



Marketing Management (LCMB 7001)



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Introduction

Tesla Motors, an energy-based company, has a primary objective of channeling renewable energy products in the present marketplace. The firm is well known for the motor vehicle Model S, which is a high-speed sports car. It also operates on solar roof tiles. Despite the immense technology and high-end products linked to Tesla, the company's profits are almost inexistent. However, the company has continued to remain aggressive in expansion, thus constructing two "gigafactories" that have been trusted with lithium-ion batteries' production. The corporation also acquired a Solar City worth \$2.6 billion, making its investors rather shaky in 2016 due to Tesla stocks' increased cost. Tesla has been a leader in U.S. luxury-vehicle sales by owning a 25% market share (Voigt, 2017).

Background

Tesla's success in the electric vehicles market has been attributed to several strategies the company has implemented. Tesla's CEO Elon Musk has effectively employed a transformational leadership style, thus promoting the company's product diversification into solar cells and energy storage, which has, in turn, gained the firm a competitive edge. Elon asserts that communication is critical in business since it has to understand its status and expected outcomes (Grant, 2016). He is a visionary and inspiring leader, having an astronomical willingness and ambition to engage in risky investments, focusing on the outcome. The company's financial capabilities growth has also improved its performance in the electric motor vehicles' high-tech industry. Its product line strategy has seen its success starting from the Roadster, Model S, Model X, and now the new Model X. Despite the product prices, they are manufactured for specific target markets. The new Model 3 focuses on a broader market with a low-price base of \$35,000 (Grant, 2016). The product line is also focused on enhancing sustainability since the products are based on

social responsibility and ethos. Also, Tesla employs a distribution strategy of the direct sale of products to customers and offering after-sales services through the Tesla-owned service centers and galleries.

Contrary to the competitor motor manufacturers, they distribute parts and products through franchised dealers acting as retailers. Tesla further employs advanced technology as well as an improved product development approach to its designs. Its marketing strategy focuses on creating demand for energy vehicles and improves sales of Tesla products. The company also aims at building long-term awareness of the brand as well as corporate reputation and image.

Despite the robust strategies employed by Tesla, several challenges still exist in the electric vehicles industry, affecting Tesla's sales. For instance, there has been a drop in gasoline prices from 2015 through 2016, which purchased electric motor vehicles less attractive. Also, Tesla is facing immense competition from vehicle firms Audi, BMW, Lexus, Mercedes, and Porsche, which have also invested in electric vehicle manufacturer (Grant, 2016). Because Tesla struggled with the price reduction, its profitability and competitiveness in the market have been strained. This case analysis aims to examine and link Tesla's strategies with its internal and external environments; and provide a recommendation for the best practices about the above problem question.

SWOT Analysis

Fig.1: Tesla SWOT Analysis

STRENGTHS • Transformational leadership and CEO with an excellent track record • The company operated and owned distribution channels • First company leader in the electric vehicle market and industry • State of the art technology • Company popular among the young age groups	WEAKNESSES • Tesla is young in the car industry • Price
OPPORTUNITIES • Large global market potential • New low-priced models that may appeal to more customers • Increased awareness as well as support for environmental sustainability and clean energy • Enhanced advancements in technology to increase vehicle battery life	THREATS • Competition from the traditional car manufacturers • Prices may increase if government subsidies are lost • Lawsuits may act to delay or bar innovations

Macro environment or PESTLE factors**a) PESTEL Analysis (Tesla Macro-environment) see Fig. 2**

Political: The U.S. government has been in support of zero-emission vehicles, and so do the citizens. Fiscal benefits associated with the products include discounts. The current government has also threatened the electric vehicles through the Mexican border issue affecting the existence of disposing of the plant for car manufacturers.

Economic: The volatility and uncertainty of the global economy have led to the motor vehicle market. There is also a reduction in oil prices. Thus people may feel economically constrained to transit to renewable energy.

Social: Social campaigns against fuel energies have started to impact U.S. residents, thus more people opting for electric vehicles.

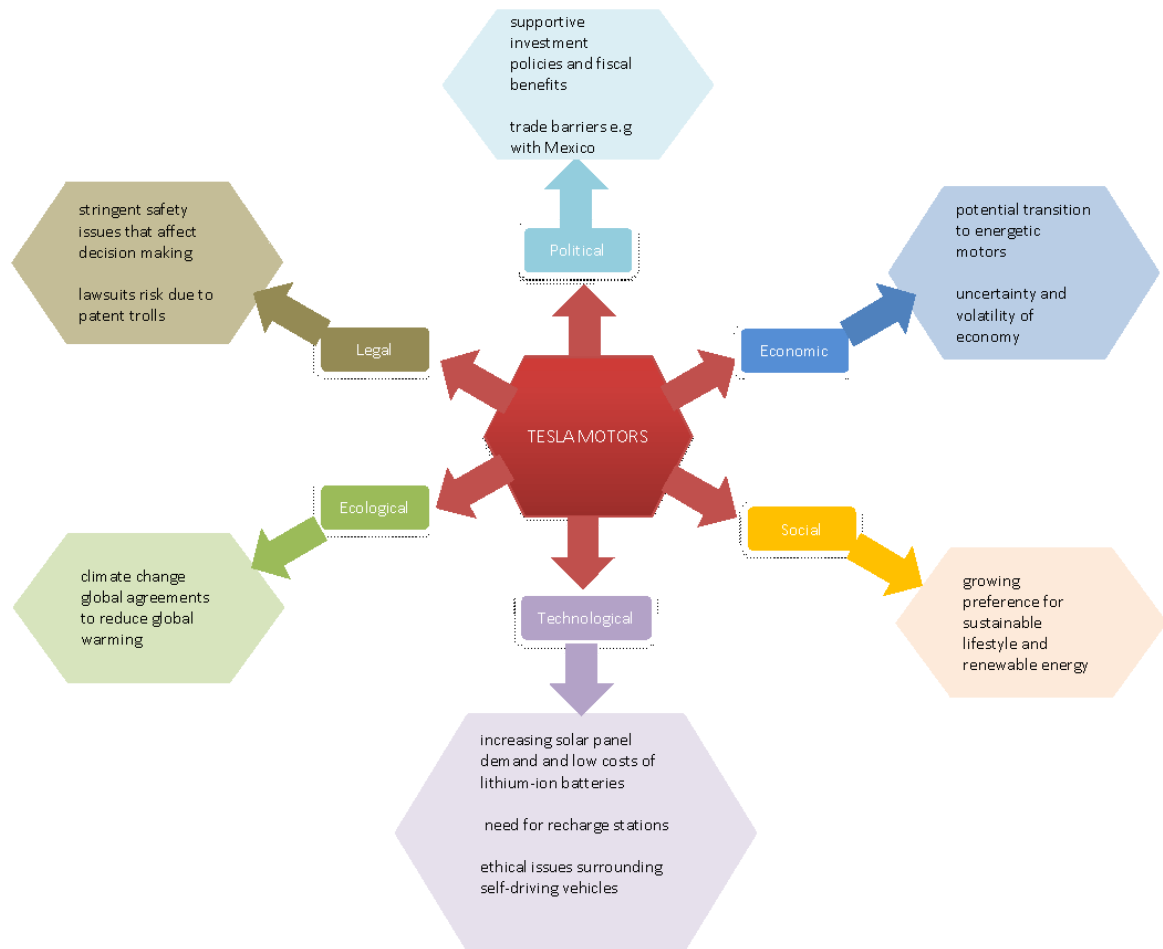
Technological: The reduction in the cost of lithium-ion cells is advantageous to Tesla. It will positively impact the production cost, which will be reduced, thus heightening the profit margin. Also, there is an enhanced demand for solar panels globally as most people are opting for renewable energy. On the other hand, the electric vehicles need charging stations that the company must ensure to spread in all sales regions.

Ecological: The global agreements that support global warming reduction by embracing clean energy immensely affect Tesla. The company is at the forefront of embracing the agreements' content even as the world is still in the initial transition stages.

Legal: Tesla faces risks of lawsuit threats that may result from patent trolls. The barriers to an intellectual property called for the careful development of Tesla products. The lack of

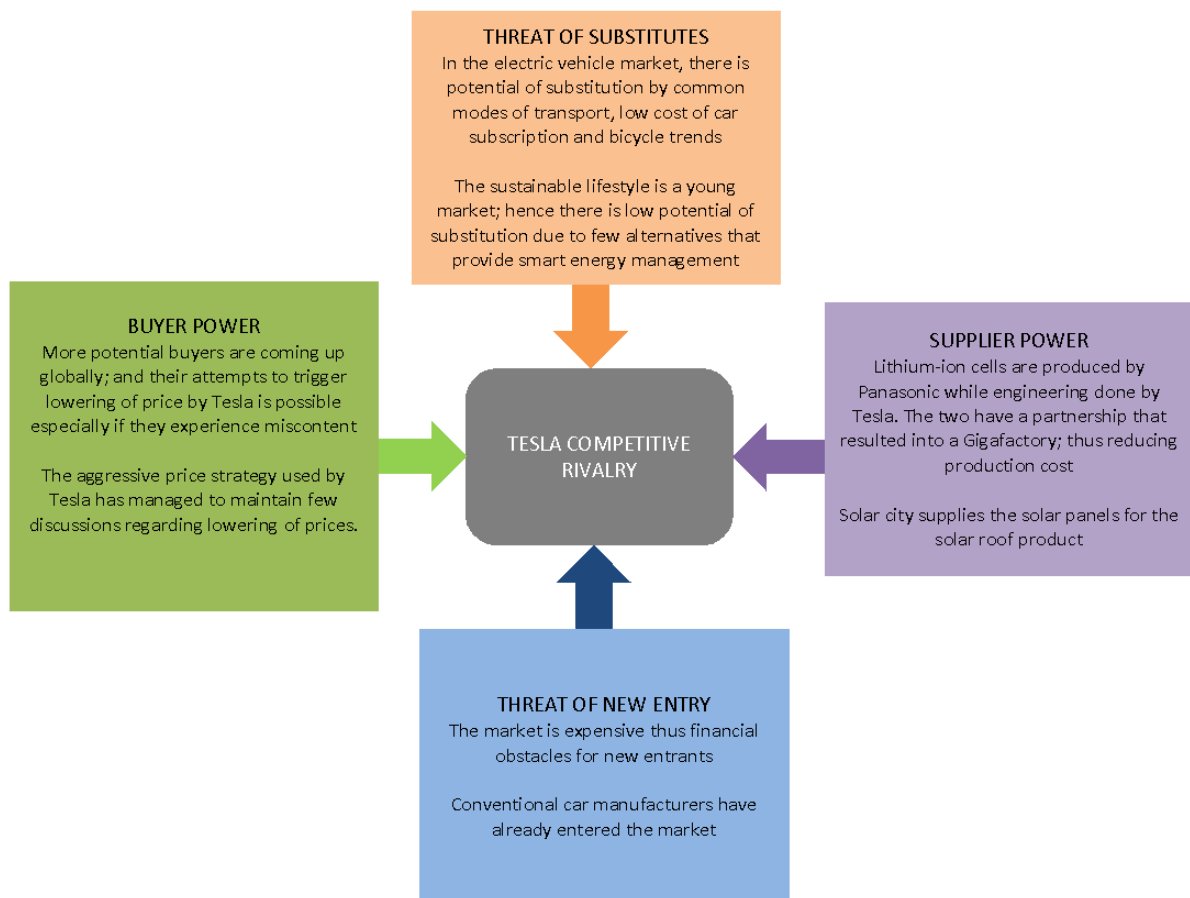
legislation related to intelligence decision-making is an important legal aspect of Tesla's operations.

Fig. 2: Tesla PESTEL Analysis



b) Porter's Five Forces: Competition

Tesla Porter's 5 forces analysis



Porter's five forces analysis illustrates the potential and persistent pressures from the new entrants into the market. This force could be detrimental to Tesla, especially if the company cannot control the need to maintain a competitive advantage over conventional car producers. However, the substitution threat is relatively low and can only be possible if a more sustainable version of the car is introduced. The suppliers' pressures are relatively high, meaning in case of any issues related to Tesla engineering or raw material supply, the company is bound to experience immense difficulty. Tesla is somehow safe regarding buyer power as it meets the customers' satisfactory needs. However, this sector might pressure if the customers experience any default in the products.

Internal Environment Analysis

Strengths

a) Tesla's Resources:

Financial and physical resources- Tesla has a large cash reserve of \$1.2 billion for its \$8 billion assets (Grant, 2016). The corporation also owns the Tesla factory located in southern California, which can produce about two thousand cars in a week. The company has another "Giga factory" in Nevada bound to reduce Tesla's production costs by 2018. Further, Tesla merged with the solar city, the solar cell manufacturer, thus enhancing Tesla's focus in the solar cells market. The company also enjoys its intangible assets such as brand valuation, intellectual property, and valuable knowledge.

b) Performances:

Tesla has an immensely encouraging performance since its initiation into the industry. The company has enjoyed steady growth in its sales revenues. The investments made in research and developments, operating expenses, and capital expenditure have also increased steadily from 2010 through 2015. The firm's performance is linked to its position in the industry. The firm is gradually transitioning from its birth stage to the growth stage, an indication that the investments the company requires to realize significant growth and profits just occurred. Therefore, in a few years, Tesla will enjoy sufficient returns. During this transition, Tesla requires steady and long-term corporate and business strategies for the incoming growth and later maturity phase.

c) Tesla capabilities and competencies

- Manufacture of high-performance batteries

Tesla employs a proper strategy of developing and producing smart energy services, such as the Power Wall, Power Pack, and Solar Roof. Combining the highly efficient batteries and the intelligent vehicle software covers Tesla's provision of smart technology tools. The batteries have varied power capabilities, with standard features being the management of energy consumption, intelligent flux management, and stocking electricity.

- Manufacture of electric vehicles

It is also a proper business approach that offers three versions of high-quality electric vehicles, including Model S, Model X, and Model III (3). The Tesla vehicle models are equipped with highly advanced smart decision-making technologies, self-drive capability, and intelligent interaction. Further, the models possess credible designs and the exceptional power of traction supported by the vehicles' ultra-efficient propulsion capabilities. Model S can be described as a luxury sports vehicle with high acceleration in the market- it can go from 0-100 in just 2.7 seconds. Model X is an SUV, and a luxury car has similar technologies as S but has lower acceleration and higher autonomy (Moritz et al., 2015). The new Model III was introduced in 2016, and its utilization in the market began in 2017. It majorly targets the middle economy class with its low price, making it an on top of range car instead of a luxury car. It features a proper performance with impeccably high-quality designs.

- The consistency of transformational leadership

The company CEO, Elon Musk, is an excellent asset to Tesla due to his brilliance in entrepreneurship. His previous involvements in other businesses have seen immense success, for instance, in PayPal, Hyperloop, Space X, et cetera (Bohnsack, Pinkse & Kolk, 2014). He is a global influence and believer in starting the next future now. He has managed to create optimistic as well as long-term business scenarios of improvement to world-class. Therefore,

transformational leadership is a veiled brand value enjoyed by Tesla and the reason forever existing investors.

Weaknesses

Tesla is relatively young in the motor vehicle industry; therefore, the company has to work twice as hard as the traditional carmakers to gain the market's trust. Thus, Tesla's operations must stay diversified to maintain its leadership in the sustainable lifestyle market.

Also, Tesla's pricing is quite a disadvantage to the company, as it is high for the middle-class income earners. Tesla electric vehicles range from \$70,000 to \$150,000, with the cheapest being the newly introduced Model III for \$35,000 (Grant, 2016).

Marketing mix strategies

Tesla's marketing mix, 4p's, or marketing strategy, is based on building high-end quality cars to make affordable vehicles for the masses. (Musk, 2012). Tesla has built Its brand around its chief marketing officer, its chairman Ellon Musk. As a new automotive company, Tesla has been able to build a strong brand that caters to owners who want the uniqueness and appreciate the environmental benefit and the technology available in a Tesla.

Products

Tesla, Inc. produces products in the automotive, energy storage, and energy generation. Tesla's products support the company's mission to accelerate the world's transition to sustainable energy. (Musk, 2012). Tesla builds cars for the high-end market with a strategic objective to develop affordable vehicles for the masses. (Kissinger, 2018).

Place

Tesla, Inc. distributes its products through local company-owned stores and galleries where customers can see the work but not necessarily buy it. Unlike traditional automotive companies that franchise their stores, Tesla does not. Tesla maintains full control of its brand and how its stores operate. The company uses the company's website to finalize the purchase. Tesla also owns and operates the service centers, thus continuing to build on its brand. The company is, therefore, able to understand customer needs and provides a unique customer experience. Lastly, the company has Tesla run charging stations, thus eliminating the middleman. Tesla is also strategic in placing its charging stations. The charging stations also provide visibility for the company. (Kissinger, 2018).

Price

Tesla's pricing strategy focus is based on a premium pricing of its products and market-oriented pricing. Premium Pricing strategy is defined as pricing your product higher than any of your competitors. (Campbell, 2020). Premium pricing is used by companies that want the public to know that they are buying a unique and high-quality product. The market-oriented strategy is a method of pricing in which price is based on current market conditions. (Market-Oriented Pricing. (n.d.). Tesla's pricing strategy has allowed it to succeed in a space that no other automaker has. Additionally, pricing has not impacted the company's sales.

Promotion

Tesla's promotion strategy is focused on five areas (Viral marketing, Personal selling, Public relations, Sales promotions, and Direct marketing). (Kissinger, 2018). In the old days, marketing was different than today. Marketing has evolved. With the internet and other web-based platforms, information travels quickly through the world wide web; thus, companies

are taking advantage of the various platforms to get their message out there. U.S. automotive companies combine to spend 11 billion dollars on marketing their cars. In contrast, Tesla spends zero dollars on marketing. Elon Musk, the company's chairman, is its chief marketing officer with 29 million followers. (Oberroi, 2019). Tesla has also mastered the art of selling its product directly to the consumer versus the traditional automakers with franchises selling their work; thus, Tesla controls its message. Tesla's practical way of promoting its product has allowed it to break into a challenging sector (automotive).

Value Positioning

Tesla focuses its efforts on customer experience and creating value in its products by combining technology. The Tesla customer knows that the vehicle is expensive, but they know they are getting a high-quality product. Tesla also provides full customer support for their product; thus, anyone purchasing a Tesla will have a unique experience

Tesla's Marketing Segmentation and Targeting Strategy

It is difficult for businesses to satisfy all their customers, all the time. It is also challenging to meet the specific requirement of each customer. Consumers have different preferences, so rarely does any product satisfy the needs of everyone. For these reasons, many companies employ target marketing, which involves dividing the identified market into segments and then developing products to serve the market segment's needs. The marketing manager may adapt the marketing mix elements to fit the needs of individual groups of customers. Tesla, an electric vehicle manufacturer, is one of the companies that use target marketing and segmentation.

Tesla uses the Segmentation, Targeting, and Positioning (STP) approach that allows for a more consumer-centric focus. Tesla STP is the set of activities that constitute and make up the

marketing efforts. Market segmentation entails dividing the market population into small groups based on specific characteristics such as demographic, psychographic, and geographic. The company focuses on specific customer segments and then develops and positions products to meet these segments' needs (Thomas & Elicia, 2007).

Tesla is engaged in the business of designing, manufacturing, and selling electric cars and related components. The company focuses on high-end manufacturing vehicles targeting affluent customers and hopes it will attract more admirers to strategize for the mass market. Considering that Tesla uses new technology in automobile manufacturing, it has designed premium products that target the high-end market (Kozlovsky et al.2009). Segmenting and targeting society's well-off members is a standard business approach in the tech industry. The first products are sold at high rates, and the prices drop as production and demand increases. The strategy has been applied with cell phones, laptop computers, and flat-screen T.V.s (Adhikari et al. 2014).

Tesla's market segment comprises of consumers demanding expensive cars that are environment-friendly. Because of the relatively high prices of the company's vehicles, their demand is shaped by individuals who not only need customized characteristics in a car, such as environment-sensitive but buyers with high income. The strategy makes it challenging for the company to venture into the mass market (Ingram 2019). However, even as Tesla strategizes to enter the mass market, competing with petrol vehicles that dominate the market because of their reliability and cost-effectiveness will not be easy. Therefore, emphasis on the mass market will comprise consumers who are sensitive to performance, looks, and features such as environmental-friendliness. Consumers embrace green technologies, and Tesla can exploit this market by designing low-cost vehicles (Kozlovsky et al., 2007).

Tesla serves one market segment, which they created: that is, the electric sports car market. The company demanded an all-electric sports car segment using pricing strategy, exciting storytelling, and segmentation. From the year 2008, after Elon Musk took over as the CEO, the company attracted attention and demand from its target market. The order came from a group of private investors and individuals with high incomes and willingness to spend on automobiles that elicited fantasy and belief that successful people can change the automobile industry (Thomas & Elicia, 2014).

Tesla applies a mono-segment strategy (Ingram, 2017). It means that the company focuses on a market in detail while paying close attention to understanding consumer subgroups within the market segment. The market segmentation includes psychographic, demographic, and behavioral factors. Segmentation criteria consider benefits sought, occupation, region, age, lifestyle, personality traits, and social class. The company targets wealthy and socially responsible individuals who are sensitive to environmental conservation. Demographic factors are incorporated into geographic factors to ensure the company designs products that conform to the market. Tesla's most significant market has been the United States, China, Netherlands, and Norway, where there is a high uptake of luxury cars (Ingram 2010).

Psychographic market segmentation involves analyzing the interests, activities, and opinions of automobile users. It is based on consumer lifestyle and is one of the essential market segmentation elements (Adhikari et al., 2016). Psychographic factors also recognize the image that a specific consumer wishes to portray. Without a doubt, electric automobile users try to present the idea of environmental conservationists. Tesla isolates its market based on these considerations, which is also motivated by its mission of "accelerating the world's transition to sustainable energy."

Tesla uses a differentiated target market strategy. The strategy involves providing products and services that contain unique features that customers are willing to pay extra to acquire. Differentiation at Tesla is achieved in various ways. Although other companies are developing electric vehicles, the idea is still new in the market, and Tesla boasts of technological supremacy because of the massive investment in research and development (Ingram 2010). The cars have no tailpipe emissions making them environment friendly compared to petrol or diesel automobiles. In terms of running costs, electric vehicles are suitable options for people considering lower running and maintenance costs in the long run. Electric cars from Tesla use the software extensively, which allows the vehicles to receive updates and automatic updates remotely without the need for an on-site technician (Thomas & Elicia, 2012).

Tesla segments its market based on various considerations. The company targets high-income members of society who can afford high-end cars while considering performance and comfort. Tesla makes differentiated products which are sold to several regions in the world.

Recommendations

The final profitability of the company can drive the ultimate situation at Tesla. Due to the entry of other car manufacturers in the market, Tesla has to improve its operations to remain the electric vehicle sector leader. The company has to maintain its current strategic processes trends and expand its business by penetrating new potential markets globally. The company is majorly located and centralized in the U.S. Penetrating other markets like Europe and other regions is an excellent opportunity for Tesla, as it will embrace decentralization, thus reducing its delivery

costs. This decentralization can begin with the exportation of the Solar roof globally, as it meets the needs of many customers worldwide.

Tesla can also enhance its partnership strategy, especially with the other car manufacturers, to supply the significant electric components to increase its sales. Benefiting from the sale of electric elements like battery packages is likely to magnify Tesla's sales.

Conclusion

Tesla is a new automotive company, but it is not just an automotive company as it also produces batteries for its cars and charging stations. Tesla has proven that pricing and uniqueness if successfully managed, can lead to a viable business. Tesla continues to grow as a company and is beginning to venture into other automobile market areas such as trucks and, most recently, semi-trucks. Tesla inc have mastered 4s in marketing and is capitalizing on new communication platforms to build loyal customers but also to get its product in front of its customers

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