

**To:** Competitive Position Assignment

**From:** Arlan Rakhmetzhanov

**Subject:** Executive Summary: Tesla Competitive Position Analysis

**Course:** Foundations of Business Strategy

## **Industry Analysis**

Tesla Inc. remains an influential force in the rapidly expanding EV market. Sales surpassed 10 million units last year alone - and Tesla played an instrumental role in that success story. Tesla experienced an increase of 55% in electric car sales over 2016 to capture an 8% market share and indicate the strength of consumer desire for their range of EVs in America. Tesla stands out in its industry with innovative technology and high-performing electric cars; as well as being recognized as an icon of sustainable energy. Early mover advantage has helped the company secure a substantial market share and remain at the forefront of innovation in the industry. Electric vehicle sales have experienced exponential growth since 2012; global sales are projected to surpass 14 million units before the end of 2023 - representing an astounding 35% year-on-year surge. Electric car sales could represent up to 18% of global car sales within one year; strategic groups in this space include traditional automakers making the transition, new entrants with specialization in electric vehicle technology and luxury manufacturers. Tesla leads both the luxury EV segment and EV manufacturers overall by continuously expanding both product offerings and geographical reach. Battery technology advances and rising demand for key minerals are central components to the growth of the electric vehicle industry. Policy initiatives across the world - like the Inflation Reduction Act in the US and Net Zero Industry Act in Europe - are driving investments and adoptions of electric vehicles (EVs). Consumer preferences are shifting toward more environmentally sustainable transportation solutions, further driving industry expansion. Furthermore, consumer trends indicate an interest in shifting towards eco-friendly options for transportation as consumer preferences shift towards greener solutions - further contributing to industry development. Furthermore, electrification of transport has expanded beyond passenger vehicles to commercial and two/three wheelers (such as two/three-wheelers); significant sales increases were noted from light commercial vehicle EV sales as well as buses showing its broadening scope within EV market.

Tesla is currently facing increased competition as new entrants enter the EV market. Tesla maintains its pioneering status with innovative technology, strong brand recognition and an expensive Supercharger network. The Power of Suppliers Tesla relies heavily on battery and electric drivetrain components for production purposes. Panasonic and other suppliers play an instrumental role in providing Tesla with high-quality components; although raw material price fluctuations could adversely impact its production. Consumer Buying Power Customers hold tremendous bargaining power in the EV market, thanks to Tesla's direct-to-consumer model which strengthens their bargaining position. As competitors offer similar features at more attractive price points, Tesla continues to prioritize customer-centric innovation to remain market leader. Competition from Established Carmakers and New Startups Tesla maintains its competitive edge through innovative battery technologies, vertical integration, and unique product offerings such as its Autopilot system. Substitution Threats for Tesla, substitute threats include competing EVs and public transportation options. Although its unique features and strong brand image help mitigate some risks in this respect, increasing capabilities among other EV manufacturers pose an immediate challenge to its business plan. Strategic Differentiation and Advances Tesla's differentiation strategy rests upon innovative battery technology, vertical integration, unique selling propositions (such as vehicle

performance and design) as well as their expansive Supercharger network - these factors play a large part in helping secure competitive advantages for Tesla.

### **Strategic Groups & Positioning**

The electric vehicle industry is currently going through meaningful change, as new automotive standards such as SAE J3068 and J3400 transform its landscape. These standards pave the way for widespread deployment of Vehicle-to-Grid (V2G) technology and its standard connectors that Tesla has pioneered. These changes should help bring down charging costs and improve grid integration, leading to greater EV adoption and V2G Technology: An Emerging Frontier for EVs by 2025, this technology, which requires SAE J3068 standards for implementation, could become standard on new EVs produced by Tesla and other automakers who choose to adopt it. Adopters would gain a significant competitive edge. Enhancements to Charging Infrastructure Alternating current (AC) charging technology could reduce charging costs while improving convenience for EV owners, with Tesla's standard connectors helping eliminate its monopoly over charging stations by opening them up for other brands to utilize its expansive network.

### **Competitor Analysis**

Tesla stands out in its competitive landscape through its significant technological and cost efficiency lead over traditional automakers and emerging EV companies alike. Their technology levers, such as in-house motor design, materials innovation and proprietary software solutions help set them apart. Tesla stands out among competitors by its unique ability to integrate car technologies with fields like energy and robotics, further distinguishing themselves. Their stellar revenue growth over recent quarters may mask reduced prices that impact profitability negatively; as some analysts contend. Concerns are being expressed over Tesla's ability to maintain higher profit margins relative to other industry players. When looking at market segmentation, companies such as BYD and Toyota could easily outcompete Tesla by dominating lower end and middle markets respectively; but its strong brand and continued innovation should enable it to retain an advantageous share in high-end EV sales while remaining cost competitive across segments.

Tesla stands out in its capacity through its groundbreaking culture and innovative workplace environment that attracts top talent. Financially, Tesla has emerged as the most valuable automaker with \$53.8 billion (about \$170 per person in the US) in sales and 936,172 cars delivered between 2018-2021 - evidenced by Model S' 600 km (about 372.82 mi) range and superior performance vs other electric vehicles such as Toyotas'. Yet despite these challenges and with substantial debt of \$5.38 billion (about \$17 per person in the US) (about \$17 per person in the US) outstanding against them; Tesla stands tall despite competition with technologies such as Vehicle-to-Grid that position them well for success EV market space despite competition from automakers such as Toyotas; thanks to innovative Vehicle-to-Grid technology innovation Tesla positions itself well in an emerging EV market which competition from automakers such as Toyota in 2021 despite competition from automakers such as Toyota!

## **Competitive Positioning**

Tesla's status in the electric vehicle (EV) industry has significantly strengthened over time. By Q1 2023, Tesla had achieved their fastest growing automaker status based on market share with 5.1% in total U.S. annual sales increased 1.4% year-on-year to eclipse more established brands like BMW, Mercedes-Benz, Mazda, Subaru, and Volkswagen. Tesla experienced year-over-year gains of 39.56% between the fourth quarter 2022-2024. Sales increased 376 in just the first quarter 2023! They sold 180,993 vehicles during this single quarter! Tesla's rapid expansion reflects their increased influence in both electric vehicle (EV) and traditional automotive markets; not simply increasing production capacity or improving vehicle technology independently but in tandem. Tesla's strategic moves - such as increasing production capacity and developing vehicle technology - were critical in driving its rapid expansion, while their innovative engineering practices and effective scaling strategies allowed it to surpass many traditional automakers' market shares and sales growth, becoming an established name within an emerging sector.

According to these observations, Tesla stands out in the EV industry with both outstanding strengths and major challenges. Tesla Motors Inc has shown remarkable market share growth, technological innovation, and employment excellence over recent years to maintain competitive standing and ensure long-term success despite an increasingly difficult business landscape. Tesla currently leads in terms of electric vehicle technology and charging infrastructure; their extensive charging infrastructure makes them market leaders within this niche industry. Unfortunately, Tesla faces manufacturing supply chain difficulties as well as intensified competition from both established and upstart automakers. Tesla remains committed to innovation and market expansion despite these difficulties; adopting technologies like Vehicle-to-Grid will position them for sustained expansion within an evolving industry; effectively managing these dynamics will allow Tesla to retain competitive edge while shaping EV transportation's future.

## **Conclusion**

In conclusion, Tesla's journey in the electric vehicle industry represents a remarkable blend of innovation, strategic growth, and market leadership. Despite facing manufacturing challenges and intense competition, Tesla has achieved significant market share growth and established itself as a technological leader. Its commitment to innovation, reflected in its vehicle performance, charging infrastructure, and pioneering initiatives like Vehicle-to-Grid technology, underscores its potential for continued success. As the industry evolves, Tesla's ability to adapt and leverage its unique strengths will be key to maintaining its leading position and driving the future of sustainable transportation.

## Addendum

### Exhibit 1:

#### Environmental Analysis:

<b>Market Size and Growth</b>	The global electric vehicle (BEV) market has seen significant growth, with Tesla holding a prominent market share. Tesla's sales grew 26% year-over-year in Q3 2023, with global BEV sales expected to reach 10 million units by the end of 2023.
<b>Demographic Trends</b>	The rising consumer awareness of environmental issues and the shift towards sustainable transportation is driving market growth. Tesla's Model Y and Model 3 are among the best-selling BEV models globally, indicating strong consumer demand for Tesla's products.
<b>Regulatory Landscape</b>	Various global incentives for EV adoption and emission regulations are supporting market growth. These policies are influencing consumer preferences and automaker strategies, benefiting Tesla as a leading EV manufacturer.
<b>Technology Developments</b>	Tesla is at the forefront of EV technology development, including advancements in battery technology and vehicle-to-grid capabilities, which are key to its market positioning.
<b>Supply Chain Dynamics</b>	Tesla faces challenges in scaling production and supply chain management, including battery supply shortages, impacting its ability to meet growing demand.
<b>Consumer Preferences and Social Considerations</b>	Tesla's market positioning benefits from a growing trend towards eco-friendly products and electric vehicles, with Tesla's innovation in vehicle design and technology aligning well with these consumer preferences.

### Exhibit 2:

**Porter's Five Forces Analysis:**

<b>Force</b>	<b>Description</b>
<b>Intensity of Competition</b>	High competition from traditional automakers entering the EV space and new EV-specific entrants. Tesla faces a dynamic and competitive EV market.
<b>Power of Suppliers</b>	Significant reliance on specific components like batteries and drivetrains. Strategic partnerships and in-house capabilities mitigate supplier power.
<b>Power of Buyers</b>	Growing variety of EVs increases buyer power. Tesla's direct sales model and unique offerings provide a competitive advantage.
<b>Substitute Products</b>	Threats from other EVs and public transportation. Advanced technology and strong brand positioning reduce the impact of substitutes.
<b>Barriers to Entry</b>	High investment in technology and brand development. Tesla's established brand and charging network fortify market entry barriers

**Exhibit 3:****Competitor Analysis:**

<b>Competitor</b>	<b>Value Proposition</b>	<b>Geographic Presence</b>	<b>Price Points</b>	<b>Target Market</b>	<b>Capabilities</b>
<b>Tesla</b>	Innovative EV technology, premium brand, superior vehicle performance	Global, with significant presence in the US, Europe, and China	High	Technologically savvy consumers, environmentally conscious individuals	Advanced battery technology, expansive Supercharger network, autonomous driving capabilities
<b>BYD Auto</b>	Cost-effective EV solutions, growing technology adoption	Strong presence in China, expanding globally	Moderate to Low	Price-sensitive consumers, environmentally conscious individuals	Large-scale manufacturing capabilities, strong domestic market presence
<b>Volkswagen Group</b>	Diverse range of EV offerings, brand legacy	Global, with a strong presence in Europe and the US	Moderate to High	Broad consumer base, brand loyalists	Extensive manufacturing infrastructure, diverse product range
<b>General Motors</b>	Electrification of established models, commitment to EV transition	Strong US presence, global reach	Moderate	General consumer market, traditional vehicle buyers	Legacy in automotive manufacturing, investment in EV and battery technology

## References

- Counterpoint Research. (2023). Tesla Market Share | Global Electric Vehicle. Retrieved from <https://www.counterpointresearch.com>
- Business Strategy Hub. (2023). Tesla SWOT Analysis. Retrieved from <https://bstrategyhub.com>
- Teslarati. (2023). Tesla Market Share Explodes in Q1, Overtaking BMW, Mercedes, and Others. Retrieved from <https://www.teslarati.com>
- IEA. (2023). Executive Summary – Global EV Outlook 2023. Retrieved from <https://www.iea.org>
- UDaily. (2023). Big Shift Coming to EV Industry. Retrieved from <https://www.udel.edu>
- Seeking Alpha. (2023). Tesla: Poised To Sustain Dominance In The EV Market. Retrieved from <https://seekingalpha.com>
- Cox Automotive. (2023). Automotive Market Share Data. Retrieved from <https://www.coxautoinc.com>
- Wall Street Journal. (2023). Reports on Tesla as an Ideal Employer. Retrieved from <https://www.wsj.com>
- Forbes. (2023). America's Best Employer 2021. Retrieved from <https://www.forbes.com>
- Statista. (2023). Tesla and Electric Vehicles. Retrieved from <https://www.statista.com>
- TechCrunch. (2023). Tesla's Market Valuation. Retrieved from <https://techcrunch.com>
- CNBC. (2023). Tesla's Financial Positioning. Retrieved from <https://www.cnbc.com>
- Washington Post. (2023). Tesla Workplace Issues. Retrieved from <https://www.washingtonpost.com>
- Barrons. (2023). Toyota's EV Production Plans. Retrieved from <https://www.barrons.com>
- Porter's Five Forces. (2023). Tesla's Competitive Analysis. Retrieved from <https://www.portersfiveforces.org>