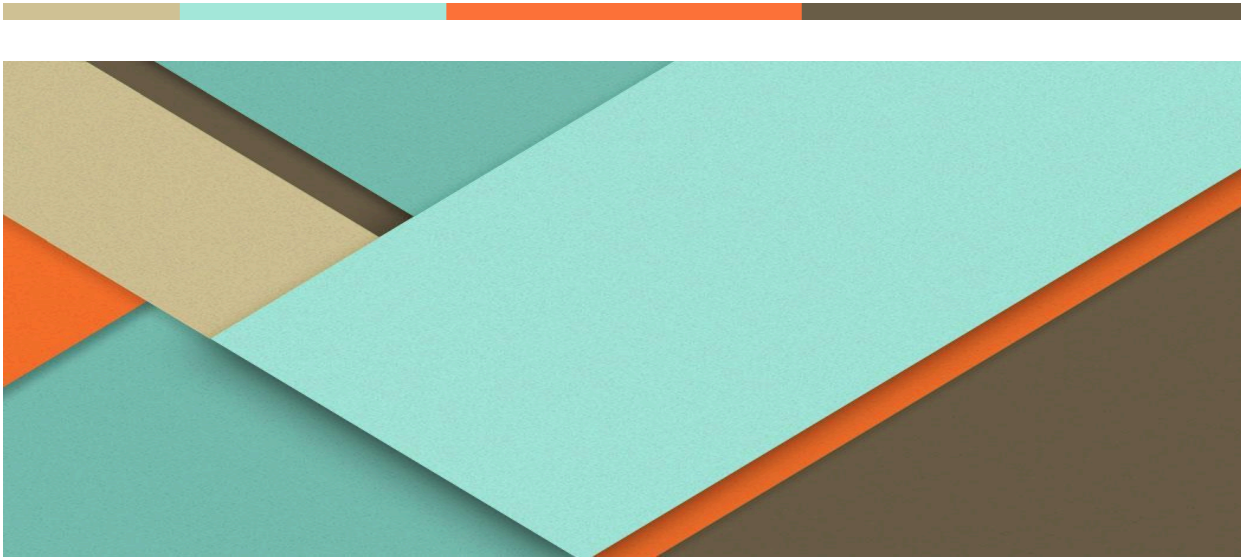




Expanding Tesla's Market Share in China: Strategic Approaches and Execution

Areeb Uzzaman (S172280)

Tami Sambleben (S136641)

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Instructor: Andreas Aarfing Kiær Thomsen

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Introduction

Tesla Inc. is one of the pioneering forces behind the electric vehicle revolution, praised as a firm committed to sustainability in its transport solution. The company was founded because the world needed to be on a faster track towards the transition to sustainable energy. Tesla operates in many parts of the world, and similarly, China is one of its most important markets that provide strategic objectives. The electric vehicle market in China is the largest with a huge opportunity, but at the same time, it is bound to have challenges due to the highly competitive environment and the regulatory atmosphere.

Tesla has tapped into the huge and still growing Chinese automotive market, matching the insatiable demand for clean green electric transports in the country with its core mission of—accelerating the transition to renewable energy. Because Tesla is in China, at long last this global volume will close for sales, market leadership realized, and wide and reap local production. In the last years, Tesla diversified its presence in China: for the first time, it built the Gigafactory in Shanghai, located outside United States territory. That is a strategic move that positions Tesla close to Chinese consumers and acts as a vital element in the global supply chain of the Tesla network.

It is important to recognize Tesla focuses on the enhancement of its competitiveness through the elicitation of local preferences and regulatory requirements for the Chinese market. There is no way Tesla can afford to ignore the fact that the Chinese market is the largest and adopts new EV technologies at the most rapid pace, respective governmental incentives for using clean energy-driven vehicles. That means showing remarkable importance for Tesla being part of the global strategy by penetrating such a huge market with technological innovations and expansion plans.

Research Question

- How can Tesla further incorporate its CSR goals with their business strategies in China?
- What is Tesla's motivation to implement there CSR goals in China?
- Which challenges does Tesla have in the competitive Chinese market?

Section 1: Theoretical Framework

In the following report, we have considered the PESTEL framework based on the Chinese market to look into the macro-environment. That can help us understand the overall external factors that might affect the company. Then, we considered Porter's Five Forces to identify the competitive situation within the Chinese market. Finally, we have used the Business Model Canvas to plot out the Tesla business model and its key building blocks.

We sum up our analysis in a SWOT/TOWS analysis, in which we combine insights from our stakeholder and economic performance examination of Tesla with an analysis that points out the strengths, weaknesses, opportunities, and threats facing Tesla to develop a strategic framework that allows us to draw meaningful conclusions and produce actionable strategies.

Business management in the current competitive environment depends on a set of fundamental theories underpinning its ability to render businesses a glimpse toward competitive advantage in international expansion through ethical conduct or effective strategy execution. These base theories command a considerable position in strategic decision-making processes of almost all functional areas.

Five Generic Competitive Strategies outline a path for businesses to ensure the sustainability of the market. These are the Low-Cost Provider, which provides a company a cost leadership; Broad Differentiation, wherein a company tries to differentiate products so that it can appeal to a large spectrum of customers; and Focused Low-Cost, where a company goes to serves a particular price-sensitive segment; Focused Differentiation to cater to niche customer needs; and Best-Cost Provider, which offers a company a high performance with competitive pricing. The model includes the philosophy of not letting unique company strengths go to waste and transforming the same into unmatched customer value for target segments. The course discusses market-entry strategies for entering international markets, as well as the ins and outs of global business operations. Entry strategies that a firm may undertake to enter international markets are diverse and may evolve from exporting to forming strategic alliances. Emphasis is laid on the need for international strategies to adapt to diverse market conditions, regulatory landscapes, and cultural nuances.



Ethics, Corporate Social Responsibility (CSR), and Environmental Sustainability converge at the point of the interaction between business and societal expectations — each demonstrating the greater effects of corporate decisions. Business ethics apply general ethical principles in business activities, and, by extension, should lead to companies aligning their operational philosophies and strategies with societal values and environmental stewardship. In short, financial objectives should be met without compromise of goals that have to be met in relation to people and the planet.

Organizational Strategy Execution is, thus, about how strategic visions get translated into actionable realities. The course is an organizational cornerstone that sets structures in place to ensure that there are no hurdles in strategy implementation. It encompasses the process of building a competent team, enhancing organizational capabilities, setting a supportive structure, and policies and incentives in line with strategic goals. This is to ensure that improvement in the performance of value chain activities and awarding aligns with strategic objectives. Internal mechanisms and processes will support the overall strategic ambitions only if they are continuously improved.

PESTEL Analysis

Political and Legal

In China, Tesla's operations are affected by political and legal factors in different ways. The government has put in place various policies aimed at increasing the penetration of electric vehicles, therefore reducing environmental pollution. The policies range from subsidies to buyers of electric vehicles, tax exemptions, and very stringent emissions regulations for conventional vehicles. Moreover, based on its ambition to be a world leader in the green and renewable energy sector and its commitment to reduce carbon emissions, China is committed to Tesla's sustainability objectives. However, Tesla is forced to comply with these regulations since there are complicated local regulations, including mandates on local sourcing and manufacturing standards, that are a high must for Tesla to maintain its operational license and benefit from governmental incentives (European Commission, 2023; The Fashion Law, 2022).

Economic

The economic environment in China presents Tesla with both opportunities and threats. Rapid economic growth and an expanding middle class present huge potential for the sale of premium electric vehicles. However,



economic challenges such as reduced growth rates, rising inflation, and geopolitical tensions might be witnessed, resulting in changes in trade policies and consumer confidence. The economic environment goes a long way in determining consumer purchasing power and preferences; hence, Tesla must price and provide other financial methods that are competitive. In addition, fluctuations in currency exchange rates may have potential impacts on Tesla's profitability and pricing in China (Euromonitor, 2022).

Social

Social factors play a crucial role in shaping the market strategy of Tesla in China. There has been an increasing level of consumer awareness and preference for products that are friendly to the environment, arising from issues of air pollution and climate change. The brand image of Tesla as an innovation leader and a beacon of sustainability is well-placed to exploit the increasing ramp in environmentally conscious consumers. This is against the backdrop of cultural preferences and consumer trends, such as the growing popularity of digital technologies and e-commerce, by means of which Tesla will market and sell its vehicles. Understanding such social dynamics is very important for Tesla to gain access to Chinese consumers (Euromonitor, 2022).

Technological

China is one of the global technology leaders, including renewable energy and electric-powered vehicles. This is indicated by the mature Chinese technological infrastructure, which includes elements promoting mass EV adoption, such as a developed charging network and smart grid technologies. Investments in local R&D, combined with the formation of partnerships with Chinese technological firms, will stand in good stead for the magnification of innovation capabilities and products offered by Tesla. Moreover, the fact that China is a leader in the field of battery technology development and production is full of prospects related to the opportunity for Tesla to further increase the effectiveness of supply chain management and reduce production costs. To develop the proof in the market further, it will be helpful if Tesla can always stay on the tip of technological trends in China (Global Times, 2022).

Environmental

Environmental factors are an integral part of Tesla's mission and strategy. At the moment, due to problems with smog in cities and colossal carbon output, China has established very strict environmental policies and regulations. The production of zero-emission cars is in line with the goals of developing sustainable China and controlling pollution. Leveraging its experience in developing sustainable energy, Tesla will be able to assist China in achieving the country's environmental goals and achieve a successful brand reputation through this. Besides, environmental sustainability is of growing importance for Chinese customers, so this fact may further support Tesla's market positioning (Harvard Business Review, 2020).

Legal

Legally, Tesla is supposed to work within a very challenging environment, including local laws about production, labor, and IP. In particular, Tesla's intellectual property will have to be protected in one of the most challenging regions for IP protection. Other legal considerations will be all the laws and regulations concerning labor, including providing equal opportunities for the employees and a safe environment for working. This supposes full compliance to avoid potential risks, simultaneously contributing to additional operational stability and creating a positive reputation for Tesla in China (Daxue Consulting, 2023; Motor & Wheels, 2023).

Porter's Five Forces Analysis of Tesla in the Chinese Market

Threat of New Entrants

The threat of new entrants in the Chinese EV market is relatively low. The industry requires large capital for establishing manufacturing setups coupled with the development of advanced technology, which makes entry into this business very tough. In terms of economies of scale, Tesla, with its Gigafactory in Shanghai, has made huge investments very hard to emulate, making it difficult for any newcomers. Moreover, the strong brand and technological position of Tesla further establish its place in the market. New entrants come in the form of local startups and tech giants, such as Xiaomi and Alibaba, supported by incentives but are still finding it difficult to match Tesla's established presence and advanced capabilities (The Diplomat, 2023; Mordor Intelligence, 2023).

Bargaining Power of Suppliers

Tesla's bargaining power for suppliers is at a moderate level. Being a globally operational organization, Tesla needs a large number of suppliers to provide it with important elements such as batteries, semiconductors, and other materials. Despite the ability of Tesla to mitigate some of that risk through long-term contracts and onshoring some aspects of the supply chain, the general scarcity of suppliers for several key elements fundamentally increases their bargaining power. Additionally, local sourcing is another aspect that makes the supply chain quite intricate. Tesla mitigates these risks by diversifying suppliers and making strategic investments in in-house production that rebalance the power of its suppliers (Panmore Institute, 2023; Global Times, 2022).

Bargaining Power of Buyers

In the Chinese EV market, the bargaining power of buyers is very high. There are lots of choices available in EVs from both local as well as global brands, due to which consumers have a lot of choices, making their bargaining power high. The presence of low significant switching costs makes it easy for consumers to switch between brands easily, and this subsequently puts high pressure on Tesla to keep innovating and ensuring they offer competitive pricing. Moreover, there is increased awareness and information afforded by online platforms, and this gives consumers strong bargaining power. Consequently, Tesla has to offer high levels of customer service and continuous improvement of its innovation to retain or attract buyers in this market (Panmore Institute, 2023; Euromonitor, 2022).

Threat of Substitutes

The threat posed by substitutes for Tesla's electric vehicles is moderate to high. The main modes of transport making traditional vehicles more unpopular are gasoline and diesel vehicles, which are slowly being phased out due to environmental concerns and favorable government policies. Alternative modes of transport include public transportation, bicycles, and recent technologies like hydrogen fuel-cell vehicles. Moreover, other local and international EV brands offer substitutes that fulfill essential transportation needs. Tesla has to differentiate its products with superior technology, brand prestige, and a complete charging infrastructure to mitigate this threat (Euromonitor, 2022).

Industry Rivalry

The industry rivalry present in the Chinese EV market is high. There are many manufacturers of EVs in China, including both local and international players such as BYD, NIO, and Xpeng, directly competing with Tesla. These competitors have strong local support and rapidly advancing technological capabilities. Increasing technological innovation and strategic marketing campaigns have led to intense price competition. Tesla's long-term sustained success depends on continuous innovation, cost management, and efficient scaling of the production process while integrating the Chinese market conditions and preferences (Daxue Consulting, 2023; Global Times, 2022).

Business Canvas model

Business Model Canvas for Expanding Tesla's Market Share in China

Key Partnerships	Key Activities	Value	Customers relationshipp	Customer
Local Suppliers Stakeholders Tech companies Govemerter bodies	Innovation Expantion of local supply chain Expantion of manufacturing	High preforming technologi Quality and advanced features Premium brand with commitment to sustainability Emission free production	Personlized service After sales support Direct selling	Tech sawy Middle to high income Buyers with concerns for sustainability Urban Professionals Young families
	KeyResources		Channels	
	Scale and skills of workforce Relationships with the local suppliers		Online Stores Gigantfactory in Shanghai	
Cost Structure			Revenue Streams	
Manufacturing Marketing R&D Logistics Local Regulations			Selling electrical vehicles Energy storage solutions Solar products Software services	

Customer Segments: Tesla targets environmentalists, tech-savvy, and middle- to high-income buyers whose main concerns are focused on sustainability and innovative technology. This naturally includes urban professionals, young families, and government agency buyers who pay much attention to green initiatives.

Value Propositions: Tesla provides advanced electric vehicles that are high-performing, technologically advanced, and emissions-free; thus, it suits the environmental conditions that China is working to develop. Key



differentiators include the premium brand's commitment to sustainability and a high reputation for quality and advanced features.

Channels: Tesla sells directly to customers through their online channels, stores, and lately, the Gigafactory in Shanghai, through which manufacturing and distribution occur. This allows Tesla to have control over the entire customer experience and maintain consistency in its brand.

Customer Relations: Tesla ensures a strong relationship with customers through personalized services, direct selling, and superior after-sale support. Improved loyalty and satisfaction among their customers derive from the use of digital interfaces for customer interaction and a solid service network.

Revenue Streams: The revenue of the company is basically from selling electrical vehicles, energy storage solutions, and solar products. The company can also earn additional income from software services, which can constitute vehicle connection features, autonomous riding features, or services and maintenance.

Key Resources: Most important are Tesla's proprietary technology and innovation capabilities. Other resources include the scale and skill of its workforce, its Gigafactory in Shanghai, and its strong brand reputation. Intellectual property and the strategic relationships it has going on with local suppliers.

Key Activities: Continuous innovation in electric vehicle technology, expansion of manufacturing and local supply chain capacity, and meeting regulatory requirements. It has to constantly be promoting marketing and customer education campaigns to make more people use its products.

Key Partnerships: Tesla has a partnership with local suppliers, government bodies, and other stakeholders to stake materials, navigate regulatory landscapes, and promote EV adoption. Strategic alliances with tech companies help to enhance the software offerings for Tesla.

Cost Structure: The key cost drivers are manufacturing, R&D, marketing, and logistics, as well as meeting local regulations. And there are also huge investments in sustainable practices and infrastructure, like the charging networks.

SWOT/ TOWS

SWOT Analysis of Tesla Increasing its Market Share in China

Strengths: Tesla is a high-profile brand that offers cutting-edge technology in the EV market. This image would well fit into the Chinese sustainability policy and attract customers from this country. The Shanghai Gigafactory enjoys cost-effective business with supply-chain security while supporting local development and distribution.

Weaknesses: It is heavily reliant on imports, and this exposes its supply chain, so risks from trade tensions and logistical disruptions can hit Tesla. Advanced technology often leads to high costs of production, which in the process possibly reduces profitability in competing with lowly priced local brands.

Opportunities: The electric vehicle demand in China is one of the fastest-growing industries; any entrance to the country may definitely be a window of huge serve. Rising government incentives to clean energy vehicles influence further adaptation. Such strategic partnerships with local companies will help Tesla navigate through any regulatory challenges and enhance market access. Advanced features, such as AI and connectivity, in vehicles may appeal to tech-savvy consumers.

Threats: Intensified competition from companies at home and in China, especially, may apply more pressure on prices and market shares for Tesla. Changes in regulations and geopolitical tension are other risks. Further, a delay in the availability of supply chains or in production might hit Tesla's ability to meet market demand.

Conclusion

Tesla's strategic entry into the Chinese market is perfectly aligned with its mission of accelerating the advent of sustainable energy around the globe. Combining these with the advanced technological standing and business environment China offers, characterized by favorable ease towards electric vehicles, there is no better strategic place to command leadership in the world's largest EV market. The ease with which Gigafactory was established in Shanghai only goes on to confirm the determination of Tesla toward local production, combined with the establishment of supply chains to allow it to actively and rapidly respond to the requirements of the market and the regulatory environment. Still,



it has to catch up with the challenging and dynamic market environment, full of cut-throat competition and characterized by rapid changes in technology and raised regulatory standards. It is only through the strategic alignment of corporate social responsibility goals with the business strategy that will allow Tesla, first, to strongly position itself on the market, and second, make a marked contribution to environmental sustenance in China. Based on these, the PESTEL and Porter's Five Forces have been combined with the SWOT/TOWS to give a clearer picture of the various factors that impact operations at Tesla. Success or failure will depend on how well Tesla can both protect its first-mover technological advantage and strategic partnerships while adapting to the changing evolvement of that market. In this way, Tesla will not only gain success in the Chinese market but also in leading the transition to sustainable energy around the world.

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