

Tesla Strategic Management Analysis Report

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Executive Summary

The electric vehicle (EV) and clean energy industry are highly competitive with Tesla Inc., which operates within this sector. Although Tesla commands a significant market share, the company encounters manufacturing expenses, supply problems, and growing market competition.

Based on PESTLE analysis, Tesla faces numerous external challenges, including regulatory requirements, economic market changes, and shifting customer demand for sustainable power solutions. Porter's five forces analysis reveals that Tesla faces tough rivalry with competitors and restricted supplier diversity, but it remains strong because of its brand image and industry-leading technology. From an RBV perspective and value chain analytic framework, Tesla demonstrates its battery engineering capabilities and charging network infrastructure as its main assets. At the same time, its ability to scale manufacturing suffers as a weakness.

The strong market position of Tesla is reinforced by the differentiation strategy analyzed through Porter's Generic Strategies and its market expansion through Ansoff's Matrix. Using its brand strength and innovative capabilities, Tesla should mitigate supply chain weaknesses and production expenses based on SWOT and TOWS analysis findings.

Long-term profitability for Tesla depends on strengthening supply chains with resilience and conducting cost-effective manufacturing while expanding globally and maintaining its sustainability goals. Therefore, the company must form strong alliances for raw material procurement and battery innovation work to defend its EV market dominance.

1. Introduction

As an American company for electric vehicles (EV) and clean energy solutions, Tesla Inc. is a global leader in transitioning the world towards sustainable transportation and energy systems. In 2003, Tesla was established as an automobile maker in San Carlos, California (Hopkins and Lazonick, 2024). The company advances its strategic operations through its mission "to accelerate the world's transition to sustainable energy" while pushing innovation efforts in electric vehicles and renewable power technology (Tesla, 2023, p. 5).

Strategic analysis of Tesla is vital because its disruptive business model has challenged traditional automobile production and energy generation methods (Li et al., 2024). As of March 2025, Tesla had a market cap of \$804.06 Billion, making it one of the most valuable automobile manufacturers (CompaniesMarketCap, 2025). As a result, Tesla plays a critical role in defining the future of transportation, hence the need for strategic analysis.

Although Tesla has achieved significant accomplishments, the company faces major economic and strategic challenges. Rising raw material prices, global supply chain interruptions, and economic instabilities stemming from inflation and geopolitical tensions threaten Tesla's operational performance and profitability (PwC, 2023). Moreover, the growing competition from emerging Chinese electric vehicle manufacturer BYD and other competitors creates market pressures (Auto World Journal, 2025). Therefore, a thorough strategic analysis is vital to understanding Tesla's position in the industry.

This analysis examines Tesla's strategic position using external tools (PESTEL and Porter's Five Forces), internal tools (RBV alongside Value Chain and SWOT/TOWS), and competitive tools, which include Porter's Strategies alongside Ansoff's Matrix and M&A. Ultimately, the

report will provide sustainability recommendations focusing on ethical practices, environmental standards and international market expansion.

2. External Analysis

2.1. PESTLE Analysis

Six essential factors determine Tesla's operational setting: political conditions, economic and sociocultural elements, technological requirements, environmental aspects, and legal parameters.

Political: Tesla benefits from growing EV incentives through the \$7,500 U.S. federal tax credit (Domonoske, 2024). Nevertheless, the political tensions between countries are causing problems delivering battery supplies. For instance, the U.S.-China trade war and rare earth mineral export limitations disrupt lithium supplies, which makes Tesla face production challenges and potentially increase production expenses (Shokri, 2025).

Economic: A surge in the car loan interest rates threatens Tesla's business operations. Between 2022 and 2024, the average interest rate for an automobile loan increased below 4% to 7.9% in the U.S. (Statista, 2025). However, a decreased lithium carbonate market price may lower manufacturing expenses in the long run, reducing pressure on profitability. For instance, China, as one of the key exporters to the U.S., experienced a 1.6% decrease in lithium price in mid-February 2025, creating a business opportunity for Tesla (Jennifer, 2025).

Sociocultural: Tesla utilizes rising environmental knowledge and increasing market need for sustainable transportation systems. The survey conducted by Pew Research in 2022 showed that 69% of American citizens supported U.S. efforts to

achieve carbon neutrality by 2050 (Tyson, Funk, and Kennedy, 2023). As a result, the U.S. EV market share rose to 7.6% in 2023, up from 5.6% in 2022, providing Tesla an opportunity (Cox Automotive, 2024).

Technological: Tesla uses its advanced technology to drive its success through battery efficiency improvements, autonomous driving systems, and AI applications. Global EV adoption speeds up as electric vehicles account for 18% of total car sales in 2023, up from 14% in 2022, with only 2% sold in 2018 (IEA, 2024). This surging trend in the worldwide adoption of EV technology demonstrates Tesla's continuous growth opportunity.

Environmental: Ambitions to decrease emissions lead to the market adoption of environmentally sustainable products worldwide. EV sales worldwide were projected to reach 14 million units in 2023, with the upward trend in EV sales projected to cut down 700 million tons of CO₂ emissions by 2030 (IEA, 2023). The business trend toward sustainable solutions enables Tesla to succeed by offering its EVs combined with solar solutions, which support global sustainability targets and encourage the adoption of eco-friendly products.

Legal: Tesla confronts intricate legal struggles. For instance, the Autopilot driver assistance system faces NHTSA investigations, which might lead to \$135.8 million in fines (Kolodny, 2024). However, the Paris Convention provides Tesla with enhanced global patent rights to help the company effectively manage legal hurdles (Henry, 2024).

2.2. Porter's Five Forces Analysis of Tesla

Porter's Five Forces model represents a system for studying industry competition based on five components: competitive rivalry, supplier power, threat of substitutes, buyer power, and threat of new entrants. The Five Forces model enables Tesla and other businesses to evaluate marketplace conditions, financial success potential, and strategic positioning needed to achieve a competitive edge in the industry.

Competitive Rivalry (High): Tesla faces substantial market competition as the worldwide EV market experienced rapid growth to reach 14 million EV sales in 2023, with Chinese producers selling 4.66 million vehicles and Volkswagen selling 770,000 vehicles (Walt, 2024). With Tesla only selling 1.81 million in 2023, intense competition from Chinese producers like BYD and Volkswagen seriously threatens the company's long-term growth (Walt, 2024).

Threat of New Entrants (moderate): The high investment costs and brand loyalties limit. New market entry, but government support, such as the \$7,500 U.S. federal tax credit, helps neutralize barriers to entry (Domonoske, 2024).

Bargaining Power of Buyers (High): Customers want low-priced electric vehicles featuring improved driving range and top-tier capabilities. Additionally, brand loyalty is weakening. The McKinsey survey revealed that at least 50% of respondents admit they might switch to a different brand when transitioning to electric vehicles, showcasing how the consumer decision in the EV market has become a critical factor to consider (Furcer et al., 2023).

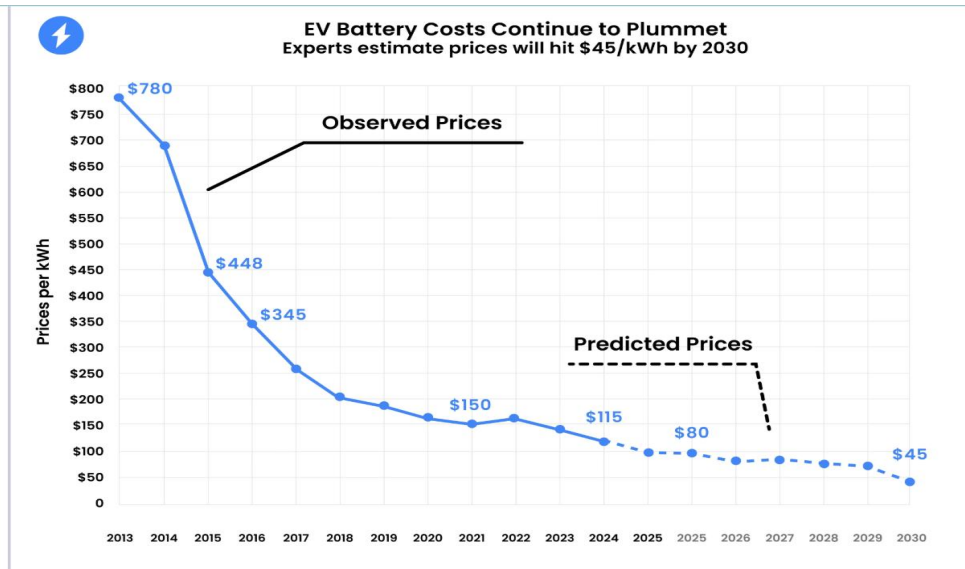
Bargaining Power of Suppliers (Medium): Tesla combats supplier power through battery manufacturing, reducing costs and increasing managerial control. However, procuring lithium and cobalt faces difficulties since the lithium market is controlled by a few companies like Glencore and Ganfeng (Fedotov, 2022).

Threat of Substitutes (High): The market provides customers with multiple mobility choices, including transportation coupled with bicycle and fuel-powered automobile options. Price-conscious customers tend to pick hybrids or hold off on their buying decisions. Hydrogen fuel cell vehicles and advancements in battery technology created by competitors threaten Tesla, so the company maintains continuous innovative practices (Fedotov, 2022).

2.3 Economic Trends

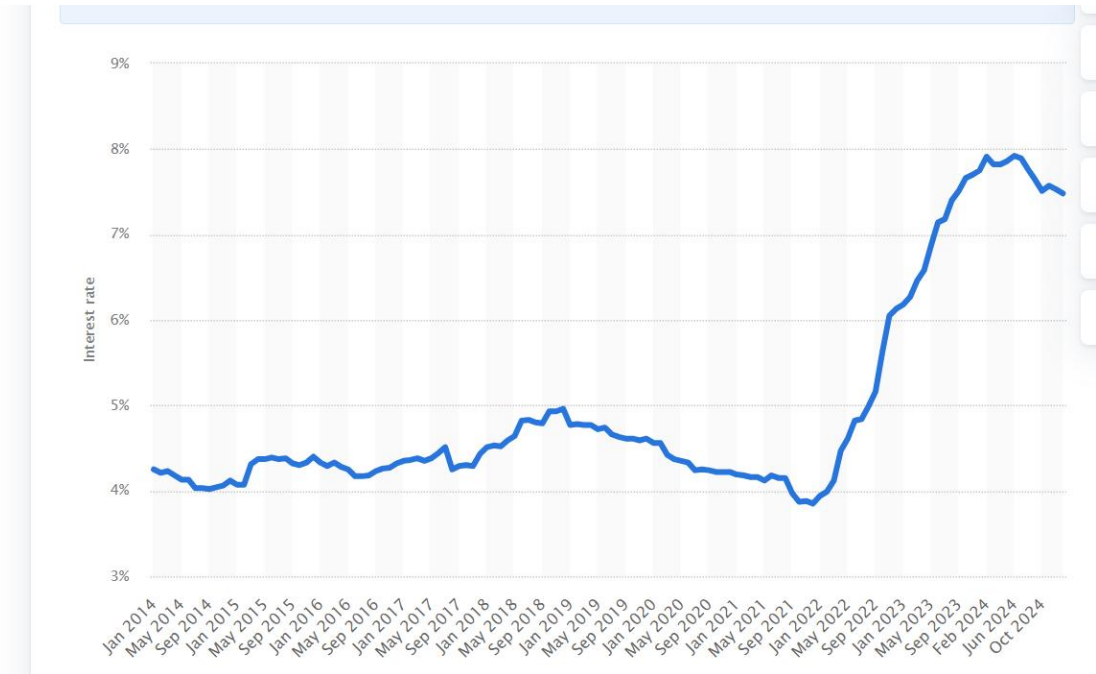
Based on the analysis, the three key economic trends that would affect the operation of Tesla include: More detailed explanation have been provide in **Appendix 1**.

Figure 1: Trend in Battery Costs



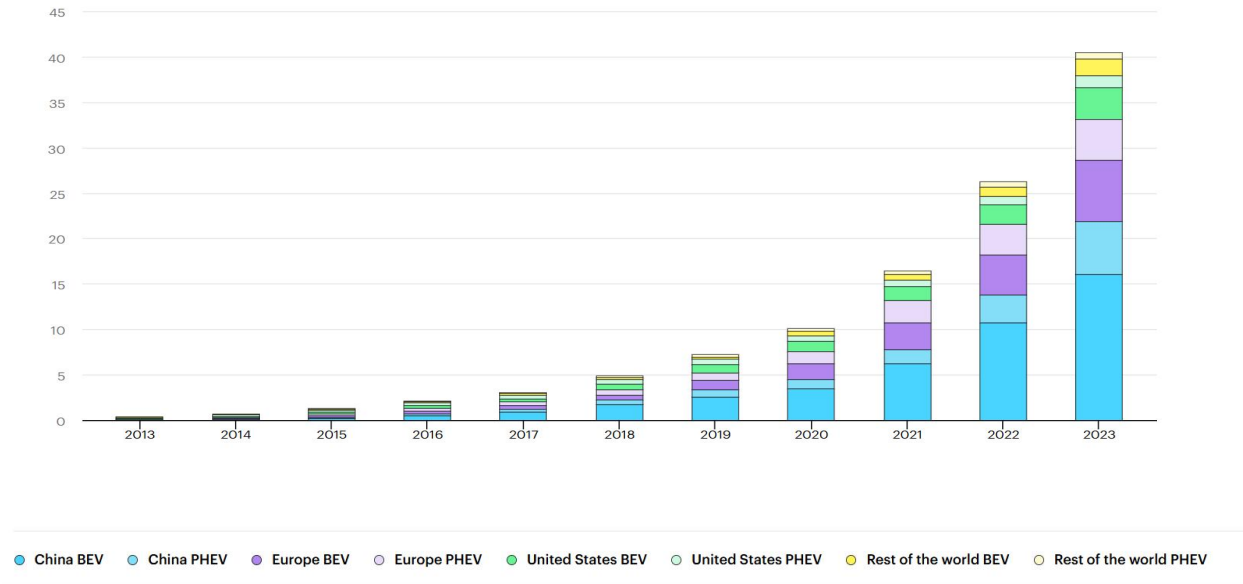
Source: Najman (2025): Recurrent

Figure 2: Car Loan Interest Rates in the U.S.



Source: Statista (2025)

Figure 3: Global electric car stock, 2013-2023



Source: IEA (2024)

3. Internal Analysis

Tesla's competitive advantage consists of its resources, capabilities, operational excellence, and strategic EV industry position. The analysis using a Resource-Based View (RBV), Value Chain Analysis, and the SWOT/TOWS framework demonstrates an extensive understanding of Tesla's internal strengths and weaknesses.

3.1. Resource-Based View (RBV)

According to Madhani (2010), RBV "analyses and interprets resources of the organizations to understand how organizations achieve sustainable competitive advantage" (p.4). Tesla's tangible resources encompass its Gigafactories, which facilities optimize production via automated battery manufacturing processes (Ozsevim, 2024). The supercharger network (the world's biggest network) gives Tesla an exclusive

advantage in the marketplace. The battery technology 4680 cells series enhance system efficiency and overall cost minimization (Ank et al., 2023).

Tesla also stands unique in the market because it possesses intangible assets, including a reputable brand image, patented innovations, and AI-based software capabilities (Ank et al., 2023). The Full Self-Driving (FSD) software that runs on machine learning technology allows Tesla to maintain its position as a market leader in autonomous driving (Schöttle, 2024).

3.2. Value Chain Analysis

Based on Table 2 below, Tesla's operational efficiency depends on its value chain structure, but additional improvements are still necessary.

Table 1: Detailed Evaluation of Tesla's Value Chain

Primary & Support Activities	Current Strengths	Where Tesla Needs Improvements to Enhance Operational Efficiency
Inbound Logistics	- Secures lithium, nickel, and cobalt through long-term contracts. - Operates global warehouses for battery components and solar panels.	- Supply chain disruptions, particularly lithium shortages. - High dependence on external suppliers increases risk.
Operations	- AI and robotics enhance	- Scalability challenges at Giga

	automation at gigafactories. - Optimized EV production reduces costs and increases precision (Shivasharana, Praveen, and Nijaguna, 2023).	Berlin and Giga Texas delay expansion (Lv et al., 2023).
Outbound Logistics	- Direct-to-consumer sales eliminate dealership costs. - Digital vehicle tracking improves logistics efficiency (Lv et al., 2023).	- Delivery bottlenecks due to limited logistics infrastructure. - High shipping costs and delays affect customer satisfaction.
Marketing & Sales	- Digital marketing strategy reduces costs. - Strong brand presence through Elon Musk's social media influence.	- Limited, targeted marketing in emerging markets. - Low penetration in regions with rising EV adoption.
After-Sales Services	- Over-the-air (OTA) software updates enhance vehicle performance remotely (Shivasharana, Praveen, and Nijaguna, 2023).	- Insufficient physical service centers, leading to long wait times.
Support Activities	- Strong R&D drives innovation in battery technology and AI.	- High turnover in engineering and manufacturing roles affects talent

retention.

Source: Author's Own

3.3. SWOT/TOWS Analysis

Table 2: SWOT/TOWS Framework for Tesla

	<u>Opportunities</u> 1. Falling battery costs. 2. Expansion into emerging markets. 3. Growth in AI and autonomous driving. 4. Government incentives for EVs.	<u>Threats</u> 1. Rising competition from legacy automakers & Chinese. 2. High interest rates affect consumer affordability. 3. Supply chain disruptions. 4. Regulatory scrutiny on FSD and safety concerns.
<u>Strengths</u> 1. Advanced battery technology. 2. Strong brand loyalty. 3. Extensive Supercharger network.	<u>SO Strategies</u> 1. Invest in AI to enhance EV efficiency. 2. Leverage falling battery costs for pricing consumers to enhance	<u>ST Strategies</u> 1. Use brand loyalty to counter competition. 2. Enhance affordability through cost-efficient manufacturing and pricing

4. AI-driven FSD and software innovation.	brand loyalty. 3. Use the Supercharger network to expand into the emerging EVs market.	strategies to address high interest rates.
<u>Weaknesses</u>	<u>WO Strategies</u>	<u>WT Strategies</u>
1. High production costs. 2. Quality control issues and recalls legal issues. 3. Limited model variety. 3. Dependence on Elon Musk's leadership.	1. Leverage falling battering costs to reduce the overall production costs. 2. Expand the model range to reach more consumers using government incentives.	1. Reduce reliance on Musk through a strong leadership team. 2. Strengthen supplier relationships to reduce supply chain risks. 3. Focus on AI and automation to cut production costs.

Source: Author's Own

4. Strategy Formulation & Competitive Positioning

4.1. Tesla's Strategic Positioning – Porter's Generic Strategies

The three competitive strategies within Porter's Generic Model consist of Cost Leadership, which establishes low-cost products; Differentiation, which provides exceptional value, and Focus, which targets specific market segments using cost or

differentiation strategy (Ali and Anwar, 2021). Organizations like Tesla adopt this approach to achieve better performance than rivals and secure long-term profitability.

See appendix 3 for more details about Tesla's strategic positioning.

According to this model, Tesla's primary strategy involves broad Differentiation by emphasizing innovative technology and sustainable practices. Tesla establishes itself as different from conventional car manufacturers by implementing contemporary electric vehicle (EV) systems (Rowland, 2024). The company adopted a differentiation-focused approach, explicitly catering to high-end early adopters at the beginning of their operations. The company decided to pursue broad differentiation opportunities by expanding its reach in the market after both production costs decreased and brand awareness increased. The strategic differentiation approach of Tesla enables the company to maintain competitive advantages that result in substantial market appeal and an EV industry-leading position.

4.2. Tesla's Growth Strategies – Ansoff's Matrix

Tesla's primary growth method involves market penetration by intensifying its product promotion and expanding its distribution channels to boost existing market revenue growth. Product development is a secondary strategy because Tesla develops technologies that include advanced EVs, solar panels, and energy storage solutions (Rowland, 2024). The market development initiative helps Tesla execute its worldwide market expansion by introducing unique, environmentally friendly products globally. Tesla engages in limited diversification activities by exploring additional battery applications outside their current automotive sector (Rowland, 2024). These expansion

strategies support Tesla's differentiation strategy, which enhances its market dominance and ensures future growth. More details have been provided in **appendix 2**.

5.Sustainability & Strategic Recommendations

The sustainability initiatives of Tesla center on renewable energy, ethical sourcing, and emission mitigation, all of which are crucial in boosting the company's market competitiveness and brand reputation. Tesla runs a closed-loop battery recycling system that cuts dependence on new mineral extraction of lithium cobalt and nickel, aligning with worldwide sustainability patterns and positively impacting Tesla as a brand (Antony Jose et al., 2024). Moreover, through its Energy division, Tesla endorses solar panel systems and Powerwall battery units, encouraging consumers and other companies to shift towards environmentally sustainable energy usage. Nevertheless, Tesla's autonomous driving technology still faces regulatory investigations and supply chain uncertainties.

To solidify its strategic position, Tesla should ensure better ethical sourcing practices by expanding supplier audit operations and blockchain monitoring systems for monitoring responsible mining operations. Moreover, it is necessary to tackle moral issues which arise from AI-driven self-driving technology. Tesla must improve its predictive maintenance and develop AI safety systems to fulfill regulatory rules and customer trust standards (Kolodny, 2024). Establishing additional battery recycling facilities will also help minimize the environmental impact, reducing the regulatory investigations while solidifying its position in the dynamic EV market.

Expansion toward international markets, including India and Africa, is key for EV adoption in emerging markets where high costs and inadequate infrastructure are the main barriers (IEA, 2024). The company should work with national governments of such emerging markets to create incentives for electric vehicles, charge network infrastructure, and a budget-friendly model, just like BYD in China did (Automotive World Journal, 2025).

To enhance its renewable energy business, Tesla needs to expand its Powerwall and Megapack product deployment within underdeveloped energy infrastructure areas (Tyson, Funk, & Kennedy, 2024). The decentralized energy solution leadership position of Tesla will enable it to benefit from substantial global investments in sustainability initiatives.

By ethical sourcing practices, effective predictive maintenance, international expansions, and enhancement of its renewable energy business, Tesla can establish a strategic position in the market while minimizing risks connected with regulation and ensuring long-term success in the volatile EV market.

6. Conclusion

The forward-thinking business model of Tesla proves decisive for the EV and clean energy industry because it meets sustainability objectives effectively. Through technological innovations such as branding and strategic market expansion, Tesla preserves its market competitiveness. However, economic challenges such as high

interest rates, supply chain disruptions, and regulatory scrutiny pose risks to its long-term success. The company must follow a comprehensive strategic management system to thrive through market intricacies and maintain its dominant industrial position and sustainable expansion. Tesla's commitment to battery research, artificial intelligence automation, and worldwide market expansion will help establish its position as the industry leader and support worldwide carbon neutrality. With sustainability being a crucial factor in the contemporary business world and a key driver of business performance and growth, global organizations like Tesla must implement sustainable strategies to create long-term value for their stakeholders and the business. Therefore, Strategic management within sustainably oriented business operations leads to industrial resilience, innovation, and prolonged profitability in a volatile global market like EVs.

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8. Appendices

Appendix 1: Economic Trends Impacting Tesla Business Operations

Economic Trend	Description
Falling Battery Costs	Bloomberg NEF reports a 20% drop in EV battery pack prices in 2024 to \$115/kWh, with projections of \$80/kWh by 2026, making EVs more affordable and boosting adoption (Najman, 2025).
Rising EV Demand showcased by continuous increase in sales	Global EV sales grew by 3.5 million units in 2023, reinforcing Tesla's market expansion potential (IEA, 2024).
High Interest Rates	Elevated interest rates in the U.S. and Europe have increased car loan costs, reducing consumer affordability. In the U.S., the average auto loan interest rate rose from less than four percent in February 2022 to 7.9 percent in 2024, making EV purchases less accessible (Statista, 2025).

Appendix 2: Ansoff Matrix to show Tesla's Expansion Strategy

	Existing Markets	New Markets
Existing Products	<i>Market Penetration</i> Increasing sales	<i>Market Development</i>

	through: 1. Aggressive marketing 2. expanded distribution channels.	1. Unique environmentally friendly products
New Products	<i>Product Development</i> 1. Advanced EVs 2. Solar panels 3. Energy Storage solutions	<i>Diversification</i> 1. Additional Battery applications

Knowledge Sourced from: BiteSize Learning (2023)

Appendix 3: Tesla Positioning in the Competitive Market Using Porter's Generic Strategies Matrix

Competitive Advantage			
		Lower Cost	Differentiation
Competitive Scope	Broad Target	Cost Leadership: (Not Tesla's focus)	Differentiation: (Tesla's Broad Differentiation)
	Narrow Target	Cost Focus: (Not Tesla's focus)	Differentiation Focus: (Tesla initially targeted high-end consumers)

Source: Author's Own