

Tesla Inc. Company Analysis

Student's Name

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Executive Summary

In 2003, Elon Musk, together with Martin Eberhard and Marc Tarpenning, worked to establish Tesla Motors (currently known as Tesla, Inc.). These three engineers wanted to show that electric cars could change the automotive industry. The company is based in Palo Alto, California¹. The company has more than five thousand employees spread over 37 countries. The report outlines the aspects of Tesla's Inc. operation in a series of observations intended to provide the reader with a detailed overview of how the company works and the main challenges. The analysis gives details on Tesla's Inc.'s main innovation problems, the company's strength, and the weakness factors that affect the operational strategies. The paper then suggests alternatives and recommendations to these crucial concerns surrounding Tesla's results from several points of view.

¹ Sy Taffel, "Hopeful Extinctions? Tesla, Technological Solutionism And The Anthropocene", *Culture Unbound: Journal Of Current Cultural Research* 10, no. 2 (2018): 164-165, doi:10.3384/cu.2000.1525.2018102163.

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Introduction

Tesla, Inc. (earlier known as Tesla Motors, Inc.) operates as an innovative automotive and energy solutions corporation. The company's trading symbol in the stock market is TSLA: NASDAQ. The company deals with hybrid electric vehicles, Lithium-ion batteries for energy storage, and domestic solar panels through Tesla's Solar City subsidiary². Tesla, Inc. has developed a reputation as an innovation-driven corporation that aims to revamp the automotive industry. The usage of electric cars is seen as a way of reducing the ecological impact of petrol and diesel cars³. Electric cars portray renewable energy consumption, a trend that is at the core of global business and market debates⁴. Tesla's Inc. innovation and long-term performance in the automotive industry have faced many challenges leading to a slower rate of growth; necessary reforms are needed to grow the company's brand and innovative nature-based on the strength and opportunities. This report examines Tesla's Inc. innovation challenges and gives out alternatives to solve some of the problems such as lack of lithium-ion cells batteries. Recommendations are made to maximize the company's strengths and shoring up the weaknesses.

The Business Case for Innovation

Innovation is essential to the sustainability of today's corporate culture. Innovative problem solving is increasingly needed to find appropriate solutions that meet customer needs. There is a close level of competition in every industry, and through innovation, a business can achieve a competitive edge⁵. The automotive industry is powered by creativity; designers seek to offer products value to consumers through designs that are considered superior to others. Tesla, Inc. market products directly to clients and through social media platforms and retail outlets. The goal is to develop customer-oriented services across a regional network of automotive repair

² Sy Taffel, "Hopeful Extinctions? Tesla, Technological Solutionism And The Anthropocene", *Culture Unbound: Journal Of Current Cultural Research* 10, no. 2 (2018): 164-165, doi:10.3384/cu.2000.1525.2018102163.

³ Bryce Dzialo, "Charging Down The Road: A Historical Analysis Of The American Auto Industry And Tesla Inc.", *Scholarworks @ UVM*, 2018, <https://scholarworks.uvm.edu/hcoltheses/228/>.

⁴ Ibid4

⁵ Karamitsios Achilleas, "Open Innovation In Evs: A Case Study Of Tesla Motors", *SE-100 44 Stockholm*, No. 67 (2013): 15-16.

facilities, mobile service specialists, body shops, supercharger facilities, and destination chargers to promote the universal acceptance of the brands⁶. The company is preparing to launch electric vehicles to meet the demand of a broad range of consumer and commercial vehicles in the market, such as Model 3, Cyber truck, Model S, Model X, Tesla Semi, Model Y, and the latest Tesla Roadster.

To boost efficiency, Tesla Inc. uses different ways to make sure the numbers and quantity of electric vehicles are accessible to consumers. Tesla sells electric cars via internet platforms and the company's showrooms. Most carmakers are willing to deliver electric cars to consumers faster by using a proprietary electric powertrain⁷. Tesla, Inc. encourages other car manufactures by showing that there is an increasing desire by customers for sportive, efficient and eco-friendly vehicles.

In this era of exponential technological growth, companies who do not innovate quickly risk watching their goods and services becoming outdated. The consequences of globalization, migration, information exchange, and technological development have intensified, making the industry extremely competitive⁸. Tesla, Inc. aims at leading innovation in the automotive industry by integrating cars with new technologies. The firm is now building a new market rather than competing with existing auto manufacturers in the petrol and diesel engine markets. If Tesla continues to overcome the obstacles they are currently facing, electric cars are a new concept that is sure to catch the attention of buyers.

Main Innovation Problems

- i. Tesla, Inc. has seen a substantial rise in consumers' demand for electric cars; however, they have no capacity to satisfy this strong demand, which could be hampered by a considerable lack of lithium-ion cells batteries⁹.

⁶ Ibid6

⁷ Karamitsios Achilleas, "Open Innovation In Evs: A Case Study Of Tesla Motors", *SE-100 44 Stockholm*, No. 67 (2013): 15-16.

⁸ Ibid8

⁹ Sy Taffel, "Hopeful Extinctions? Tesla, Technological Solutionism And The Anthropocene", *Culture Unbound: Journal Of Current Cultural Research* 10, no. 2 (2018): 164-165, doi:10.3384/cu.2000.1525.2018102163.

- ii. Energy operated electric vehicles have two main drawbacks high-energy costs and minimal battery capacity. The company has collaborated with Panasonic as the leading battery manufacturer, but there is still a supply shortage.
- iii. Tesla Model S Rechargeable battery accounts for more than 6,000 cylindrical cells, and the corporation aims at manufacturing more than 40,000 electric cars a year. Tesla Model S now contributes around 40% of the world's overall output¹⁰.
- iv. Cylindrical batteries. The prices of lithium-ion batteries are enormous; it accounts for more than 40% of the cost of battery-powered electric cars¹¹.
- v. Electric cars charging challenges is a major problem; clients may be reluctant to buy electric cars if there is a scarcity of charging facilities or lengthy charging hours. Currently, filling stations are readily available to people everywhere, rendering fossil fuel cars more feasible.

Alternatives

- i. Plan on restricting the product range to just three products, the brand would be able to concentrate on production and investment to more specialized markets.
- ii. Tesla, Inc. can partner with other car dealers to work on the long-term strategic aim of developing an attractive consumer market for electric cars¹².

Implementation

- i. In an attempt to achieve greater market reach, Tesla would need to improve branding through increased marketing.
- ii. Tesla's rechargeable battery development is key to the role and strategic competitiveness of the product.

¹⁰ Sy Taffel, "Hopeful Extinctions? Tesla, Technological Solutionism And The Anthropocene", *Culture Unbound: Journal Of Current Cultural Research* 10, no. 2 (2018): 164-165, doi:10.3384/cu.2000.1525.2018102163.

¹¹ Ibid11

¹² Bryce Dzialo, "Charging Down The Road: A Historical Analysis Of The American Auto Industry And Tesla Inc.", *Scholarworks @ UVM*, 2018, <https://scholarworks.uvm.edu/hcoltheses/228/>.

- iii. The low cost of the battery pack enables Tesla to produce larger-than-competitors battery-powered vehicles but put the same focus on architecture, durability, and energy quality.
- iv. Tesla needs to preserve this key advantage to sustain a competitive position in the electric vehicle industry.
- v. Tesla should concentrate on customers who are involved in technology and are politically and socially informed.
- vi. If Tesla can achieve the estimated sales and increase the profit margin, that would be the right track to expand the amount and quantity of electric vehicles.
- vii. Electric cars should be accessible to customers by producing reliable vehicles that have a luxurious design, energy-efficient, and low cost of ownership.

Tesla Inc. SWOT Analysis

The evaluation of Tesla's strengths, weaknesses, incentives, and risks allows one to identify whether potential changes should be made to ensure continuous expansion and sustainably. Tesla, Inc. should plan to provide implementations of the strengths, weaknesses, and challenges described in the SWOT study. These factors determine the context in which the organization works and evolves. Incorporating these strategic choices in the reforms could improve business efficiency and competitiveness in the global market for electric vehicles and energy solutions¹³.

Table 1: Tesla, Inc. SWOT Analysis	
Strengths	Opportunities
<ul style="list-style-type: none"> <input type="checkbox"/> Powerful innovation strategy <input type="checkbox"/> Powerful brands <input type="checkbox"/> A strong influence of the production process 	<ul style="list-style-type: none"> <input type="checkbox"/> Manufacture unique equipment and components. <input type="checkbox"/> Increased demand for eco-friendly cars in society

¹³ Jai Deo Tiwari, "(PDF) Marketing Research On Tesla Inc. - Strategic Analysis", *Researchgate*, 2017, https://www.researchgate.net/publication/327120498_Marketing_Research_on_Tesla_Inc_-_Strategic_analysis.

<ul style="list-style-type: none"> <input type="checkbox"/> Minimal advertisement expenses without conventional advertising, press coverage, and social media are the leading sales drivers. <input type="checkbox"/> Design and implement their patented supercharger network. <input type="checkbox"/> Tesla's patented electronic powertrain system combines low-priced, standardized lithium-ion battery cells and higher efficiency, offering Tesla a market edge over rivals. 	<ul style="list-style-type: none"> <input type="checkbox"/> Increasing fuel costs leading to demand for electric cars <input type="checkbox"/> Willingness to reduce carbon-emitting cars is expected to drive the growth of electric vehicles. <input type="checkbox"/> Development opportunity depends on the company's core strengths, which distinguish it from the competitors; for example, the ability to produce equipment for the clients and other companies.
Weaknesses	Threats
<ul style="list-style-type: none"> <input type="checkbox"/> Limited background of operational activities <input type="checkbox"/> Large Record of Losses <input type="checkbox"/> Issues on lack of flexibility <input type="checkbox"/> Product safety issues <input type="checkbox"/> Leadership problems leading to setbacks in development and distribution, and inaccurate financial expectations <input type="checkbox"/> Various deadlines have not been met, resulting in substantial expenses, negative exposure, and many cancelations of orders. <input type="checkbox"/> Poor scale of operational processes <input type="checkbox"/> Low volume of sales that cannot maintain up the rate of development 	<ul style="list-style-type: none"> <input type="checkbox"/> Availability of petro vehicles <input type="checkbox"/> Advanced technological research from automotive manufactures and businesses specialized in renewable energy supply <input type="checkbox"/> A revolution in battery development, corresponding cost decrease would be required to achieve widespread consumer acceptance. <input type="checkbox"/> Expensive technology for batteries <input type="checkbox"/> Lifespan level of the industrial sector; established growth of the automotive.

Recommendations

- i. The company has to reinvest in battery technology to sustain the manufacturing of electric cars. The process entails the construction of new battery plants to supply enough batteries. Such an undertaking will be a smart decision, as it would facilitate the growth of electric cars in the industry. Other manufacturers of electric vehicles would benefit from the batteries, which is expected to raise more revenue.
- ii. Tesla, Inc. needs to establishment charging station facilities for easy charging of electric vehicles. For electric vehicles, charging facilities are not widely accessible, and it will require a lot of network growth to build them on a massive level.
- iii. Tesla is a growing company, and developing a strong partnership with other companies will ensure sustainability in the market for a long time and build a competitive edge. The initial marketing plan was to create a high-performance electric car at a competitive price range to help offset start-up costs¹⁴. The company subsequently expanded and revamped to concentrate exclusively on electric vehicles sold in the market compared to their rivals who diversified their plans into diesel engine vehicles.

¹⁴ Jai Deo Tiwari, "(PDF) Marketing Research On Tesla Inc. - Strategic Analysis", *Researchgate*, 2017, https://www.researchgate.net/publication/327120498_Marketing_Research_on_Tesla_Inc_-_Strategic_analysis.

The Rise of Electric Cars

By 2022 electric vehicles will cost the same as their internal-combustion counterparts. That's the point of liftoff for sales.

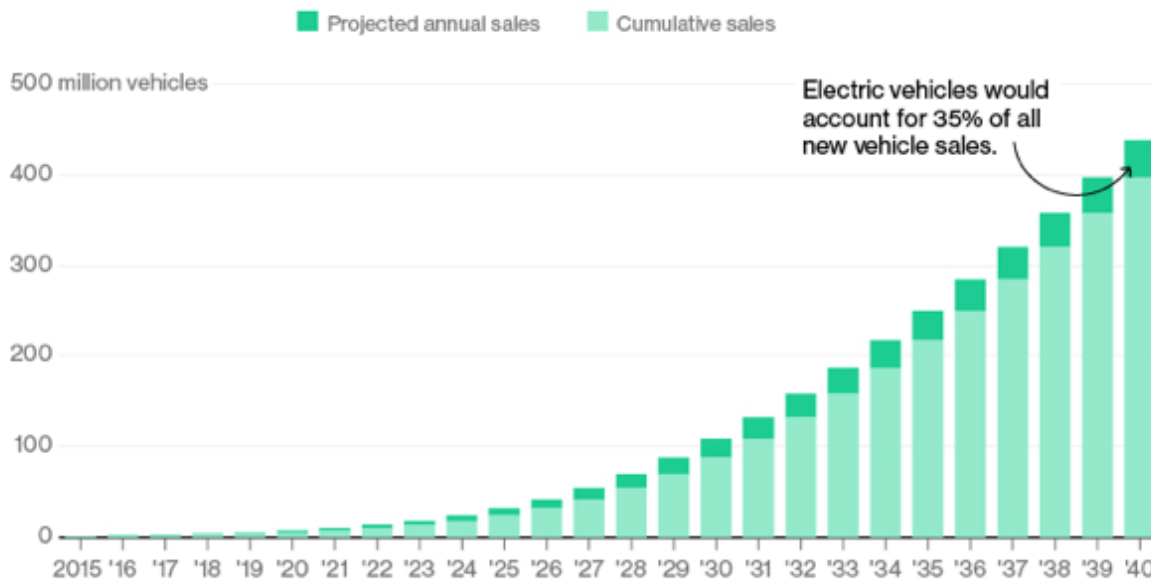


Figure 1: Projected Rise of Electric Cars as Illustrated In Bloomberg Energy Finance¹⁵

Conclusion

Tesla Inc. incorporates open innovation and the joint mechanism by developing R&D partnerships with major companies¹⁶. Through this partnership, the company succeeds in growing innovative technology further. In a global market where the degree of rivalry is extreme, it is very challenging for a start-up company to gain entry into the industry. Investment in a brand

¹⁵ Jesse, "Tesla and the Electric Vehicle Revolution"- *Bloomberg New Energy Finance, Marklines* (2016).
<https://digital.hbs.edu/platform-rctom/submission/tesla-and-the-electric-vehicle-revolution>.

¹⁶ Karamitsios Achilleas, "Open Innovation In Evs: A Case Study Of Tesla Motors", *SE-100 44 Stockholm*, No. 67 (2013): 15-16.

new automotive business needs significant start-up capital. The electric vehicles company invests in maintenance programs to ensure the correct operation of the electrical system. Strong partnership with other firms is very beneficial to exchange expertise. Tesla Motors has initiated a plan by cooperating international partnerships helping further in their innovation. Throughout this sense, the company has built suppliers, OEM, and R&D partnerships that have supported in various fields. Despite the many benefits of open innovation, there are many risks involved; many of these are opportunistic conduct, hidden expenses, and the probability that some of the partnering firms may encounter financial problems that could influence the result of the cooperation¹⁷. Tesla Inc. should illustrate the aspect of sustainable energy and the effects the electric vehicles have on the conservation of the environment. The company should call for a government policy framework to help further Promote electric vehicle companies.

¹⁷ Myles Edwin Mangram, "The Globalization Of Tesla Motors: A Strategic Marketing Plan Analysis", *Journal Of Strategic Marketing* 20, no. 4 (2012): 289, doi:10.1080/0965254x.2012.657224.

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