Marketing Research on Tesla Inc. – Strategic analysis

Presentation · May 2017

CITATION
1

READS
83,752

1 author:

Jai Deo Tiwari
Coventry University
31 PUBLICATIONS **28** CITATIONS

SEE PROFILE

TESLA, Inc.

Introduction

About Tesla:

Tesla, Inc. earlier known as Tesla Motors specializes in electric cars, Lithium-ion battery for energy storage, and residential solar panels through their solar city subsidiary. Elon Musk, JB Straubel, Martin Eberhard, Marc Tarpenning, and Ian Wright founded Tesla on July 1, 2003 and Elon Musk is currently Tesla's Chairman, Product Architect and CEO. Tesla is headquartered in Palo Alto, California with more than **30,000 employees and 212 stores** worldwide with many more on the way. **Tesla went public in June 2010 and generated over $226 million in its IPO.**

In 2008, Tesla released its first electric vehicle, the Tesla Roadster, and sold over 2,100 of them in 32 countries. Tesla modeled the Roadster after the Lotus Elise by securing a contract with Lotus for 2,500 Elise Gliders.

In the fall of 2012 Tesla released the Model S, the first fully electric, luxury, high performance sedan. In March 2009, a prototype of the Model S was released at a public exhibition. It was met with great reviews and received over 8000 pre-orders for the vehicle. With significantly greater manufacturing capabilities and a price tag less than half that of the first electric sports car Roadster, the Model S penetrated a larger share of the market in 2013.

In 2012, when Tesla was about to launch the Model S, they clearly stated their mission to be "**a clean start, committed to electric built around the driver, and sparking the evolution"** the same as it is today. Its aim was to constantly innovate and deliver the most efficient and sustainable electric cars. Later Tesla segmented their business into Electric car and other green energy empowered subsidiaries.

In this study we are analyzing the journey of effectively segmented, accurately targeted and well positioned Tesla Model S electric car through various key concepts of Principles of Marketing.

The Product: TESLA Model S

The goal of Tesla's engineers was to produce the best **high performance luxury sedan on the market,** regardless of its electric capabilities. Tesla proudly states this is something it has achieved. The Model S is composed of a perfect blend between "exceptional performance, functionality, and attractive styling. "With a rigid body structure, nearly 50/50 weight distribution and a remarkably low center of gravity, Model S offers the responsiveness and agility expected from world's best sports cars while providing the ride quality of a sedan". AMAZINGLY, its performance model can accelerate from zero to **60 mph in 4.4 seconds**. In addition to its superior driving capabilities, the Model S offers a number of revolutionary luxury features. It comes standard with a 17 inch touchscreen that features integrated maps, music, and high speed connectivity to the internet, which is superior to offerings in its class. It's the only sedan that offers an all glass panoramic roof of which can be completely opened by a touch of a button. The Model S also has the best in class storage space at 36.8 cubic feet.

With its performance driving and luxury features, it is hard to believe the Model S is fully electric. Criticisms of other electric cars on the market are that they aren't capable of traveling long distances on one charge, or that they take too long to fully charge. **The Model S offered**

three battery pack options, 40kWH, 50kWH, and 85kWH, with a range of 160 miles, 230 miles, and 300 miles respectively, on a single charge. Using any normal outlet it can be recharged at a rate of 62 miles per hour, and with a Tesla Supercharger, in thirty minute, the vehicle can be charged to 50 percent capacity. Both the charge time and distance travelled per charge far exceed that of its competitors. Without the need for gasoline, Tesla estimates that the Model S will save consumers who drive comparable premium internal combustion engine sedans approximately $1,900 a year.

Beyond the performance, styling and energy efficiency of the Model S, there are additional benefits that bring value to the consumer. One of these is the exceptional customer service and support that comes with being a Tesla owner. Even though the company expected "the Model S will have lower maintenance costs than comparable premium internal combustion engine sedans due to few moving parts and the absence of certain components, including oil, oil filters, spark plugs, and engine valves", if customer's Model S requires service, a Tesla technician will come to customer's home to make the necessary repairs. The battery also came with an 8 year 100 mile warranty. There are also a number of intangible benefits to being a Tesla owner. The Model S had been designed to ensure a 5 star safety rating, giving its drivers and their families' piece of mind. There is also the positive feeling the owner receives for being the driver of a zero emissions car.

Tesla said, "**We believe the intended combination of performance, styling, convenience and energy efficiency of Model S will help position it as a compelling alternative to other vehicles in the luxury and performance segment.**"

Market Analysis before launch of Tesla Model S:

The market segment that was targeted had been identified as primarily males ages 25-60. They tended to have good jobs, are at a comfortable stage in their lives, and have an annual household income of **$100,000** or more. They live in **urban or urban fringe areas**. Some of them can have up to **2 hour commutes to work and want a luxury vehicle to make the long ride enjoyable**. Many of Tesla's target consumers were parents. They wanted a high performance luxury vehicle for themselves but needed the room and the safety for their families as well. In addition to being responsible for their family consumer was environmentally responsible. It was analyzed that Tesla's consumers had a "West Coast" mentality concerning their attitude towards the environment and being on top of trends. In regards to the product diffusion curve the Model S targeted innovators, a group of well-informed consumers who were willing to take a risk on an unproven product. **This group made up 2.5% of consumers.** While Tesla targeted its sales on the innovators its marketing efforts also focused on educating the early adopters who made up the next 13.5% of consumers.

Tesla's ,marketing research stated that Pike Research forecasted, the plug-in electric vehicle (PEV) market was expected to grow at an annual rate of 20% over the next 5 years. Although Tesla's Dealer strategy and high price point was the limit for its market access, Tesla's market share in the United States was still expected to grow from 2.2% in 2011 to 4.6% by 2017. This number was also expected to increase if the price of gasoline continues to rise. Tesla's target market segment was U.S. families with annual income of $100,000 and above. This target market segment included about 12.4 percent of the U.S. population in 2009.

Tesla Motors manufactured fully electric cars that did not depend on gasoline. Many consumers viewed electric/hybrid cars as innovative and environmentally friendly, but the cost for the vehicles far outweighs the benefits. The consumer is also paying for a car that is less stylish and much slower than a cheaper, gasoline dependent, alternative. However, Tesla has developed a line of luxurious electric vehicles that harbor both performance and style, while still maintaining a competitive price. **Tesla's Model S is designed to be the best performance sedan on the market and is the most affordable to targeted market segment**.

The Model S served and still serving both the consumer's wants and needs. Consumers wanted to stop paying for gasoline, especially if prices continue to rise. There was also a trend with U.S. consumers wanting to reduce their carbon footprint and live more eco-friendly lives. Consumers also needed a reliable car that can get them from point A to point B, with the versatility and practicality to accommodate family, groceries, or golf clubs.

The Model S offered a variety of features for the consumer. **First, it has the ability to travel 300 miles and more on a single charge. It can also do 0-60 in 5.6 seconds with a top speed of 125 mph.** The convenience of being able to plug the Model S into a 120 volt wall outlet was also proved to be an attractive feature for the consumer. Despite the various amenities of a premium luxury sedan, the Model S boasts a 17'' vertical LCD display that seamlessly controls the entire vehicle with the touch of a finger. "The touchscreen, digital instrument cluster, and steering wheel controls seamlessly integrate media, navigation, communications, cabin controls and vehicle data" to provide luxury and comfort to consumers.

Based on the price range of competing luxury sedans, Tesla's target consumers were willing to pay upwards of $60,000 for style, performance, luxury, comfort, and safety. In 2013, there was only 18 Tesla dealerships in North America, which made it difficult for consumers to view and purchase the product. However due to the limited number of models available and the high demand for the product, Tesla had successfully taken pre-orders online and directly delivered the product to consumers' homes. Demand was limited by the number of cars that Tesla was able to produce, but at the same time this helped to drive demand by provided a sense of exclusivity to owners of a Tesla.

Business Orientation:

The demand for Gen3 Tesla cars are estimated based on the growing market of Electric Vehicle and hybrid market over the next 5 years. Tesla has ability and resources to increase demand if the market grows beyond their estimation. With expansion of supercharger station vehicles will be more appealing to the market. **The strategy of Tesla is to grow Tesla's market share in the Electric Vehicle / Hybrid marketplace by 5% over the next 5 years and provide a 20% ROI(Return on Investment) for the last 3 years**, with no losses after the first year. **The plan will bring in total of $7,816,354,565 over five years in revenue and total of $1,605,493,432 will be profited.**

Industry and Competitors Assessment:

Tesla Motors is unique in that it has essentially positioned itself in its own industry. There are no other companies on the market that offer both the fully electric capabilities and the luxurious features that Tesla offers. To market the Model S, Tesla will be competing in both the luxury

automobile market as well as the electric vehicle market. The luxury automobile market defined by Bloomberg BusinessWeek includes all vehicles that feature added amenities at an additional cost. The category includes luxury minivans, SUVs, convertibles, and sedans. The electric vehicle industry will be defined as any vehicle that utilizes electricity to supplement the use of gasoline.

Since there is little price sensitivity in the luxury car market, companies must compete primarily on product differentiation. The key success factors for the luxury car industry are comfort, innovation, quality, and safety. Consumers are willing to pay more for one luxury car over another because of the perceived value and prestige of owning a car with such attributes as the latest technology, the most comfortable driving experience, the performance to handle all conditions, and superior safety and crash test ratings.

The key success factors for the electric vehicle industry are price, range, charging rates, and total battery life. Oliver Wyman, a global consulting firm, stated in its Comprehensive Study on innovation in the Automotive Industry, "Most drivers want sound, reliable products at affordable prices. The total cost of ownership will remain the most important buying factor. To remain competitive in the industry, firms need to ensure that the electric vehicle technology they provide is still affordable to the U.S. consumer. At the same time, consumers demand the latest technology that increases the distance a vehicle can travel on one charge. This is especially important with the limited number of charging stations currently available in the U.S. Also, with the **limited number of charging stations available, comes the importance of charging rates**. **Consumers want a product that is convenient and easy to use, that charges both quickly and effectively.** Battery lifespan is also an important factor that consumers take into consideration. Different companies use different batteries that influence the overall product by either costing less or lasting longer. Finding the right mix between price and durability of the battery will determine a company's success in this category.

Competition:

For the purpose of this analysis we will consider Tesla Motors' direct competitors to be companies competing exclusively in the luxury electric car market. Indirect competitors will include companies who have offerings in the luxury electric car market, but whose sole business does not rely on this segment.

Based upon the above definition, Tesla Motors' direct competitor is Fisker Automotive. Fisker currently offers one model, the Karma, which has "the ability to toggle between the all-electric Stealth Mode or the fuel assisted Sport Mode with the simple shift of the paddle." The Karma's luxury, performance, and features combine together to form a car comparable to Tesla's models. At a price point of $95,900, the Karma is a direct competitor to the Tesla Roadster priced at $109,000.

Indirect competitors for Tesla Motors include BMV, Lexus, Mercedes-Benz, and Porsche. BMV currently offers what they refer to as an Active Hybrid in its 7 and 5 series sedans. The Active Hybird 750i is priced at $97,000 and the 750Li is priced at $101,000. The Active Hybrid 5 will compete directly with Tesla's Model S with a MSRP of $60,950. Lexus has developed five hybrids with its CT, HS, RX,GS, and LS models. Prices range from $29,120 for the CT Hybrid to $112,750 for the LS Hybrid. The Lexus GS sedan, priced at $58,950, will attempt to steal

market share from Tesla's Model S. Mercedes-Benz currently has one hybrid available, the S400 that while not a competitor to the Model S, will be a competitor to Tesla's other models at an MSRP of $91,850.Porsche is another competitor to Tesla with its Panamera S Hybrid and its Cayenne S Hybrid. While the Panamera S Hybrid has a MSRP of $95,000, the Cayenne S Hybrid will compete directly with Tesla's Model S at a price point of $65,000.

Tesla Motors' advantages over its competitors revolve around its core competency of creating entirely electric vehicles. Fisker Automotive claims its Karma has a range of 300 miles that would match the range on Tesla's 85kwh battery option. However, since the Karma operates on electricity or gasoline, only 50 of the 300 miles can be attributed directly to the electric driving range compared to its indirect competitors, Tesla has the advantage of a strong brand image. Tesla is known for its creation of luxury electric vehicles, whereas its competitors' offerings can be lost in their company's product mix.

Competitors in the industry rival Tesla through the strong brand awareness already created through traditional markets. This brand awareness is supported by a greater number of dealerships throughout the United States; in 2012, Tesla only had 18. Without a significant number of dealerships, consumers cannot physically touch the car. Since the electric vehicle technology is relatively new, the ability to easily test drive cars is a major advantage for competitors. These competitors also have the convenience of a prior customer base from which to draw new hybrid users. While this may help push a product to consumers, it could also be a disadvantage for competitors if there has been any negative publicity associated with the brand name prior to the hybrid's introduction. However, through the success of their traditional cars, Tesla's competitors have greater profits to invest in marketing and advertising campaigns to promote a positive image. Tesla was increasing its marketing and advertising campaigns each year, but has limited funds due to the intense amount of research and development the company must conduct to ensure it has the most innovative EV technology.

Tesla's model S strives to provide a luxury sedan for enthusiasts who want the prestige of a Tesla Roadster with the affordability of a traditional luxury sedan. With an entry price point of $50,000, many companies were attempting to compete by offering hybrids comparable in price. While no company has the technology that can compete directly with Tesla Motors' 300 miles on a single electric charge, the distance these hybrids can travel is increasing. Since these other companies have larger budgets than Tesla, they will likely invest more capital into research and development in an attempt to match Tesla's technology.

As the technological gap begins to decrease, companies such as BMW, Lexus, and Mercedes will have an advantage over Tesla. These other companies will have economies of scale as they will be able to mass produce at lower costs due to their larger production facilities. Tesla will need to constantly stay innovative and differentiate itself to remain the leader in this industry.

Marketing Orientation:

Marketing Objectives:

The three marketing objectives for this campaign are:

1) To position the Model S as an affordable sedan in the luxury market,

2) To raise awareness and educate consumers on the Model S and Tesla Motors as a whole, and

3) To have new buyers as a significant portion of the customer base.

Marketing Strategies:

The Model S rely on concentrated target marketing. While the luxury electric and hybrid market is small, the Model S will attempt to capture a large market share through its position as an entirely electric sedan. This niche strategy will allow Tesla to use value pricing to capture the consumers' perceived worth of the car. At a $50,000 price point, the target market for the Model S will be males ranging in age from 25-60 years (with or without families), that have household income of $100,000 or greater. To market itself, Tesla has formerly relied upon word of mouth advertising and the idea that, the owners are the ambassadors. To market the Model S, the strategy will utilize this strength, but on a grander scale.

The marketing strategy for the Model S will revolve around the message, We don't inherit the Earth from our ancestors, we borrow it from our children." The strategy will require two integral parts. The first part involves strategically placing ads in magazines and newspapers to target our specific market. The second part of the strategy is to bring the car to consumers on a documentary road-trip across the United States. Unlike the first part of the campaign, this part focuses on reach, introducing a product to a large number of potential consumers. The integration of these two parts will effectively market the brand and introduce a new product to new consumers in a vast number of geographic locations.

Mission, Vision and Core Values:

Mission:

Tesla's Mission statements is 'To accelerate the advent of sustainable transport by bringing compelling mass market electric cars to market as soon as possible.'

Vision

At the core, Tesla, Inc. believes electric cars should not be perceived as a sacrificial mode of transportation. Tesla, Inc. has brought the best of both the automotive and technological worlds together by permanently etching the image of electric cars being a step backwards in performance, efficiency and design. Tesla, Inc. key is the 100% electric powertrain which not only propels us in the present, but simultaneously establishes a strong foundation for the future. Tesla has produced a car that is finally beautiful, and exciting to drive along with being the most efficiently produced automobile on the planet.

Core Values:

- A clean start
- Committed to Electric
- Built around the driver
- Sparking the evolution

Current Target Market:

Target:

Tesla's current customer is purchasing the Model S vehicle. Most of the customers are successful business executives and entrepreneurs, they are tech savvy and green friendly. These are wealthy and early adopters whose income levels put them in the upper-middle class segment.

Segment:

Tesla is targeting individuals who are upper middle class baby boomers with typical incomes of over $100,000 which is based on 77% of our buyers falling into this particular segment. The majority of the segment is predominantly male.

Positioning

The Model S will be positioned as the image, product, and service leader in the industry. The Model S will lead in image as it will be the only entirely electric luxury sedan in the marketplace. After a $7,500 federal tax credit, the model S is set to be offered at a price point of $49,900 for its 40kwh battery option. This price point positions the model S at a lower price than its competition, even with the Model S having comparable or greater features. Tesla's strong customer service is relayed to consumers by the company's willingness to send technicians directly to the houses of owners. Combined, these three factors helped to position Tesla as the leader of the market.

Current Customer Value:

Reliability: Report on customer's view says customer feels that Tesla is more reliable than any of its competitor in market who are offering hybrid cars. Onsite Service with minimal or no efforts win the goodwill to brand Tesla.

Owner Satisfaction: Targeted segment owner found there satisfaction level highest by owning the Tesla Cars which are advance in technology and ecofriendly.

Marketing Mix:

Product Decisions

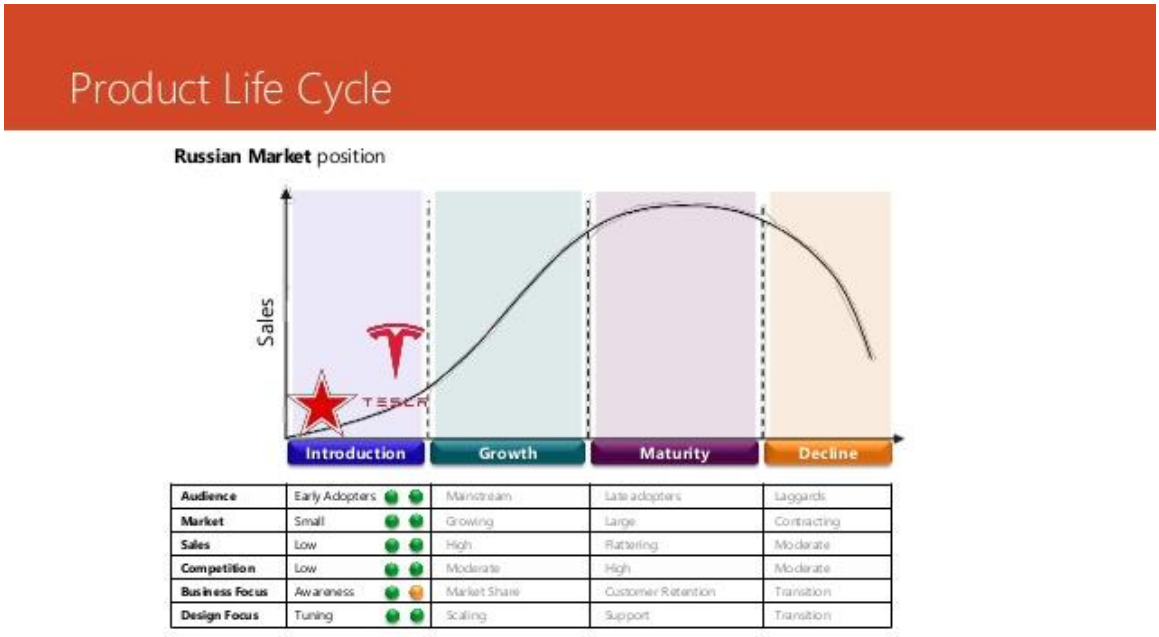
The Model S is a four door, five passenger luxury performance sedan. It is an electric car with exceptional style, performance and functionality. The Model S is accelerate from 0 to 60 in under 6 seconds. Currently, the estimated range is 160 miles to 300 miles on a single charge based on battery options. The Model S will be available as a standard edition and as a Signature series edition, which will have additional options such as an extended color selection. The Model S's battery will charge in 45 minutes at commercial charging stations and will have a rapid swap

out option at specialized battery exchange locations. Additionally, the Model S is designed to have a third row seating with two additional child seats. Twenty-nine cubic feet 20 storage will be available under the hood and the tailgate compared to the fourteen cubic feet of competitors. The Model S had a 17" driver interface touchscreen which provides access to wireless connectivity, such as 4G, infotainment options, and climate control options. To reduce Tesla's impact on the environment, the interior has been designed and built out of banana leaf, carbon fiber, and alcantara. The glass panoramic roof is constructed of safety glass and provides protection from 93% of visible light and 79% of heat, which helps control the inside temperature. The Model S key is innovative in itself as it is programmed to the preference of the individual driver.

As the key approaches the vehicle the drivers' preferences, such as seat position, are loaded and the door unlocks and then the car turns itself on once the driver's side seat is buckled. LED lights illuminate the door handles which retract when not in use. To add to the features of the car, the Model S's music system can be connected to a streaming radio station or to mobile devices. In addition to the Model S, Tesla offers its roadster, Model X and Model III is expected in 2018. The Roadster has raised awareness of Tesla as a brand and its ability to develop cutting edge products.

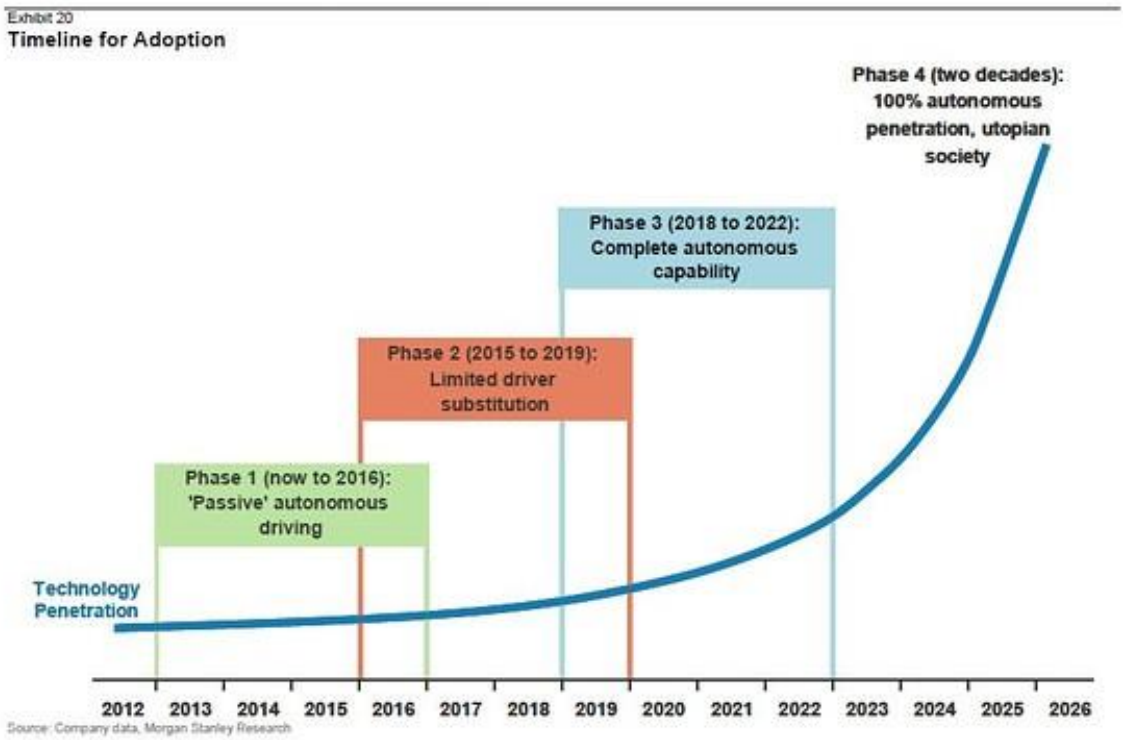
To effectively market the Tesla brand, the overall campaign is focused on the message, "**we don't inherit the earth from our ancestors, we borrow it from our children**. Tesla wants the Model S to be the car that not only competes with the legacy carmakers, but that allows every Model S driver to leave a legacy of responsible earth friendly decisions. Every Model S driver will be providing future generations with a positive image to follow. By implementing the idea of leaving a legacy, Tesla will not only be able to market the Model S, Model X and upcoming Model III as a luxury vehicle, but also as the only vehicle that an eco-conscious consumer would purchase. This branding aligns with Tesla's values of **innovation, commitment, connection and cataclysm**; all of which, when achieved successfully, leave a legacy.

Product Life Cycle:



Above Product Life Cycle figure shows the product life cycle in Russian market, where Tesla is going through Growth stage, after maturity the growth in market is expected to decline.

To control this decline, Tesla, Inc. has already planned to launch more advanced electric cars which will target several market segments to increase the market share and profit as well.

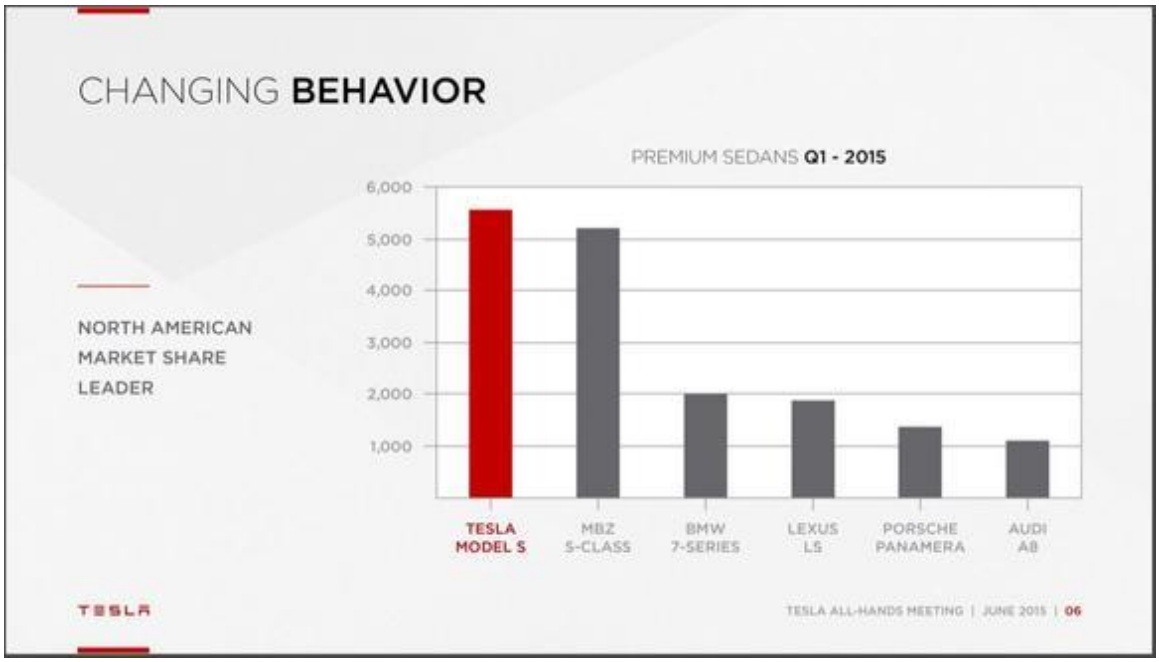


Above figure estimated by Morgan Stanley Research predicts that, Tesla will launch more advance and affordable products to targeted segments to maintain the growth as the king of the market.

Product Portfolio:

In Boston Consultancy Group Growth matrix, Tesla Model S and X lies in Stars quadrant, since both products are continuously growing by market share and market growth.

H Model S Model X H	-
-	-



As per above figure and changing behavior in North American Market, based on Tesla's June 2015 report, Tesla Model S is champion in the targeted segment. And Tesla Model X is also doing well. As per the performance of launched products and market response is more than expectation, which aligns Tesla products in Star quadrant.

Pricing

The Model S is priced to maximize profit and demand by utilizing a value pricing strategy. The Model S with a current base ticket price of $65,400, allows the Model S to compete with both the hybrid market and the luxury market. The price variations are based on the battery size and features. The second tier Model S has a battery of 60 KWH and costs $67,400. The third tier Model S has a battery of 85 KWH, and is priced at $77,400. The Model S performance model starts at $92,400 and includes an upgraded suspension and interior. The Signature series costs $95,400 and is available in signature red. The Signature performance costs $105,400 and includes the performance upgrades and the signature red color. U.S. Consumers will also qualify for a tax rebate of up to $7,500 after purchasing the Model S as long as the rebate program continues. Overall ownership cost is as low as 3.1 cents per mile based on the average cost of electricity in the U.S. In comparison the overall ownership costs for Toyota Prius is 5.7 cents, and 13.2 cents for a Porsche Carrera based on gas prices of $2.86 per gallon. With gasoline prices in the U.S. consistently rising, the Model S's proposition will only increase in value.

Place and Distribution

Tesla sells and markets its cars directly to its end consumers through its stores located throughout the world in North America, Asia and Europe. The company currently has several sales and service locations in the United States ranging in areas from California to Illinois to Florida. The first store was launched in 2008 in Los Angeles. Tesla characterizes its stores as "highly visible, premium outlets in major metropolitan markets that engage and inform potential customers about electric vehicles in general and the advantages of the Tesla experience in particular.

Tesla does not engage in distribution through franchises. They "believe that by owning [their] sales and service network [they] can offer a compelling customer experience while achieving operating efficiencies and capturing sales and services incumbent automobile manufacturers do not enjoy in the traditional franchised distribution and service model. In 2012, Tesla only had 18 sales and service locations around the US, which has currently improved significantly and while this may be suitable for the Tesla Roadster who appeals to exotic, premium sports car buyers, we believe that this distribution network needs to be expanded for the more "mainstream" Model S. As much as we would like Tesla to expand and build several more sales and service locations in strategic cities around the world, Tesla does that have the capital to do this. Therefore, Tesla took advantage of their strategic partnership with Mercedes.

Mercedes has hundreds of franchised dealerships around the United States. Tesla used these dealerships to advertise, sell, and market their new Model S to gain maximum coverage and access to consumers. This enabled Tesla to expand its distribution quickly without investing in major capital assets. In the long run, when Tesla has the capital, Tesla is expanding their owned distribution network to cover the majority of cities around the US, Europe and Asia.

Tesla is selling its product using Direct, Push and Pull strategy. Mostly **A pull strategy** is used to sell the Model S and Model X. The advertising campaigns are creating buzz around the new Model S, Model X and Model III and customers are flocking to Tesla and Mercedes dealerships to purchase the Model S and Model X.

Promotion:

Integrated Marketing Communication:

As stated previously in the marketing strategy section, the message of the marketing campaign is, **we don't inherit the Earth from our ancestors, we borrow it from our children**." This aligns with the company's goals of creating a luxury performance sedan that is both eco-friendly and family friendly.

The plan has two integral parts:

1) The strategic placing of ads in magazines and newspapers to target our specific market, and

2) A documentary road-trip across the United States that brings the car to consumers to showcase its features and design. In order to effectively implement this marketing strategy for the Model S, and Model X Tesla utilized all elements of the promotion mix.

Advertising:

To advertise the Model S successfully the entire advertising budget will be directed towards magazine ads. We considered print media to be more cost effective and more efficient than alternative forms of advertising. Television ads reach a large audience, however at this point in time Tesla's is not ready for mass marketing. Tesla has a specific target market and television advertising will not allow Tesla to zero in on them. Furthermore, the average cost of an ad during prime-time is nearly $110,000 per airing. Because Tesla is a luxury brand with limited dealerships and sales promotions, radio advertisement is not seen as an effective means of communication. More importantly, because the Model S, X and upcoming Model III and the

Tesla brand are not familiar to most of the consumer public, visuals are going to be imperative in its advertisements. Newspaper advertisements were considered to complement the magazine ads, but were not selected due to the fact that it is highly unlikely that the newspaper will be shared with more than one person, as well as the high costs associated with an ad that will only appear one time.

To communicate the marketing message to consumers, Tesla will advertise in Car and Driver, Wired, BusinessWeek, and Forbes magazine. These print outlets were chosen based on the target market's values and lifestyle. Considering our target market is 25 to 60 year old males that are making $100,000 a year or greater, all four magazines cater to this consumer. Car and driver has a total audience of nearly 9.75 million people, of which 90.8% are males. The magazine also specifically targets our age range with nearly 5.4 million users between the ages of 25 and 49. To further justify the use of Car and Driver, over 3.4 million users have household income of $100,000 or greater. The use of Car and Driver is intended to specifically target the car enthusiasts in our target market and generate buzz in the car community through the strong word of mouth advertising that Tesla has formerly enjoyed.

Wired magazine was chosen based on the fact that our target market is in the innovators group; they are well informed tech savvy consumers. This magazine attracts that type of reader. The total audience for Wired is just over 3.2 million of which 75% are males. The median age for the magazine is 34 years, and the median household income is just shy of $86,000. This again is a very specific market, but it follows the niche strategy of targeting a large number of customers within a small market segment.

To broaden the company's advertising reach the company will also invest in ad space within Bloomberg's BusinessWeek and Forbes magazine. This will still target Tesla's specific target market but it will have a broader base than the specific interests of Car and Driver and Wired. BusinessWeek currently has a total audience of 4 million, of which 63% are male. The median age is 46.3 years and the median household income is $101,076. Forbes magazine boasts an audience of 5.1 million people, of which nearly 3.5 million are men. With a median age of 43.1 years and 2.3 million users with household income of $100,000 or greater, Forbes magazine not only reached Tesla's target market but generated buzz within the business community about an entirely electric, affordable, luxury performance sedan.

To maximize the potential return on investment, these ads strategically placed within these four magazines in a cyclical flow throughout the 12 months from July 2012 to June 2013 for Model S and still going on periodically for Model X and upcoming Model III. The per issue costs for each magazine are broken down in Exhibit 2 and show the total costs for one ad in all four magazines to be $496,000. If each magazine is utilized 3 times a year that brings the total advertising budget to $1,488,000. This method of reaching the target market will be most effective because it will reach a large number of consumers without a frequency that is oversaturating the market. Exhibit 3 shows the projected timeline of when each advertisement will appear in each magazine. Car and Driver will featured an ad in July, November, and March; BusinessWeek featured an ad in August, December, and April; Wired featured an ad in September, January, and May; and Forbes featured an ad in October, February, and June. This plan ensured that the advertisement is consistently seen throughout the year within the various magazine outlets.

Sales Promotion

Consumers who purchase luxury performance sedans are highly price insensitive, purchasing cars more on the quality, performance, and features rather than on a specific price point. Based on this knowledge, sales promotion will not be a significant factor in the promotional mix. However, since Tesla has received strong support from the United States government, the company will be able to stimulate demand for the product by offering a $7,500 federal tax rebate on the Model S. This will entice Tesla's target market because they represent a portion of the business community that will appreciate the greater value achieved through the savings.

PR, Personal Selling, Direct Marketing, and Interactive Marketing:

As aforementioned the second part of the campaign is to document a "road-trip" across the United States. The road trip will commence in Tesla's home of San Francisco at the beginning of August and drove in an S shape across America finishing in New York at the end of the month.

There are three distinct benefits to this campaign. The first is that it is highly interactive. There was a constant communication between the campaign and Tesla's potential customers through social media platforms such as Facebook and Twitter, allowing them to follow the Model S on its Journey. As the car travels across the country, it will be photographed with beloved American landmarks, such as the Grand Canyon, Route 66, and the Space Needle. These photos will be instantly uploaded to Tesla's social media platforms to juxtapose the Model S legacy against the monumental legacies left by America's history. In addition Tesla will be employing a film crew to document the journey. The documentary will be distributed through Tesla's YouTube platform. Beyond simply the entertainment value, the documentary will highlight the many features of the Model S. For a company that may not be in the financial position to afford a television commercial, this comparably low production cost video distributed through free media is a great alternative (Exhibit 2).

The second benefit is that it puts the Model S in front of the consuming public. Every stop along the way the team of Tesla sales representatives will be setting up a showcase of the Model S in a high traffic public area such as South Beach in Miami, Navy Pier in Chicago, and Central Park in New York City. It is important to get these vehicles in front of the consumer, because even many of the well informed consumers have never had the chance to see a Model S in person. By hosting these showcases Tesla will be able to employ personal selling. This gives Tesla, immediate consumer feedback, the ability to create unique customer messages, and the opportunity to build customer relationships. As mentioned, Tesla will be targeting innovators for sales, but will also be targeting the early adopters by educating them on the benefits of PEV vehicles and Tesla in general. These country wide showcases will give the company the opportunity to do this.

The third benefit is the level of publicity the road-trip is expected to generate. Although electric cars are viewed as strictly commuter cars, and for the most part they are, this campaign will demonstrate that the Model S has the performance and capability to make it across the country and back without a single drop of gas. It will be the job of Tesla's public relations team to aggressively reach out to media all along the driving route to generate publicity for its arrival, the campaign, and the Model S itself. In the past Tesla has significantly relied on publicity and word of mouth. By utilizing PR properly this campaign has the potential to continue this tactic on an even larger scale.

Marketing Budget:

Tesla's total marketing budget for all business components in 2011, 2010, and 2009 has been $2.9 million, $3.1 million, and $1.7 million, respectively. Media coverage and word of mouth are Tesla's primary marketing outlets; however, in order for the Model S to gain widespread awareness, the marketing budget for the Model S alone will be $2.48 million. As mentioned previously, ads will be placed in four widely read magazines and journals which will cost approximately $1.48 million (Exhibit 2). In addition, the one month road trip will cost approximately $1 million (Exhibit 2).

Implementation and Control Plan:

Timeline:

The timeline for the marketing activities begun in July 2012 and ended in June of 2013 (Exhibit 3). Immediately, in July, Tesla announced its Road Trip event on various social media platforms such as Facebook, Twitter, and the company's official YouTube channel. Also, a press release was issued on the company website detailing the Road Trip event. The Road Trip event took place in August and last for 31 days. Tesla's promotions staff was actively informing followers through Twitter, Facebook, and press releases. After the Road Trip event, documentaries and user experiences was released through Tesla's official YouTube channel. In addition, the magazine and journal ad campaign also started in July and run for one year. Each month an ad was placed in one of the selected magazines. A total of three ads placed in each of the selected magazines and journals.

Measurement for Success:

With regards to the Model S, Tesla aimed to produce approximately 20,000 of them annually starting in 2013. For this campaign to be considered successful Tesla expected all 20,000 Model S's to be sold in 2013, and for this rate of sale to continue on an annual basis. However, with this marketing campaign, specifically in regards to the Road Trip Event, Tesla aimed to sell an additional 10, 00 Model S in 2013. The goal of the Road Trip Event is to gain brand awareness and this was measured through viewership on Tesla's Facebook, Twitter, and YouTube accounts.

Since the Road Trip Event rely heavily on these three channel's Tesla expected their viewership to increase dramatically. As of today, Tesla's Facebook account has over 76,866,000 likes and 30000 people talking about Tesla Motors. Tesla aimed for "likes" to increase by 40 percent by the end of 2012 and increase overall by 60 percent by June 2013. For people talking about Tesla on Facebook, we expect this to increase by 80 percent by the end of 2012 and increase by 100 percent overall by June of 2013. Tesla currently has over 7,550,000 followers on Twitter and our goal is to increase the amount of followers by 40 percent by the end of the 2017 and for them to increase by 70 percent overall by June 2017. Tesla's YouTube channel has over 945,000 subscribers and over 24,500,000 videos views. If these targets are reached, the marketing plan will be deemed successful.

Exhibits

Exhibit1

Year	Annual Report Expected Annual Sales(Cars)	Average Price	Revenues	COGS*	Gross Profit
2012	8000	$59,900	$479,200,000	$333,560,784	$145,639,216
2013	20,000	$59,900	$1,198,000,000	$833,901,961	$364,098,039

Exhibit2:

Model S Marketing Budget	$2,479,000

Magazine Placements	Per Issue Cost	3 Issues for year
Business week	$156,000	$468,00
Wall Street Journal	$132,000	$396,000
Car and Driver	$90,000	$270,000
Wired	$115,000	$345,000
Total	**$493,000**	**$1,479,000**

Road trip – 1 month	Cost
Film	$250,000
Labor	&50,000
Permit Cost	$6,000
Hotel	$139,500

Advertisement	$50,000
Tour Bus	$46,500
Food	$19,530
Miscellaneous	$438,470
Total	**$1,000,000**

Exhibit 3

2012

Activity	**July**	**August**	**September**	**October**	**November**	**December**
Road Trip		Road Trip $1,000,000				
Magazines	CAR DRIVER $90,000	Business Week $156,000	WIRED $115,000	Forbes $135,000	CAR DRIVER $90,000	Business Week $156,000
Media/PR	Announce Road trip on facebook, twitter, website and other social media.	Actively document Road Trip on website, Twitter, and Facebook	Release documented footage from road trip	Release documented footage from road trip	Release documented footage from road trip	<u>Increase:</u> YouTube: Subscribers+40 % Facebook: likes +40%, people talking + 80%. Twitter: followers + 40%.
Total Cost	**$90,000**	**$1,156,000**	**$115,000**	**$135,000**	**$90,000**	**$156,000**

2013:

January	**February**	**March**	**April**	**May**	**June**	**Total**

						$1,000,000
WIRED **$115,000**	**Forbes** **$135,000**	**CAR DRIVER** **$90,000**	**Business Week** **$156,000**	**WIRED** **$115,000**	**Forbes** **$135,000**	**$1,488,000**
					Overall increase: **YouTube: +60%** **Facebook: Likes+60%, people talking +100%** **Twitter: Followers +70%**	
$115,000	**$135,000**	**$90,000**	**$156,000**	**$115,000**	**$135,000**	**$2,488,000**

Tesla's major competitive advantages:

Success story of any organization is additionally scrutinized by market experts and the public. As per scrutiny at different levels, it is indisputable that Tesla has offered a next level solution for vehicle, consumers seeking an alternative to traditional gas-powered options.

Tesla's competitive advantages over competitors can be clearly understood by following points where few points are tangible in nature and few points are intangible.

Self-reliance on core competencies: TESLA is focused on their mission and vision and since battery is big part of Tesla's advantage so that rather than depending on some other vendors they are building their own battery supply chain (and may be for some loyal friends such as Mercedes)

- Battery packs of Tesla are cheaper than other EV batteries available in the market
- Tesla has approach to continuously improve the efficiency of batteries and its production unit Gigafactory is focused on scaling up production of batteries, which is an important side of advantage over other competitors.
- Supply chain management of TESLA is excellent in class, they collect their resources in very efficient manner than its competitors.
- Tesla's batteries are valuable for beyond electric vehicles, e.g. stationary energy storage.

It has wonderful Supercharger Network:

- Tesla has built Its own Supercharger Network [or networks]
- They are providing ubiquitous fast-charging stations.

Software that is several leagues above the competition

- Tesla approach to software is much above the competition.
- Tesla's software package is able to handle
  - Core Focus and Tesla DNA
  - Battery Voltage Management
  - Motor Control
  - Diagnostics
  - Touchscreen
  - Mobile App
  - Traction and Stability Control
  - Complete over the air updates and so on.
- Tesla's cars are described as big machines with small computers in them, since, in future computer for different components are imagined, and Tesla is leading us there.
- Tesla's software team rolls out over-the-air updates like we get on our smartphone, tablets, computers, continuously improving owner vehicles.
- As per Tesla's presentation, Even "recall" can be done virtually.

A reputation for building superb products that "WOW" people.

- Tesla has developed reputation for producing superb products.
- The Tesla Roadster transformed the image of electric cars from small, slow vehicles to blindingly fast vehicle of desire.
- Tesla produced the cheaper Model S sedan that ended up winning just about every big auto award.
- Quickest production sedan in history [0-60 mph acceleration that beats even some supercars]

Reputation for wanting to serve customers in direct, honest way – not just take their money.

- Customer is focus: Tesla has shown repeatedly that it cares more about providing the customer with good service, a good product, and honesty than making little more money off of them.
- Goodwill for integrity and morality.

Microenvironment Affecting Tesla :

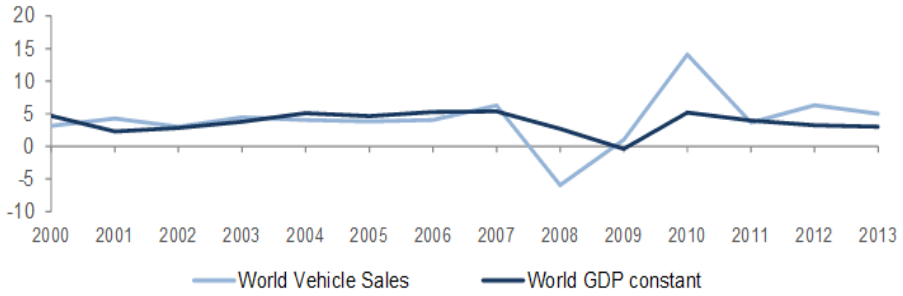
- Political: Governmental norms has been working positive for Tesla in majority of the countries. Sustainable energy being the main goal has been the key factor in attracting the Political conditions of a country. Government is also issuing incentives for the purchase of Electric Vehicles (EV) keeping in mind the Carbon free emissions. PESTEL analysis looks at the Political factor more as an Opportunity to Tesla Motor's.

	US	Norway	Switzerland	The Netherlands	China and HK
Taxes	$7,500 Federal tax credit	Lower annual fee; higher milage allowance writedown; exemption from congestion charge, initial car tax and VAT (~$97,000); 50% discount on company car tax	Depending on canton (county) reduction/no annual road tax	Exclusion of vehicle tax until 2015; No BPM (private motor vehicle tax) until 2017; 4% Bijtelling (tax credit) for 5 years	Up to $9,800 tax credit (China); registration tax waived (HK)
Subsidies	Various purchase subsisies/rebates for Evs				Free vehicle licence worth up to $14,000 (China)
Parking	Parking incentives for Evs	Free access to some parking spots			
Bus lanes	Access to HOV lanes	Bus lane access			
Other	Several other incentives for EV owners	Free pass in toll roads			

Fig. EV Incentives in Tesla's Main Markets

- Economic Factors:

  One of Tesla's goal is to sell EV at a much lower price compared to any other automotive counterpart. This factor has largely attracted mass-market buyers and governments to provide incentives focusing on a clean and sustainable environment. PESTLE analysis is positive in Economic factors with respect to Tesla.



Sales Growth (%) Vs GDP

  - Expected Sales Growth:

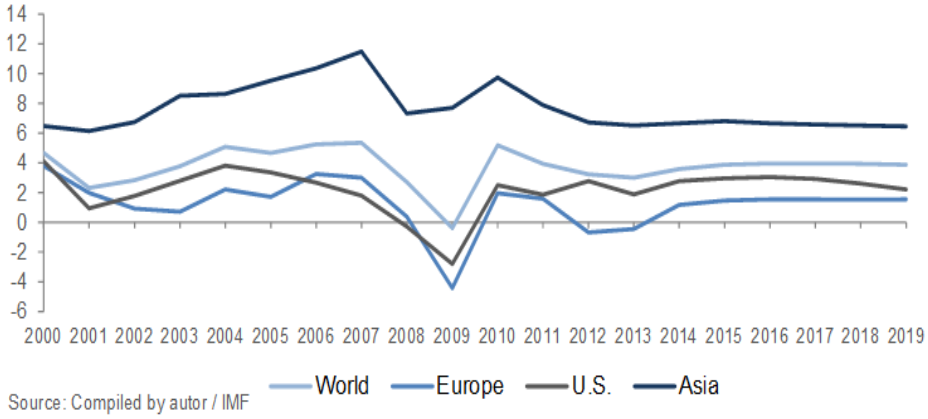
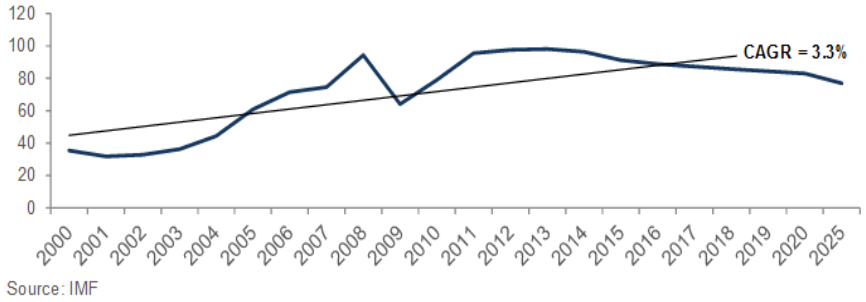


Fig 5., Sales Growth (%) Vs GDP

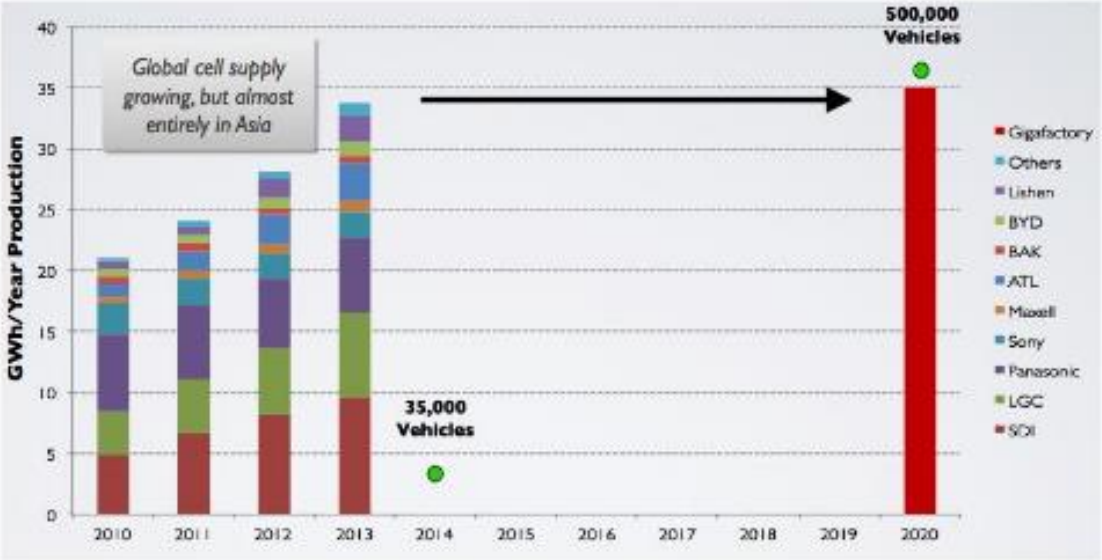
- Social Factors:

    - Low-carbon emissions is one Strength of Tesla, with the entire world trying to adapt to Renewable energy. PESTEL Analysis sees this as an Opportunity and Growth factor where they can Harvest. With Strength and Opportunity going hand-in-hand Capitalisation would be a wiser decision to make. The following graph shows the estimated price for Non-Renewable resource therby clearing way for Tesla.



Expected crude oil prices upto 2025

- Technology: With the rate of growth of technology every second this seems to be a threat for Tesla. Until the competitors in market don't find an alternative resourse that could outstand the performance of Tesla, they are on the safer side. With Strength and Threat taking upper hand ,Tesla has to work on improving their technology in alternative resources.



Increased battery production in GigaFactory upto 2020 after Tesla Model S &X

- Environmental Factors:

  Creating awareness among public is one key factor in which Tesla can increase their opportunity to sales. Waste disposal standards can easily convince the government thereby promoting sales. PESTEL analysis concludes Environmental factors to be Opportunity for Tesla.

- Legal:

  Expanding international patent protection, energy consumption and dealership sales regulation are the factors that affect Tesla legally. Though expanding boundries and energy consumption can increase opportunity dealership sales regulation pose a threat according to PESTEL analysis. With the support of government laws & regulations they will be able to regulate the legal factors.

Micro Environment:

The factors that affect the Micro environment according to the Poster's analysis is as follows: (5 force analysis)

1. Strong competitors
2. Bargaining power of Customer
3. Bargaining power of supplier
4. Growth of technology leading to substitute for alternative energy
5. Less experienced

1. Strong Competitors: Tesla has small no.of firms comparing to anyother automotive counterpart. Eventhough this seems to be a threat this can be overcome if those firms are aggressive in production. With Tesla providing a very low cost, this possess as a strong competition for other automotive companies.
2. Bargaining power of Customer : Tesla's marketing strategy of Direct sales influences the bargaining power of customer. More the sales more benefit and vice-versa. With the Pull strategy playing a major role, Tesla still has an upper hand.

3. Bargaining power of supplier : With low cost, renewable fuel Tesla has attracted both Environmentalists and Government. Government having incentives issued for Tesla's product is a positive factor.
4. Growth of Technology : Keen eyes of all the Automotive counterparts on Tesla Motors pose a threat if Tesla doesn't work on its technology. It would be easy for its counterparts to overtake it in such a case.GigaFactory being a good initiative, Tesla has upper hand.
5. Less experienced : With not much experience in the domain of Automotive Industries Tesla's Market Analysis and Marketing Strategies have been key factors for where it is today. Improvement on R&D and continuous realizations can keep the firm going.

SWOT Analysis: Internal Analysis

Strengths:	**Opportunity:**
• Ability to R&D vehicle and manufacture the vehicles within the company. • Supplies other organizations with parts. • Developed the first full electric car. • Technologically superior in drive train, transmission, and electrical technology.	• Growing support of Govt for clean energy. • Growing gas prices. • Innovative Technology
Weaknesses:	**Threats:**
• Higher cost with innovative technology • High price due to low demand for electric car. • Small segment to target including early adopters.	• Current business model Tesla can only produce a limited amount of vehicles increasing the chance of competitor stealing market share. • Competing against strong competitors • Lower priced vehicle

SWOT: **External Analysis**

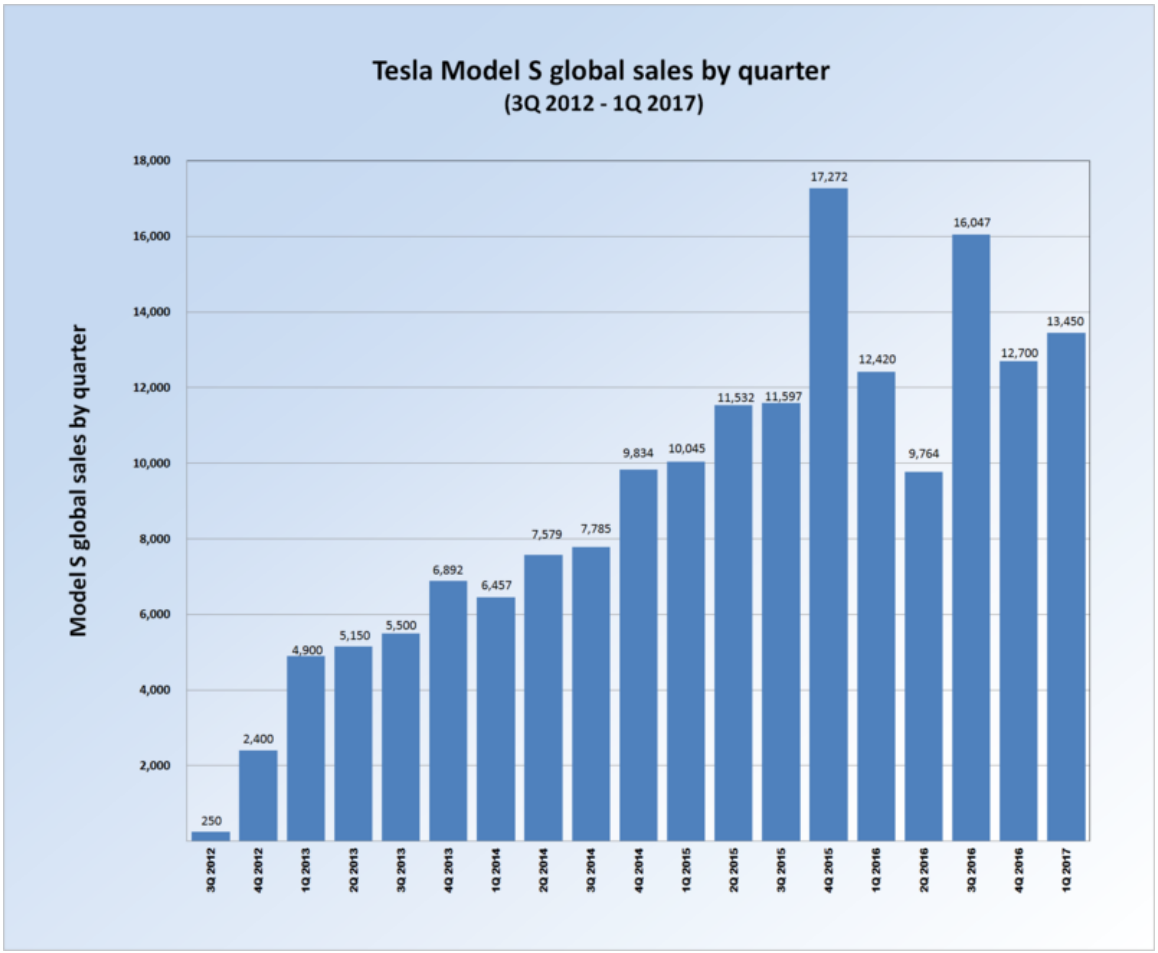
Strengths:	**Opportunity:**
• Innovative culture • Financial Strength	• New full electric car segment • International expansion

• Innovation in technology • Customer Loyalty • Brand awareness	• Innovative New products • Growth of economy • Demand increase of luxury vehicles.
Weaknesses: • Weak customer service • High cost of production	**Threats:** • Intense competition • Gas prices • Change in taste • Increase in cost of raw materials • Technology problems

Summary:

Tesla Motors, Inc. is a unique and innovation based automotive company founded by Elon Musk. Tesla is responsible for changing the world's perception of electric vehicles. Through innovation, Tesla has proven that one can create a vehicle that encompasses **speed, luxury, and eco-friendly attributes, while still maintaining an affordable price.** Tesla's Model S and X are the answer to how the world will drive sustainable energy and innovation into the future.

The purpose of this study was to understand the emergence of TESLA and its products, the organization's current orientation, its competitive advantages, marketing mix practices currently used by the company, the impact of these practices within the organization using different analysis methods and Marketing strategy of Tesla for the model S and X.



Tesla's vehicles are a fully electric high performance luxury sedan. What sets it apart from its predecessor is a base price of less than half. At an affordable $68,400 to $135,500 in luxury car segment for the Model S and X which can be marketed to a larger target market than ever before. The target market was identified to be primarily males ages 25-60 living in urban areas with an annual household income of over $100,000. Additionally they are tech savvy and environmentally conscious. It was chosen to target this segment through use Tesla's first paid advertising campaign as well as a variety of promotional techniques.

The very strong message used in promoting the Model S was "**We do not inherit the earth from our ancestors**; **we borrow it from our children**." This message was chosen for its emotional and moral appeal to the target market. The message was relayed through the use of print media because was seen as the best way to target the chosen market as well as being cost effective in comparison to alternative modes of advertising. Car and Driver, Wired, Business Week, and Forbes magazines were chosen because their readers reflect the target segment of the Model S. To ensure that the Model S has an advertising presence year round, it was proposed that full page ads be taken out in one of the four magazines each month for three cycles.

An additional promotional campaign was generated to spread the marketing message and educate the consumer public. The purposed campaign is to document a Model S' road trip across America in an S shape from San Francisco to New York City. There were three advantages identifies with this promotion. The first is the opportunity to use personal selling and get the Model S in front of

the public. The second is the interactivity possible by documenting the road trip on social media and YouTube. The third advantage is the level of publicity an electric car driving across the county will generate.

The success of the strategy was measured on three metrics. The first being the number of consumer inquiries about the vehicle. The second consist of the number of consumers coming into Tesla Dealerships to test drive the Model S and X. The third was the amount of vehicles sold during the time period of the ad campaign launch, and also the 12 months following. The ad campaign was launched in fall of 2012 and last until January 2013. Tesla projected the sale of 20,000 units in 2013 and a significant part of the plan's success was determined on hitting

Bibliography / References

[1] https://www.tesla.com

[2]https://gpwrite.wordpress.com/2016/03/31/number-of-tesla-stores/

[3] https://en.wikipedia.org/wiki/Tesla,_Inc.

[4] https://www.slideshare.net/dpayne05/tesla-marketing-plan

[5] http://studenttheses.cbs.dk/bitstream/handle/10417/4841/nicoline_eeg_praem.pdf

[6]http://panmore.com/tesla-motors-inc-pestel-pestle-analysis-recommendations

[7]https://www.sec.gov/Archives/edgar/data/1318605/000156459016013195/tsla-10k_20151231.htm#Item_1A

[8]http://panmore.com/tesla-motors-inc-five-forces-analysis-recommendations-porters-model

[9]Tesla Motors, Marketing Strategy for Model S

[10] https://evobsession.com/tesla-model-y-use-different-platform-model-3-95-reduction-wiring-compared-model-3/