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Managing Marketing Strategies at Tesla, Inc. in 2023

This case was written by Dr Huy Nguyen, Lecturer in Marketing at University of Sussex Business School, University of Sussex. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation. The case was compiled from published sources.

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“By 2030, we are aiming to sell 20 million electric vehicles per year.”

Tesla’s Board Chair Robyn Denholm (Pressman, 2021)

Tesla, Inc. (Tesla, for short) was experiencing one of the most challenging periods in its entire 20-year history (Appendix 1). The stock (TSLA) fell off a cliff, having lost approximately 69% of its year-to-date value on the 30th of December 2022 (Sozzi, 2022). On the 28th of December 2022, as a rallying call, CEO Elon Musk strongly urged Tesla staff to disregard the “stock market craziness” and “go all out” to meet the delivery targets (Corfield, 2022). Despite the effort from CEO Elon Musk and the whole company, Tesla missed its targets, selling fewer cars than expected in 2022 (Hull, 2023).

All those remarkable challenges at Tesla happened in the aftermath of the COVID-19 pandemic, also partially caused by the highest level of benchmark interest rate for 15 years in the U.S (Cox, 2022). Tesla urgently needed to contemplate their marketing strategies to meet its ambitious goal of delivering 20 million electrical vehicles annually by 2030 (Pressman, 2021). Should Tesla change their branding strategies? Was there anything that Tesla could do with their product portfolio? Did they charge the right prices for their products?

**Tesla**

Tesla was founded in 2003 by Martin Eberhard and Marc Tarpenning (Cadie Thompson, 2022). One year later, Elon Musk became Chairman of the Board after leading Tesla to Series A funding in 2004. In 2006, Elon Musk showcased Tesla’s vision to the world by releasing the company’s master plan, which could be summarized into only four bullet points: “1. Build sports car, 2. Use that money to build an affordable car, 3. Build that money to build an even more affordable car, 4. While doing above, also provide zero emission electric power generation options” (Musk, 2006). In 2016, CEO Elon Musk updated Tesla’s master plan having successfully achieved all the objectives he set out in the first master plan in 2006 (Musk, 2016).

The 1st of February 2017 was a critical milestone of the history of the company. Tesla decided to change its name from Tesla Motors to only Tesla in order to pursue more ambitious, strategic objectives in the future: becoming a more vertically integrated manufacturer, being able to make any part of their car (Yahoo!Finance, 2023). Between 2003 and 2022, Tesla managed to build the most valuable brand in the automobile industry in the U.S (75.93 billion USD) (Appendix 2). Even more impressive, the brand value of Tesla was more than twice bigger than that of the second largest brand, Toyota (33.11 billion USD). Tesla brand value was also larger than the biggest automobile brands from Germany, such as Mercedes-Benz, BMW, Audi, and Porsche. In 2023, Tesla offered four models in the US market, including Model 3 (a compact sedan), Model S (a luxury salon), Model X (mid-size SUV), and Model Y (family SUV). Tesla Model 3 and Tesla Model Y are among the best-selling plug-in electric models in the world in 2021 (Appendix 4). The U.S and China are the two most important markets of Tesla in 2021 (Appendix 5). Breaking down Tesla’s revenue in 2021, the U.S was number one market (23.973 billion USD) while the Chinese market was the second biggest market of the company (13.844 billion USD), nearly as big as all other markets combined (16.006 billion USD).
Automobile Industry

The COVID-19 pandemic led to a remarkable decrease in manufacturing gross outputs of the automobile industry in the U.S from 50.6 billion USD (2019) to 35.63 billion USD (2020) and 34.82 billion USD (2021) (Appendix 6). In the U.S market, General Motors and Toyota Motor Corp were two biggest players in terms of market share, enjoying 15.18% and 14.94% respectively in 2021 (Appendix 7). Therefore, Tesla had a lot to do to fulfill its ambitions as the company got only 2.02% of the automobile market share in the U.S market in 2021.

Electric vehicles were getting more attention in 2022 as the fuel prices skyrocketed (Ramirez, 2022). As a matter of fact, Google searches for electric vehicles set a record high in March 2022. In the electric vehicle industry, Tesla was still the leading player as the company managed to get 13.84% of market share in 2021 (Appendix 8). Two direct competitors of Tesla in the electric vehicle industry were VW Group (11.28%) and BYD (8.84%) in 2021. Nonetheless, in the electric vehicle industry, everything was still at the beginning. The electric vehicle industry was predicted to be notably more competitive in the coming years as many other tech companies were also planning to join, such as Apple (Milmo, 2021) and Xiaomi (Reuters, 2022). In addition, some traditional automobile manufacturers started to invest more heavily in the sector. For instance, BMW just announced their plan to invest 1.7 billion USD in the U.S to produce electric vehicles in October 2022 (Wayland, 2022).

Challenges

Tesla delivered approximately 1.31 million cars in 2022, which is a 40% increase compared with their car sales in 2021 (Appendix 9). Nonetheless, the number was still very far from their lofty target, selling 20 million cars annually by 2030.

2023 did not appear to be any less challenging for Tesla. The U.S and Chinese markets are the two most important markets of Tesla. Nonetheless, the U.S Federal Reserve was predicted to continue raising interest rates in 2023, which would be a major challenge for many tech companies like Tesla (Moore, 2023). Meanwhile, there was a lot of uncertainty regarding the economic growth prospects of the Chinese economy in 2023 as the Chinese Government relaxed its Zero-Covid Policy on the 7th of December 2022. On a personal level, CEO Elon Musk was dealing with many turbulence after his Twitter takeover, which could be unwanted distractions hurting his performance at Tesla (Kate Conger, 2022).

Tesla and CEO Elon Musk must urgently contemplate their marketing strategies to calm the freefall of their stock in the short-term and meet their car-sales target in the long term.
APPENDICES

Appendix 1 Monthly share price of Tesla from July 2010 to November 2022

Appendix 2 Most valuable brands within the automotive sector worldwide as of 2022, by brand value

Appendix 3 Tesla Car Models in 2023

<table>
<thead>
<tr>
<th>Model</th>
<th>Type</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 3</td>
<td>Compact sedan</td>
<td>Approximately 46,000 USD</td>
</tr>
<tr>
<td>Model Y</td>
<td>Family SUV</td>
<td>Approximately 67,000 USD</td>
</tr>
<tr>
<td>Model S</td>
<td>Luxury salon</td>
<td>Approximately 103,000 USD</td>
</tr>
<tr>
<td>Model X</td>
<td>Mid-size SUV</td>
<td>Approximately 120,000 USD</td>
</tr>
</tbody>
</table>

Source: Compiled by case writer
Appendix 4 Best-Selling Plugin Electric Vehicle Models Worldwide in 2021

Appendix 5 Tesla's revenue in the United States, China, and other markets from FY 2018 to FY 2021

Appendix 6 U.S. automobile manufacturing gross output from 2012 to 2021 (in billion U.S. dollars)

Appendix 7 Estimated U.S. market share held by selected automotive manufacturers in 2021

Appendix 8 Global plug-in electric vehicle market share in 2021, by main producers

Global plug-in electric vehicle market share in 2021, by main producer

Appendix 9 Number of Tesla vehicles delivered worldwide from 1st quarter 2016 to 4th quarter 2022

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