

The pestel framework evaluates essay sample

Environment



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The PESTEL framework evaluates the external environment variables to identify general opportunities and risks of particular strategies.

3. 1 Political

With selling cars in 17 countries , Tesla Motors has to deal with distinctive political patterns influencing its business operations. One of the major political factors affecting the industry is environmental protection laws to induce production of more environmental cars to meet strict emission levels. The second important factor is US government energy loan programs for research and development of new vehicle technologies. In this case, many auto manufacturers will be interested in entering the market.

3. 2 Economic

Economic factors include economic growth in the alternative energy industries and increase in the cost of using the cars mainly due to the rise in fuel prices in the short period. Therefore, the demand for more-efficient cars is higher than before. Next, recovery of GDP and inflation rate in most of the developed countries from the recessionary period has asignificant impact on the customer purchase power.

3. 3 Social

Social factors are related to increase environmental concerns, attitudes and emphasis on products, which are ' eco' friendly. Buyers are losing faith in gasoline fuel and associated cost in production, trying to help the environment. Moreover, undoubtedly the current society judges people based on the type of the car they own and the idea of having electric vehicles improves the social status of an individual. Another social change is increase in ageing population with most wealth and savings, who would likely to spend more money on premium electrical cars (Reuters, 2014).

3. 4 Technological

Technology advancement has taken places within the industry, including the introduction of fully electrical cars and computerization of cars that allowed automotive driving and prevent drivers from accidents . This leads to more improvements in safety and convenience of cars. Moreover, fast charging battery technology have used by Tesla. Tesla has been ranked as the highest safety level in US.

3. 5 Environmental

Over the last several years, many car manufacturers have the issue of eco-friendly or fuel-efficient vehicles. Environmental factors such as increasing awareness of climate change lead to changes in companies' products and services, because customers are getting more aware of environmental effects of production

3. 6 Legal

Many regulations have reduce the tax if you buy eco-friendly cars. Other factors that might affect the manufacturing of battery car include the tax incentives and subsidies □□ to increase the demand among consumers.

5 Forces Analysis

The Threat of New Entrants

The threat from new entrants is very high. Tesla enter electric automotive industry in 2003 has faced challenges having financial problems that require high capital investment. However, for established manufacturers with considerable economic power to enter this market is relatively low due to

their capabilities and governmental program support for developing electric vehicle.

The bargaining power of Buyers

Overall bargaining power of buyers is modest. According to Tesla Annual Report (2014), they rely on their relationship with Daimler and Toyota. The partnership is very important for Tesla, because supplying these companies results the high share of their profit and thus, they cannot lose them, making their power considerably high. However, they also sell their cars to individual customers, and many government incentives give potential customers tax credit deduction. These programs makes bargaining power low.

Threat of Substitution

The threat of substitutes is low, because there are only few choices. One of the substitutes can be walking or biking that is very inconvenience for long distances. Moreover, mass transportation such as trains, buses, and subways are substitutes that are suitable for local and distant travelling. However, many people prefer to have their own car that is more convenient.

The Bargaining Power of Suppliers

The power of suppliers is very high due to the fact that company is highly dependent on these suppliers and if the component have problem this will have negative effect on Tesla's brand image. Building close relationships with main suppliers such as Panasonic, working together on the development of new battery cell.

Industry Rivalry(moderate)

-small number of competitors with 18 different models, like NISSAN LEAF etc.

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But this market is attractive and expanding very fast. Audi BMW etc has enter with plug-in model. So the company need to keep innovative and improving making better cars.