**Tesla in Indian Market: Derive Strategies to be profitable**

***About Tesla***

**What was Tesla?**

**Tesla, Inc.**  an American multinational [automotive](https://en.wikipedia.org/wiki/Automotive) and [clean energy](https://en.wikipedia.org/wiki/Clean_energy) company headquartered in [Austin, Texas](https://en.wikipedia.org/wiki/Austin,_Texas). Tesla designs and manufactures [electric vehicles](https://en.wikipedia.org/wiki/Electric_vehicle) ([electric cars](https://en.wikipedia.org/wiki/Electric_car) and [trucks](https://en.wikipedia.org/wiki/Electric_truck)), battery [energy storage](https://en.wikipedia.org/wiki/Energy_storage) from home to [grid-scale](https://en.wikipedia.org/wiki/Grid-scale_storage), [solar panels](https://en.wikipedia.org/wiki/Solar_panel) and [solar roof tiles](https://en.wikipedia.org/wiki/Solar_roof_shingles), and related products and services.

Tesla Motors is a public company that trades on the NASDAQ stock exchange under the symbol TSLA.

Tesla first gained widespread attention following its production of the Tesla Roadster, the first fully electric sports car. The company's second vehicle, the Model S, a fully electric luxury sedan, debuted in 2012 and was followed by the Model X, a crossover SUV in 2015. The smaller Model 3 was unveiled in 2016.

**Company size (Financial, Employees, Stakeholders, and Investors etc.)**

**Financial:** As of 2022, Total Revenue of tesla in Fiscal year 2021 was $53.823B.

**Employees:** As of 2022, There are total of 1,10,000 Employees.

**Stakeholders and Investors:**

|  |  |  |  |
| --- | --- | --- | --- |
| **Stockholders** | **Stake** | **Share Owned** | **Total Value ($)** |
| The Vanguard Group, Inc. | 6.40% | 202,187,553 | 39,365,916,569 |
| BlackRock Fund Advisors | 3.51% | 110,843,371 | 21,581,204,334 |
| SSgA Funds Management, Inc. | 3.16% | 99,647,239 | 19,401,317,433 |
| Capital Research & Management Co. | 2.86% | 90,161,776 | 17,554,497,787 |
| Geode Capital Management LLC | 1.50% | 47,495,728 | 9,247,418,242 |
| T. Rowe Price Associates, Inc. | 1.49% | 46,956,884 | 9,142,505,315 |
| Fidelity management & research company LLC | 1.04% | 32,809,105 | 6,387,932,744 |
| Jennison Associates LLC | 0.94% | 29,557,607 | 5,754,866,083 |
| Baillie Gifford & Co. | 0.88% | 27,876,833 | 5,427,619,385 |
| Northern Trust Investments, Inc. | 0.73% | 22,949,732 | 4,468,312,820 |

**What was their revenue model?**

Tesla's revenue model primarily involves selling electric vehicles, energy generation and storage systems, and renewable energy products.

So This storage business, includes products such as solar panels, solar roof tiles, and home battery systems. The company also sells electricity generated from its solar panel systems to customers through its network of solar energy service agreements.

Finally, Tesla generates revenue from its renewable energy products division, which includes products such as electric semi-trucks and electric pickup trucks. These products are designed to be used in a variety of industries, including transportation, logistics, and delivery services.

**Customer Analysis of tesla**

In terms of customer analysis, there are a few key points to consider:

* Demographics: Tesla's customer base tends to be relatively affluent and highly educated. In the US, Tesla owners are more likely to be male, aged 35-54, and have a household income of $100,000 or more.
* Brand loyalty: Tesla has a strong brand following, with many customers being loyal to the company and its mission of transitioning the world to sustainable energy.
* Purchase motivations: Some of the main motivations for purchasing a Tesla vehicle include environmental concerns, the desire to reduce dependence on fossil fuels, and the appeal of driving a high-tech and innovative vehicle.
* Customer satisfaction: Overall, Tesla customers tend to be satisfied with their purchases. In 2021, Tesla received a customer satisfaction score of 8.9 out of 10 from the American Customer Satisfaction Index.
* Challenges: One challenge for Tesla has been meeting the high demand for its vehicles, which has led to long wait times for some customers. The company has also faced production and delivery delays, which may affect customer satisfaction.

**Product Analysis of Tesla**

* The company's first product, the Tesla Roadster, was released in 2008. The Roadster was the first highway legal serial production all-electric car to use lithium-ion battery cells, and the first production all-electric car to travel more than 320 km (200 miles) per charge.
* Tesla's second vehicle, the Model S, an all-electric luxury sedan, was unveiled in 2012 and has been in production since June 2012.
* The Model S was followed by the Model X, a crossover SUV, in 2015, and the Model 3, a compact executive sedan, in 2017. In 2020, Tesla introduced the Model Y, a mid-size all-electric crossover SUV.

***About Current Scenario***

**Key competitors**

There are several companies that could be considered competitors to Tesla in the electric vehicle (EV) market. Some of the main ones include:

* General Motors: GM has a range of electric vehicles, including the Chevrolet Bolt and the Cadillac Lyriq.
* Nissan: Nissan's Leaf is one of the best-selling electric vehicles in the world.
* Toyota: Toyota has a range of hybrid and electric vehicles, including the Prius and the Mirai fuel cell vehicle.
* Volkswagen: Volkswagen has announced plans to invest heavily in electric vehicles, with a goal of producing one million electric vehicles per year by 2025.
* Ford: Ford has a range of electric vehicles, including the Mustang Mach-E and the Ford Transit Connect Electric.
* Hyundai: Hyundai has a range of electric vehicles, including the Kona Electric and the Ioniq Electric.
* Kia: Kia has a range of electric vehicles, including the Soul EV and the Niro EV.
* BMW: BMW has a range of electric vehicles, including the i3 and the iX3.
* Audi: Audi has a range of electric vehicles, including the e-tron and the e-tron Sportback.
* Mercedes-Benz: Mercedes-Benz has a range of electric vehicles, including the EQC and the EQA.

**Socioeconomic factors faced by Tesla**

Social conditions and trends affect a firm’s remote or macro-environment through employees, customers, and investors. This part of the PESTEL/PESTLE Analysis of Tesla Inc. considers how the business aligns with the social trends in its target markets. The company’s managers must ensure that strategies are applied to maximize the business benefits of such external factors. The sociocultural external factors important in Tesla’s business are as follows:

1. Increasingly popularity of low-carbon lifestyles (opportunity)
2. Increasing preference for renewable energy (opportunity)
3. Improving wealth distribution in developing markets (opportunity)

This company analysis shows opportunities to grow the multinational automotive business. For example, Tesla Inc. has growth opportunities based on the rising popularity of low-carbon lifestyles and increasing preference for renewable energy. In the PESTEL/PESTLE analysis framework, these external factors improve market demand for the company’s electric vehicles and related products. In addition, Tesla has an opportunity to boost its financial performance based on the increasing wealth distribution in developing markets. This wealth distribution trend increases the population of potential buyers of the company’s relatively expensive cars. In this part of the PESTEL/PESTLE analysis, Tesla Inc. can grow its business internationally, based on sociocultural opportunities in its remote or macro-environment.

**Position of Tesla in market compared to other competitors**

Tesla is a leading player in the electric vehicle market and has consistently been one of the top performers in terms of market capitalization and sales. In terms of market share, Tesla has a strong presence in the premium electric vehicle segment, but it also competes with other automakers in the broader electric vehicle market. Some of Tesla's main competitors in the electric vehicle market include traditional automakers such as Toyota, General Motors, and Volkswagen, as well as newer entrants such as Rivian and Lucid Motors.

However, Tesla has differentiated itself from its competitors with its focus on sustainability and innovative technology, including its proprietary electric powertrain and advanced driver assistance systemsChart

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**PR and Media**

Tesla's **media coverag**e has generally been positive, with the company and its products receiving significant media attention. However, the company has also faced some criticism and controversy, particularly regarding its financial stability, working conditions, and safety record.

In terms of **public relations**, Tesla has been successful in promoting its brand and products, largely through the use of social media and events. The company's CEO, Elon Musk, is known for his active presence on Twitter, where he frequently communicates with the public and media about the company's plans and products. Tesla has also made headlines by hosting high-profile events, such as the unveiling of new products or the opening of new Tesla stores and service centers.

Overall, Tesla has established itself as a leader in the electric vehicle market and has received significant media attention for its innovative products and strategies. However, the company has also faced some challenges and criticism, and its success will likely depend on its ability to address these issues and continue to innovate and grow in the future.

**Market Size and Position**

As of 2021, Tesla is one of the largest and most successful companies in the electric vehicle (EV) market. The company's market capitalization, which is a measure of the value of a company's outstanding shares of stock, has consistently ranked among the highest of any publicly traded company in the world. In addition to its dominance in the EV market, Tesla has also made significant inroads in the energy storage and solar panel markets.

In terms of **market size**, the global EV market is expected to continue to grow in the coming years, with many analysts forecasting strong demand for electric vehicles as concerns about climate change and the need to transition to cleaner forms of transportation continue to rise. Tesla is well positioned to benefit from this trend, as it has established itself as a leader in the EV market and has a strong brand recognition among consumers.

In terms of **market share**, Tesla has consistently ranked among the top EV manufacturers globally. In 2020, the company sold around 500,000 electric vehicles, making it one of the largest EV manufacturers in the world. Tesla's success in the EV market has been driven by a combination of factors, including the company's innovative and high-quality products, strong brand reputation, and the growing demand for electric vehicles globally.

**Estimated Market Share of Tesla in India:**

To Estimate market size following steps are taken:

1. Since, tesla will be launched as luxury car brand with a starting price of 60Lakhs and go up to 2.5Cr. Most Our Consideration will be based on this fact.
2. With a Population of 130 Cr, only 15% of Population (19.5 Crore)   
   (with a family size of 4) lies in income bracket who will be able to Purchase Tesla vehicles. (Eligible Families will be 48.75 million)
3. Considering age group of 25–50-year-old are interested in buying tesla which is around 30% of 48.75 million (~15 million)
4. Assuming the best possible scenario, almost 90% of this population consider buying Tesla vehicle which is approximately 13.5 million
5. Assuming Tesla will be catering to all these 13.5 million potential customers, their market size of tesla will be 10% of total population.
6. In terms of Number of cars assuming currently India have approximately 200 million Cars (Source: Indian Ministry of Road Transport and Highways) and assuming successfully sold to 90% of 13.5 million potential Customer (12 million sold car), their market size in term of car will be 6% of total cars.

**Competitors of tesla in India.**

Some of the potential competitors for Tesla in India could include:

* Mahindra & Mahindra: Mahindra & Mahindra is an Indian conglomerate with a significant presence in the automotive industry. The company has a range of electric vehicles (EVs) available in India, including sedans, SUVs, and commercial vehicles.
* Tata Motors: Tata Motors is an Indian multinational automotive manufacturing company. The company has a range of electric vehicles available in India, including sedans and SUVs.
* Maruti Suzuki: Maruti Suzuki is a leading Indian automaker with a strong presence in the domestic market. The company has announced plans to launch electric vehicles in India soon.
* Hyundai: Hyundai is a South Korean automaker with a significant presence in the Indian market. The company has a range of electric vehicles available in India, including sedans and SUVs.
* Toyota: Toyota is a Japanese automaker with a strong presence in the Indian market. The company has a range of electric vehicles available in India, including sedans and SUVs.

It is important to note that this list is not exhaustive and there may be other automakers that could potentially compete with Tesla in the Indian market.

**PR and Media Presence**.

Some potential PR and media activities that Tesla Should engage in if it launches in India could include:

* Press releases: Tesla could issue press releases to announce new products, partnerships, or other news about the company in India. These releases could be distributed to media outlets and other stakeholders to help spread the word about Tesla's activities in the country.
* Social media: Tesla could use social media platforms like Twitter, Facebook, and Instagram to communicate with consumers and stakeholders in India. The company could use these platforms to share updates, answer questions, and engage with its audience.
* Advertising: Tesla could also engage in advertising to promote its products and build brand awareness in India. This could include traditional forms of advertising like print, radio, and television, as well as digital advertising on platforms like Google and Facebook.
* Media events: Finally, Tesla could host media events in India to showcase its products and engage with the media and other stakeholders. These events could include product launches, press conferences, and other types of events designed to generate media coverage and interest in the company.

Overall, if Tesla launches in India, it is likely that the company would increase its PR and media presence in the country in order to promote its products and build brand awareness.

**Social Cause which might lead Tesla to fail**

* Public perception: If Tesla were to enter the Indian market, it would need to carefully manage its public perception in the country. If the company is perceived negatively by consumers or other stakeholders, it could impact its sales and profitability.
* Consumer attitudes towards EVs: The attitudes of consumers towards electric vehicles (EVs) in India could also impact Tesla's success in the market. If there is low consumer interest in EVs in the country, it could limit the company's ability to sell its vehicles.
* Social norms and values: Finally, social norms and values in India could also impact Tesla's success in the market. For example, if certain social norms or values conflict with the company's business model or products, it could impact its ability to sell its vehicles and achieve profitability.

**Economic Cause which might lead Tesla to fail**

* Competition: Tesla would face competition from local and international automakers in any market, which could impact its market share and profitability.
* Pricing: The price of Tesla's electric vehicles (EVs) relative to other vehicles on the market could also impact the company's success. If the company's EVs are significantly more expensive than comparable vehicles, it could limit the company's ability to sell its vehicles and achieve profitability.
* Economic conditions: The overall economic conditions in a market could also impact on Tesla's success. For example, if the market is experiencing a recession or other economic downturn, it could impact on the company's sales and profitability.
* Consumer disposable income: Finally, the disposable income of consumers in a market could also impact Tesla's success. If consumers in a market have limited disposable income, they may be less likely to purchase Tesla's EVs, which could impact the company's sales and profitability.

**Business Decisions to cope up with the market demand:**

* Localization: Tesla could consider localizing its operations in India by manufacturing its vehicles locally or sourcing components and materials locally. This could help the company to reduce costs and better meet the needs of the Indian market.
* Customization: Tesla could also consider customizing its products to better meet the needs and preferences of Indian consumers. For example, the company could offer different models or features that are more suitable for the Indian market.
* Partnerships: Tesla could consider partnering with local companies in order to better understand the Indian market and tap into local expertise and resources. For example, the company could partner with local automakers or suppliers to manufacture or source components locally
* Pricing: Tesla could also consider adjusting its pricing strategy in order to better meet the needs of the Indian market. For example, the company could offer lower prices for its vehicles in order to make them more accessible to a wider range of consumers.
* Marketing and branding: Finally, Tesla could focus on marketing and branding efforts in order to build awareness and demand for its products in the Indian market. This could include advertising, public relations, and other marketing activities aimed at promoting the company and its products in India.

**Some potential benefits of an inhouse strategy for Tesla could include:**

* Control: By managing its operations and resources internally, Tesla can have more control over its processes and decision-making.
* Efficiency: An in-house strategy can allow Tesla to streamline its operations and potentially improve efficiency by eliminating the need for external partners.
* Innovation: By managing its operations and resources internally, Tesla may be better able to foster an innovative culture and drive innovation within the company.

**On the other hand, outsourcing certain functions or activities could potentially offer several benefits for Tesla, including:**

* Cost savings: Outsourcing can potentially help Tesla to reduce costs by taking advantage of lower labor and other costs in certain regions.
* Expertise: By partnering with external experts or organizations, Tesla can potentially tap into specialized expertise or resources that it may not have internally.
* Flexibility: Outsourcing can provide Tesla with more flexibility in terms of scaling up or down its operations as needed.

**Estimate when we can become Profitable (Estimated Breakeven Period):**

Formula to calculate Breakeven Period = Initial Cost / (Revenues – Expenses)

[NOTE: All the Value taken here are assumed with considering multiple resources, and based on Assumption a breakeven period was calculated]

To calculate the initial Cost parameter Considers are: (Considering Cars are manufactured In-House)

1. Establishing a manufacturing Plant:
   1. Application Fee: ~1 Lakh
   2. Environment Impact assessment: ~2.5 to 3 Lakh
   3. Land Acquisition Cost: ~10,00,000 Sq. ft of land (approximate Cost: ~120 Cr)
   4. Construction and labor Cost: ~100 Cr
   5. Licensing and permitting fees: ~10-15 Lakh
   6. General and Automation Machinery Cost: ~100 Cr
   7. Employee Cost: ~ 20-25 Cr per annum
   8. Material Acquisition Cost: ~100-150 Cr Per annum
   9. Partnership and merger/acquisitions cost: ~ varies on different contract (On average of 100-150 Cr)

On average establishing a manufacturing plant can cost up to 1,000 Cr -1,500 Cr.

1. PR and Media Expenses: approximately 10 Cr.
2. For Tesla Building Super Charger Station will be biggest Challenge which might cost around more than 500 Crore including all the regulatory Fees.
3. Let’s assume that overall expenditure throughout the breakeven period they spend 30,000 Cr.
4. From Our estimation total revenues that comes only by selling car is around 180 crore and including all the services they offer the total revenue comes 400 Crores.
5. And let’s assume the total expense to maintain all the charging station and manufacturing unit and other regulatory fee is equivalent to 50 Crores per year.

From all the above assumptions Breakeven Period will be

Breakeven Period = 3,000 Crore / (400 crores – 50 crores)

**~ 8 Years**

**Imagine you are a key decision maker for Tesla, what strategy would you recommend making Tesla acquire huge market share and be Profitable?**

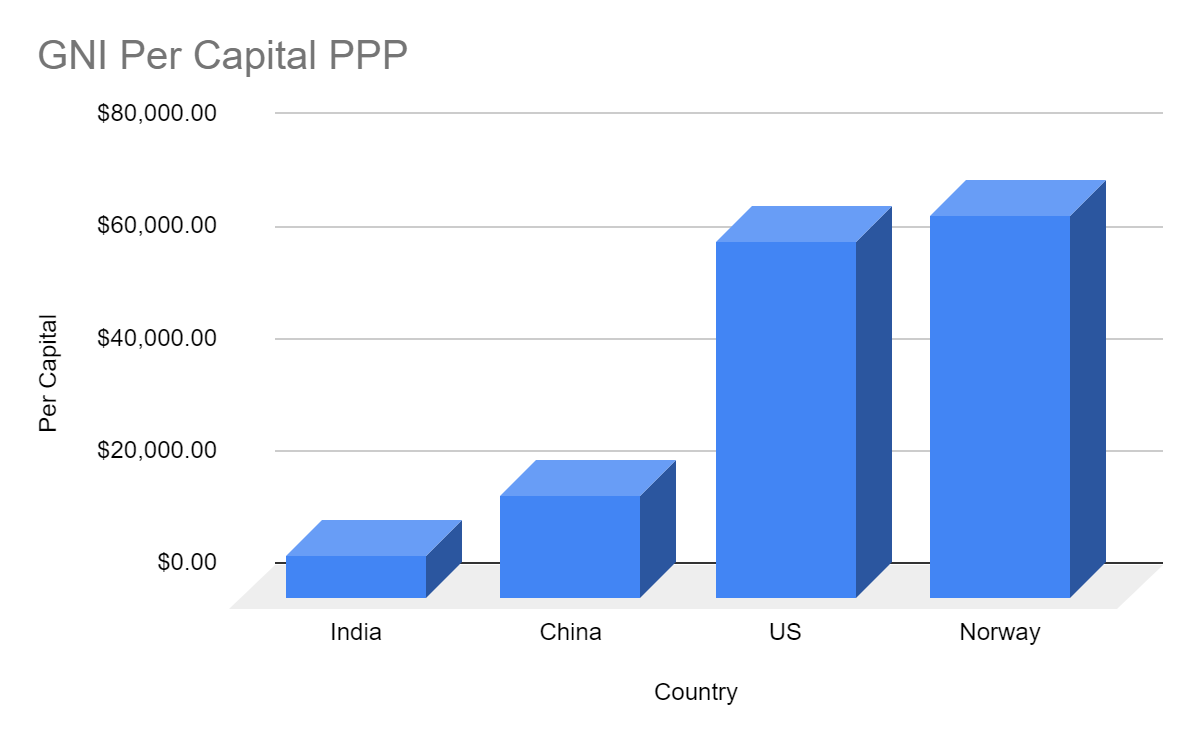
1. Tesla should make its R&D and Manufacturing Unit in India.

* For Tesla’s future expansion, India is the right market where there is a lot of untapped potential in the EV segment. Our initial strategy is to see India not only as a consumer market but as the hub of R&D and manufacturing plants. To be successful in the Indian automobile industry it is very important to understand the customer needs. Importing cars from the US or China to India is not a sustainable strategy because of two main reasons.

1. **High custom duty on importing electric vehicles. -**

|  |  |  |
| --- | --- | --- |
| Components | Custom Duty | Custom duty earlier |
| Completely built units of EVS | 40% | 25% |
| Electric two wheelers | 25% | 15% |
| Electric Bus | 25% | 15% |
| Electrics Trucks | 25% | 15% |
| Semi electric PV | 30% | 15% |

Under the ‘Make in India’ initiative, the Indian Government hiked the customs duty on importing completely built units of EVS to 40% with effect from 1 April 2020 which is even more than China's import duty of 25%. This will drive the cost very high for the end consumer. Also, there will be several policy issues if Tesla decides to import the parts from the Chinese manufacturing plant.

1. **Indian market is Highly Price Sensitive** 

Because of low per capita income, people are very sensitive to price while making a buying decision. To make electric vehicles more accessible and affordable for mass consumers tesla has to slash its price by at least 50% to 60%

2. Collaboration with the Indian Government.

* Tesla can also take the benefit and support the Indian government in their make in India initiative. It will help both teslas as well as the Indian government. Once the Gigafactory is established in India it will help Tesla in reducing its manufacturing cost tremendously as the labor cost in India is much cheaper than the US or any other developed country. The Indian government will also be benefited from this as it will not only boost the make in India initiative but also create jobs for Indians.

3. Tesla should build a GigaFactory in India as China.

* Tesla is to build a Gigafactory in India which is something like what Tesla did in China by building Gigafactory in China

4. Make an affordable car.

* As mentioned earlier, India is a highly price sensitive market and also 22% weightage is given to the cost of purchasing an electric vehicle. Tesla needs to place its product smartly. Currently, in India, there is not much competition in the electric vehicle segment so Tesla must take the first big lead in the segment. Tesla will face competition from existing traditional automakers in India which includes Tata Motors, Maruti Suzuki, Hyundai, Mahindra & Mahindra, etc. Tata already launched its affordable Tata Nexon EV.
* **Cut down prices by doing this** -

The Indian market is not prepared for autonomous vehicles, the driving and traffic rules in India are on the softer side, also the road infrastructure is not adequate for the self-driving feature to work safely. Tesla can cut down on such features which are not suitable for Indian conditions and will not provide additional value to the customer and by cutting this feature down it can save a lot of costs which will eventually help in bringing the end purchase cost.

5. Create a charging Infrastructure.

* This is also a very important issue that Tesla needs to address in India. They must make and spread the charging station network across different states in India. Tesla can join hands with the Indian government under their Faster Adoption and Manufacturing of (Hybrid) and Electric Vehicle (FAME) scheme which Will allow Tesla to spread its charging network rapidly and at a minimum cost. This will encourage Indians to shift towards EV.