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Introduction

The marketing environment is an essential factor in framing organisational strategies and positioning. It is comprised of external forces and actors that affect the company's ability to create value for customers and maintain relationships in the market. According to Sudirjo (2023), organisations have to continuously monitor changes in the environment because these forces have direct impact on marketing decisions and long-term strategic planning. Understanding the marketing environment is especially crucial when analysing the differences between the pioneering and follower organisations. Pioneering firms are usually the innovators that create new markets and follower organisations enter the market later in time and adapt or improve existing products and strategies (Inderjeet and Scheepers, 2022).

This report examines the electric vehicle (EV) industry and assess the Tesla as a pioneering organisation and the BYD follower organisation. The report provides a critical analysis of two factors in the macro environment affecting these firms and assesses the strategic responses of both organisations to these external forces to continue growing and staying competitive in the rapidly evolving EV market.

Industry and Company Overview

Electric Vehicle Industry Overview

The electric vehicle (EV) industry has seen a tremendous growth in the global market in response to growing environmental concerns, government policies, and technological advancements (Vasilska and Stoykov, 2024). According to the International Energy Agency, global EV sales reached over 17 million units in 2025, accounting for over 20% of the world's total new car sales (IEA, 2025).

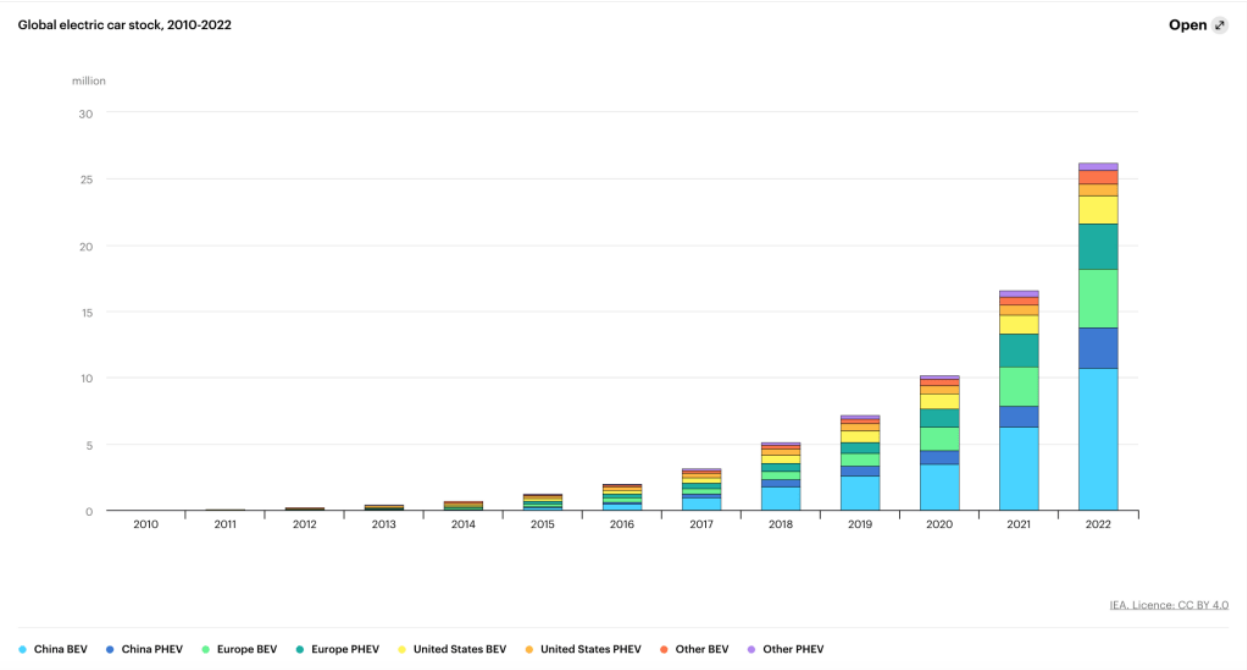

Figure 1: Global EV Market (IEA, 2025)

Governments of many countries have implemented subsidies, emission laws, and sustainability goals in an attempt to encourage the use of electric mobility. These policies along with a growing consumer awareness towards climate change issues have driven the transition from traditional internal combustion vehicles towards electric vehicles more rapidly.

Company Profiles

Tesla is widely recognised as a pioneering organisation in the EV industry. Founded in 2003, the company has played a key role in the advancement of electric mobility with innovation in the areas of battery technology as well as autonomous driving systems and high-performance EV models (Tesla, 2025). In contrast, the Chinese automotive manufacturer BYD entered the EV market later and, has had a rapid growth thanks to its large-scale production capabilities and great cost advantages. BYD has become one of the world's largest EV producers in 2025, with more than 2.26 million battery electric vehicles sold, which is an indicator of its good competitive position as a follower in the industry (BYD, 2025).

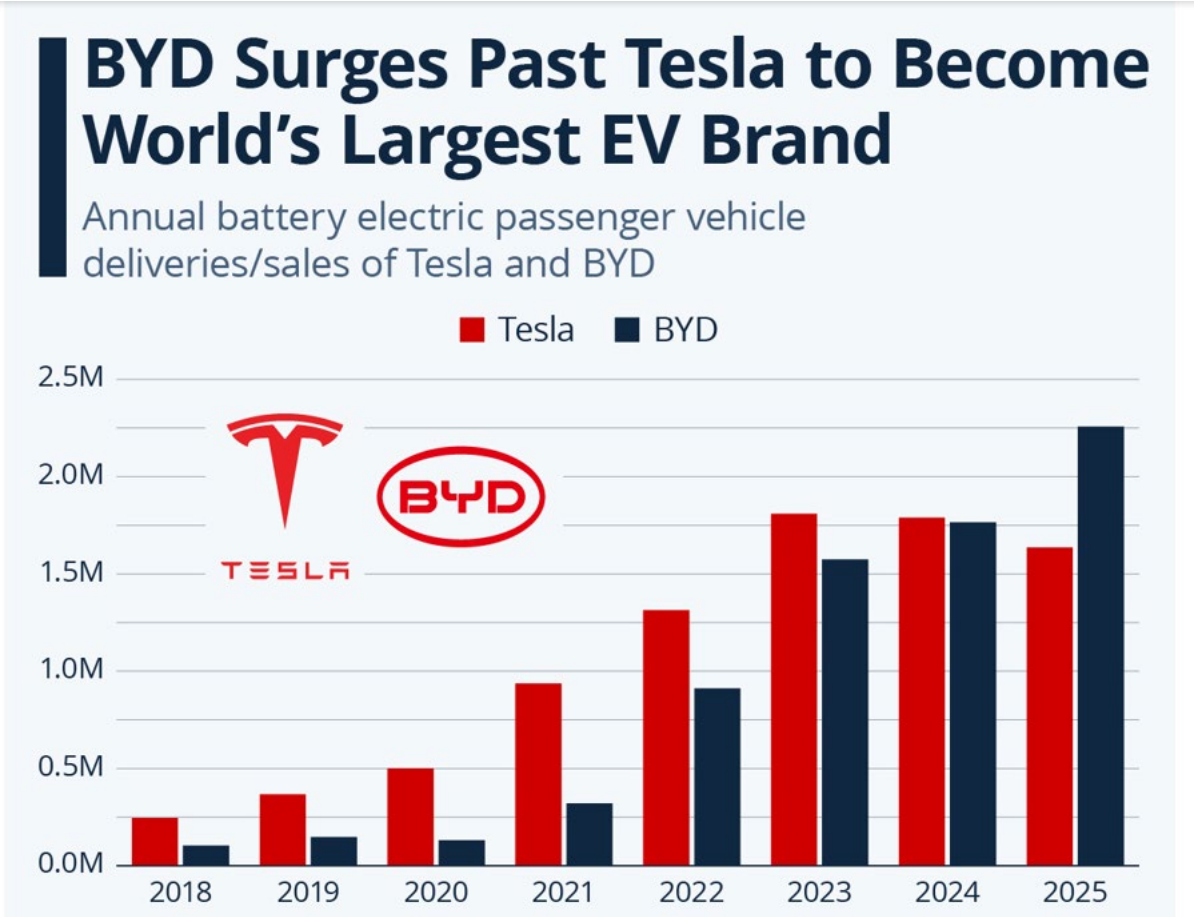

Figure 2: BYD and Tesla's Sales Comparison (Richter, 2026)

Macro Marketing Environment Analysis (PESTLE Framework)

Understanding the macro marketing environment is an important aspect of strategic marketing management, since external forces have an impact on organisational strategies and their positioning relative to competition in an industry (Paramadita et al., 2025). In the electric vehicle (EV) industry, technological factors and political/regulatory factors are especially influential because innovation and government policies have a great impact on market growth and competition (Polyák, 2026).

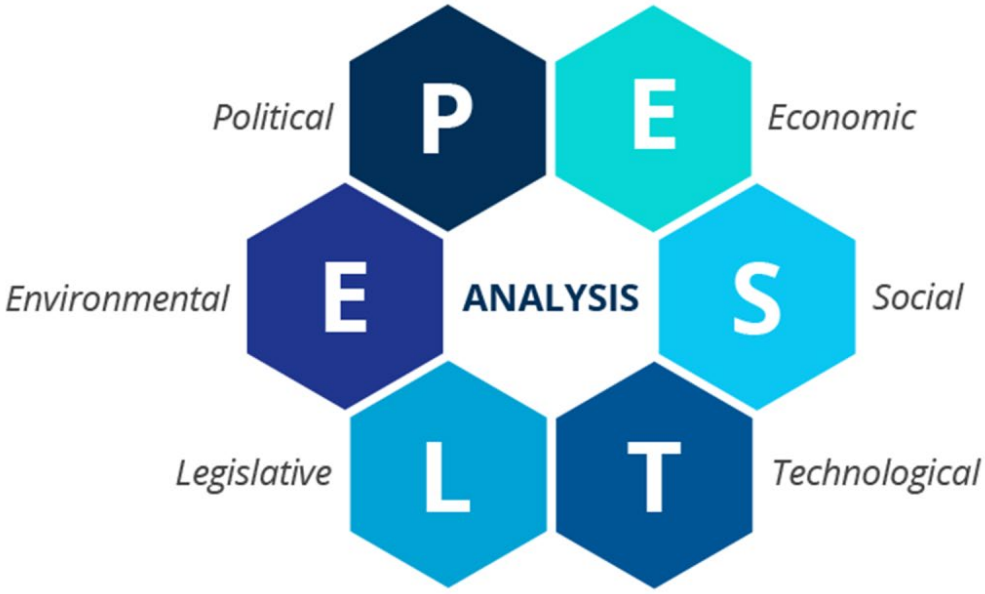

Figure 3: PESTLE Analysis (Polyák, 2026)

Technological Factors

Technological developments are playing a central role in the EV industry as innovation in battery systems, software integration, and digital connectivity are important factors influencing the performance of EV products and consumer adoption. Advances in artificial intelligence, big data, and connected vehicle technologies have revolutionised the automotive industry by making it possible to improve the efficiency, safety, and user experience of vehicles. These developments create opportunities to innovate for firms but are also creating pressure on competition as it is now necessary for companies to keep constantly investing into research and development to keep at the top of tech leadership (Ghani et al., 2025).

Impact on Tesla (Pioneer)

For Tesla, technological advancement brings about great opportunities that will strengthen its competitive advantage as a pioneer organisation. Tesla was one of the first companies to commercialise high-performance electric vehicles, and has continued to hold its position at the forefront of the market with innovation in battery technology

and vehicle software systems. The company has heavily invested in research and development to support these innovations. In 2025 Tesla spent around $3.97 billion on research and development, indicating that it is very much focused on technological development (Ilhan, 2025).

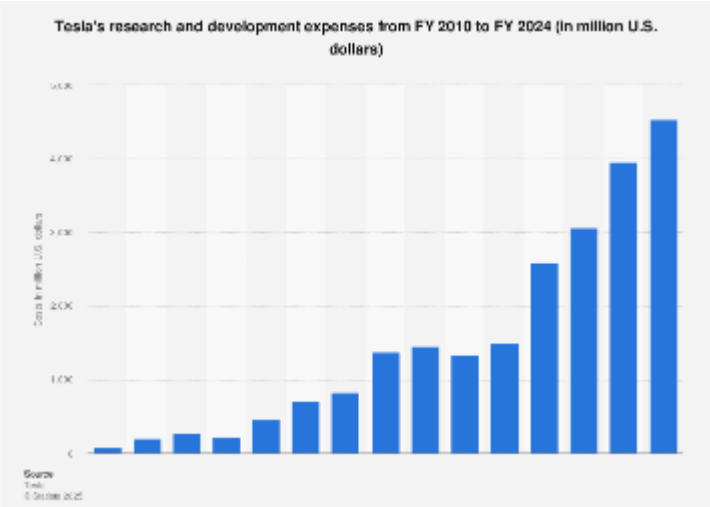

Figure 4: Tesla's R&D Spending (Ilhan, 2025)

Tesla's Autopilot and full Self-Driving are significant innovations that set the company apart from conventional car manufacturers. These technologies improve driving safety and improve customer experience and strengthen Tesla's reputation as a technology driven brand. In addition, Tesla has developed advanced lithium-ion battery systems that enhance the range and efficiency of EVs, and that addresses one of the major barriers to EV adoption. These technological capabilities give Tesla the advantage of the early mover and allow the company to set consumer expectations and affect the standards of industry (Nordhoff et al., 2023).

However, there are technological factors that also pose challenges. High amounts of research and development investments raise operating costs and place strain on profitability. In addition, the speed of technological development along with the speed of the evolution of the automotive industry has increased the competition in the automotive industry. Traditional car manufacturers and EV producers like BYD are investing more and more in EV technologies, which may dampen Tesla's technological lead in the long

run. As a result, Tesla is forced to keep innovating to stay on the top of the game (Febrianti et al., 2025).

Impact on BYD (Follower)

Technological developments are also important opportunities for BYD as a follower organisation. Unlike the pioneers, follower companies tend to benefit from the use of existing technologies and their enhancement through efficient production processes. BYD has been successful in this respect through adopting EV technologies while it focuses on large-scale manufacturing and cost-efficient manufacturing (Zhu, 2025).

One of BYD's most notable technological innovations is the Blade Battery, which was released in 2020. This battery technology allows for better safety and durability while also lowering the cost of manufacturing, which will allow the company to produce more affordable electric vehicles. As a result, BYD has grown quite rapidly within the global EV market. In 2024 this company sold over 3 million electric and hybrid vehicles, proving itself to be a growing and progressive company with a competitive market (Liu et al., 2025).

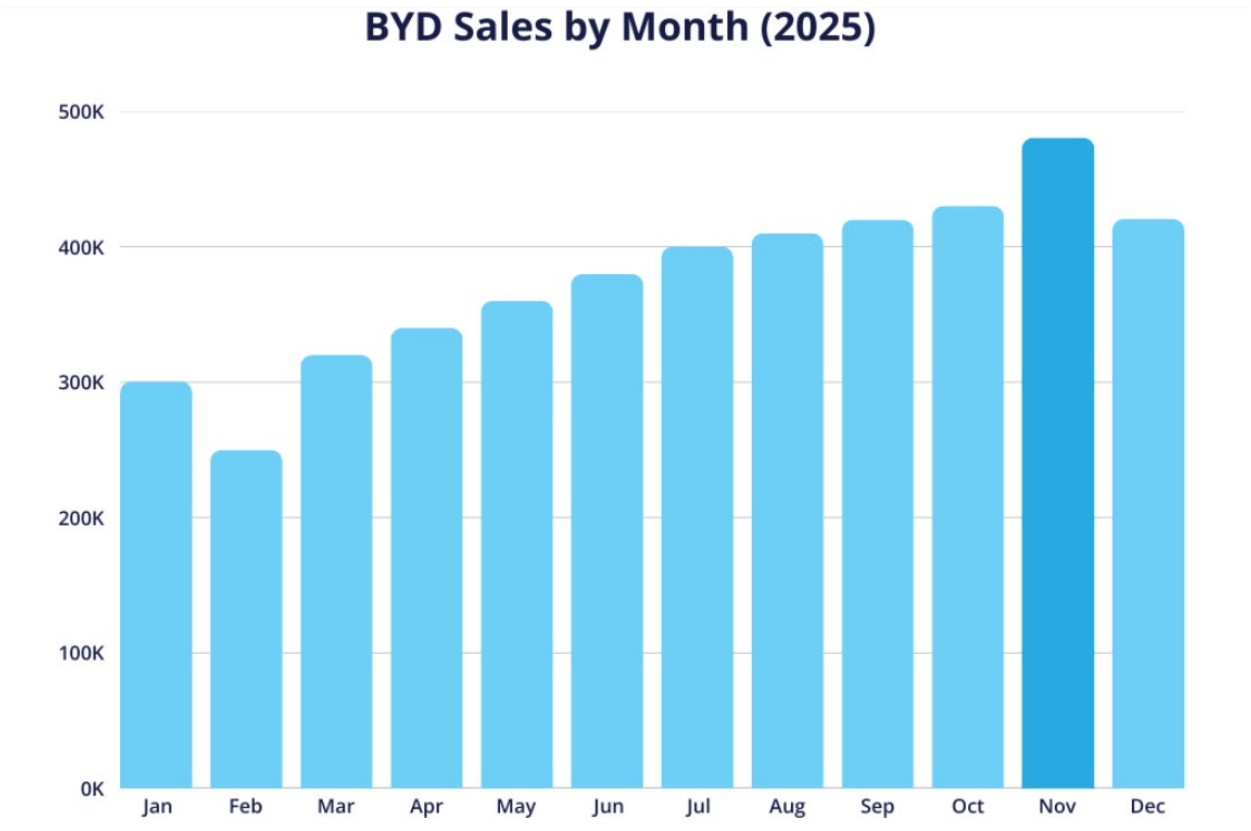

Figure 5: BYD EV Sales (Liu et al., 2025)

In addition, BYD enjoys the strong domestic battery supply chain and technological infrastructure in China, which enables the company to effectively scale production. Still, there are few limitations, related to technological factors. As a follower organisation BYD might have issues in achieving the same level of technological leadership and differentiation in their brand as Tesla. Tesla's continued efforts in researching this, independent and autonomous driving software and advanced vehicle technology means that there is a technological gap which BYD needs to bridge by continuing to invest in innovation (Shou and Li, 2024).

Political and Regulatory Factors

Political and regulatory factors have primary impact towards the EV industry as various government policies, environmental regime, and financial incentives directly concerns the consumer demand and growth of the EV industry (Ajeigbe and Holt, 2024).

Impact on Tesla

Political factors provide major opportunities for Tesla, particularly in regions where governments are working on electric mobility. For example, the United States Inflation Reduction Act introduced tax credits of up to $7,500 for purchases of EVs, which incentivizes consumers to make the shift and increases the market demand for electric cars. Similarly, the European Union has issued stringent emission standards in which manufacturers need to decrease their carbon emissions and increase the production of electric vehicles (Bown, 2023).

These policies are in Tesla's favour in the market since the company is solely focused on electric cars. As governments continue to encourage the shift away from petrol and diesel vehicles, Tesla's early investment in EV technology is a strong source of competitive advantage. However, sometimes political factors may also pose challenges. Trade policies and regulatory changes may impact supply chains and battery sourcing and manufacturing operations, which may raise costs or restrict the ability to expand the market (Abugarayesh, 2025).

Impact on BYD

Political and regulatory factors also provide significant opportunities for BYD, especially in China. The Chinese government has launched powerful policy support for the use of electric mobility, such as buying subsidies and tax incentives, and enormous investments in charging infrastructure. These policies have drastically increased the pace of development the Chinese EV market, the largest EV market in the world (Shan, 2024).

BYD have taken advantage of this favourable environment to grow its manufacturing capability and to strengthen its supply chains. Government backing has helped the company to scale up production and become one of the major EV producers in the world. However, there are some political factors which also create a challenge for BYD in the international markets. Some countries have implemented tariffs or regulatory investigations on Chinese EV imports, which could restrict the company's expansion on a global scale (Wang, 2025).

Strategic Responses to Environmental Changes

Building on the macro-environmental analysis, in order to maintain growth and competitive advantage, organisations need to respond strategically to technological developments and political regulations. In the electric vehicle (EV) industry, rapid technological innovation and facilitating government policies have provided both opportunities and competitive pressures (Hossain et al., 2022). This section compares the strategic responses of Tesla and BYD, a pioneering organisation and follower organisation respectively, by applying two key frameworks i.e, Ansoff's Growth Matrix and Porter's Generic Strategies.

Ansoff Growth Matrix

The Ansoff Growth Matrix is a strategic framework which is used to analyse how organisations pursue growth through various combinations of products and markets. The model identifies four strategies - market penetration, market development, product development, and diversification. Market penetration is concerned with selling more of the existing product in existing markets and market development is concerned with selling existing products in new markets. Product development is introducing new products to existing markets and diversification is expanding into new products and markets. Each strategy has different levels of risk and investment.

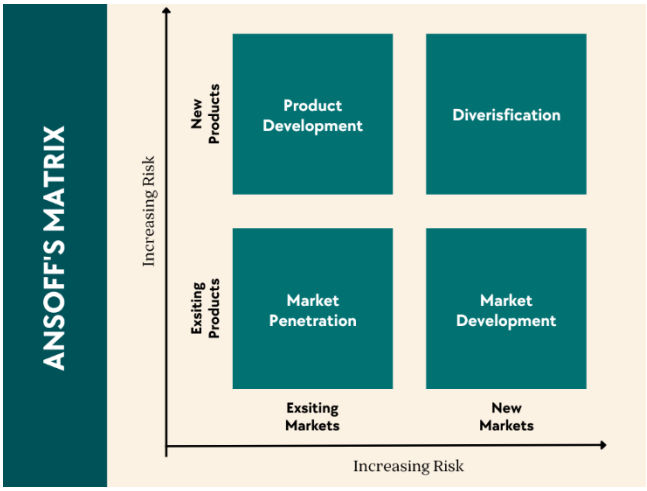

Figure 6: Ansoff Growth Matrix (Qomaro et al., 2024)

In industries with a high level of innovation, pioneering firms tend to concentrate on product development and diversification, while follower organisations tend to use market penetration and market development as their primary methods for increasing market share (Qomaro et al., 2024).

Tesla Strategy (Pioneer)

Tesla's strategic response is mainly a reflection of product development and diversification that is expected in pioneering organisations operating within technology-driven markets. Tesla is always developing new technologies and upgrading existing products to stay at the forefront of the EV industry (Palmie et al., 2024).

Product development is reflected in Tesla's developments on the software of the cars they sell as well as the battery systems and autonomous driving technology. For instance, the Autopilot and Full Self-Driving offered by Tesla employ artificial intelligence and real-time data to make driving safer and better. The company will also enhance battery efficiency and vehicle range through constantly innovating which will boost product competitiveness and address consumer concerns around charging and battery performance (Liu, 2024).

Tesla also exhibits diversification in terms of its expansion into clean energy and energy storage solutions. Products like Tesla Powerwall and Tesla Solar Roof expands the company's business beyond electric vehicles and into the realm of renewable energy more broadly. This type of diversification is helping Tesla to capitalise on the global trends and government policies in the field of sustainability and clean energy (Sorensson and Ghannad, 2025).

These strategic actions have helped contribute to Tesla's good growth. In 2024, Tesla sold about 1.8 million electric vehicles globally and it shows that Tesla continues to have an impact in global EV market (Tesla, 2025). By focusing on innovation and diversification, Tesla is responding successfully to technological changes and environmental regulations that lead to the transition to sustainable transport.

BYD Strategy (Follower)

In contrast, the strategy of BYD exhibits the behaviour of the follower organisation, this is more towards market penetration and market development. Instead of having its focus on being the technological leader, BYD focuses on increasing its market share (Liu et al., 2025).

Market penetration is enabled by the low cost of BYD's electric vehicles that have a wide range of consumers. Through enormous production and strict control of the supply chain, the company succeeded in manufacturing competitive prices of EV models. This allows BYD to compete on price and enter the EV market. As a result, the company had a good growth and it sold over 3 million electric and hybrid vehicles in 2025, making it one of the largest manufacturers of electric vehicles (EV) in the world (BYD, 2025).

Market development is also important to BYD's growth strategy. The company has gone beyond the Chinese market and has become international to other parts of the world such as Europe, Southeast Asia, and Latin America. For example, BYD has entered European nations with many EV models in countries where environmental laws and consumer demand for environmentally friendly transport is growing (Wu, 2025).

Porter’s Generic Strategies

Porter's Generic Strategies framework describes the way in which organisations achieve a competitive advantage through various strategic positions. The four main strategies identified in the model are cost leadership, differentiation, cost focus, and differentiation focus.

Figure 7: Porter's Generic Strategies (Wang, 2025)

In the EV industry, for example, pioneering firms may adopt differentiation strategies that rely on innovation and follower firms may adopt cost leadership strategies that depend on cost (Wang, 2025).

Tesla Strategy: Differentiation

Differentiation strategy is the major strategy adopted by Tesla to retain its competitive advantage. The company distinguishes itself with advanced technology, good brand image, and top-grade product positioning. Tesla vehicles are known for their high-performance, long battery range and advanced software (Abugarayesh, 2025).

Innovation is an important part of Tesla's differentiation strategy. Features such as self-driving capabilities, over-the-air software updates, and integrated digital systems help to create a unique customer experience. In addition, Tesla has his great brand reputation around sustainability and innovation which also helps in ensuring customer loyalty and support the premium price (Febrianti et al., 2025).

BYD Strategy: Cost Leadership

In contrast, BYD primarily pursues cost leadership strategy, which concentrates on production of electric vehicles at competitive prices with acceptable quality. The

company achieves this advantage through the means of large scale manufacturing, efficient production processes, and vertical integration (Liu et al., 2025).

BYD performs internally made production of important components such as batteries which reduces dependence on other suppliers and reduce the production costs. This means that the company is able to sell to consumers electric vehicles at a lower price than many of its competitors, making electric vehicles more accessible to a wider market (Liu et al., 2025).

Overall, while Tesla shows its competitiveness by innovating and differentiating, BYD solidifies its position in the market through cost efficiency and global expansion, showing how leader and follower organisations take different approaches to responding to environmental change in the EV industry.

Conclusion

This report discussed the effect of the macro marketing environment on two organisations in the electric vehicle (EV) industry: Tesla as a pioneer firm and BYD as a follower organisation. The analysis revealed that technological advancements and political or regulatory policies play a major role in the opportunities and threats of the EV market. Tesla has developed a decent competitive edge with non-stop innovation on batteries, self-driving and programming joining. In contrast, BYD has grown quickly through the use of efficient manufacturing processes and low prices aided by government incentives. While Tesla is seeing innovation and differentiation as their strengths, BYD is seeing cost leadership and market coverage as theirs, enabling both companies to remain competitive in the evolving EV industry.

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