Tesla australia's social mission

Overview:

Tesla Australia operatesin the production of electric vehicles (EVs) and sustainable energy technology(Tesla, 2018a). Their customer-centric values are embodied by their unique businessmodel, abandoning the traditional approach of franchising car dealership ‘ middlemen’. Tesla instead sells and promotes their vehicles directly to the customerthrough Tesla-owned stores and showrooms. This allows Tesla to properly educateconsumers on the benefits of EVs through Tesla specialists and ensure thatcustomers “ enjoy the experience… [and] look forward to returning” (Musk, 2012, para. 7). This is conducive to their vision “ to accelerate the world’stransition to sustainable energy” (Tesla, 2018a, para. 1), as it allows Teslato highlight environmental and performance advantages in transitioning fromgasoline to electrical power. Traditional car dealerships would otherwise bereluctant to promote Tesla in light of their predominantly gasoline poweredvehicle inventory.

Tesla’s mission reflects this vision, as it aims to mass-produce an EV at a price that is accessible to the average consumer and at a higher quality of its gasoline powered counterparts. It appears that Tesla is indeed fulfilling this mission, through their progress from luxury vehicles, the Roadster and Model S, to the latest Model 3, an affordable, mass produced sedan (Tesla, 2018a). Furthermore, Tesla’s operations in sustainable energy technology have caused them to work with the South Australian government in renewable energy projects to further their vision. One such project is the installation of solar panels and batteries in South Australian homes that will contribute to the state’s entire power grid (Government of South Australia, 2018). As such,

the core mission, vision and values of Tesla are visible within its operations in Australia.

Value Net Analysis– The Vehicle Industry:

Customers, suppliers, competitors, complementors:

The customerbase of Tesla Australia currently consists of environmentally aware consumerswho are searching for luxury, high quality cars at premium price points (Tesla, 2018a). Additionally, the Model 3, due to reach Australia in 2019, targets thepremium small vehicle market (Tesla, 2018c).

As Tesla’svehicles are manufactured within their Fremont factory, this would be TeslaAustralia’s main supplier. The most important component of the vehicles, Lithium-Ion batteries, are provided by Panasonic (Steen, 2015). However, due tothe absence of the manufacturing process and procurement in the context of Australia, suppliers are limited or only indirectly relevant.

Tesla’scompetitors include all companies that manufacture small, premium passengervehicles, such as the BMW 5 Series and Audi A6 (Steen, 2015). However, directcompetitors would encompass Battery Electric Vehicles powered purely byelectricity, such as the Nissan Leaf, Mitsubishi i-Miev and BMW i3 (Zero CarbonAustralia, 2017).

The primarycomplementors to Tesla’s vehicles are solar energy systems, to generateelectricity for charging in the home. This would include products like theTesla Powerwall 2, which can lower household energy costs by 30%, reducingcharging costs (Government of South Australia, 2018). Other complementary solarsystems in Australia include the LG 310w and SunPower 327w (Solarbank, 2018).

PARTS:

The players certainlyoffer opportunities for co-operation to increase the overall size of the valuenet. Tesla has freed their patents, allowing competitors to access their researchwhich will assist the global proliferation of EVs (Stringham, Miller &Clark, 2015). This will work to increase attention and customer demand in theEV market and will introduce new players into the value net.

Reduced fuelcosts are one way that Tesla adds value to their EVs. Owners of Model S and Xvehicles are offered free supercharging of up to 400 kWh per year, whichequates to around 1600 km of driving (Tesla, 2018b). Tesla also addressescustomer concerns regarding the resale value of EVs, by “ guarantee[ing] aresale value pegged to similar BMW and Mercedes models” (Steen, 2015, p. 5). Thesemethods work effectively to add value and gain customer loyalty. However, Tesla’s main method of adding value is through their superior technology. Itassuaged the belief that EVs could not be powerful, as its Model S has a 0 to100 km/h acceleration of 6 seconds, twice as fast as the Nissan Leaf and 10%faster than the gas-powered BMW 5 (Steen, 2015). Furthermore, it addressed‘ range anxiety’ – fears about the maximum possible distance travelled on a fullcharge – as its Model S and X boasted ranges of 350 km up to 500 km, incomparison to the Nissan Leaf and BMW i3’s ranges of 117km and 130kmrespectively (Zero Carbon Australia, 2017).

The added values of competing EVs also include reduced running costsover gas powered cars, as they have less moving parts, reducing servicing costs. Electricity is also significantly cheaper than liquid fossil fuels, reducingfuel

costs by up to 75% (Zero Carbon Australia, 2017). EVs also have the addedbenefit of reduced emissions, as a full transition to electric vehicles would lessenAustralia’s greenhouse emissions by 6% (Zero Carbon Australia, 2017).

The main ‘ rules’of relevance to the electric vehicle industry are governmental. There arevarious incentives to purchase EVs that are beneficial ‘ rules’ for TeslaAustralia, such as registration and stamp duty discounts (Barton & Schütte, 2016). However, these are minimal, up to values of $660 in Queensland, NSW andVictoria, while stamp duty on EVs has been fully removed in the ACT(ClimateWorks, 2017). Luxury car taxes are also discounted for EVs, applicableto both the Model S and Model X (Barton & Schütte, 2016).

Tesla Australia may also be able to encourage the introduction of light vehicle emissions standards, as they are currently in consideration and is prevalent in most other developed countries. This ‘ rule’ would force vehicles in Australia to be fuel efficient, increasing the significance of the EV value net as competitors strive to develop low emission vehicles (Barton & Schütte, 2016).

The vehicleindustry is highly competitive in Australia while the EV industry is relativelyminor, and the tactics of competitors involve competition on “ price, qualityand branding” (Thomson, 2017, p. 6). Customer perceptions mainly focus on pricefor small passenger vehicles (Thomson, 2017). Tesla Australia’s tactics inexpanding the EV industry are centred around differentiation and highlightingsuperior EV technology. They attempt to shift

consumer perspectives on theindustry, as their showroom employees are trained to promote the benefits of EVtechnology in general (Musk, 2012). Not only is this transparent to customers, but along with its open patents, it also attempts to change the lack ofcooperation amongst the Australian automotive industry.

The scope of theEV industry is currently small. From the product offering of Tesla and itscompetitors as discussed above, EVs in Australia are limited to small passengervehicles. However, Tesla wishes to expand the EV industry, and is venturinginto larger, commercial projects such as the Tesla Semi truck (Tesla, 2018a). Thereare also certain benefits in Tesla's plans to link the EV industry to therenewable energy value net, as they are already direct complementors to Tesla'svehicles (Tesla, 2018a). Solar systems provide reciprocal added value toTesla's vehicles – they reduce charging costs for EVs whilst the EV makes investmentin the solar system more worthwhile. By possibly forming a package deal withthe numerous solar system providers in Australia (Solarbank, 2018), Tesla couldincrease the scope of the EV industry and encourage value net growth.

Critiques:

The main issuewith the value net framework relevant to Tesla Australia is its focus onallocentrism. While Tesla is currently working to increase the value of the EVindustry in Australia, this may only work positively in the short run. It willbe detrimental if other firms who join the ' game' in the future approachbusiness egocentrically, which may reduce Tesla's market share. This is a keyshortcoming in the ideas presented by the value net (Hitchcock, 2018).

Role of Tesla in Society:

An examinationof Tesla’s operations in Australia reveals features of the Creating SharedValue (CSV) framework. Tesla simultaneously generates societal and economicgrowth through the following methods of creating shared value, as postulated byPorter and Kramer (2011):

Reconceiving Products and Markets

In spurring theadvent of the EV, Tesla has reimagined the market to capture both social andeconomic benefits. As highlighted in their vision, the environmental benefit ofTesla’s vehicles is immediately evident through reduced greenhouse emissions – in2014, the average EV in Australia produced 0. 16 Kg of CO_2 equivalentper km, whereas the average gas-powered vehicle produced 0. 19 Kg per km (Riesz, 2014). The disparity between these figures will increase as Australiainevitably adopts further sources of renewable energy in its electricity generation(Riesz, 2014). This has, in turn, allowed Tesla to remain unique within alargely homogeneous industry, creating a selling point (Stringham et al., 2015).

Redefining Productivity in the Value Chain

Tesla have alsoreimagined the operations of a typical car manufacturer, maintainingTesla-owned dealerships in favour of franchised dealerships. By paying theirshowroom employees fixed salaries rather than commissions (Steen, 2015), thisallows employees to properly promote the advantages and unique features of EVs, instead of focusing on the “ high-volume sales” (Federal Trade Commission, 2016, p. 90) mindset of commissioned salespeople. This trait serves to further thetransition to a sustainable future

by educating consumers on the benefits ofTesla’s technology, as well as EVs in general (Musk, 2012). Tesla has created sharedvalue by both positively redefining their employee productivity and increasingcustomer experience and awareness.

Enabling Local Cluster Development

In order for Tesla’svehicles to succeed, relevant infrastructure such as charging stations must bedeveloped (Stringham et al., 2015). Tesla has built thirteen ‘ Supercharger’ stations, for rapid charging, and numerous destination chargers around Australia, fillingin the lacking infrastructure (Tesla, 2018b). While this provides Tesla withaccess to the Australian market, it also encourages the development andintroduction of other EVs into Australia. In developing Australia’s EV market, Tesla will profit economically and also serve to combat the environmentaldetriments of gas powered cars.

Critiques:

While it appearsthat Tesla’s social mission is integrated within their business model, reflectingCSV attributes, the lack of a concrete definition of CSV is problematic. Thereis an unclear boundary between Social Entrepreneurship, CSV and CorporateSocial Responsibility (CSR). As described by Porter and Kramer (2011), SocialEntrepreneurship should also target a social problem through the creation ofshared value. Furthermore, CSV’s main differentiation from CSR is based on the falsepremise that CSR is separate from business strategy and is only for improvingthe business’ image (Crane, Palazzo, Spence & Matten, 2014). Greenwashingis also an issue, as Tesla’s cars are currently not as environmentally friendlyas they promote – much of

Australia’s electricity is not produced by renewablesources (Crane et al., 2014). Nevertheless, Tesla most closely abides by themethods of creating shared value as defined by Porter and Kramer.

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