



Tesla Motors - Case Study

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Why was there no successful de novo entry in the US automobile market for 70 plus years?

There had never been a mass-produced car made by a US company since World War II, until (maybe) Tesla. Below are the few of the reason why there is no new entry in US automobile market for 70+ years:

- 1. High capital intensive business and less profit margin:** Automobiles were assembled in massive assembly plants that were frequently the size of more than 50 football fields. When producing between 100,000 and 250,000 automobiles per year, a typical assembly factory would achieve its lowest efficient scale; a plant of this magnitude could cost as much as \$1–2 billion.

2. **Complex Business Model:** Because of its complexity, designing automobiles was a time-consuming and expensive endeavour. Building a completely new car would require hundreds of engineers and was estimated to cost between \$1 billion and \$6 billion for a regular car, excluding expenses for retooling and factory modifications—and up to \$6 billion for a global car such as Ford's Mondeo, which would include retooling and plant modifications. A new car design of this calibre would take four to five years, however simpler redesigns of older models were sometimes completed in less than a year.
3. **High advertising spending:** Automobile manufacturers were among the biggest spenders on advertising. Both General Motors (GM) and Ford (F) spent more money on advertising in 2010 than Coca-Cola (Coke) did. Toyota, Mercedes-Benz, and BMW each had an estimated brand worth of over US\$ 30 billion, which was greater than Disney's US\$ 27 billion or Pepsi's US\$ 16 billion, while Ford's brand value was valued at around US\$ 8 billion, and Nissan and Porsche at around US\$ 5 billion apiece.
4. Cars were sold through dealerships and dealership franchise had a mutually exclusive relationship with a car manufacturer.
5. One of the most important sectors in the United States was the automobile industry, which accounted for more than 3% of GDP and employed more than 1.7 million people. In 2012, the three major vehicle firms accounted for 49 percent of the U.S. market, down from 98 percent in 1969, but still a significant amount. Although the three largest U.S. automakers were so tightly knit, two of them went bankrupt in 2009.

Why was Tesla successful?

There are a variety of reasons for Tesla's success, including new restrictions on car safety and pollution requirements, technological advancements, and changing customer expectations. However, Tesla Motors Inc. (TSLA) and its innovative business strategy can be credited with a large part of the public acceptance and excitement surrounding electric vehicles:

1. **Elon Musk had a master game plan from day one:** Before the first car came off the assembly line, the corporation had a long-term vision and a goal in mind. Everything at Tesla is meticulously planned out.

2. **Compromise was never an option:** Elon Musk and his team were going to create a fast, good looking, efficient and desirable electric car, or nothing.
3. **Tesla never simply follows a trend:** Tesla's success has been developed from the ground up using first principle, rather than following a trend. He deduces the most fundamental truths that anyone can conceive of and then works his way up from there, rather than relying on analogy." Insist that they do the right thing and not just follow the crowd. It takes a great amount of time and effort to think in the optimal way, especially when producing anything new.
4. **They hire people who share their values:** Elon Mask, Tesla's CEO, is a superb engineer and salesperson, so it's no surprise that he's put together a team that excels at both. Elon is a great motivator. He'll push his employee to the limit, and he won't settle for anything less than the best.
5. **Tesla realised early on that fashion fueled interest in clean tech:** Aesthetics matter a lot in consumer electronics, fashion and automotive, and Tesla knows this. Where other electric vehicle manufactures have failed, Tesla has scored highly.
6. **Technology is the number one priority:** Tesla has always prioritised product innovation and technology improvement. It has specialised R&D teams and spends consistently to stay ahead of the curve.
7. **It handles its own supply chain:** Tesla took distribution so seriously that it wanted to own the complete distribution chain." Tesla owns and operates all of its service centres and stores. Tesla is also growing its Gigafactory's capacity, allowing it to sell more cars than it presently does.

Why begin at the high end and go down?

Tesla Motors' first product is the Tesla Roadster, a high-performance electric sports automobile. Although some readers may not know, Tesla's long-term goal is to produce a wide variety of models, including affordable family cars. Because Tesla Motors' main goal is to assist speed up the transition from a hydrocarbon economy to a solar electric economy, which Elon Musk believe is the primary, but not exclusive, sustainable option, this is why Elon backing the company. This may be the reason why Tesla begin at the high end and then go down.

Why high-end customer?

The team intended to develop “an electric automobile without compromises,” therefore the Tesla Roadster is built to compete with a Porsche or Ferrari. It also boasts twice the energy efficiency of a Prius.” Musk and his crew were not going to settle for anything less than a quick, attractive, efficient, and desirable electric car.

Tesla Motors' first product is the Tesla Roadster, a high-performance electric sports automobile, so the first few products to build for high-end customer

Why California?

The Tesla crew was a cross-section of car industry experts and Silicon Valley aficionados. With this kind of innovation, Elon Musk believed that Tesla's Silicon Valley heritage gave the company a vital advantage. This may be the primary reason Tesla based out at California.

New and innovative design elements were also included in the vehicle. Software that could be updated wirelessly through the car's cellular connection allowed the driver to readily alter the car's characteristics, including suspension and steering behaviour. Others in the automotive industry were taken aback by the extent of technological integration. There was a 17-inch touchscreen in the central console that could handle everything from the car's air conditioning and lighting to its entertainment system. Simplifying the dashboard and other sections of the vehicle was a result of this. A wireless fob served as the vehicle's key instead of a regular one. When the driver got close enough, the automobile unlocked and the retracting door handle slid out. When the driver got inside the automobile, the engine began. In addition, the car's brake lights flashed depending on how much it was slowing. Many of the car's components, such as the suspension, were created from scratch rather than using off-the-shelf parts. Because of this, the Tesla pricing was exorbitant.

Tesla moved the operations to California because it felt that it was better to have engineering and manufacturing under one roof.

Why no focus on economy & environment?

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Why no dealers?

Tesla took distribution so seriously that it wanted to own the complete distribution chain." Tesla owns and operates all of its service centres and stores. With no dealership network, Tesla's upfront expenses are more than other automakers, but it "allows control over the customer experience, boosts Tesla's brand, and saves money in the long term." Tesla is also growing its Gigafactory's capacity, allowing it to sell more cars than it presently does.

Why no hybrids?

This is because Tesla Motors' overall goal is to assist accelerate the transition from a mine-and-burn hydrocarbon economy to a solar electric economy, which Elon Mask believes is the primary, but not sole, sustainable option, and thus he funded the firm.

Why so much aggressive talk? Comparisons with Porsche and BMW

Elon Musk shared the purpose of Teslas and what the firm aims to accomplish as a whole. Because the Tesla Roadster is built to compete head-to-head with a gasoline-powered sports car like a Porsche, BMW or Ferrari, the design team set out to create "an electric car without compromises. On top of all that, this vehicle is more efficient than any Prius on the market.

Neither Musk nor his crew were willing to settle for anything less than an electric automobile that was fast, attractive and efficient.

I believe to beat the competition and stay ahead, aggressive talk and head-on comparisons with Porsche, BMW and Ferrari are competitive strategy of Tesla.