Tesla Corporate Management Review: Analysis of Tesla's Marketing Strategy in Chinese Market

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Abstract. Tesla is one of the world's leading electric vehicle (EV) manufacturing companies. Its market entry into China has been marred with several challenges and wins, some of which are discussed in this document. Drawing from a secondary literature review analysis, the findings of this document demonstrate that Tesla's market entry strategy into China has been multipronged with tenets in celebrity advertisement, collaborative marketing, and hunger campaigns. This multifaceted marketing campaign has enabled Tesla to reach different consumer groups within the Chinese EV market. Key sections of this paper further interrogate the firm's marketing campaign in China, relative to the 4Ps of marketing. The findings of this discussion equally discuss the establishment of the Tesla brand in the Chinese market, its development over the years, and the current market situation. The goal is to identify key strengths and weaknesses associated with the brand that could be useful in consolidating its market position and exploiting emerging opportunities in the EV market.

Keywords: Tesla, Electric, Vehicle, China, Marketing.

1. Introduction

The global electric vehicle market is growing and increasing in influence within the global automotive industry. Driven by environmental concerns, proponents of the Electric Vehicle (EV) market suggest that these sustainable automobiles are suited for the future because they rely on clean energy, as opposed to petroleum or fossil fuels [1]. This development in the automobile industry is part of a larger technological revolution trend affecting most economic sectors [2]. It is partly linked to the adoption of Web 4.0 technologies, machine learning, and artificial intelligence (AI) systems. A deeper analysis of this trend reveals that the adoption of EVs in the automotive industry is an innovative way of reducing environmental pollution caused by cars.

China, which has been grappling with pollution in some of its major cities, has encouraged EV companies to set u manufacturing plants in the country. Thus, the government, industry players, and observers have welcomed the move toward the adoption of EVs in the country [3]. Tesla has been leading the trend in the adoption of this change. The Texas-based firm is one of the world's leading electric vehicle manufacturing companies. From an obscure brand, Tesla has risen from the peripheries of the world's automotive market to compete with some of the leading giants in the industry, including Ford, Mercedes, Toyota, and General Motors [4]. Tesla's global success has been pegged on its ability to convince the world that a future dependent on sustainable energy is possible.

This noble objective has prompted many observers to associate the Tesla brand with environmental protection and high-tech development. Based on this characterization, Tesla has maintained a high level of brand visibility in China and around the world. At the same time, it has churned out some of the best and high-quality products in the market. Tesla's entry into the Chinese market occurred in 2011. The Chinese government supported its entry into the local industry to spur innovation and competitiveness. Tesla entered the Chinese EV market with an exclusive focus on the development of electric-powered engines. Its venture into the market was unique from all others that have existed in the sector since because it had developed the first lithium-ion battery to be used in an electric car. Most other car manufacturers had not developed automobiles with the same technology. The implication of this development to the global EV market was that Tesla's cars could cover more distance on a single charge compared to most other competitors in the industry. Its advanced product

development concepts and leading scientific capabilities were therefore the first drivers of market interest for Tesla in the Chinese market.

The current study seeks to analyze Tesla's marketing campaign that has led to its relative success in the Chinese market. Key sections of this report will highlight key information relating to the firm, including its establishment, development, and current situation. Similarly, the current probe will examine Tesla's marketing strategy, relative to the 4Ps of marketing, as presented by renowned marketing scholar, Philip Kotler [5]. His analysis will highlight the strengths and weaknesses of the company's current marketing plan. Weaknesses will form the basis for developing solutions for improving Tesla's marketing plan in China for improved success. A summary of the main findings will be presented in the conclusion section of the paper.

2. Key Information on Tesla

2.1. Establishment

Given the centrality of the Chinese market to the wider Asian EV industry, it is important to understand interventions that have been introduced by the Chinese government to help bolster Tesla's success in China. Concisely, as highlighted in this report, Tesla received targeted government support to set up its base in China [6]. For example, the government exempted the American firm from the freight ownership requirement demanding local representation in the management of foreign businesses [7]. This decision was adopted to help spur investments in the Chinese EV market.

2.2. Development

Tesla's market development plan in China has been pegged on its ability to expand its product line to fit the characteristics of the Chinese market. Its development oriented-strategy has also seen it shift away from supply-side to demand-side economics [8]. This plan has led to a significant increase in its market share in China [9]. Indeed, it has enabled the company to address the needs of diverse customer groups within China [10]. Thus, its development has been pegged on the pursuit of demand-side as opposed to supply-side economics.

2.3. Current Situation

Tesla's market share in the EV market in China and around the world is growing. This trend has been reported despite slumps in demand occasioned by the COVID-19 pandemic [11]. This increase has been commensurate with similar growth in the market share the firm has in the market share of battery electric vehicles in China. Indeed, statistics reveal that this figure increased from 6% to 21% in 2020. Figure 1 below captures the increase in market share in the past three years.

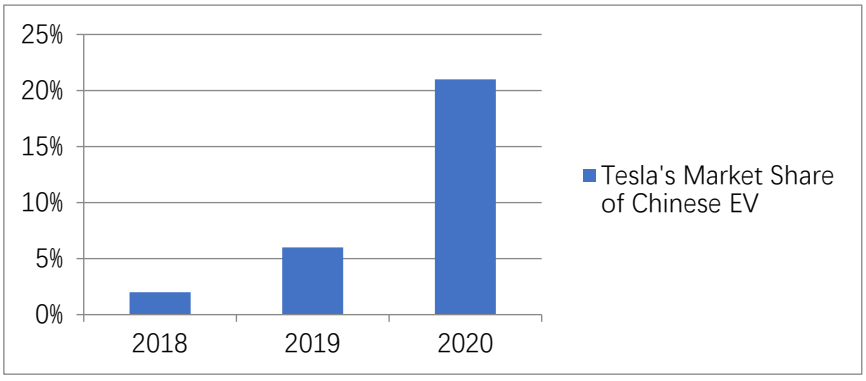

Figure 1. Tesla's market share of battery electric vehicles in China (Source: Developed by Author)

As highlighted in Figure 1 above, Tesla's presence in the Chinese electric vehicle market has increased three-fold, from the year 2019 to 2020. Broadly, the success of the brand in China and its growing dominance in the world could be attributed to several policy and cultural events occurring in China and the world. One place where this relationship emerges is through an analysis of Tesla's

Chinese success and its alignment with government policies. This statement highlights the need to understand Tesla's marketing strategy in China through the lens of Kotler's 4Ps of marketing as described below.

3. Analysis of Tesla's Marketing Strategy from the 4Ps Perspective

3.1. Product

Tesla's product strategy is based on sustainable energy production. Its cars have capabilities that promote the use of clean energy and accelerate the use of electric power to propel vehicles. Few automobile companies in China and around the world have achieved the same level of success in developing and marketing electric vehicles as Tesla has done [12]. In this regard, Tesla's product strategy has been pegged on leveraging technological capabilities to manufacture innovative vehicles for the market. Positive customer experiences have enabled the firm to create a "halo effect" that has reinforced the belief that Tesla is a leader in the field of automobile production. Overall, Tesla's product development strategy has differentiated it from the market. Today, most customers believe the company's product strategy has enabled it to avails some of the highest quality electric vehicles in the industry. Overall, the above statistics reveal that Tesla cars are competitive and innovative in their ability to match or surpass the price, performance, and utility values of regular car models.

3.2. Price

Tesla's pricing strategy is based on the premium model. This strategy means that most of the company's cars are out of the price range of many consumers. This model of cost assessment is a significant weakness of the company's marking strategy because it limits the number of people that can support the brand. The impact is a reduction in marketing growth potential. At the same time, Tesla's premium pricing model is innovative because it incentives the user to purchase vehicles with the surety that there will be future financial gains [13]. This plan has been implemented by subsidizing insurance premiums for new car buyers. Additionally, the commitment of the Chinese government to subsidize the purchase of electric vehicles for the people of China has equally influenced Tesla's pricing strategy. Since 2019, Tesla's customers have experienced significant price drops by up to 100,000 Yuan due to production subsidies and tax breaks. Despite these drops, the price ranges for the firm's products have remained relatively stable at between 25% and 27%. Broadly, Tesla's premium pricing model has helped to prevent an outflow of customers who would have otherwise purchased alternative products because of lower insurance premiums [14]. Therefore, the firm's marketing strategy is long-term, in the sense that it encourages buyers to buy their products with the surety that there will be lower running costs in the long term.

3.3. Promotion

Tesla has no single promotion strategy because its marketing plan is multifaceted. This statement means that most of the vehicle's sales numbers were driven by an organic interest in the company's brands, including the use of word-of-mouth communication [15]. Broadly, Tesla's marketing strategy in China is unlike those of traditional companies. Indeed, the company uses a multipronged marketing strategy that cuts across different platforms and partnerships. For example, the company uses a combination of individual and collaborative marketing strategies in multiple cities. This multipronged strategy has enabled the firm to appeal to different audiences within the city. It has also enabled it to develop a strong brand image within the short time that it has been operational in the Chinese market.

3.4. Placement

The unique performance and design associated with Tesla's products have tapped into its placement strategy, thereby making it difficult for rivals to imitate the brand. Tesla's marketing strategy has equally been supported by a differentiated plan of using celebrities to market the car's

brands, thereby positioning the brand as a premium one [16]. The company has also participated in hunger alleviation campaigns to draw attention to its brand in selected markets, thereby improving its social development goals [17]. Overall, Tesla's placement strategy uses a combination of online and offline techniques [18]. This plan means that the company's customers can find the vehicles in its registered dealerships through a physical walk-in, or can order their desired vehicle online. Based on the above-mentioned findings of Tesla's 4Ps, Table 1 below highlights the strengths and weaknesses of the firm's marketing strategy.

Table 1. Strengths and weaknesses of Tesla's marketing plan (Source: Developed by Author)

Strengths	Weakness
Multifaceted marketing plan which can reach a wide audience	Exclusionary pricing plan
Alignment with the environmental goals of the Chinese government	Rival brands have the same specifications
Marketing strategy includes both online and offline means	

4. Suggestions

4.1. Increasing Charging Stations

China is a big market for Tesla based on its initial success in this industry. Increasing charging stations in the country is likely to increase interest in the company's products because it will be practical for users to charge their vehicle conveniently. As the number of charging stations increase, Tesla's visibility in the Chinese market will likely expand [19]. Setting up more charging stations increases the trust that customers will have in the company's products because they will be assured to access power when need be. Tesla's marketability problems may be significantly minimized due to this progress.

Based on the success that Tesla has been able to achieve in China so far, it is prudent for its managers to continue focusing on developing its competencies in research and development. At the same time, their approach to improving supply-side competencies should similarly be bolstered. Furthermore, China's journey towards overcoming the adverse effects of the COVID-19 pandemic presents an opportunity for the firm to exploit growing marketing opportunities within the country to strengthen its position as an EV manufacturer both in China and around the world.

4.2. Cultural Alignment

Given that local brands have a better understanding of the culture of Chinese customers, Tesla needs to pay attention to the characteristics of Chinese consumers when developing future car models. It is necessary to do so as it would help to secure the company's future profitability. Relative to this proposal, Tesla's entry into the Chinese market has been implemented via a localized business strategy framework. This model of business entry is characterized by the adoption of local marketing characteristics with those of the host market. This marketing strategy has been largely beneficial to the company but it has the potential to diminish its strength in the market. The problem may make it difficult for consumers to differentiate the American brand from local competitors, including Xiaopeng, NIO, and BYD [1].

4.3. Pace Setter

There are proposals to make Tesla a bellwether case in China. This means that the company would be playing the role of an industry champion and standards developer. Its R&D capabilities can be used in this setting to improve local competencies. For example, Tesla has developed improved capabilities in manufacturing new battery technologies for EVs [19]. This innovative potential has helped to make its products affordable. The reduction in the cost of battery production set the foundation for the entrenchment of the Tesla brand in China. Figure 2 below shows how a

commensurate reduction in battery costs has led to an increase in the demand for electric vehicles in China between the year 2010 and today. The trend is expected to continue until 2030 and beyond.

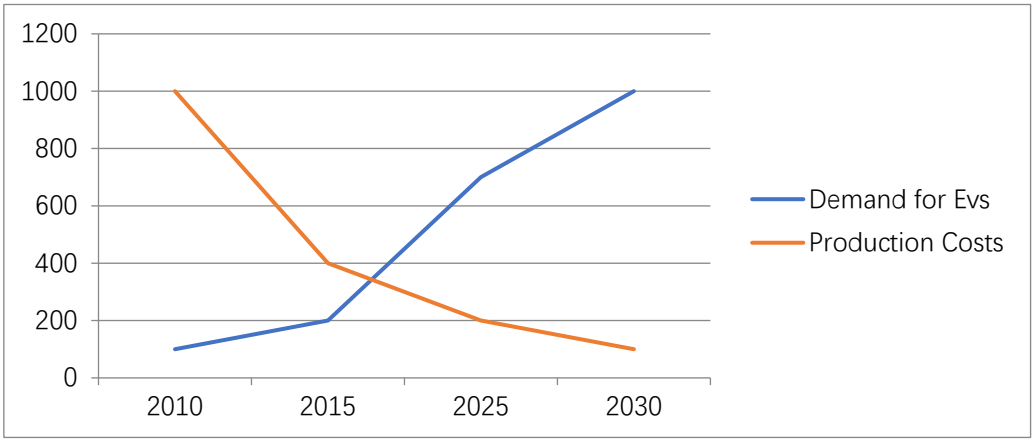

Figure 2. Relationship between production costs of car batteries and demand for EVs in China (Source: Developed by Author)

Tesla's plan to decrease battery production costs aligns with part of the firm's agreement with China that it would build an R&D development facility in the country. It should help the company to instill important pieces of knowledge relating to EV design and assembly. This type of knowledge could be useful in developing local brand designs. The proposal may help to boost the local design of the cars sold in the state and improve their performance at the same time. Overall, the bellwether position of Tesla in China can be used to improve industry standards and improve supply chain management through the convergence of different points in its supply chain. Relative to this statement, observers suggest that this strategy would help to improve the strength of the country's EV market. Therefore, Tesla has an opportunity to be a market leader and source of EV development knowledge in China's EV industry.

5. Conclusion

As highlighted in this paper, Tesla has built one of the most recognizable automotive brands in China and around the world. Its market growth in China was first founded on a stable domestic market that was sold on the idea that the firm will offer a high-quality electric vehicle for the market. Tesla's product strategy is unique because it exclusively focuses on the development of automobiles solely powered by electricity. This product development strategy is unlike those pursued by other competitors in the Chinese EV industry because most of them are still developing internal-combustion engines or hybrid ones where gasoline and electricity are both in use. Tesla's product development strategy departs from the traditional use of fossil fuel engines; instead, it has adopted an electric-powered model, which few companies in the industry have implemented successfully.

The findings of this study have equally shown that Tesla's brand image has been synonymously used to represent a decline in pollution and the promotion of environmental conservation. The Chinese government has been keen on achieving the same goal. Therefore, Tesla's marketing strategy is consistent with the Chinese government's policy of reducing environmental pollution. In terms of pricing, Tesla's entry into the Chinese market is characterized by the ability to demonstrate that the company could develop fast and reliable electric vehicles. Thus, the company's pricing strategy is premium-based because of its focus on developing electric cars as an exclusive market segment. Therefore, the company's promotion strategy is based on the projection of the image of a high-end car automaker.

Overall, the findings of this study suggest that Tesla uses a multifaceted marketing strategy. They similarly reveal that Tesla has had a short rise to the top of the Chinese EV market because it has managed to increase its market share from an obscurer position to becoming the second most successful EV company in China within a short time. Its outstanding technology, unique design, and

high product quality have earned respect among peers and a strong brand following in the Chinese EV market. The findings of this study will be useful in helping other EV car companies to enter the Chinese market. Tesla's experience and relative success in this industry will similarly provide a synopsis of the challenges and opportunities that new automobile companies could encounter when venturing into the same market.

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