

Tesla marketing research project



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A brief introduction on Tesla's background focusing on the current situation in the luxury car industry as well as pertinent policies provides necessary context to understand Tesla's situation. Based on both the background information and current industry situation, a SWOT analysis of Tesla is completed to gain a more comprehensive understanding of the company. We then focus on market issues and try to understand why and how these issues are affecting Tesla. Current strategy is analyzed and we conclude with several strategic recommendations for Tesla.

Background Electric vehicles are not a new concept for Chinese policy makers. Since 2001, electric vehicles have been implemented into China's Five-Year Plans. Additionally, electric vehicles (EVs) were categorized as a "strategic emerging industry" in 2010. In order to push the emerging industry, the Chinese government introduced many supporting policies encouraging consumers to purchase EVs. For instance, four central ministries released a plan promoting EV use between 2013 and 2015. The plan provided a national subsidy of RMB 35,000-60,000 for customers who purchased EVs.

The second way officials chose to stimulate EV purchase was tax exemptions. In September 2014, China's State Council removed the 10 percent purchase tax on domestic-made EVs. However, because Tesla is made in the U.S., customers who purchase Tesla and other foreign imports do not qualify for the subsidy. In addition to subsidies and fee exemptions, the National Government Offices Administration declared that from 2014-2016, no fewer than 30 percent of all government cars purchased each year must be battery-powered, gasoline-electric hybrids, or other new non-polluting vehicles.

Due to particular national policies, local companies operate well in the market. Kind, n industry newcomer located In Jagging province, is a strong competitor with 37% of the EVE market. BODY, Cherry and Zesty are also Important players. 2013, only 17, 624 out of 21. 98 million total vehicles sold in China were Eves, representing less than 0. 1 percent of all auto sales. New laetrile vehicles are clearly not widely accepted and loved by Chinese customers. Based on this, several main obstacles to Tests stand out. First, expensive prices are an important concern.

Because of the high cost of the batteries used to operate EVES many base prices for different models are very high, which reduces overall customer demand. Second, a ore important concern is the lack of a charging macrostructure. By the end of 2013, China's State Grid Corporation -? one of China's two state-owned companies tasked with managing the nation's power system-? had established only slightly more than 400 charging stations. The U. S. Had massed more than 20, 000 charging stations by that time. This clearly demonstrates how China has fallen behind other markets.

To gain a deeper insight of Tests in China we must examine their specific sales models. After entering the Chinese market, two main sales modes are used to expand market share. One is a showroom combined with online ordering. This mode is quite similar with what Apple does now. Customers who are interested in Tests models can go to a showroom and take a test drive then place an order online once home. This is a retailing-based sales mode, usually for individual customers. The other mode is fleet sales-? I. E. The focus of marketing is on big companies, government bureaus, and institutions that could place a large bulk order.

This mode is not widely implemented in other countries. Combining both fleet sales and individual, traditional sales model was the initial entry strategy for Tesla in China. SWOT analysis Strengths Tesla is known for its high level of R&D, spending over 15 million USD on research and development in the 2014 alone. This affords Tesla an advanced level of vehicle development and innovative features, like the new 'autopilot' function. Additionally, Tesla has an outstanding management team led by CEO Elon Musk (who also founded PayPal and SpaceX). To Tesla, Elon Musk is a valuable asset with a good track record.

Musk has helped make Tesla synonymous with innovative (for instance, stores of Tesla are similar to the Apple stores in a way that they are both using an innovative way to market its own product and brand). On the hardware side, Tesla-owned superchargers are 16 times faster than the normal public charging stations, and Tesla also has their own battery factory to supply its own cars. Finally, Tesla is a popular brand globally and has performed well in European and American markets, which allows Tesla to apply the lessons learned from past experiences to the Chinese market.

Weaknesses At the same time, Tesla is a relatively new company with short operating history (founded in 2003), and has less experience than its competitors. In terms of the (model X and 3) will be introduced in the near future. Tesla also only focuses on selling EVs without selling other types of cars, greatly increasing the riskiness of its business. Additionally, people tend to view Tesla as a low MPG/Mile vehicle, meaning the total miles per charge on a Tesla's battery are far less than that of a car with a traditional fossil fuel burning engine.

Opportunities After the documentary ‘ Under the dome’, the awareness of air pollution in China has increased tremendously. People are now more open to environmentally friendly products, such as Eves, and greatly helps Teasel’s overall image. Additionally, ‘ Range Anxiety-? the fear of traveling too far and being stuck somewhere without a charging station nearby-? is solved by Range Assurance and Trip Planner in the 6. 2 version software update. The next update will include ‘easel’s-driving autopilot’ and will be introduced in the future with the 7. 0 version software update along with a backseat upgrade option, a feature special to Tastes in China.

Threats Tests is currently facing several threats from its competitors and the government. Beijing and Shanghai governments provide subsidies for domestic car brands but not for Tests. Also, BODY has cooperated with China Overseas Land & Investment Ltd to install the charging equipment for Deana (its EVE model). These government supports for other brands are dangerous for Teasel’s performance and growth in China. At the same time, Tests is facing keen competition since many auto manufacturers are releasing their own environmentally friendly cars, many of which are larger companies than Tests.

Because of intense domestic competition Chinese consumers may prefer those brands over Tests when purchasing an electric car. Two major competitors of Tests, BMW and Audi, will release their own luxury electric cars and have a very favorable reputation in the Chinese market. Once they enter the electric vehicle market it will directly threaten Tests. Also, the recent reduction in Crude Oil prices has lowered the gas price and the

incentive of buying electric car is less than it was before from a financial standpoint, which affects the entire electric car market.

Current Marketing Issues in China As we mentioned before, Tesla experienced some problems when they entered the Chinese market last year. The sales were lower than expected for the year 2014, because they had commercial and cultural hurdles to overcome. In this section we will discuss these obstacles. To begin, Tesla missed out on the early adopters of the electric car in the Chinese market. When a new product enters a market, there will be a high consumption caused by the early adopters. According to the 'Diffusion of innovation' theory developed by Everett Rogers, 13. % of the consumers of a particular product can be introduced in the automotive market, which resulted in other car brands taking advantage of this consumption. (Bare, 2015) Secondly, it is not easy for the Chinese citizens to charge their electric car. 74% of the target customers of Tesla live in apartments instead of detached homes. Many of the multifamily houses do not have the availability to charge a car because parking operators claim that it will be fire hazard (Quo, 2015). People in China who are thinking of buying an electric car are therefore often held back by the little availability of charging stations.

Although the Chinese government and Tesla itself are planning to build many charging stations, it is still not convenient enough. A third reason is the design of the 'Model S'. The 'Model S' is the only car that Tesla introduced so far in the Chinese market. As Tesla is not a cheap car and positioned itself as a high-end brand, the wealthier Chinese people are their target group. One of the biggest complaints of the introduction of the 'Model S' is the lack of charging stations. <https://assignbuster.com/tesla-marketing-research-project/>

S' was that the car was not striking enough. When the wealthy Chinese buy a car it is very important that they can show it off.

The Tests ' Model S' is not the right car to do so (Bare, 2015). Furthermore, Tests had problems with their brand awareness in China. It is still not a very well known brand in China. They should have focused more on the fact that Tests is a luxury car than a green car. Pollution is becoming a bigger problem in China each day, but there is still not a huge environmental movement. Learning from TTS mistakes, Tests will probably use Internet data in the future to respond better to the Chinese market (Lie, 2015). The last major problem that we identified was the Chinese government.

Although the government had many plans to develop the general electric car market, Tests was still held back by the government. The government developed policies aimed at encouraging the domestic market. This may pose a challenge to foreign automakers like Tests in the long run. Another strategy that the government applied was providing tax breaks for the purchase of electric vehicles that were domestically reduced. This was not an effective selling point for customers interested in Tests. We can conclude that Tests has experienced several problems from different perspectives.

Both the government and the Chinese customers did not welcome Tests, which resulted in difficult experiences in China. Further on in our paper, we will give our recommendation based on these struggles. We will first begin by identifying Teasel's current strategy to solve the current and potential future problems. Current Strategy 1 . Partnering with China Unisom and real estate developers to build charging points First of all, Tests is going to

partner with China's second largest mobile network operator. They will cooperate in order to set up a nationwide network of charging stations for Tastes.

Having the nationwide coverage will be a great advantage for Tests to gain a larger market share. Moreover, Tests will also cooperate with local real estate developers, such as Soho China, to build the charging points. Soho China is currently the largest prime office real-estate developer in China. Tests has also announced initiatives with some local real estate developers. In the future, there will be charging points for Tastes in many of the newly built buildings throughout China. Unlike the other foreign car companies in China, Tests does not want to be dependent on the government's plan for the EVE market.

Also, Tests wants to keep control of its own sales and marketing strategies. As a result, Tests will cooperate with local companies in other industries first, but not to form a joint venture at this stage. The charging service provided by its charging points will be free only for Tests vehicles. Having more charging points in various cities in China allows Tests owners to charge their electric cars more conveniently and reduce range anxiety. 2. Having no joint venture with a car company yet Although Tests has already entered the Chinese auto market, Tests does not have a joint venture with any local car companies yet.

Other global auto players such as Ionians and Daimler have invested in China's electric vehicle segment along with local partners, because Chinese regulations require foreign companies to invest locally to grow in the nation.

Nevertheless, finding a local car company to compete with local and global players in the Chinese automotive space is necessary for the company. Even though Tesla wants to be independent in the Chinese market as mentioned above, having a local auto company as a Joint venture will benefit Tesla politically and financially. Therefore, Tesla's business can grow faster in China. 3.

Planning to make cars in China in the next three to four years Tesla is not making cars in China now. The electric cars are produced in the other countries (namely the U. S. And Netherlands). As a result, a 25% import tariff is levied on each imported car. Tesla forecasts the company will be producing the cars in the country in coming years in order to avoid the import tariff. Therefore, Tesla could sell cars at cheaper prices in China (which is the same as in the United States). . Having same price strategy as in the United States Tesla keeps its price strategy almost the same as with the one in the United States.

Currently, the electric cars in China have the same price as in the United States except from the 25% import tariffs, which makes the cars more expensive in China. For example, the Model S of Tesla cost \$104, 000 USD, which is quite expensive in the compared with the other car brands in China.

5. Introducing new models Apart from the pricing strategy, Tesla also keeps most of the marketing strategies unchanged as what it has in the United States. In parallel with its US strategy, Tesla plans to introduce its next new model, the Tesla X SUB in 2015, and follow in 2017 with the Model 3, a smaller car built for China.

It will most likely attract more Chinese buyers since there will be more choices to choose from. Recommendation We can see Tests changed some of its strategy to fix its weaknesses. However, what Tests needs is to increase its exposure and build consumers' confidence in its products. While Tests is a famous brand in the US, it has not had the same success in China. It allocated little to no resources for advertising. Therefore, we recommend that Tests should implement a massive, comprehensive advertising campaign to grab the Chinese' eyeball. The advertisement will deliver several key messages to the audience.

The main focus is that Tests is worth paying a high price to purchase because Tests is a symbol of innovation, design, and engineering. Tests will bring the duplicative industry into a new era that is a mix of cutting-edge innovation, design, and environmental conscientiousness. The advertising campaign includes TV advertisements, sponsorship and a spokesman. Each advertisement will have main theme to deliver to public. We recommend two TV advertisements. The first advertisement is a driving campaign where a man drives a Tests from Sheehan to Beijing.

In the driving Journey, he can charge everywhere because of Teasel's well established charging network and he also can see where the nearest station is via built in GAPS software. The software inside the car can show the driver where the nearest charging station is, how much charge he has left, and re-route him if necessary. It would also highlight that it is free to charge the car because it is a complimentary service of Tests. Compared with gasoline powered cars, although Tests is more expensive, the cost is cheaper in the long run cause the driver does not need to pay the cost of petroleum.

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Through this advertisement we would like to show that driving a Tesla is not only functional but also has the stamina and infrastructure to be a viable car throughout all of China, all while showcasing its luxury, high quality, performance ability, and stability. This will help build consumer confidence towards Tesla. The second TV advertisement will deliver the message that driving a Tesla is one of the best methods to help tackle the air pollution problem. One reason why the air quality is so poor in China is because there are large amounts of vehicles on the road isn't cause this.

At the beginning of the advertisement, gasoline powered cars will be seen with a grey, smoggy sky. The sky becomes greyer and smoggier as the amount of gasoline cars is increasing. However, when there are more Teslas on the road, the smog reduces and the sky becomes blue eventually. As a result, the audience will know that the electric cars produced by Tesla are environmentally friendly and also helps educate consumers on and solve the air pollution problem. The audience will understand the importance of electric cars and can trigger their initiative to buy Tesla.

Moreover, we suggest Tesla sells its electric cars to high-end hotels at a discount. By doing so, guests at luxury hotels who ride in the hotel cars will see first-hand Tesla's superior quality and luxury, creating more brand awareness and ascribing a high status symbol value to Tesla. This will in turn create demand for Tesla given Chinese consumers' preference for "prestigious items" while also ensuring Tesla has a foothold in the luxury car market. Also, we recommend that Tesla can sponsor to some popular TV show which has a large audience, like the countdown spring festival galas and (a famous name show).

Tests can sponsor the show and offer its electric car as the award in these TV programs. It can let the people know about Tests in a short time because the biggest prize is an electric car from Tests. The TV show can further introduce Tests, showing how well the Tests functions, what Teasel's electric car look like, and special features that differentiate it from other luxury vehicles. Through this advertisement, the Chinese consumers will have a brief insight towards Tests electric cars and Tests will enter their consideration set when they want to buy an electric vehicle.

Last but not least, Tests can find a famous celebrity as their spokesman. If Tests would like to expand into Chinese market, it needs to create some connections between Tests and China. A famous Chinese celebrity acts like a bridge between Tests and China. When the spokesman endorses and uses Tests, the general public will think that Tests is high in quality and worthy of celebrity status. Conclusion While Tests hasn't lived up to its reputation in China, the company has made several key strategic maneuvers in the recent months that figure to help it gain a larger marketers and foothold in the Chinese luxury and EVE markets.