

Tesla's Enlightenment on the Development of New Energy Vehicle Brands in China

Enge Zhang*

Business School, University of Sussex, 100029 Beijing, China

* Corresponding Author Email: ez68@sussex.ac.uk

Abstract. In recent years, due to the rapid development of technology and enhancement of environmental awareness, new energy vehicles have become increasingly popular among consumers. In the new energy vehicle industry, Tesla can be said to be the most eye-catching star. Tesla has stood out among numerous new energy automobile brands. Apart from improving its core technological continuously and becoming one of the leaders in technology, it's unique marketing methods also worth exploring and imitate. As a pioneer of new energy battery electric vehicle in the world, internet thinking has been innovatively incorporated into the automotive market sales process by Tesla. Tesla's success can be summarized in 3 points: excellent brand image, unique sales model that combines online and offline, and Tesla's claimed zero advertising expenses promotion method. This paper will introduce Tesla's history and its development process in the Chinese market. And then analysis Tesla's success through SWOT analysis method. In the final part this paper will discuss how Chinese brands can learn from it.

Keywords: New Energy Vehicle, brand image, unique sales model, zero advertising expenses.

1. Introduction

Tesla, with a long history, is a leader in new energy vehicle brands. Martin Eberhard and Marc Tarpenning founded Tesla Motors in July, 2003. They named the company "Tesla Motors" in memory of Nikola Tesla. Shortly after the establishment, Ian Wright became the engineer of the company. One of the most memorable years is 2004, when Elon Musk became the chairman of Tesla. Martin Eberhard, the founder of the company's CEO, announced his resignation in August 2007. Eberhard was soon expelled from the board of directors, then replaced by Michael Marks. At the end of November, Ze'ev Drori took over as the new CEO. In October 2008, Musk became the new CEO. The first car of Tesla is the Roadster. It is the first automobile with lithium-ion batteries and also the first electric automobile with a charging capacity of more than 200 miles. Tesla sold over 2250 Roadsters in more than 30 countries from 2008 to 2012. The operating revenue of Tesla increased continuously since 2010 [1]. The new all-electric car Model S has been unveiled by Tesla in March. And it was expanded in 2016. Besides battery electric vehicle, Tesla also produced parts of their automobiles to other companies. The technology for managing multiple batteries is Tesla's advantage. Besides, Tesla was listed on NASDAQ in 2010. In June 2012, the first Model S was delivered. In 2015, luxury pure electric SUV Model X was launched. On July, 2016, the first Model 3 was delivered. In March 2020, the first Model Y was delivered.

2. Tesla in Chinese market

Due to the rapid development of new energy vehicle industry of China, Tesla decided to expand its overseas sales market by entering the Chinese market in 2013. The first automobile sales service shop in China opened in Beijing at the end of 2013, mainly focus on selling Model S. And the first batch was delivered to customers in next year. That is the beginning of Tesla in Chinese market. Afterwards, Tesla opened more stores in China. As of 2019, Tesla has opened a total of 65 stores in China. Most of the stores are concentrated in southeast and north of China, especially in high consumption areas. Tesla's sales in the Chinese market have doubled compared to the previous year [2]. Tesla's main goal is those who have high incomes and advanced concepts, that is why Tesla

choose to open their stores in areas with high consumption capacity and high traffic in the city center. Consumers in developed cities have more advanced concepts, a higher awareness of new energy vehicles, and a stronger awareness of environmental protection. Besides, developed cities have more charging station coverage [3]. They have higher possibilities to buy new energy vehicles, so that Tesla is more likely to make profits. As expected, Tesla's sales in China have achieved rapid growth. So far, China has truly become the world's largest automobile country [4]. Chinese market has become the biggest overseas market of Tesla, which also grows fastest in all over the world. Tesla has also become the second best-selling new energy vehicle brand in the Chinese market.

3. Reasons for Tesla's success

To answer why Tesla is so successful, it is necessary to mention Tesla's marketing strategy and brand image. Tesla has always regarded "Accelerating the world's transition to sustainable energy" as the brand's primary mission. They believe that using new energy instead of fossil fuel is the best solution to climate degradation. Tesla hopes they can lead this trend by manufacturing the world's most efficient electric vehicles. This is not just a slogan, Tesla is proving it to everyone through practical actions. Its patents were opened by Elon, and he praised Tesla's commercial enemies for their progress [5]. Another reason of why Tesla is so successful is Tesla concentrated on providing the best customer experience to their customers. Customers can order and arrange when to take their cars online. Everything is simple, convenient, and fast. Tesla is known by the world for its meticulous after-sales service, including after-sales service center, after-sales commitment, repair service and second-hand car preservation service. It can be said that establishing a world-class brand without the supporting of outstanding services is impossible. When it comes to Tesla, one has to mention the charismatic CEO. Elon Musk express his own opinions on twitter everyday. Everything can be his topic, such as business philosophy, social hotspots, corporate events, and even personal life anecdotes. His tweets often generate widespread discussion among people. His emoticon pack has also become a popular symbol. He always expresses his true thoughts and showcase his true side. His straightforward personality is vastly different from most rigorous management people, but it is precisely because of this that he has attracted the favor of many followers. His tweets are more effectiveness than those costly advertisements. People's trust in the recommendations of familiar people far exceeds advertisements cost enormous funds. Tesla's brand strategy effectively leverages this. It can be said that Tesla's success has ushered in a new era of automotive marketing [6].

4. Strength of Tesla

To know more about Tesla, SWOT analysis is a good way. The strengths of Tesla are technological advantage, complete charging supporting facilities, and excellent brand image. High market competitiveness cannot be separated from high-tech advantages. Tesla's largest technological advantage is its battery manage system. The system was made of thousands of independent batteries. It can increase the stability of car for the most part. Besides, Tesla has several other advantages in technology. Comparing to car brands from China even do not master core technologies and can only produce through assembly [4]. That's why it's so hard for Chinese competitors to prevent Tesla from entering the Chinese market. Electric car brands cannot enter a new market easily without sufficient charging facilities. If the charging facilities are insufficient or not fully constructed, it will restrict the sales of rechargeable vehicles in the local market. The reason is consumers will be concerned about whether they can quickly find nearby charging facilities, and if not, it will obviously reduce their desire to purchase electric vehicles. More than 2200 super charging stations of Tesla can surely meet their needs.

5. Weakness of Tesla

The weakness of Tesla are insufficient production capacity, high cost, and quality control issues. Tesla not only has excellent sales in China, but also holds a huge market share worldwide and is still growing year by year. But the problem is that Tesla's production capacity is not sufficient to meet its huge sales volume. The high demand for new materials and high-tech requirements has hindered Tesla's automated production. On the other hand, Tesla's expansion in China's super charging stations also puts Tesla under considerable financial pressure. Tesla's quality control issue is an unavoidable part for discussing the Tesla brand. A large number of different quality problem has occurred on Tesla. As a result, Tesla recalled 280,000 vehicles and apologized in June 2021. That has had a significant negative impact on Tesla. The inspiration for Chinese new energy vehicle brands is to strengthen quality control, pay attention to safety issues, and avoid any accidents.

6. Opportunity of Tesla

For Tesla, Chinese market is a big opportunity. Whether from the perspective of policy environment, economic environment, or consumer demand, now is an excellent opportunity to China to develop new energy vehicles. Besides, the Chinese government has also introduced many favorable policies for new energy automobile. Obviously, Tesla is ready to take advantage of this opportunity. Tesla's ultimate factories officially started to construct in Shanghai in 2019. Shanghai factory can produce more than 20 units every hour. It makes Tesla on of the largest automobile manufacturers in China, and helps Tesla avoid taxes and reduce costs. In addition, the biggest opportunity for Tesla it the trend of the times. Specifically, people will use clean energy to replace petroleum energy in the next 50 years. The development of new energy vehicles undoubtedly meets the needs of the times. As a result, governments from many different countries are continuously introducing preferential policies for the use of new energy vehicles. Utilizing relevant policies to increase market share is an opportunity that Tesla must seize.

7. Threat of Tesla

The threat of Tesla is the huge pressure from competitors in the new energy vehicle market. In China, Tesla have to face competition from not only car brands from China, but also those from worldwide. Cars made in China has a lower price, while foreign car brands choose the same route with Tesla. Chinese car brands have gained consumers' belief for many years. It becomes a huge barrier for Tesla to enter Chinese market. Tesla's top competitor has always been BYD, that always catch each other continuously. Tesla's sales volume is lower than BYD until 2019. It became 367500, higher than 229500 of BYD. Besides, new brands such as NIO, Xiaopeng, and Ideal have begun to emerge. Besides, BMW has entered the new energy vehicle industry with its i3 and i8 [7]. Moreover, the number of subsidy policies has become lower and lower. In addition, with the current emphasis on battery technology research and development in China, Tesla's technological advantages will gradually shrink. Whether it is continuing to develop new technologies or increasing its advantages on other tacks, Tesla must respond this challenge excellent in order to maintain its advantageous position in China.

8. Successful part of Tesla marketing

Tesla has become one of the most successful automobile companies [8]. Before we discuss what can Chinese car brand can learn from Tesla, we need to know the successful part of Tesla marketing. Overall, Tesla's marketing success can be summarized in three points: Celebrity effect, combination of online and offline, and excellent brand image. Tesla claims that their advertising expenses are 0. However, they are indeed doing marketing. Tesla invites celebrities to use their products and promotes them. Hollywood star Leonardo, Google founder Sergei Brin, Xiaomi Founder Lei Jun,

they are all Tesla users. They have a high level of social attention. The fact that they use Tesla cars will undoubtedly enhance Tesla's brand image. Besides, Tesla's CEO Elon Musk's unique charisma is one of the core of Tesla's success [9]. He often use twitter to share his opinion on various things that happen in life. So that people feel more familiar with Tesla, and trust Tesla more. This is much more effective than traditional advertising. Combination of online and offline refers to the combination of offline experience and online direct sales. Tesla has opened many offline experience stores. Consumers can drive a Tesla car with their own hands. And consumers can experience the differences between different models of Tesla. So, they can decide which one to choose, and they can buy them online easily. Online direct sales have been proved to be faster and efficient than traditional sales methods. Consumers are also more willing to use this purchasing method. The unique combination of online and offline sales methods has increased Tesla's customer loyalty and also enhanced consumers' understanding and trust in Tesla. Tesla's brand image can be summarized in three words: environmental protection, technology, fashion. Tesla has achieved great success in the high-end car market by leveraging its brand advantages. That is because consumers with high spending power are not very sensitive to price, and they are more concerned about whether the product has a fashionable appearance, high performance. And they are more likely to accept innovative ideas. With the increasingly serious environmental pollution problems facing China, consumers' awareness of environmental protection in their daily lives is gradually awakening and strengthening. 'Accelerating the World's Transformation towards Sustainable Energy' is the target of Tesla. This goal with technological concepts and social responsibility has attracted a group of loyal customers to Tesla. Besides, Tesla's technological advantages enable them to form technological barriers through continuous innovation [10]. Although it is a key point of Tesla's success, as it is hard to imitate, this article will not provide a specific analysis of the technical part.

9. Conclusion

It can also be summarized in three points: identify clear market positioning, utilizing new media for promotion, changing traditional sales methods. For any company in any industry, it is crucial to identify their market positioning. In this fiercely competitive era, it is almost impossible to gain the recognition and choice of all consumers. Different consumers have different consumption concepts, habits, and abilities. Knowing what kind of consumer is most likely to choose and follow your brand, is the key point of identify market positioning. Before pay attention to consumers, the first thing to do is to know what your strength and weakness is. For example, if your car brand has unique supply channels, and your products can be very low price, it is obvious that you should aim low-end market instead of high-end market. High-end market consumers are not very concerned about price, they care more about the quality and appearance. After determining the market positioning, you need to confirm whether every part of the product is suitable for the consumers you choose. For example, high-end market consumers care about not only the performance, but also the interior and the entertainment facilities.

The second point Chinese brand can learn from Tesla is utilizing new media for promotion. In this era of information explosion, various new media emerge constantly. Using Twitter for promotion has saved Tesla a lot of advertising costs and gained 150 million followers. The reason is new media has provided Elon Musk with a free stage to showcase his personal charisma to the world. Internet media costs much lower than traditional television media. And for Tesla, their potential users are more likely to use Twitter instead of watching TV. Because their potential users are mainly those who has new concepts. It can be seen from this that using new media not only reduces costs but also attracts more followers. Chinese car brand should also take good use of new media. So that they can reduce the costs of promotion, establish a more approachable brand image, and gain more followers.

The third point is Chinese car brand need to change their traditional sales methods. In today's increasingly fierce competition, Chinese automotive brands need to change their traditional sales mode and shift towards a new retail mode that combines online and offline. Consumer can access

rich information online and buy their cars online easily. For car brand, they can get more information about their consumers. On the other hand, offline center concentrated on service and user experience. Consumer can obtain good service from offline service centers and experience the products they are interested in. This mode effectively combines the advantages of online and offline, provide consumers with more convenient and efficient services.

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