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1.0 Introduction

The automotive industry is evolving due to the increasing adoption of Electric Vehicles (EVs). This transition has impacted automotive vehicles and led to profound changes in the supply chain ecosystem. This transformation has fundamentally altered the definition of competitive advantage in the automotive industry. The first mover advantage held by Tesla, Inc., allows it to vertically integrate into its supply chain; thereby controlling every aspect of its production process. According to Tesla (2025), the Company utilizes a direct-to-consumer business model along with its proprietary Supercharger Network to circumvent traditional middlemen. Conversely, Volkswagen AG, as the established fast follower in the electric vehicle space, is transitioning its large portfolio of brands onto common platforms such as the MEB and SSP. Volkswagen AG (2024) reports that although Volkswagen AG has made significant strides in digitalizing its processes and models, its franchise dealer network will continue to be a cornerstone of its distribution strategy. This Report examines the specific risks and opportunities created by these new and evolving government regulatory environments and technology, to analyze the ways in which both Tesla and Volkswagen are shifting their marketing strategies to effectively navigate this changing environment.

2.0 Task 1: Critical Analysis of the Macro Marketing Environment

2.1 Competitive landscape: The EV Industry Landscape

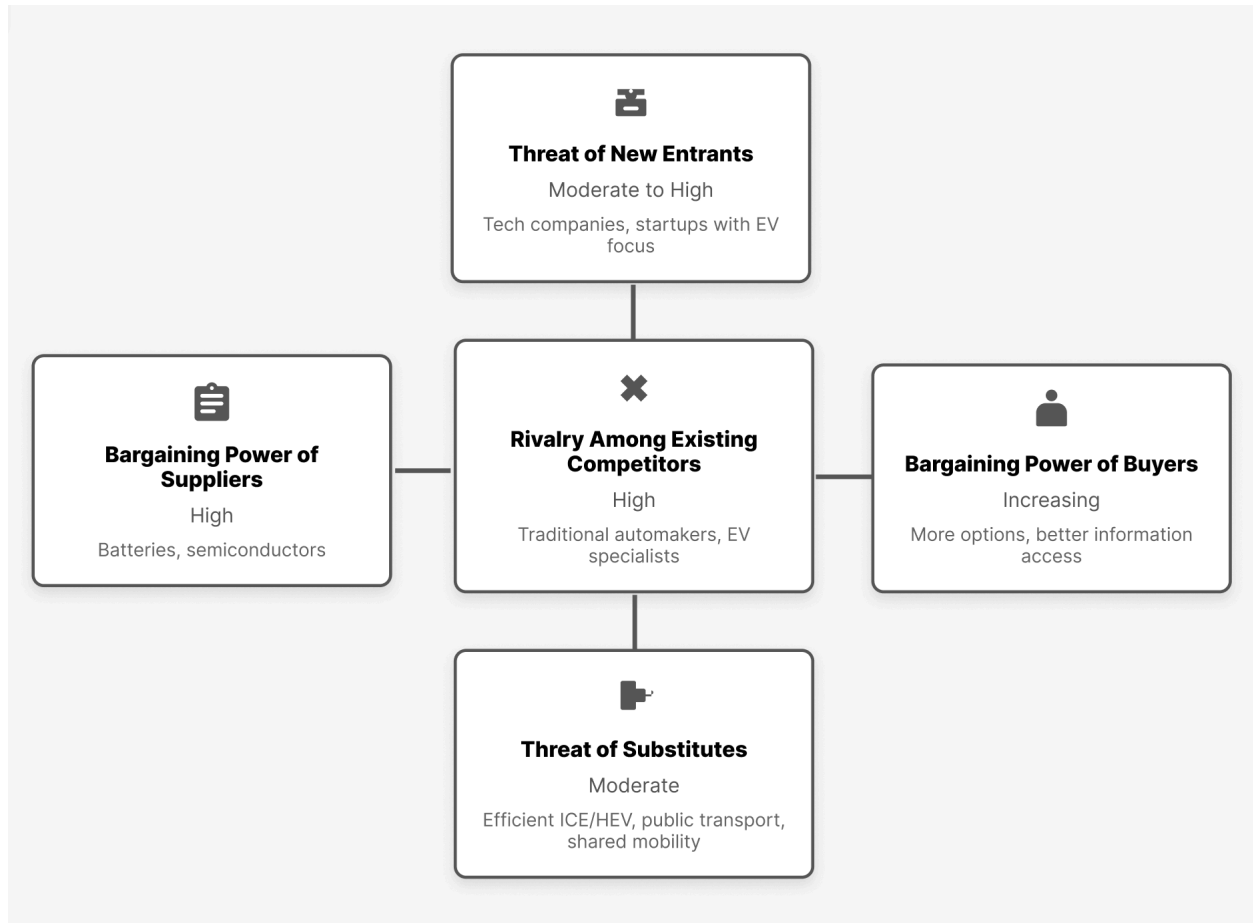


Image 1: Porter's Five Forces for the Global Automotive Industry

Brief interpretation.

Previously, The level of competition among electric vehicle manufacturers was medium as the industry has received dramatic support from government agencies across the world. In the electric vehicle marketplace, But recently, Intense rivalry emerges as Chinese electric automakers grow, while traditional carmakers shift funds toward electric models - meanwhile, local trade rules alter pricing trends (White House, 2024;

European Commission, 2024). The risk from new entrants remains moderate to high in this space, companies such as Rivian and Lucid Motors, signifies a market ripe for innovation and growth. These companies attract significant investment, signaling confidence in the EV market’s expansion. However, entry into the vehicle space will be limited by vehicle safety standards, including cybersecurity (UNECE, 2021a; 2021b). The power of suppliers, especially battery manufacturers like Panasonic, LG Chem, and CATL, impacts the industry’s supply chain and cost structures - as well as regulatory changes around sourcing components (European Union, 2023). Customers gain more leverage via clear product comparisons, whereas alternatives like advanced gas or hybrid vehicles still exist - but lose ground due to elimination policies (European Commission, 2023; CARB, 2022).

2.2 Impact of Political and Regulatory Factors

1. Emission Standards and Phase-Out Timelines

Region	Policy Requirement	Timeline	Strategic Impact	Sources
EU	55% CO ₂ reduction for cars (vs. 2021) → 100% zero-emission for new cars/vans	2030 → 2035	Pushes full EV transition; advantages brands with strong EV mix	European Commission (2023); ICCT (2025)
UK	ZEV mandate: 22% EV share (2024) → 80% (2030) → 100% (2035)	2024–2035	Clear phase-out path supports EV market confidence	Department for Transport (2023)
U.S.	EPA’s 2027–2032 fleet-wide standards + ACC II requiring 100% ZEV in adopting states	2035 (ACC II)	Encourages EV investment; raises compliance pressure for slower movers	U.S. EPA (2024); CARB (2022)

Table 1. Key Zero-Emission Regulations Across Major Markets

The policies will create a market for EV’s because as gasoline and diesel vehicles are made less viable through progressive policy, the demand for electric vehicles increases.

The early EV manufacturers have an opportunity to build their brand strength and marketing advantage with regards to policy compliance, while manufacturers that have been slow to transition to EV’s will incur increased marketing costs to promote their legacy models. As such, companies must align their product portfolio to meet their respective compliance timeline, and assure customers and regulatory bodies they are committed to long term sustainability goals.

2. Incentives, Subsidies and Battery Compliance Rules

Region	Key Incentive/Requirement	Strategic Impact	Sources
U.S. (IRA)	Consumer tax credits tied to final assembly, mineral sourcing and battery content	Rewards localised production; supports “made here” or “credit-eligible” marketing	Harvard EELP (2024); U.S. EPA (2024)
EU Battery Regulation	Carbon-footprint rules, recycled content, due-diligence checks, upcoming battery passport	Higher compliance costs but stronger sustainability differentiation opportunities	European Union (2023)

Table 2. Incentive Structures and Battery Regulations

Incentives reduce upfront EV costs and help brands market affordability and local value creation. Simultaneously, new regulations for batteries provide the ability for brands to demonstrate verifiable sustainability credentials which is becoming an increasing requirement to include in customer and fleet marketing. However, meeting these requirements will add complexity to both operations and reporting and require transparent compliance messaging within all product claims.

3. Trade Policy and Tariffs

Region	Measure	Expected Effect	Sources
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U.S.	100% tariff on Chinese EV imports under Section 301	Shields domestic producers; shifts competitive pricing	White House (2024)
EU	Five-year countervailing duties on subsidised Chinese BEVs	Reduces price pressure on EU brands; shapes regional messaging	European Commission (2024)

Table 3. Tariffs Affecting EV Market Access

Tariffs reshape the competitive landscape by changing the relative affordability of imported EVs. For established brands, this creates space to differentiate on quality, local manufacturing and brand heritage. Marketing strategies can emphasise regional production and supply-chain transparency, while challengers may need revised pricing or new localisation strategies to stay competitive.

4. Overall Opportunities and Threats

Opportunities: Tariffs support the adoption of EVs by providing clear policy direction and supporting a sustainable agenda for brands. Incentives improve affordability and strengthen marketing narratives around local manufacturing.

Threats: Brand compliance obligations including the documentation of battery content, cybersecurity standards, over-the-air (OTA) governance and other related technical requirements increase the cost structure for brands. Fragmented rules across regions require tailored product, pricing and communication strategies.

2.3 Impact of Technological Factors

Battery technology and cost curves

The Electric Vehicle (EV) industry is undergoing a significant transformation, driven by the convergence of technological innovation, environmental necessity, government policy support and market's competitiveness, which will continue to evolve as technological advancements influence the EV cost structure, consumer expectations and brand positioning. Battery technology has become increasingly significant; global

demand for EV batteries exceeded 1 TWh in 2024 according to the International Energy Agency (IEA), illustrating the rapid growth in electrification. The increasing use of lithium iron phosphate (LFP) batteries has enabled manufacturers to produce less expensive EV models and reduce reliance on minerals subject to tighter supply constraints. Therefore, manufacturers have the ability to articulate clear value propositions centered on affordability, confidence in the driving range of their vehicles, and lower total lifecycle operational costs; all three of these messages are critical for attracting mainstream consumers to the EV segment (IEA, 2025).

Autonomous Driving and Software Ecosystems

Software capability is at the center of product differentiation as well as strategic advantage. While automotive markets require manufacturers to implement secure cyber security measures and software update mechanisms as part of the vehicle certification process (UNECE, 2021a; 2021b) it is the customer experience that these create that will define strategic advantage. Advanced driver assistance features, user-friendly interfaces and continuous over-the-air updates allow automobile manufacturers to market their vehicles as continuously evolving digital products. This shift also introduces subscription-based business models, giving brands new opportunities to extend customer relationships while reinforcing innovation leadership.

Manufacturing innovation

Innovation in manufacturing is another area where manufacturers can gain a competitive advantage. Tesla's use of gigacasting has reduced parts complexity and supported more efficient production, even as the firm refines its next-generation casting approach to balance manufacturability and cost (Reuters, 2024a). Similarly, Volkswagen is focusing on reducing parts complexity by developing standardized platforms through MEB and future SSP architectures (Volkswagen Group, 2025). In the MEB platform, there's no need for a center drive shaft, thus no need for that center hump. A single-speed gearbox is housed in the same drive unit as the motor and supporting electronics, driving the wheels directly. Nevertheless, Volkswagen's efforts were

delayed due to issues with Cariad's software development, leading to a partnership with Rivian to speed up the development of the next generation software and electronics for its electric vehicles (Reuters, 2024b; Reuters, 2025; Financial Times, 2024). Both of these areas are critical to determining launch timing and pricing flexibility as well as ensuring consistent digital experiences across product lines.

Charging standards and ecosystems

Lastly, charging technology remains a major area of influence. With the widespread adoption of Tesla's NACS (North America Charging Standard) as the formalized SAE J3400 standard, charging for North American customers becomes easier and less complex and encourages broader industry wide alignment (CleanTechnica, 2023; SAE International, 2024). Additionally, Tesla's decision to partially open its Supercharger network provides consumers with a perceived increased level of convenience and reliability and offers a means for consumers to close trust gaps related to charging (InsideEVs, 2024; Tesla, 2024a).

2.4 Summary of Opportunities and Threats (Political and Technological)

Factor	Tesla – Opportunities	Tesla – Threats	Volkswagen – Opportunities	Volkswagen – Threats
Political: CO ₂ /Phase-outs (EU/UK), U.S. EPA/ACC II	Early EV mix and brand equity position Tesla as a compliance leader and beneficiary of regulatory demand pull (European Commission, 2023; California Air Resources Board, 2022).	Policy divergence by region complicates SKUs/pricing; scrutiny of driver-assistance and emissions claims increases (U.S. EPA, 2024).	Clear regulatory pathway justifies accelerated portfolio conversion and brand repositioning around mainstream EVs (European Commission, 2023).	Tight timelines raise risk of compliance shortfalls and penalties for slower-moving nameplates and regions (ICCT, 2025).

Political: Subsidies, content rules, trade	U.S. localised supply (cells/vehicles) supports credit eligibility; tariffs can shield against low-cost Chinese imports, supporting “made here” narratives (White House, 2024).	Battery due diligence, IRA “foreign entity of concern” rules and EU battery-passport obligations increase complexity and cost (European Union, 2023).	EU duties on Chinese BEVs moderate import pressure; EU battery rules can underpin credible “sustainable” marketing (European Commission, 2024).	Fragmented trade regimes and incentive rules complicate global sourcing; IRA-linked advantages are U.S.-centric (Harvard EELP, 2024).
Technology: Batteries and software	Vertical integration (cells, power electronics) and OTA enable rapid feature roll-outs and cost control, supporting “car that improves over time” positioning (Tesla, 2025).	Rapid tech cycles risk obsolescence; autonomy and cybersecurity obligations increase regulatory and reputational exposure (UNECE, 2021a; 2021b).	Platform scale (MEB; future SSP) and the Rivian JV can accelerate software competitiveness across brands (Financial Times, 2024).	Software delays (Cariad) and legacy complexity slow time-to-market and undermine consistency in UX across brands (Reuters, 2025).
Technology: Charging and standards	NACS/SAE J3400 leadership plus partial Supercharger opening enhances convenience perceptions and supports network-based revenues (SAE International, 2024; Tesla, 2024a).	Opening the network can dilute exclusivity; network capex and O&M burdens remain substantial (InsideEVs, 2024).	Standardisation (NACS adoption in North America) reduces customer friction; partnerships can leverage existing networks (CleanTechnica, 2023).	Reliance on third-party charging networks can weaken differentiation versus Tesla’s owned ecosystem (Tesla, 2024b).

3.0 Task 2: Evaluation of Strategic Responses

3.2 Tesla's Strategic Marketing Response

Positioning and go-to-market.

- **Direct-to-consumer (DTC)** retail—both online and at company-owned stores—allows it to set prices, manage inventory, and control how customers are treated. It also allows Tesla to make rapid changes to its pricing strategy and be aware of demand for its products instantly. This model is reinforced by the global Supercharger network as a brand asset that reduces perceived adoption risk (Tesla, 2025; Tesla, 2024a).
- The **brand narrative** focuses on being a leader in innovative technologies, having positive environmental impacts from the use of electric vehicles and creating a product that is defined by software. Tesla's Impact Report emphasises emissions reduction across the lifecycle and scaling clean-energy ecosystems, supporting premium willingness-to-pay and subscription monetisation narratives (e.g., FSD, connectivity) (Tesla, 2024c).

Product and ecosystem strategy.

- **Software differentiation** via frequent OTA updates and driver-assistance features underpins a “car that improves over time” proposition. With UNECE R155 and R156 effectively institutionalising CSMS and SUMS requirements, Tesla's software cadence is an advantage if underpinned by robust compliance and safety assurance (UNECE, 2021a; 2021b).
- **Battery and manufacturing innovation.** Gigacasting has simplified underbodies and reduced parts counts, while Tesla's reported retreat from a single-piece next-generation casting indicates a pragmatic balance between innovation, manufacturability and capex (Reuters, 2024a). Cell integration and platform commonality continue to support cost-to-range optimisation across models (IEA, 2025).

- **Charging leadership.** With SAE J3400 formalising NACS and selective opening of Superchargers to other OEMs, Tesla converts a historic moat into a network platform, shaping expectations around plug-and-charge convenience and generating new B2B revenue streams (SAE International, 2024; Tesla, 2024a).

Political alignment.

- Tesla's U.S. manufacturing footprint aligns with IRA-linked incentives, while higher tariffs on Chinese EVs reduce direct low-cost competition, strengthening its ability to market "made in America" benefits and service proximity (White House, 2024; Harvard EELP, 2024).
- In the EU/UK, an already high EV mix positions Tesla favourably against the 2030/2035 pathways and supports premium green positioning, while compliance with battery passport and due-diligence rules enhances ESG credibility in customer and investor communications (European Union, 2023; European Commission, 2023).

Risks and mitigations.

- Regulatory scrutiny of ADAS and future autonomy, as well as cybersecurity and data governance, could constrain claims-based marketing and invite enforcement. Proactive transparency on safety data, robust driver-monitoring features and alignment with local regulatory guidance are essential mitigations (UNECE, 2021a; U.S. EPA, 2024).
- Network capex and the optics of opening Superchargers can reduce perceived exclusivity. Tesla can mitigate by introducing tiered access, differentiated pricing for non-Tesla users and co-investment structures with OEM partners (Tesla, 2024a; InsideEVs, 2024).

3.3 Volkswagen Group's Strategic Marketing Response

Brand and portfolio strategy.

- Volkswagen Group leverages multi-brand segmentation (Volkswagen, Audi, Škoda, Cupra, Porsche) to target mainstream and premium EV customers, underpinned by MEB and, later, SSP architectures for scale and variant diversity (Volkswagen AG, 2024).
- The group's narrative shift from ICE heritage to an "ID. electric" identity (for example, with the ID. Buzz's retro-modern design) uses design, heritage and sustainability cues to make EVs emotionally appealing, while dealer networks deliver reach, trade-in financing and local service—important for late-majority adopters.

Digital and software remediation.

- VW's primary strategic imperative is to fix software velocity and quality. Following delays and restructuring at Cariad, VW announced a US\$5–6 billion partnership with Rivian to develop a next-generation software and electronics platform (RV Tech), with initial launches expected from 2027. This aims to close UX and ADAS gaps versus Tesla and leading Chinese EV makers, improving the marketing promise of truly software-defined vehicles across group brands (Financial Times, 2024; Reuters, 2025).

Political alignment and supply chain.

- Volkswagen can portray itself as a leader of the way to comply with regulations and an advocate for the EU's industrial policy in Europe. This is evident by Power Co. manufacturing battery systems locally and adhering to EU's battery regulation that provides assurance to both the EU policymaker and environmentally conscious consumers (European Union, 2023)
- Price pressures caused by Chinese BEV prices are offset by the EU's countervailing duties on Chinese BEVs providing Volkswagen's home region time

to achieve cost reductions on platforms and batteries. Marketing communications can use the EU's value chain and employment as legitimate marketing communication points for linking EV adoption to regional economic benefits (European Commission, 2024).

Risks and mitigations.

- **Software slippage** continue to risk release dates along with user satisfaction; the partnership between Rivian and VW should result in clear improvements - such as quicker interface response, stable driver-assistance systems, regular remote upgrades - to position Volkswagen more convincingly as capable in software (Financial Times, 2024; Reuters, 2025).
- **Dealer economics** can complicate aggressive price repositioning and omnichannel integration. VW's exploration of new distribution models signals recognition that franchise arrangements must evolve to support transparent pricing and seamless digital–physical journeys in an era benchmarked by DTC players (Volkswagen AG, 2024).

4.0 Conclusion

The European Union's 2035 mandate and U.S. Tariffs on Chinese Imports have pushed the auto industry towards new technologies in battery and software, as well as a greater use of political mandates (White House, 2024; European Commission, 2023). Tesla exploits vertical integration and its proprietary charging network to sustain innovation leadership. Conversely, Volkswagen leverages platform scale for mainstream penetration, addressing software lags through strategic partnerships like Rivian (Financial Times, 2024; Reuters, 2025). Market leaders will be those who can successfully combine their regulatory compliance with a strong position in terms of technology, as well as marketability/brand recognition/trust (IEA, 2025). The pioneers will need to protect their network advantage(s), while the followers will need to reduce the learning curve associated with developing automotive software and mobilize their sales/distribution network to ensure that the reliability and overall value of the electric vehicle is delivered to the consumer.

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