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Professor’s Name

Course

Due Date

JWI 515: Week 6 Discussion

Tesla competes in an oligopoly within the car industry. An oligopoly occurs when a few large companies control the majority of the market (Abdul Aziz et al., 63). While there are other companies in the automotive sector, including Ford, GM, and Toyota, there are limited noteworthy rivals for Tesla. Tesla accounted for 51% of all BEV sales in the first quarter of 2023 (Barron’s). In the automotive industry, there are very few sellers, especially in the electric vehicle market where Tesla is active. Even with the entry of new competitors like Lucid Motors and Rivian in recent years, a small number of well-established businesses still control the majority of the market.

There are significant obstacles to entry for new competitors in the automotive sector. Significant barriers to entry are created for new entrants by high capital needs for manufacturing facilities, high expenses for research and development, and strict regulatory requirements. As an illustration, in 2022, Tesla’s research and development expenditure was $3.075 billion (Barron’s). Furthermore, entrance barriers are strengthened by Tesla’s superior technology capabilities and robust brand image. Tesla is a very powerful brand in the electric vehicle industry. Its cutting-edge technology, well-known brand, and devoted clientele give it considerable influence on pricing and market dynamics.

There is a significant difference between Tesla’s products and those of its rivals. Tesla distinguishes itself from other automakers with its emphasis on electric vehicles, renewable energy sources, and cutting-edge autonomous driving technologies. The competitive edge of the company is attributed to its customer-centric strategy and distinctive product offerings. Due to its unique market structure, Tesla can set its prices. As an oligopoly, Tesla can set prices strategically by considering its cost structure, rival actions, and market demand. It must, however, also be aware of possible pricing wars and other industry competitors’ responses.

Using dynamic pricing methods based on real-time data analytics could be a new strategy used by Tesla to broaden its pricing policies. Tesla can dynamically modify prices to maximize profitability and optimize revenue by utilizing data on market trends, consumer behavior, and purchasing habits. This strategy helps Tesla stay competitive in the automotive sector by enabling it to react quickly to shifts in consumer preferences and market conditions.

**Work Cited**

Abdul Aziz, A. Z., et al. “Oligopoly Market and Monopolistic Competition in the Digital Era: Shariah Economic Perspective.” *Quality Access to Success* vol. 24, no. 193, 2023, pp. 61-67.

Barron’s. “Tesla’s Market Share Improves as U.S. Sells Record Numbers of EVs,” Barron’s, <https://www.barrons.com/articles/tesla-market-share-u-s-record-ev-sales-be20a43d>