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The aim of this report is toconduct a marketing audit of Tesla Inc., an automotive company with focus onmanufacturing electric vehicles. The reasons for conducting thismarketing audit are to identify the company’s position in the marketingenvironment, its objectives, strategies, and activities, which eventually aimto identify strategic issues and problems, but opportunities too (Fahy andJobber 2015). Tesla was founded in 2003 by agroup of engineers who wanted to prove that electric driving was more possiblethan most people would think (Tesla Inc. 2018). The electric cars segment inwhich Tesla is operating has some unique features compared to the traditionalautomobile segment.

Electric vehicles take advantage of high oil prices but aresensitive to changes in government regulations and technological innovationsthat can affect costs and sales. Moreover, governments have started toimplement regulations regarding CO2 emissions and also, anincreasing amount of people are becoming environmentally concerned. The marketing audit focuses onthe external environment, industry environment, and internal environment. Firstof all, the external environment analysis focuses on aspects such as politicaland legal factors, economic factors, social factors, technological factors, andecological factors (PESTEL analysis). The PESTEL model enables companies toremain competitive by becoming aware of their external environment and identifyingany possible threats (Fahy and Jobber 2015). Then it continues with theindustry environment analysis concentrating on the threat of new entrants, thethreat of substitutes, the bargaining power of suppliers, the bargaining powerof buyers, and the intensity of rivalry (Porter’s five forces). This frameworkhelps the company to identify the profit potential of an industry, and its keyplayers and/or new entrants (West, Ford and Ibrahim 2010). Finally, the internal environment analysis is carried outhighlighting the company’s strategies regarding its organisationalinfrastructure, human resource management, technology development, operations, marketing & sales, and services.

These factors were chosen because theyidentify organisational strengths and weaknesses, and develop responsivestrategies (Aaker and McLoughlin 2010). The United States government, after successfully implementing greenhouse gas and fuel economy regulations forvehicles manufactured between 2012 and 2016, they decided to develop additionalregulations in the future, starting from 2017 to 2025 (International Council onClean Transportation 2014). As a result, the new regulations would set a significantlylower level of CO2 emissions allowed by vehicles produced duringthat time.

The European Union has takensimilar action on this matter as well. They have passed laws that promoteinnovative technologies for producing eco-friendly vehicles, eventually aimingto reduce greenhouse gas emissions by 30% by 2020 (International Council on CleanTransportation 2013). Moreover, they have stated that manufacturers whose CO2emissions exceed the proposed targets will be fined (Official Journal ofthe European Union, 2009). The Chinese government has alsoenforced regulations on fuel consumption standards and greenhouse gas emissionssince 2004, and recently, these regulations were developed even further. However, China’s approach is more flexible with automotive manufacturers thanthe European Union (Transportpolicy. net 2015). All in all, the above lead totighter emission controls in the future and a shift in customers’ demand tomore environmentally friendly vehicles.

Consequently, Tesla will most likelybenefit from this. The financial crisis of 2008 hada major impact on the world economy. However, China’s GDP was not affected asmuch as the EU’s or the US’s, thus becoming the largest auto market in 2009(OECD Economic Outlook 2009).

But, automotive companies arepart of a cyclical industry which means they produce high-value products with along lifetime. This implies that better financial conditions help vehicle salesto increase. As a result, this relates to business cycles and GDP(InvestingAnswers 2015). Furthermore, commodity priceshave a major role.

Oil prices affect customer demand and running costs, and rawmaterials (e. g. aluminium and lithium) influence production costs (Bloomberg2016; Market Realist 2015). Ultimately, Tesla’s sales haveincreased since world economies and people have recovered from the financialcrisis (Tesla Inc.

2015), and also oil prices are expected to increase whichmight turn customers to alternative options (Bloomberg 2016). However, lithiumprices are high as well, which is used to manufacture their batteries (MarketRealist 2015). Recently, an increasing number ofpeople have become environmentally concerned resulting in intentionallyavoiding certain brands (HuffPost Business 2015). In addition, when customerscan afford environmental-friendly products that are more expensive thannon-environmental-friendly products, they feel their social reputationincreases (Vladas et al. 2010).

In this case, Tesla is a premiumelectric car manufacturer displaying environmental consciousness. Therefore, this highly influences socio-cultural factors and people’s perception of thiscompany. Technological advancements areextremely rapid in today’s era.

A few noteworthy examples are electric cars, automatic parking systems, and improved safety controls. However, despite allthe enormous development in the automobile industry, customers still havesecond thoughts on adopting an electric vehicle, mainly due to battery costsand range anxiety (Tesla Inc. 2015). Nonetheless, Tesla is offering avariety of technological advanced electric cars and has also built a network ofcharging stations to deal with battery range issues (Tesla Inc. 2015). Moreover, Tesla has managed to cut down significant battery production costs(Clean Technica 2014). Climate change and environmentalpollution are much-discussed issues nowadays.

A large amount of CO2 emissionscome from vehicles with internal combustion engines (Go Electric Drive, 2015). Therefore, governments are seeking ways to reduce CO2 emissions bytrying to limit them and issue a fine to those who do not comply (InternationalCouncil on Clean Transportation 2013; Official Journal of the European Union, 2009). However, Tesla manufactureselectric cars with little to none emissions that could harm the environment(Tesla Inc. 2018).

Furthermore, governments are trying to promote eco-friendlyautomotive companies (International Council on Clean Transportation 2013; GoElectric Drive 2015). The automobile market requireshigh capital investments for new entrants to cover production costs and staffsalaries. Tesla spends far less money compared to bigger industry players butit re-invests a higher percentage of sales revenue to keep the company inoperation (Tesla Inc. 2015). In addition, technical expertiseand technological innovations are another barrier companies have to face.

Inorder for automobile manufacturers to keep their cars affordable for morecustomers, they need to achieve economies of scale and remain competitive. Finally, Tesla is directlyselling its own cars to customers through their own dealerships. However, well-established companies in this industry already have their own distributionnetwork in place, which makes it easier for them to enter the electric vehiclesegment, and also as they have the required capital in place Alternative formsof transportation include buses, trains, airplanes, and bikes. However, none ofthese are as convenient as a car. In densely populated areas, public transportis more preferred but in rural locations, where public transport is lessavailable, more people own a car (American Public Transportation Association2015).

Currently, electric cars are moresuitable for short distance journeys, thus public transport might be seen as athreat. Also, for people who greatly take cost into consideration, publictransport seems like a better option. However, people who want to buy anelectric car are willing to pay the extra price, therefore Tesla’s customerschoose this vehicle based on its features. Cars require numerous parts to be manufactured and in thepast, automakers would have many suppliers for these car parts. However, afterthe 2008 financial crisis, this number has fallen. Now they use a significantlysmaller number of suppliers and have closer bonds between them (Bain &Company 1999; Automotive News 2015). Regarding Tesla’s batteries andcar components, they are produced by only a few companies which creates anadvantage for suppliers.

However, Tesla is a significant customer who buys themajority of the parts needed to build an electric car (Automotive News 2015). The majority of automobile companies use traditionaldistribution channels (i. e. ‘ middle man’) through dealerships to sell theirvehicles. On the other hand, Tesla has its own network of dealerships whichcuts down costs and reduces the bargaining power of customers (Tesla Inc. 2015). However, price-sensitive customers may easily change to another companyfor a lower price. Nevertheless, Tesla customers are very satisfied with thecompany and its cars that they do not complain about the premium priceTesla competes not only withinternal combustion automobiles, but with other electric-powered cars too.

Given the fact that electric vehicles are still in the introduction stage andinternal combustion automobiles have reached the maturity stage, it is only amatter of time that electric cars will enter the growth stage and the massmarket (Johnson et al. 2011). Also, government regulations promote theproduction of electric cars giving Tesla an advantage over traditionalautomobile manufacturers. At the moment, there might not be a high level ofcompetition among electric car manufacturers but, an increasing number ofcompanies are planning to expand in the electric vehicle segment in the nearfuture (KPMG 2015). Tesla’s organisational structureis cost efficient because it hires less managers and employees, thus being ableto pay better salaries despite being a small player in the automobile industry. However, only people with a high level of knowledge and expertise work for thecompany (Tesla Inc. 2018b). Moreover, this organisationalstructure boosts productivity because it allows clear communication.

Forexample, fewer people are required to be consulted for a decision and lesssupervision is needed, giving managers the opportunity on issues concerningtheir goals and not spending time monitoring employees. Tesla not only offers itsemployees high salaries but also other incentives to boost their motivation andproductivity. For example, it gives its employees the ability to buy companystocks (Tesla Inc. 2018b).

Although electric cars are a relativelynew technology, Tesla has a head start compared to other companies. Since ithas been active in this industry for a long time, Tesla has in its possessionthe latest technologies and expert staff, making its cars the most advanced, eco-friendly, and safe electric vehicles on the road (The Motley Fool 2016). The Tesla factory in Californiahas been designed in a particular way to allow multiple products to be producedat the same time while maintaining high quality standards (Tesla Inc. 2015). Additionally, the company has plans to build its own battery manufacturingfacility in the US and also plans to expand in other countries as well to cutdown logistics costs (Tesla Inc., 2018c). Tesla does not a great amount ofspend money on advertising. It simply relies on media coverage during itsevents and word of mouth after that.

Furthermore, as it has been alreadymentioned, Tesla sells its cars through its own network of stores. In order toplace an order, customers have to go online on the company’s website andcustomize their vehicle (Tesla Inc. 2015). Due to customers’ range anxiety, Tesla has focused on placing charging stations alongside main roads in America, Europe, and Asia (Tesla Inc. 2015). Also, by the end of 2015, they owned over100 service centres where customers could drive their Tesla car for it to berepaired (Tesla Inc.

2015). To conclude, the external, industry, and internalenvironmental analysis have showed that Tesla is operating in a veryinteresting industry with great potential for growth and development in thefuture. From the external analysis it canbe concluded that electric cars are being promoted by all the key factors. Recent regulations urge automotive manufacturers to adapt or comply to them. Consequently, Tesla will most likely benefit from this. Furthermore, there isan increase in Tesla’s sales since oil is getting scarce and thus moreexpensive.

Also, there is an increase in awareness of environmental problemsand hence willingness of people to buy an eco-friendly vehicle. In addition, the company has developed a variety of extra features for its vehicles and hasalso built a charging station network to deal with battery range issues. Finally, Tesla manufactures electric cars with little to none emissions thatcould harm the environment. The industry analysis showed thatthe electric cars industry has much potential in the future with new entrantsjoining in.

However, Tesla holds the upper hand which creates barriers for newentries. Moreover, public transport or other electric car manufacturers mayappear as a threat at the moment due to costs. In addition, suppliers arelimited meaning that they have an advantage over the company. On the otherhand, buyers do not have much bargaining power since the majority are satisfiedwith the company.

Finally, there are not any major rivalries in this sector yetbut more manufacturers are expected to enter. Overall the company’s internalanalysis showed that its organisational infrastructure is cost efficient andboosts productivity, hires the most appropriate employees and motivates themwith high salaries and extra incentives, has in its possession the latesttechnologies, does not spend a large sum of money on advertising but yetmanages to be trending, and pays great importance to after-sales services. Based on the above, Tesla should adopt a more affordablepricing strategy in the future to make its products more affordable andattractive to maintain its competitive advantage, since it is almost certainthat new, well-established players will be joining soon in this small butrapidly growing industry.