

DOI: 10.6947/nairjc/00006.7.1

STRATEGIC BUSINESS PLAN FOR TESLA MOTORS

JENNIFER

ABSTRACT

Tesla became the first car company to produce a fully electric vehicle which runs solely on batteries and not using any internal combustion engine for traction purpose. Tesla is the only company to sell a zero greenhouse emission cars in successive production. In comparison with the hundred years old internal combustion vehicle industry, Tesla remains a budding and promising industry. In terms of future of Tesla, the Analyst and Investors have remained divided (Mangram, 2012). A SWOT analysis and the strategic priorities help us to perceive the upgrades that Tesla can take to reap the goals planned in the close to future.

KEYWORDS: *Tesla, electric vehicle, Industry, First, World*

INTRODUCTION OF ENTERPRISE

Tesla Motors. It was founded by 2 Americans named Martin Eberhad and Marc Tapenning in the year 2003 who were researching on making a sports car which runs on electricity (Erik Gregsen, 2018). Various sources gave funds to the Company as it was a promising start to a new era of vehicle running on electricity instead of gasoline. The Paypal company co-founder Elon Musk in 2004 become one of the biggest stake holder in Tesla Motors by contributing a huge amount of \$30 million dollar to Tesla Motors. It was in 2008 that the company launched its first electric sports vehicle named as Roadster. A distance of 394 km could be travelled by the vehicle in one full charged battery. Roadster had a very fast acceleration and could go up to 97 km per hour in less than 4 seconds. Elon Musk took over the Tesla Motors as CEO in 2008 because of the resignation of the founding members. In 2012, Tesla launched its Model S sedan which became popular because of its high performance and design. The first electric SUV launched by Tesla was model X which came out in 2015 becoming one of the luxurious electric vehicles in the market. The demand for an economical car led to the launch of model 3 series in 2017 which could cover a range of around 354 km with a fully charged battery. Elon musk had a wide vision of growing the company into different sustainable sectors and recognized that for homes and businesses there is a need for products run by Solar energy. In the year 2016, Tesla took over the charge of Solar city. In 2017, the company changed its name to Tesla, Inc. to make a sustainable energy ecosystem as they were no longer only into

manufacturing electric cars. Tesla has a goal to create a giga manufacturing facility by 2018 at Nevada to produce cheap high-quality lithium ion batteries annually (Tesla, 2018).

VISION

The Vision statement of a company is the roadmap of the company, indicating the future aims and objectives of company by setting defined steps and directions that will be taken to achieve these specific goals. The vision statement is the inspiration for that company and the agenda for the strategic planning to achieve the goals desired by the company.

“To create the most compelling car company of the 21st century by driving the world’s transition to electric vehicle” is the vision statement of Tesla Motors inc.

The statement clearly depicts the goal of Tesla is to shift focus of community to a more green and clean environment by using renewable and sustainable methods majorly in the field of transportation industry.

The words in vision statement depict goals, aim and method or direction taken to achieve the future objectives of an organization. The vision to have enterprise excellence and management traits in the agency by using integrated advance technology in cars run on electricity and related sustainable products is depicted by the word ‘most compelling’. The 21st century in the statement refers to the current environment conservation around the globe. The world’s transition to electric vehicle indicates their [goals of expansion](#) in future (Hirtenstein, 2017).

In whole Tesla’s future goal and objective is to be the leading company in the car industry by using their renewable and sustainable methods and technology to improve the future.

MISSION STATEMENTS

The mission statement is a sentence describing the footsteps taken to achieve the goals and objectives described in vision of a company. It also describes the company’s role, philosophy, markets and competitive advantages. This can be referred to as small vision of company to achieve the bigger picture. The mission statement is kept in mind while taking decisions by the employee

“to Accelerate The World’s Transition To Sustainable energy.” Is the mission statement of Tesla Inc.

The statement can also depict an issue that is faced globally. In this statement Tesla refers to the transition towards a sustainable future with increase in use of renewable sources. Tesla aims to use present resources efficiently without hampering the needs of future generation. Their motive is to shift the reliance of people from fossil fuels to a more clean, green and renewable sources. The world is slowly transitioning towards sustainable energy but the process is taking a lot of time hampering more of natural resources. Tesla in their mission statement is intending to speed up or accelerate the process of transition by implementing faster sustainable energy ecosystem. They not only want to change transport sector but also enable house owners and companies to manage their resources in an environment friendly manner.

COMPETITOR ANALYSIS

The electric car industry is on a boom and by the end of third quarter, the global trend in sales of electric vehicle have seen a rise of around 63% all over the world.

The manufacturer of Tesla has faced operating losses every year as reported by the business outlook of Tesla form start. Tesla being the major player in electric car sales has shown tremendous growth over years in car sales but the company is still not making any profits. Tesla has been the dominant force in the field of luxurious and high end electric car manufacturers and is now looking to take over the market for cheap electric cars also. There is a big competition in this field but Tesla ambitions are very high and have a future vision to lead the electric car industry. Tesla is not only focused in electric car industry but is also selling new sustainable technologies to bring the transition to a more sustainable world. The company has great ideas and future vision to make possible a sustainable living in future and would be exciting to see how people invest in this organization.

SWOT ANALYSIS

The SWOT Analysis is a great tool to assess the future of company by looking at their strength, weakness, opportunities and threats faced by the company (Dalvagas, 2016). The SWOT Analysis helps us in finding the best way for upcoming expansion of a company (Bernroider, 2002).

STRENGTHS

- The 1st company responsible for the development of a 100% electric car
- Dedicated Research and Development facilities and manufacturing facilities for vehicles internally within the company
- Technological superiority in electrical and electronic technology for the development of energy efficient products.
- Tesla's Model-3 set forward to multiply the production of the company 5 folds.
- Parts and equipment supplies to other companies.

As a result of the ecological awareness within the population and an increase in demand in the market for environmentally friendly solutions, the company has seen a significant growth in production, achieving good pace simultaneously. As it can be observed from the following illustration, there has been a drastic increase (about 75%) of Tesla's Model S deliveries in Quarter 4 in comparison to the Quarter 1 of the year 2015. This steadily accelerating growth of sales could be accredited also to the establishment of higher numbers of supercharging stations as well as service centers all across the globe.

With the recently introduced, economically priced Model-3 it is expected that Tesla's production growth is estimated to multiply five or even tenfold in the near future. The above graphical illustration represents the quarterly growth trends of Model X and Model S. The Model 3 is expected to be a game changer for the profits of the company as it is coming out as an economically priced car in the sedan section that has been designed to be sold in the mass market.

WEAKNESSES

- New innovations in technology lead to higher costs thus higher prices of products.
- Higher costing Spare parts.
- Market Competition with newer innovations.
- Weaker distribution network.
- The market is pretty niche with both positive and negative outcomes.
- Maintenance of the fueling network.

With innovations in sustainable living becoming the latest market trend, Tesla has made huge investments in its research and developments sector. Higher investments have also led to the automaker's vast expansion that too in a very small period of time. The most recent investment has been made for the development of its Giga-factory for the manufacturing of battery packs and lithium cell batteries in the state of Nevada USA. This has led to the company showing a negative free cash flow and earnings since its IPO. The company was forced to sell some of its sales as of March 2006 because of 2.5 billion dollars' worth of long-term debts. The payment of interests on the debt is higher in comparison to the cash flow that is currently insufficient thus leading to a very volatile growth trend at present.

The current distribution of Tesla is quite weak as they don't have their own car dealership and therefore sell directly to customers which in turn leads to the higher costing vehicles.

In comparison to other hybrid vehicles, the manufacturing costs for the spare parts of these vehicles are significantly higher.

The installation of High-speed chargers for the quick charging of vehicles with their own maintenance unites proves to be another challenge (Kissinger, 2018).

Due to the transition towards sustainable development, the competition between various electric vehicle or hybrid vehicle manufacturing companies has become immense as well as making it difficult for new companies to compete with well-established automobile manufacturers

Therefore, to predict the market trend of a fully electric vehicle is quite a difficult task knowing that the electric vehicle market is still in a very niche sector.

OPPORTUNITIES

- Technology is Innovative
- Increase in oil prices leading to rise in the use of electric vehicles
- There is a vast potential in international market
- People are supporting the idea of going full electric
- The only company to provide full energy solutions for domestic and transport use is Tesla

To begin with, Tesla built the first sports car running on electricity in 2003 named Roadster. The next step was to make a luxury sedan and SUV's which are reasonably priced. Tesla built Model S and Model X in 2012 and 2015 with the help of constant research and investments. The selling price of model S and model X was high around \$100,000 and model 3 with a price of \$35000 is much cheaper than the other two. The other luxury car brands like Mercedes Benz and BMWs have quite competitive prices with Tesla. The model 3 is the only available option in this price range, and with this features and company is targeting to manufacture around an estimate of 80,000 cars.

The battery manufacturing giga factory of Tesla at Nevada will increase the profits of company more by using those batteries in electric vehicles. By using these batteries in manufacturing electric vehicles will reduce the battery cost by 30% which will add to more earnings for company. The model 3 will have greater space for manufacturing because of the Gigafactory. The Gigafactory will help in reducing the price of model 3 in future because of increase in efficiency of manufacturing. The community supports the company which brings innovation by using clean energy methods without harming the environment.

The need for increase in innovation in sustainable products has happened because of the increase in international oil prices. Tesla is leading the market of innovative sustainable products for transport and domestic use because of increase in the global demand of inexpensive energy price. The trend of sustainable energy market is showing positive results.

THREATS

- Government around the world is not supportive enough for encouragement of electric vehicle.
- There is a lot of competition from already established car companies.
- There is uncertainty for sources of funding for manufacturing 5,00,000 cars.

The car market is exceedingly aggressive for Electric cars. There is immense competition from enterprises like BMW, Audi however lower price companies like Nissan leaf and chevy bolt are also in competition. They all have been in this field for a long time with higher producing and marketing capabilities. Tesla needs to be successful in competing with these car organizations on massive scale production.

Another danger that Tesla is facing is funding for its formidable design to produce 500,000 vehicles. As of March 2016, Tesla was reported with \$1.5 billion of funding which was way less than the total amount needed for the project. Equity offering and debt funding are some suggested ways to increase funds for the company.

IDENTIFY KEY STRATEGIC PRIORITIES

The strategic priorities are the universal arching things to do that help guide the group within the organization. By placing the priorities, the personnel can invest time for a purposeful project instead of waste time. Subsequently, the organization will move onward in the right path. In their 13 year of existence, Tesla has launched only four cars. The preorder of Tesla model reached massive number of at least 400,000 cars by mid-May 2016 (Thompson, 2016). To meet the targets of preorder, A strategic priorities were announced for next two years, They are as below:

- By 2020, complete building the Gigafactory which will help in decreasing the battery cost by 30%.
- Ensuring the timely production of forthcoming model 3.
- To increase the distance covered by a car in a single charge of battery to 1000 kilometers in next three years.
- By 2018 Tesla aims to produce fully autonomous vehicles.
- In order to match production of 400,000 cars by 2020 Tesla kept a target of producing 50,000 cars per year by 2018. The CEO of Tesla aims to increase the production of Tesla cars to 5-fold over the next 2 years.
- The high demand of model 3 lead the company to reconsider their targets. They kept goal of producing 1 million cars by the end of 2020.

STRATEGIC GOALS INITIATIVES

- Market expansion has become a crucial requirement for further progress of Tesla Motors in the automobile industry. Targeted customer should be mid 20's and early 40's aka Y generation.
- Key investment should be placed in improvement of existing services and innovating new products through heavy emphasis upon research and development (R&D) for gaining a competitive edge.
- The luxury car segment will gain attraction from the younger professional, for being a symbol of their sustainable stature.
- Comparatively lower entry-level prices of the products will ensure an enhanced share of customer in the current market place.
- With the introduction of lower priced electronic vehicle, the Tesla Motors will witness 5% increment in the market share within the next 5 years.
- The Tesla Loyalty Program provides the opportunity of putting your family in the Tesla vehicle, with all the associated bonuses while already being a customer of Tesla.
- For retaining their present customers, we will be introducing "Amplify Your Ride" program. In this program customers can trade their current vehicle for our new Tesla generation 3 product.
- For focusing on states where automobile industry has shown exponential sales growth, we will be introducing "Test Drive America".
- For enhancing organization's communication with its current as well as future customers, potential media sources will be utilized. These sources include Google's Ad Words, significant newspapers, social media outlets, magazines, company sponsored events etc.
- For exploiting the growth of renewable energy industry globally, substantial expansion operations are required to be implement in foreign markets.
- Diversification is required to be introduce in current supply chain for reducing the supply associated risks.

DISCUSSION

The process of defining the vision of company in future and fulfilling the objectives of a company is called as the strategic plan of an enterprise. It defines the future or long-term goal that should be achieved by the company. The timeline of the goal can vary anything sometimes it can be 5 years to some time it can be 80 years (Kennedy, 2016). It defines the center of business.

The individual step taken by the enterprise to reach the future goal is called as mission. Vision is a long-term goal whereas mission is short term goal taken to achieve the vision. It instills the existence of company in minds of employee and define ideal organization state. Vision and mission are turned into specific determinate goals by the objectives of company. It also helps in ensuring that goals are accomplished within the time limit. The plan is based on the approach taken by company to achieve objectives also called as strategy. Basically, strategy are the approaches taken in order to achieve specific goals.

People's trust in products or services of an enterprises is created only by using different organizational strategy like Marketing, Digital, branding, communication and reputational strategies. These strategies are an indispensable success component for investors. A good reputation of a company helps in retaining and motivating their enterprise workforce.

CONCLUSION

With its innovation and effective market strategy, Tesla has established its stature as a leader in electronic automobile market. Albeit started its manufacturing by venturing into sports car category, the company's vision is entering the sustainable automobile industry as a whole. Even after due contemplation of all the strategies Tesla is expected to have an unpredictable growth pattern in the automobile industry, particularly after introducing the Model 3. The SWOT analysis conducted revealed the need of the company to incorporate various factors to maintain its competitive edge and enhance overall profitability. Application of more marketing strategies specific to the company's scenario will assist the company to excel in the near future. As a prominent manufacturer in the genre of electric vehicle, Tesla plans to to regain its expansion in the international market. This further ensures stable inflow of revenue for the company.

REFERENCES

1. BERNROIDER, E. 2002. Factors in SWOT Analysis Applied to Micro, Small-to-Medium, and Large Software Enterprises:: an Austrian Study. *European Management journal*, 20, 562-573.
2. DALVAGAS, I. 2016. *SWOT Analysis: Tesla Motors, Inc.* [Online]. Value Line. Available: http://www.valueline.com/Stocks/Highlights/SWOT_Analysis__Tesla_Motors,_Inc_.aspx#.W3-pougzbIW [Accessed 22/08/2018 2018].
3. ERIK GREGSEN, B. A. S. 2018. *Tesla, Inc.* [Online]. Britannica. Available: <https://www.britannica.com/topic/Tesla-Motors> [Accessed 19/08/2018 2018].
4. HIRTENSTEIN, A. 2017. *Global Electric Car Sales Jump 63 Percent* [Online]. Bloomberg. Available: <https://www.bloomberg.com/news/articles/2017-11-21/global-electric-car-sales-jump-63-percent-as-china-demand-surges> [Accessed 21/08/2018 2018].
5. KANE, M. 2016. *Tesla Motors Has Sold Over 120,000 Model S/X. North America Still Largest Market* [Online]. Inside EVs. Available: <https://insideevs.com/Tesla-motors-sold-120000-model-sx-north-america-still-largest-market/> [Accessed 21/08/2018 2018].
6. KENNEDY, S. 2016. *Automotive Products: Expanding a Key Industry to TPP Countries* [Online]. International trade administration. Available: <https://blog.trade.gov/2016/01/27/automotive-products-expanding-a-key-industry-to-tpp-countries/> [Accessed 20/08/2018 2018].

7. KISSINGER, D. 2018. *Tesla Inc. SWOT Analysis & Recommendations* [Online]. Panmore institute. Available: <http://panmore.com/Tesla-motors-inc-swot-analysis-recommendations> [Accessed 18/08/2018 2018].
8. MANGRAM, M. E. 2012. The globalization of Tesla Motors: a strategic marketing plan analysis. *Journal of strategic marketing*, 20, 289-312.
9. TESLA. 2018. *Tesla's mission is to accelerate the world's transition to sustainable energy*. [Online]. Available: <https://www.Tesla.com/about> [Accessed 21/08/2018 2018].