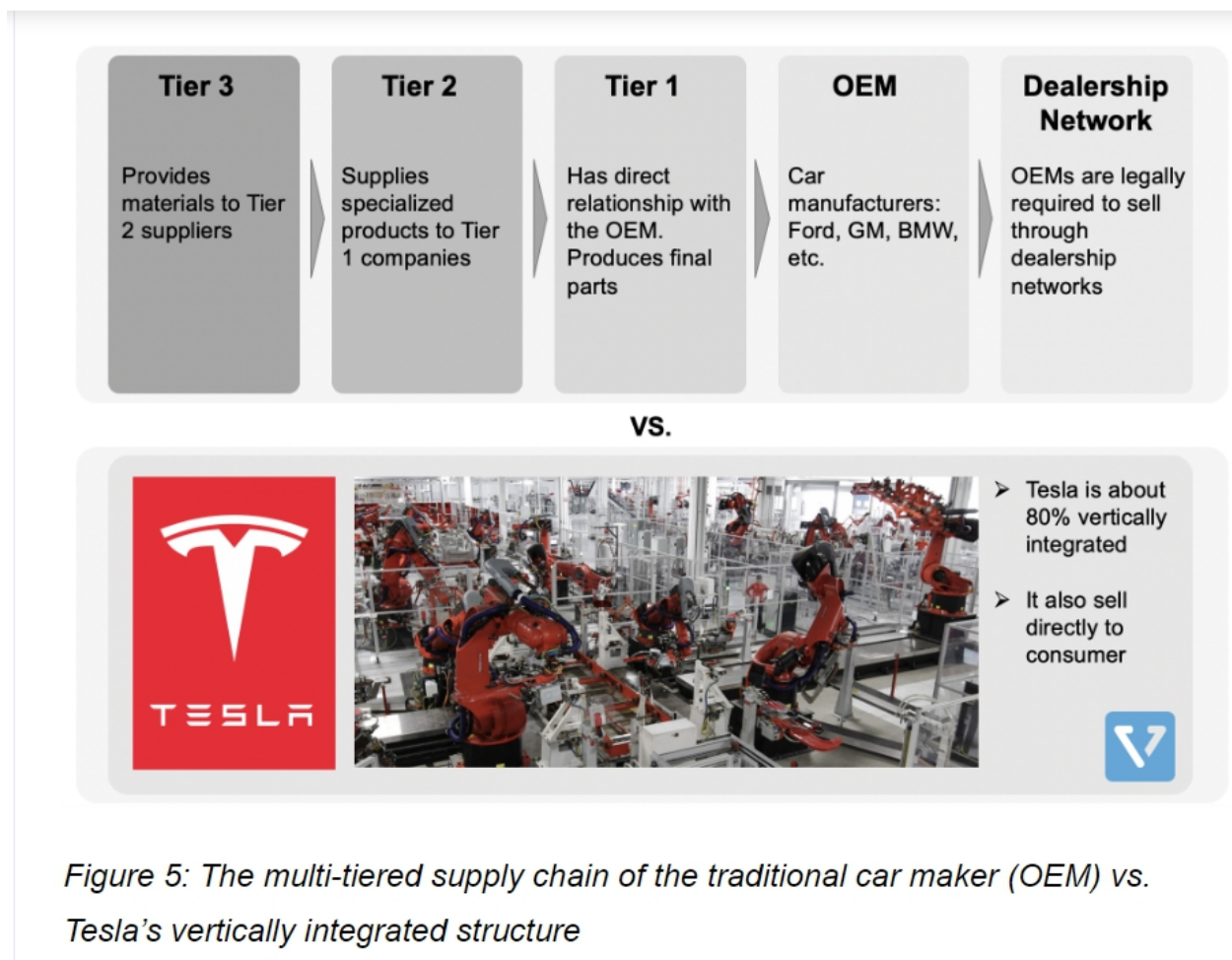


Figure 4: Tesla's global supercharger network. Data is taken from [here](#) source

Source: https://vested.co.in/wp-content/uploads/2020/07/image_3-7.png?w=1024

It costs the company a projected \$270, 000 per station (costs can differ relying on different situations).

The company's organizational structure as well as its strategies to vertically assimilate where probable is what makes Tesla technology superior. Distinct from other organizations, Tesla creates and manufactures many of the key mechanisms in-house. While its competitors like Ford partake a network of third-party dealers which include three levels. Goldman Sachs's current report evaluates that the company has attained roughly 80% vertical incorporation in its industrial supply chain. Tesla's innovations variety from its custom software besides supercharge network, to innovative approaches to producing the mount of the car.



Source: https://vested.co.in/wp-content/uploads/2020/07/image_4-4.png?w=1024

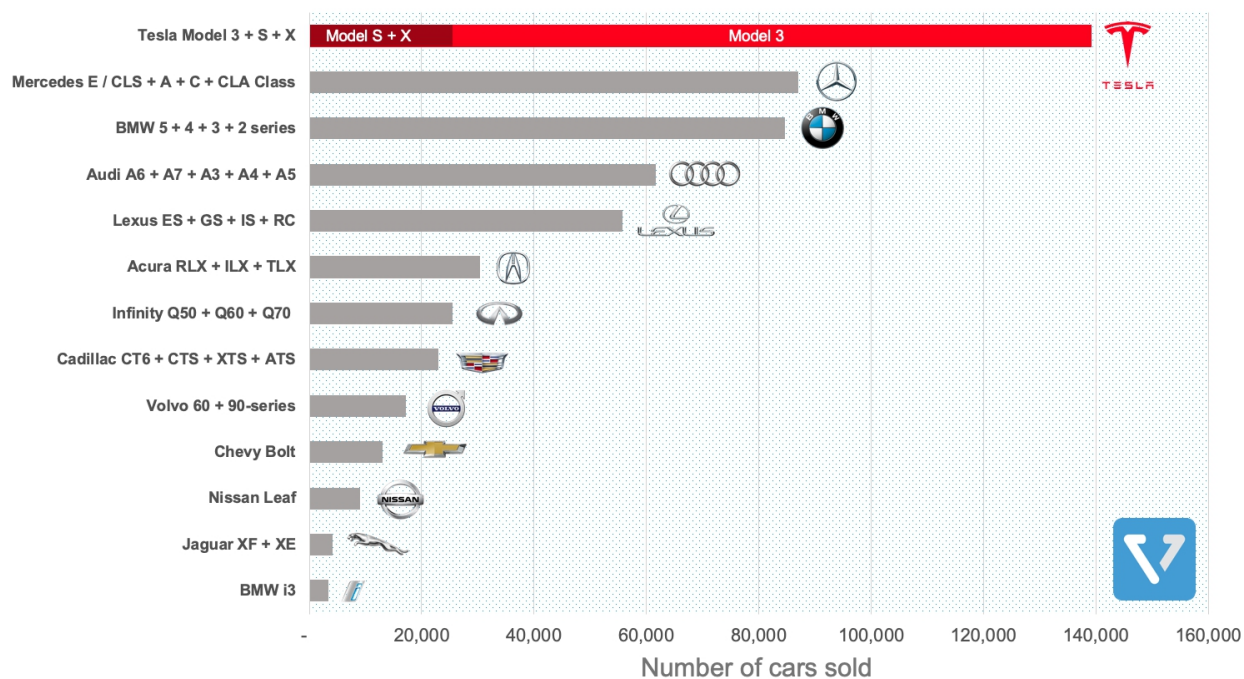
The key advantage of vertical incorporation is not to just benefit from the border they will instead pay their dealers, instead to permit a quicker rate of invention as well as technology growth. This justifies Tesla's motives to choose to open source its technology copyrights. The company did not do it for selfless motives since the plan is strategic in nature. To advance quicker, the company requires to transfer EVs to the mainstream, (since 2018, electric vehicles diffusion in the United States is at roughly 3.4%) and the quickest way Tesla can attain this is to have other producers build electric vehicles also, for when customers are spending for electric cars, they contrast Tesla's EV and that of others, that Tesla trusts are best in class.

Tesla's capability to innovate quickly, the company has the assurance that it may out-revolutionize its opponents. Also, Tesla has the biggest motorised battery-producing volume together with the utmost widespread charging system. The company's vertical incorporation is not restricted to expertise advancement, nevertheless similarly to the way it vends to its consumers. All other car firms depend on a licensed delivery classical in the United States, though Tesla not never chose this classical (Thomas and Maine, 2019). Tesla may go directly to the customers, which indicates that first, the company may capture more profit margin since there are fewer middlemen in the delivery network and second the company got control of the consumer buying experience, a significant aspect since 87% of United States citizens hate the traditional vehicle purchasing experience, and thirdly the company may vend its vehicles online.

Tesla's direct vending to its customers has its arguments. Tesla has encountered numerous legal disagreements in numerous states in the United States. Several states have not just barred the company from vending unswervingly in stores nonetheless similarly barred the company service centers. To evade this in situations which have firm authorization regulations, the company has

developed showrooms where transactions cannot happen and workers are not permitted to talk concerning financing choices or pricing (Lyyra and Koskinen, 2016).

The diagram shows Tesla's growth compared to their competitors



Source: https://vested.co.in/wp-content/uploads/2020/07/image_5-1.png?w=1024

Strategic tools justifying Tesla proposed Strategy

Tesla's proposed strategy is to accelerate global change to sustainable energy. Where it builds sports vehicles, utilizes the cash to build reasonable vehicles, and utilizes the cash to build more reasonable vehicles.

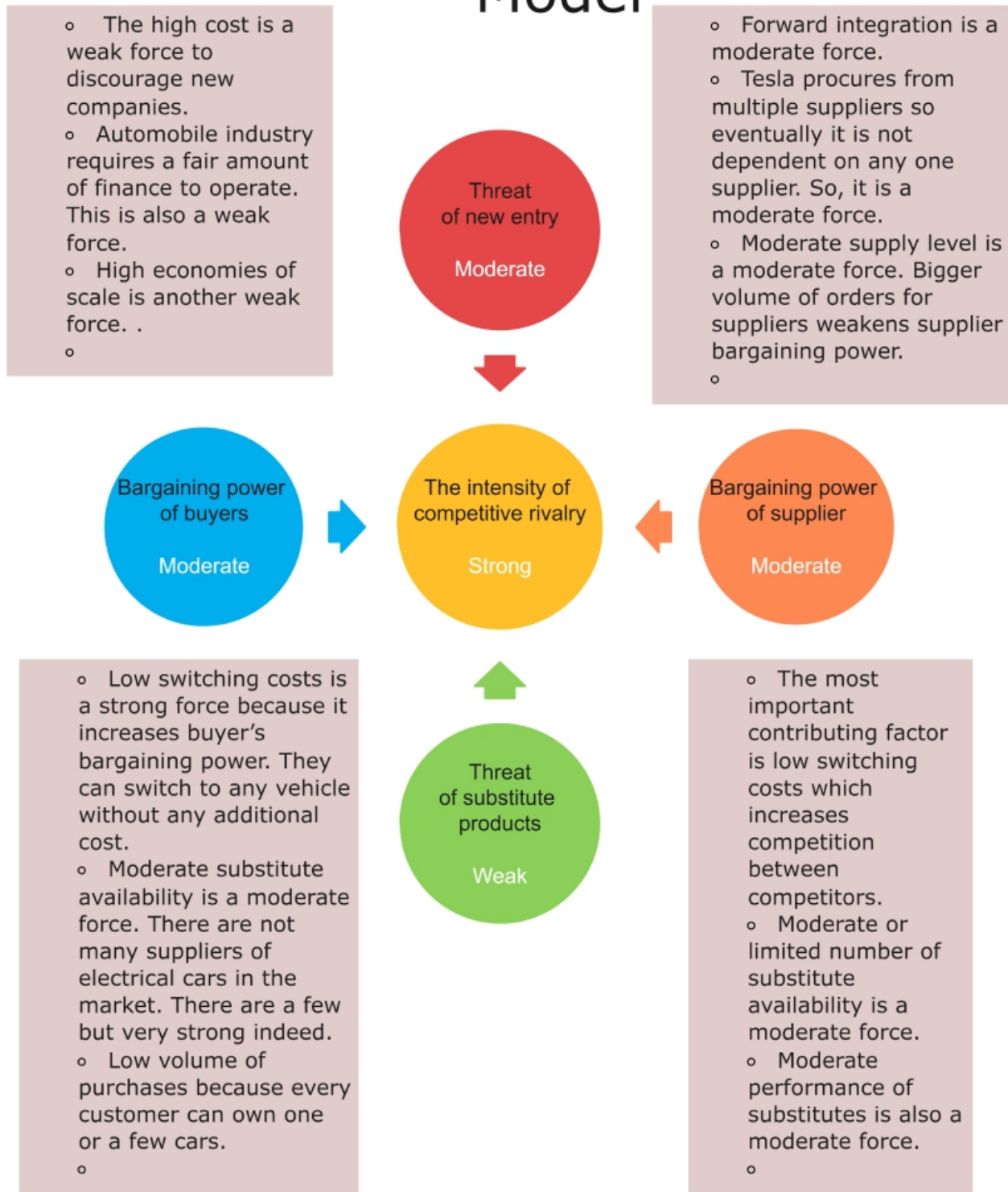
Poster's Five Forces

Poster's Five Forces outline is a technique for evaluating the functioning setting of a competition of corporate (Hoffman,2015). It lures manufacturing association finances to stalk five forces that control the modest asset and, thus, the demand of a company regarding its profitability. The forces close to an organization influence the company's capability to serve its consumers as well as make a profit. A variation in every one of the forces typically needs a corporate unit to re-evaluate the marketplace provided the general variation in manufacturing information. Poster's five forces are a means to comprehend the competitiveness of a business setting. The five forces comprise competitive rivalry, the power of buyers and suppliers, new entrants, and the threat of substitutes (Kryvoviazuk et al.,2021). Tesla faces a lot of competition from its competitors despite its leading in the car manufacturing industry. Through Poster's five forces analysis, Tesla can recognize its possible profitability and regulate its proposed strategy.

Competitive rivalry. The form of competition may differ relying on the balance of the competitive association. The competitive rivalry is top when there are many competitors since then customers may quickly shift to competitors providing the same goods or services. Same-size firms are probably sterner compared to when there are big and small firms. It is key also to watch out for market development since a developing market permits both firms to develop in sales as well as a stationary market indicating that a market bargain is needed (Ehrig and Schmidt, 2022). Tesla is highly competitive; hence the company's competition is a strong force. The forces operating in the company's competitor analysis, as well as numerous external aspects and strong forces in competitive rivalry. The feeble power is the quantity of opponents in the manufacturing and the two strong force is destructive competitors in the market and small substituting cost for purchasers. Tesla deals with the rigorous competition through invention and unified services with charging stations binge globally providing Tesla a competitive advantage. An antagonistic

media marketing policy is crucial for enduring in this competitive setting, enhancement in the supply chain, vertical integration, and a promise to unceasing aid lower costs as well as high revenues. Since low cost is an attractive feature for competitive advantage.

Use Porter's 5 Forces Analysis Model



Source: <https://images.edrawmax.com/article/porters-five-forces/tesla-five-forces-analysis.png>

New Entrants. New entrants to the market may hover over the company's sales capacity and market share. Tesla continues to face the threat of new entrants as companies continue to emerge manufacturing similar cars as them. In the poster's five forces Tesla's threat to new entrants is a low force. This is because there are many aspects that discourage new entrants from expressing to this industry which is; brand loyalty is expensive since it requires highly inventive and progressive technology (Pfarrer et al., 2019). High cost is a weak force to dishearten new firms; the automobile company requires a huge amount of finance to function, and a weak force too; and another weak force is high economies of scale. It is a positive force for developed market companies but does not help new entrants. For Tesla to maintain its sales capacity and market share, it must establish brand loyalty with its customers. Its proposed strategy of hastening global change to sustainable energy will build brand loyalty for Tesla and its customers.

The threat of substitutes is whereby many products may be substituted for other aids, not essential in similar types. In Tesla, the threat of substitute goods is a moderate force since the company contains a modest as well as a restricted number of substitute choices in the market (Dess et al., 2016). The underwriting aspects include; the modest presentation of substitutes as a moderate force; the typical or a partial number of substitutes available is a moderate force and the more significant aspect is low swapping costs, raising competition among competitors.

Power of buyers. The purchaser's power is high when there are fewer big companies and correspondingly numerous suppliers (McCain, 2019). If numerous sources are available, buyers can yard about for other resources or suppliers that can comprise a menace losing the main client. The aspects that regulate the buyer's power include; order size, price sensitivity, number of consumers, variations among competitors, information obtainable, and buyer's capability to

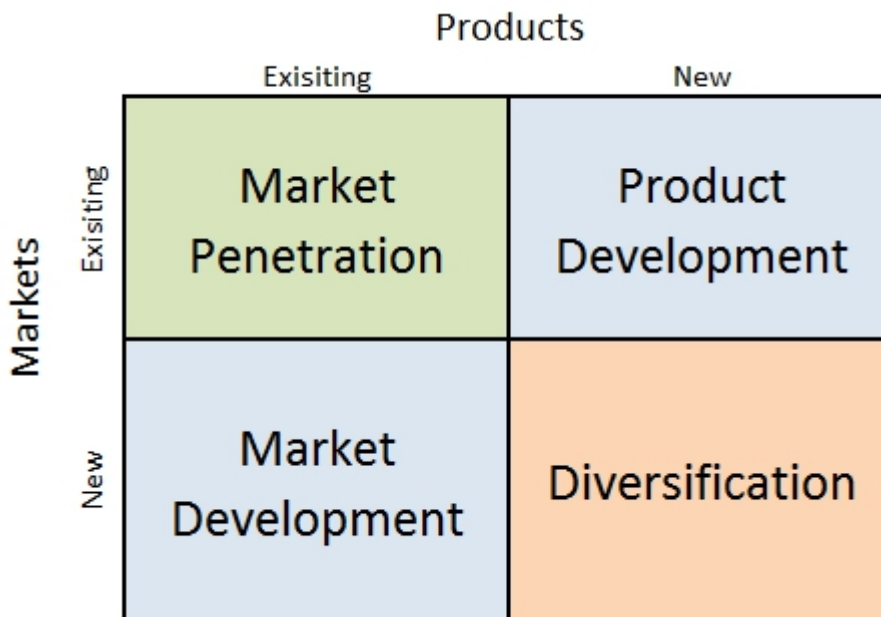
substitute. In Tesla, the bargaining power of customers is a moderate force. Different aspects affect buying power of consumers such as the small capacity of purchases since each consumer may own one or several vehicles; low swapping costs are a strong force since they raise the buyer power. They may swap to any car without any extra cost. And modest substitute available is a moderate force since there are fewer suppliers of electric cars in the bazaar, they are too strong.

The power of suppliers is conflicting with the buying power since it is high when there are fewer suppliers. Fewer suppliers mean that good is new or precise, and it may be challenging and affluent for a firm to change suppliers. Aspects that regulate the power of suppliers are varying costs, several suppliers, the capability of suppliers to substitute, the distinctiveness of the product, and the size of suppliers (Chung and Busby, 2022). The company bargaining power of suppliers is moderate force. As tesla depends on the supplier's level supply outlines thus, suppliers affect the corporate and the forces include; a moderate supply line is a moderate force, as a large capacity of orders for suppliers weakens the power of suppliers; forward integration is a moderate force; and Tesla obtains from numerous suppliers, so ultimately, not reliant on the solitary supplier. Hence a moderate force.

Hence, Tesla proposed strategy to quicken global change to sustainable energy will advance the competitive setting of the firm. The company through this policy will be able to build a sustainable competitive advantage (Li, 2018). As it builds brand loyalty when customers feel appreciated and valued through supporting zero emissions in the future that will positively impact their climate. Tesla demonstrates that apart from just manufacturing quality cars, it is also concerned with the welfare of its customers. Thus, attaining a competitive advantage.

Ansoff Matrix

Ansoff matrix is a piece of strategic preparation equipment which offers an outline to assist executives, marketers, senior administrators formulate strategies for future development. It is utilized in the strategy phase of the marketing planning procedure. Where it recognizes which predominant strategy the corporate must utilize and then updates which strategies must be utilized in the marketing practices. The four policies of the Ansoff Matrix comprise market infiltration, product development, market development, and diversification. Tesla utilizes all four development policies cohesively.



Source: <https://rm-15da4.kxcdn.com/wp-content/uploads/2018/09/Tesla-Ansoff-Matrix-1.png>

Market penetration includes selling present goods to prevailing markets; knowing how the good functions and the market grasps scarce disbeliefs. Tesla utilizes the market penetration policy

widely. The firm is engrossed in vending its Classical 3 electric cars, Classical S and Classical X, in the United States as well as in other countries.

Product development indicates the growth of a new good to vend to current bazaars. Rarely, tesla participates in new good development. This is primarily because of the excessively high cost of new goods growth in power storage segments as well as electric cars. The company announced that the electric vehicle creator contained strategies to enter into the mining corporation, on September 2020 Battery Day occasion (Okanagan, 2022. Tesla attained the privileges to a 10,000 plot in Nevada. In this plot the company tactics to excerpt the metal through modest table salt, and will construct a lithium plant to source a new workshop located in Texas. Meanwhile, the primarily strategy for Tesla is to utilize lithium for its requirements as raw substantial, the electric automaker may begin vending this affluent substantial to others also.

Market growth includes seeking new markets for present goods. Tesla is assessing several new markets to enter, the country being India. Tesla CEO, Elon Musk stated that it was Deepak Ahuja from India born, who is the chief financial officer who was proposing on the company enter India (Garner et al.,2014). Tesla's entry into India will be a strategically suitable choice for the electric automaker, considering the hastily increasing economy of the country.

Diversification. Corporations create new goods for new bazaars. Tesla has utilized a diversification policy over the previous ages. Since the firm ongoing just as a manufacturer of electric cars in 2003 and later altered its name from Tesla Motors subsequently buying a Solar firm in 2016 to come into the energy stowage segment.

Porter's Generic Strategies

Porter's generic policies define the way a firm trails competitive benefit transversely to its selected bazaar possibility. An organization selects to follow one of the two forms of competitive benefit, through lesser prices compared to its competition or through distinguishing itself lengthwise scopes appreciated by consumers to demand a high price (Grant, 2015). A firm also opts for one of the forms of choice, by providing its goods to particular parts of the market or either industry-wide, providing its goods transversely to most market sections. The generic strategy replicates the decisions established concerning both the form of competitive advantage as well as the scope. The four policies are known as cost leadership policy, Differentiation strategy, cost Focus policy, and Differentiation focus policy.

Cost leadership policy is where a corporate concentrates on minimizing the price to distribute the goods and services to a consumer, guaranteeing more profitability and therefore, may enhance shareholder worth or invest in other sections of the corporate policy. The differentiation policy is where a company concentrates on diversifying its goods or service from players. The cost focus policy is a progress of the cost leadership strategy. The company concentrates on the forte market, by geography or industry, and emerges skilled in distributing for the particular industry. Cost indicates the firm generating the good for a destructive cost to them. And, diversity focus policy is a growth of the differential policy. Stressing the statistic, the company is ingoing a forte market.

Tesla smears its generic strategies to attain a competitive advantage equated to its players in the International automotive business. The generic tactic in Tesla replicates the company's concentration on utilizing developed technologies in its electric cars as well as connected goods as a manner in which it is competing against other automotive industry cars. The four strategies also guarantee the development of the company. The strategic changes with time, guarantee

growth and the company's resilience in the encounter of technological growth as well as altering consumer occurrences. Tesla's generic strategy permits the firm to establish a competitive advantage, and appeal to primary adopters in the international market. The consistent rigorous strategies aid the company growth founded on raising sales incomes from recent markets where Tesla functions.

The company's generic competitive approach is wider diversity. This approach builds a competitive benefit founded on the growth of goods which distinguishes Tesla corporation from other organisations in the business. For instance, Tesla's goods are modest since they assimilate developed globally outgoing technology, seeing that the huge mainstream of autos currently utilizes interior ignition engines. In utilizing this generic competitive policy, Tesla widely appeals to all possible consumers, whose interest in environmentally friendly goods will hasten the global change to sustainable energy. Tesla's generic strategy will guarantee the company's competitive advantage through the proposed strategy of the suitable strategic goal of sustainable change globally through raising investment in research as well as development (R&D), to come up with goods that gratify market demand for improved renewable energy resolutions, like batteries for numerous objectives.

Conclusions

In conclusion, the strategy of Tesla is to build sports vehicles, utilize that money to build an affordable vehicle, and then an even more affordable vehicle, and meanwhile accomplishing the above, offer zero-emission electric power generation choices also. Tesla's proposed strategy is to accelerate global change to sustainable energy (Lynch,2015). Where it builds sports vehicles, utilizes the money to build affordable vehicles, and utilizes the money to build more affordable vehicles. The three key reasons behind Tesla's achievement and competitive advantage are

vertical integration, a supercharger network, and superior technology. These three aspects develop a worthy cycle that endures extending Tesla's lead. In Superior technology; a distinctive Tesla vehicle may be shattered down into three key mechanisms: Electric motor, battery, and Autopilot. Electric motors in Tesla are bigger than that of their competitors. Tesla motors are prepared with exclusive magnets, enabling them not just lesser, but low-priced too, and more competent compared to their competitors.

Tesla requires to endure to raise competence as well as less industrial prices as it presents new lesser-priced cars for the mainstream. Tesla has extended its company with other battery producers, is seeking into creating its exclusive battery, finished purchases to boost battery industrial abilities, and can even go into pulling out to be capable of sheltered raw materials for battery manufacture. Tesla has promised full autopilot abilities in the future since the company chiefly utilizes cameras to map the 3D universe into 2D space (Hayes, 2014). It is uncertain if this method will ever work to attain complete autopilot since it is less correct. In the Supercharger network, Tesla has created a system of supercharges. Though the needful important capital investment, Tesla's supercharge network offers the firm a competitive advantage. No other EV manufacturers contain a charging network. The company's organizational structure as well as its strategies to vertically assimilate where probable is what makes Tesla technology superior. Distinct from other organizations, Tesla creates and manufactures many of the key mechanisms in-house.

As to porter's five forces, Ansoff matrix, and porter's generic strategies, Tesla proposed strategy to quicken global change to sustainable energy will improve the competitive setting of the company. The company through this strategy will be able to build a sustainable competitive advantage. As it builds brand loyalty when customers feel appreciated and valued through

supporting zero emissions in the future that will positively impact their climate. Tesla demonstrates that apart from just manufacturing quality cars, it is also concerned with the welfare of its customers. Thus, attaining a competitive advantage.

Recommendations

Tesla's strategy is hurrying the global change to sustainable energy. Where it builds sports vehicles, utilizes the money to build affordable vehicles, and utilizes the money to build more affordable vehicles. To be able to achieve a competitive advantage and modify customer care. The following are the recommendations that Tesla should try to take action to enable global change to sustainable energy. The company can hurry the process to sustainable energy by establishing the limiting aspects and attempting to overcome them. Thus, Tesla should continue opening up Giga factories and set a target whereby by 2030 they have achieved their 50% manufacture of electric vehicles.

The three posts to sustainable energy are the production of sustainable energy such as nuclear, wind, and solar. The limiting factor at the rate at which the company may produce batteries. That are anodes, lithium, and cathodes with various materials (Johnson et al.,2017). Thus, for Tesla to increase the rate of production of batteries, they need to get involved in the processing of material for the batteries. Hence, the company's objective should be to produce the raw materials for producing batteries on at large scale. Also, the company needs to invest in Europe and China's Giga factories to achieve sustainable energy.

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Appendix

Tesla Background

Tesla Inc was initiated in July 2003, by Marc Tar penning together with Martin Eberhand. The current CEO of the company is Elon Musk from October 2008. It is an American international automotive as well as clean energy firm. The company headquarter is in Texas, Austin. The company builds and produces electric cars, solar panels, and battery energy storage. Tesla is among the global utmost appreciated firms and continues the global utmost respected automaker, having a market capitalization of over \$480 billion. The prime electric car firm that does not just construct vehicles but builds a countrywide unified charging system also, and perhaps among its utmost successes is that it is the organization that transformed the public insight of electric vehicles.