

Analysis on Tesla's Marketing Strategy

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Abstract. With the seriousness of energy consumption and environmental pollution as well as the world's attention to environmental protection, the global attention to new energy vehicles is getting higher and higher. This article aims to analyze Tesla's three marketing strategies (direct sales strategy, building charging network, and word-of-mouth marketing) to analyze its competitive advantages and defects in the market through SWOT analysis, PEST analysis and qualitative research. The study found that Tesla has been effective in all three of these marketing approaches, but that certain changes and enhancements need to be made as the market evolves. And this thesis also gives some suggestions for improvement on the basis and background of this research to help Tesla better generate profits and increase customer satisfaction and loyalty. Overall, Tesla has been very successful and effective in its marketing strategy and will have room to improve even better after going through the improvement process.

Keywords: Tesla, marketing strategy, brand building, elevation.

1. Introduction

As one of the leading industries in the national economy, the automobile industry plays an important role in economic development [1] but the use of automobiles brings about a large amount of consumption and pollutant emissions, which makes the entire new energy automobile industry become more and more intense and progressive as a result [2]. Tesla is known to be a trailblazer when it comes to new energy vehicles, and Tesla has quickly become one of the most powerful automakers in the world, ushering in a new era in the global automotive business [3]. However, with the fierce competition, Tesla's stock price and sales have been in turmoil, such as Tesla's stock price 2022 plunged over 60% in December [4], and Tesla's stock price plummeted 12.2% after Musk's acquisition of Twitter [5]. This paper will comprehensively analyze and make recommendations on Tesla's marketing strategy using qualitative analysis, SWOT analysis and PEST analysis on the above situations. It also aims to lay the foundation for further research and provide some new insights and understanding in this area.

2. Introduction to Tesla

Tesla is a globally recognized electric vehicle and renewable energy company headquartered in California, USA. Known for its innovative and high-performance electric vehicles, Tesla's mission is to drive the world's transition to sustainable energy.

Tesla was founded in 2003 by Martin Eberhard and Marc Tarpenning. Elon Musk joined the company in 2004 and became one of the most important drivers. Musk's vision is to combat climate change by bringing electric vehicles to the mainstream market, reducing dependence on fossil fuels and lowering greenhouse gas emissions. Tesla's success and influence in the electric vehicle industry has made it one of the most valuable automakers in the world. The company has not only changed the way people think about electric cars but has also made significant contributions to renewable energy and sustainable transportation.

3. Strategic Analysis

3.1. Tesla's Direct Sales Model

What gives consumers the most different feeling from other car brands is Tesla's online direct sales plus experience store model [6]. Tesla is not like other traditional car brands in that customers can browse different models, choose configurations and options, and place orders on the official Tesla website. Tesla is the first brand in the automotive marketing channel to sell exclusively through online channels [7].

3.1.1 SWOT analysis

SWOT analysis is a common strategic management tool used to assess the strengths, weaknesses, opportunities and threats of an organization, product, or project. The purpose of SWOT analysis is to help an organization or individual gain a comprehensive understanding of the internal and external environment, identify potential strengths and opportunities, and address weaknesses and threats. Through effective SWOT analysis, more focused strategic plans and courses of action can be developed and the competitiveness and performance of the organization can be improved.

For strengths, consumers can purchase cars directly from Tesla without going through a traditional dealership. This model reduces intermediate steps and improves sales efficiency, while also enabling consumers to communicate and make purchasing decisions more directly with Tesla. This allows Tesla to better understand consumer needs and provide personalized experiences and services based on their needs, allowing for higher customer satisfaction and loyalty. Furthermore, Tesla can control its supply chain, including production, distribution, after-sales service, etc., by utilizing the direct sales model, which enables it to better improve efficiency and avoid some inventory risks to a certain extent. Moreover, Tesla is a company that receives a lot of attention from the outside world and has a good reputation and brand awareness, which brings convenience and advantages to Tesla's direct sales model.

For weaknesses, restricted sales channels are one of the most significant disadvantages of the direct sales model, which may limit the size and reach of its products, and Tesla will have few ways back if this sales model is blocked. The challenge of after-sales service is also one of the disadvantages of Tesla's direct sales model. Tesla's direct sales model requires it to provide perfect after-sales service support, including repairs, maintenance, and parts supply, etc., which means that the cost pressure is greatly increased, and it not only needs a lot of manpower and material resources but also needs a lot of financial support, and the requirements for technical skills are also greatly increased. Also, for some regions where the development of new energy vehicles is just beginning, the direct sales model is not necessarily accepted locally.

For opportunities, currently, the world is facing serious environmental problems. With the global focus on sustainable development, the new energy vehicle market is expected to continue to grow. Tesla can utilize the direct sales model and choose the location of the point of sale independently. Tesla can open sales outlets based on market demand and potential. This enables Tesla to expand its sales network more flexibly, enter new regions and countries, and develop new sales opportunities to gain more market share.

For threats, changes in policies and regulations are a big threat to the direct selling model, if policies require restrictions on direct selling or the need for an independent distributor network, which makes it difficult for the direct selling model to operate or even exist. Moreover, under Tesla's direct sales model, the company is more responsible for product quality and customer service. Any quality problems or customer complaints may directly affect Tesla's brand image and reputation.

3.2. Construction of Tesla's Charging Network

Tesla is actively promoting the construction of a charging network to provide electric vehicle users with convenient charging facilities. They have built a massive network of Superchargers around the

world, which provide fast charging for Tesla vehicles. And Tesla already has the world's most extensive fast-charging network for electric vehicles. [8]

3.2.1 PEST analysis

For political, policy support is quite important and indispensable for charging networks. Like Japan and the United States, the development of new energy vehicles is good for a large part of the reason is that its charging network policy is perfect. Both countries have tax breaks and subsidies that make citizens more inclined to buy, which is a big boost for the Tesla charging network [9].

For economic, a significant investment in funds is necessary for Tesla to continue expanding its charging network construction. Including the construction, maintenance, and upkeep of charging stations, etc. So, the stability of the economic environment and the stability and availability of funds are crucial. The payment ability of users is also important. The prosperity of the economy and the increase in user income can to some extent promote the construction and expansion of charging networks.

For social, the society's attention to environmental protection and sustainable development is constantly increasing, and Tesla's construction and expansion of its charging network as a clean energy infrastructure is in line with the values and needs of more and more people, which can be said to be in line with the public. The public's acceptance of new energy vehicles also greatly affects the construction of Tesla's charging network, and consumer intentions and attitudes determine the utilization and availability of the charging network.

For technology, in the construction of charging networks, charging technology and equipment are the most important, playing a very important role in the construction of the entire charging network, such as fast charging technology, safety and efficiency of charging equipment. Therefore, for Tesla, technological issues will greatly affect the construction of the entire charging network. And with the development of the Internet, the Internet and intelligent technology can make the management of charging networks more efficient and intelligent. Once Tesla can achieve this, it will greatly improve the efficiency of charging network construction.

3.3. Word-of-mouth Marketing

Tesla attaches great importance to the marketing and word-of-mouth effects of social media. actively utilize social media platforms such as Twitter and Instagram to interact with consumers, sharing news, product updates, and user stories. Tesla car owners often share their usage experiences on social media. And Elon Musk has always relied solely on word-of-mouth and public relations to build the Tesla brand, without spending any advertising expenses [10].

3.3.1 SWOT analysis

For strengths, Tesla has a first mover advantage and is one of the pioneers in new energy vehicles. They established a strong market ecosystem before their competitors entered the market, which gave them a significant advantage in their reputation. Tesla has a good reputation in the market, especially in terms of environmental protection and sustainable development, and this positive reputation is very effective for sales and brand awareness.

For weaknesses, Tesla's products are relatively expensive for some traditional cars, which makes some potential consumers hesitant and limits Tesla's market penetration rate, especially in poor areas. Once the product market penetration rate decreases, the promotion rate of word-of-mouth will decrease, and even negative word-of-mouth may occur. A negative word-of-mouth will destroy the previous 100 positive word-of-mouth, so once a negative evaluation appears, it will have a significant impact on Tesla's word-of-mouth, and the negative impact will be more valued by people, thus ignoring the previous positive word-of-mouth.

For opportunities, the gradual popularization of charging infrastructure has solved the most basic charging problem, which helps consumers eliminate concerns about charging convenience, promotes the reduction of consumers' worries about charging difficulties, and will greatly enhance their reputation for Tesla. Technological innovation is also a great opportunity for word-of-mouth

marketing. Innovative advanced technologies such as autonomous driving can effectively attract consumers and bring good word-of-mouth.

For threats, with the continuous growth of the new energy vehicle market, there will be more and more competitors. Tesla will face fierce competition between traditional and new automotive manufacturers. Once it is at a disadvantage in the competition, public opinion and word-of-mouth can be troublesome for Tesla. Negative media coverage is also a great threat to Tesla, and as a well-known large enterprise, Tesla often becomes the focus of the media. Negative reporting, especially on product quality and safety, can greatly affect Tesla's reputation and word-of-mouth.

4. Suggestions

4.1. Aim at Direct Sales Model

Increase physical showrooms and experience centers, Tesla could consider opening physical showrooms and experience centers in more areas so that potential customers can get up close and personal and test drive Tesla vehicles.

Enhance online sales channels: Tesla can further develop its online sales channels to provide a more convenient car-buying process including online configuration, booking and delivery.

Offer a personalized car-buying experience: Tesla can attract consumers by personalizing the car-buying experience. For example, offering customized options, test drive services, and dedicated advisors allows consumers to gain insight into the product and have a unique car buying experience that aligns with the Tesla brand.

4.2. Aim at Construction of Charging Network

Enhance charging infrastructure: Tesla can work with local governments, business partners, and others to increase the construction of charging piles. This could include building more charging piles in commonly used places such as cities, highways, and parking lots to improve charging convenience.

Enhance the technical level: Tesla can focus more on the technical level of charging such as fast charging, timed protective charging, etc., to attract more customers through unique technical capabilities.

4.3. Aim at Word-of-mouth Marketing

Offer Customer Incentive Programs: Tesla can set up customer incentive programs to encourage existing car owners to participate in word-of-mouth marketing. For example, Tesla could offer a referral incentive program that gives existing owners a bonus or discount for referring new customers to purchase a Tesla vehicle.

Enhance interaction in social media and online communities: Tesla can actively participate in social media platforms and online communities to interact and communicate with users. Respond to users' questions and feedback and share Tesla's latest news and technological advances to enhance users' attention and recognition of Tesla.

Provide good after-sales service: Tesla can continue to improve its after-sales service system to ensure timely and effective solutions to users' problems and needs. This will attract more potential consumers to buy a Tesla.

5. Conclusion

This paper uses PEST analysis, SWOT analysis and qualitative research methods to synthesize and analyze Tesla's three marketing strategies. Through the study, it was found that the direct sales strategy, the establishment of a charging network and word-of-mouth marketing are unique to Tesla and that they are interconnected and evolving with the direction of the economic situation and resonate well with consumers. However, each of these three marketing approaches has obvious drawbacks and disadvantages. Based on the findings, this paper presents some valid and reliable

suggestions to further optimize Tesla's marketing strategy. In general, Tesla's three marketing approaches have been effective and reliable. Overall, Tesla's three marketing methods have their own advantages and disadvantages, and if they avoid their shortcomings and fully utilize their advantages, they will have a bright future.

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