IIT KANPUR

MBA631A- Marketing Management

Project Report

4P Analysis of Tesla

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TESLA

- Tesla, Inc. is an American multinational automotive and clean energy company headquartered in Austin, Texas. Tesla designs and manufactures electric vehicles (cars and trucks), stationary battery energy storage devices from home to grid-scale, solar panels and solar roof tiles, and related products and services.
- Tesla is one of the world's most valuable companies and, as of 2023, was the world's most valuable automaker. In 2022, the company led the battery electric vehicle market, with 18% share.
- Tesla was incorporated in July 2003 by Martin Eberhard and Marc Tarpenning as Tesla Motors.
- The company's name is a tribute to inventor and electrical engineer Nikola Tesla. In February 2004, via a $6.5 million investment, Elon Musk became the company's largest shareholder. He became CEO in 2008.
- Tesla's announced mission is to help expedite the move to sustainable transport and energy, obtained through electric vehicles and solar power.

MISSION AND VISION

Tesla's vision is to "**create the most compelling car company of the 21st century by driving the world's transition to electric vehicles**."

While its mission is "to accelerate the advent of sustainable transport by bringing **compelling mass-market electric cars to market as soon as possible**." Tesla used a transitional business model as its ecosystem grows.

PRODUCT

- Tesla's product portfolio can be examined into three main categories:
- Electric Vehicles,
- Electric Storage Solutions
- Clean Energy products.
- **Tesla Model S**: A luxury sedan known for its long-range, acceleration, and advanced technology.

- **Tesla Model 3**: The Model 3 is a mid-size all-electric four-door sedan that was first introduced by Tesla in 2017, with impressive range and performance. Model 3 comes under these variants.
- MODEL 3 PERFORMANCE DUAL-MOTOR ALL-WHEEL DRIVE
- MODEL 3 REAR-WHEEL DRIVE
- MODEL 3 STANDARD RANGE PLUS REAR-WHEEL DRIVE

- **Tesla Model X**: The Model X was initially announced in 2012 on Tesla's second-generation platform. A high-performance, all-electric SUV with distinctive falcon-wing doors.
- MODEL X 100D LONG-RANGE ALL-WHEEL DRIVE
- MODEL X 75D ALL-WHEEL DRIVE
- MODEL X LONG RANGE PLUS ALL-WHEEL DRIVE

- **Tesla Model Y**: A compact crossover SUV focusing on efficiency, performance, and versatility. Model Y is one of the best cars in terms of safety with 5-star safety ratings, it is the vehicle for every generation.
- MODEL Y LONG-RANGE ALL-WHEEL DRIVE PERFORMANCE
- MODEL Y LONG-RANGE ALL-WHEEL DRIVE
- MODEL Y LONG RANGE DUAL MOTOR ALL-WHEEL DRIVE

- **Tesla Cybertruck**: An all-electric pickup truck with a unique design, robust performance, and high utility.

- **Tesla Roadster**: A high-performance electric sports car with groundbreaking acceleration and range capabilities.

- **Energy Storage Solutions*:*** Tesla also provides energy storage technologies that support the usage of renewable energy and assist clients in effectively managing their energy use. These products include
- POWERWALL – A HOME ENERGY POWER DEVICE
- POWERPACK – ENERGY STORAGE SYSTEMS
- MEGAPACK – ENERGY STORAGE SYSTEMS

  Clean Energy Products: They offer products like

- Tesla Solar Panels: High-efficiency solar panels for use in homes and businesses that provide clean energy and save power costs.

- Tesla Solar Roof: An innovative roofing solution that incorporates solar cells into the roof tiles, turning the entire roof into a power generator.

- Tesla Supercharger Network: A rapidly expanding network of high-speed charging stations for Tesla electric vehicles, making long-distance travel more convenient for EV owners.

- Possible areas of change in design or variants for Tesla products are:

- Battery Technology Advancements: Tesla may keep advancing its battery technology, which might result in higher energy density, greater driving distances, and quicker charging times.

- Autonomous Features and Sensing Technologies: Tesla might further enhance its Autopilot and Full Self-Driving (FSD) capabilities by incorporating advanced sensing technologies, such as lidar, radar, or additional cameras.

- Sustainable Materials and Manufacturing: Tesla may look at using more ecologically friendly and sustainable materials while creating its vehicles.

- Vehicle Customization Options: Tesla could offer increased options for customers to customize their vehicles, including exterior paint colors, wheel designs, interior trims, and additional accessories.

PRICE

Tesla is a renowned electric vehicle (EV) manufacturer that has gained significant popularity and market share in recent years. When it comes to pricing, Tesla follows a unique strategy that distinguishes it from traditional automakers.

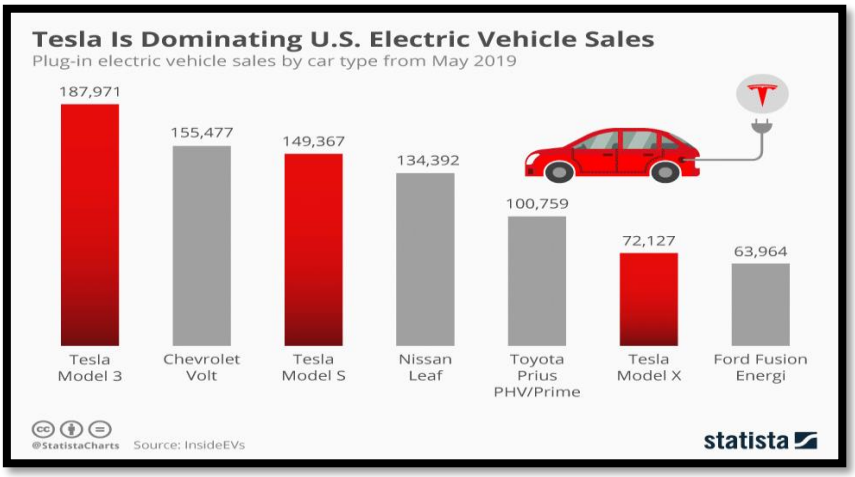
- **Product Differentiation:** Tesla positions its products as high-end, technologically advanced electric vehicles. The company focuses on developing cutting-edge EV technology and emphasizes features like long-range capabilities, fast charging, autopilot capabilities, and futuristic designs. This product differentiation allows Tesla to command a premium price in the market.

- **Premium Pricing:** Tesla adopts a premium pricing strategy for its electric vehicles. The initial models, such as the Roadster and Model S, were targeted at the luxury car segment. Tesla

justified the higher price tag by offering superior performance, range, and innovative features compared to competing electric and combustion engine vehicles. By positioning its vehicles as premium products, Tesla creates an aspirational image and attracts customers willing to pay a premium for cutting-edge technology.

- **Value Proposition:** While Tesla's vehicles carry higher price tags than many competitors, the company emphasizes the long-term cost savings of owning an electric vehicle. Tesla EVs have significantly lower operating costs compared to traditional gasoline-powered vehicles due to lower maintenance, no fuel expenses, and potential tax incentives or rebates for electric vehicle owners. This value proposition helps justify the higher upfront price for many customers.

- **Pricing Strategies:** Tesla has employed several pricing strategies over time to cater to different market segments and adapt to changing conditions. These strategies include:
    - Pricing Segmentation
    - Pricing adjustments
    - Battery Technology adjustments



Place

Tesla strives to make the delivery process as convenient as possible for end users. Factors that contribute to the convenience of Tesla's delivery process

- **Direct Delivery:** Tesla offers direct delivery to customers, which means that vehicles are delivered directly to the customer's desired location, such as their home or workplace. This eliminates the need for customers to visit a dealership or pick up the vehicle from a distant location.
- **Delivery Channels:** Tesla provides flexibility in delivery options to accommodate customer preferences. Customers can choose a convenient delivery date and time that works best for them, allowing for greater convenience and coordination with their schedule.
- **Online Documentation:** Tesla utilizes online documentation and digital processes for paperwork and transactions. Customers can complete necessary documentation and payment processes online, reducing the need for physical paperwork and streamlining the delivery process.
- **Mobile Service:** Tesla offers mobile service in select areas, where Tesla technicians can perform service and maintenance tasks at the customer's location. This can include minor repairs, software updates, or general maintenance, eliminating the need for customers to visit a service center.

- As for the cost-effectiveness of these delivery channels, it is important to note that specific cost details and calculations are not publicly available. The cost-effectiveness of each channel would depend on various factors, including the location of the customer, distance to the nearest delivery center or store, and the logistics involved in delivering the vehicle directly to the customer's location.
- Tesla's direct delivery model can be cost-effective in terms of eliminating the need for maintaining a traditional dealership network. By selling vehicles directly to customers, Tesla can potentially reduce overhead costs associated with dealership operations.

Promotion

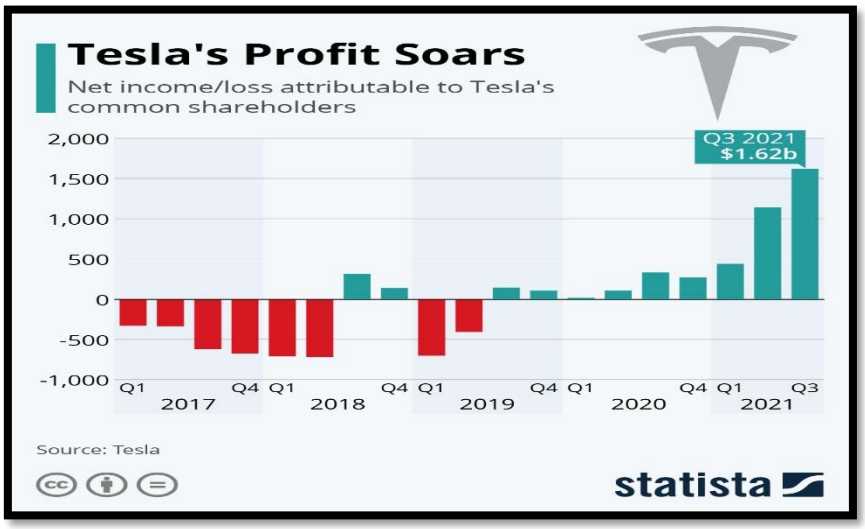
- **Digital Marketing and Social Media:** Tesla heavily utilizes digital marketing and social media platforms to promote its vehicles and engage with its audience. The company leverages its strong online presence to share updates, showcase product features, and highlight customer stories.

- **Test Drives and Experience Centers:** Tesla encourages potential customers to experience their vehicles firsthand through test drives and visit their experience centers. These centers serve as showrooms where customers can interact with Tesla vehicles, learn about the technology, and get personalized demonstrations.

- Influencer Partnerships and Brand Advocacy: Tesla has established partnerships with influencers, celebrities, and brand advocates who promote and endorse their products. These collaborations help create buzz, generate social proof, and expand Tesla's reach to new audiences.
- Events and Product Launches: Tesla organizes events and product launches to unveil new models, introduce product updates, and engage with enthusiasts and potential customers. These events generate media coverage, create excitement, and attract attention to Tesla's offerings.

How they target their Audience

- Premium Segment Targeting
- Introduction of Affordable Models
- Incentives and Tax Credits
- Pricing Adjustments and Financing Options



Advertisement

Tesla's marketing strategy departs from conventional strategies, relying more on unconventional techniques and less on conventional advertising channels. By encouraging word-of-mouth marketing and brand evangelism, the company takes advantage of its loyal customer base.

Though Tesla directly do not market itself but it sponsors events which indirectly benefits its image. Here are few mentions:

Tesla and SpaceX Hyperloop Pod Competition: University teams from all around the world participated in a series of Hyperloop Pod Competitions, which Tesla sponsors, to design and construct high-speed pods for Elon Musk's Hyperloop transportation idea.

Electric GT Championship: Tesla supported the Electric GT Championship, an electric vehicle racing series, by providing the Model S P100D as the base vehicle for the championship's racing version, known as the Electric GT V2.0.

The Battery Show: Tesla has participated in and sponsored industry events like The Battery Show, an exhibition and conference focused on advanced battery technologies and energy storage solutions.

Customer Relationship Management

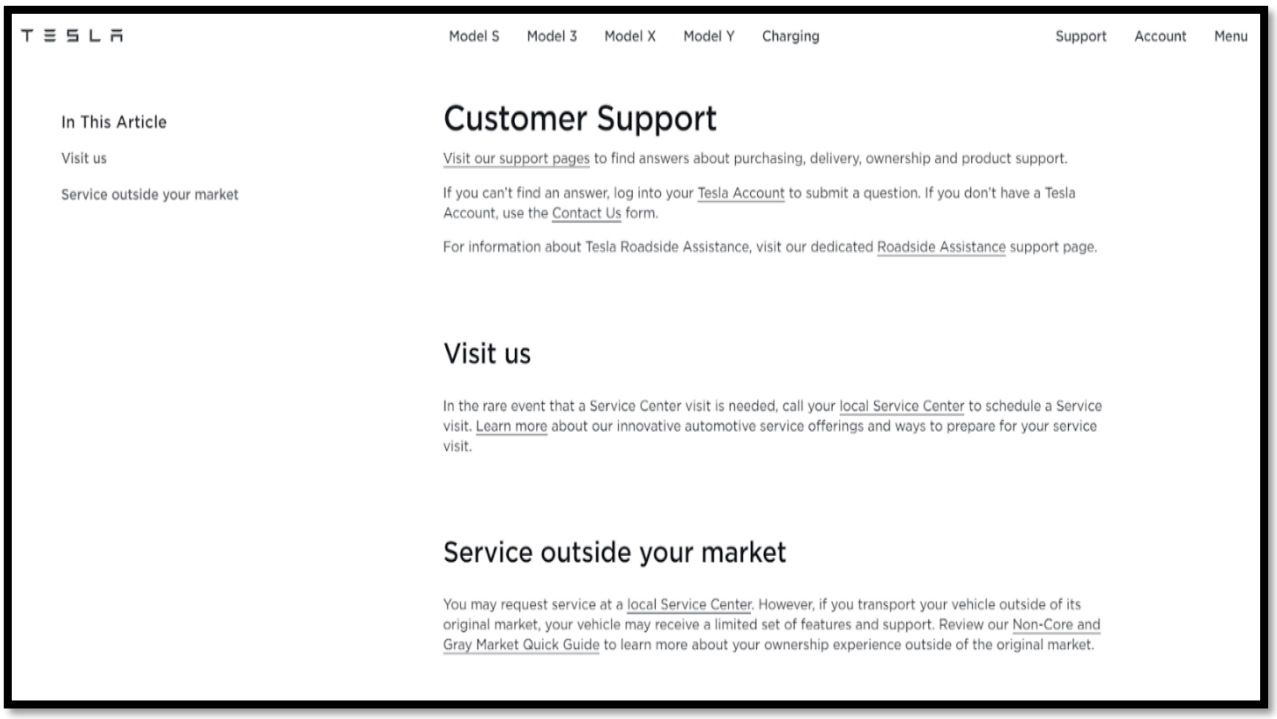
Direct-to-Consumer Model: Tesla's direct-to-consumer sales model allows the company to establish a closer relationship with its customers. By bypassing traditional dealership networks, Tesla retains control over the entire customer experience, from pre-sales inquiries to post-sales support.

Seamless Buying Process: Tesla aims to make the buying process as streamlined and convenient as possible. Customers can browse and configure vehicles online, place orders, and schedule delivery or pickup directly through Tesla's website.

Outstanding Service and Support: Tesla places great importance on providing top-notch service and support to its customers. The company operates service centres where trained technicians handle vehicle maintenance, repairs, and software updates.

Unlike other companies Tesla takes customer service very seriously. They have introduced mobile repairs and over the air tuneups that were once reserved for only the most elite car companies. Its mobile service network comes to car owners and service their cars wherever they would like. For consumers it is a huge convenience factor and those who have been able to take advantage of it, really appreciate this method of providing service. According to Elon Musk, the franchise model is broken so they want to control their own network. Thus, Tesla operates all of its service centers and has 148 service centers in the United States. Other companies like Ford, GM use an independent dealership model where dealerships and Service Centers are owned and operated separately from the brand itself. To give a sense of family to customers, Tesla uses no local franchise or dealership model. Even all service technicians and mechanics are employees of Tesla. Let's dig deep into Tesla's customer service:

Below we have shown the customer support page of Tesla.



Tesla uses no third party to sell cars to its customers meaning they have direct control over the messaging and relationship to offer a consistent experience. This leads to having the highest customer retention rate in the industry. But what truly sets Tesla apart from the competition is its "One and Done" rate, which refers to the number of buyers owning a brand of vehicle and leaving it. In the 12 months ending July 2022, about 58% of Nomad car buyers in the United States left their vehicle brand, the highest "One and Done" rate in the last ten years. Tesla's "One and Done" rate, however, stands at just 39%, which means that about 60% of the company's customers will probably replace their existing electric car with another Tesla.

"While Tesla's high share of first-time owners (83%) is not too surprising, their ability to keep those new customers is extraordinary. Tesla's 'One and Done' rate is just 39% compared to 58% for the industry (remember, a lower number is better in this case). The next-best 'One and Done' rate goes to Ford at 50%. However, Nomad shares of Ford's return-to-market households are less than half of Tesla's," S&P Global wrote.

S&P Global's study reports that Tesla dominates the loyalty metrics in the Nomad segment.

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