TESLA

# TESLA, INC. STRATEGIC ANALYSIS

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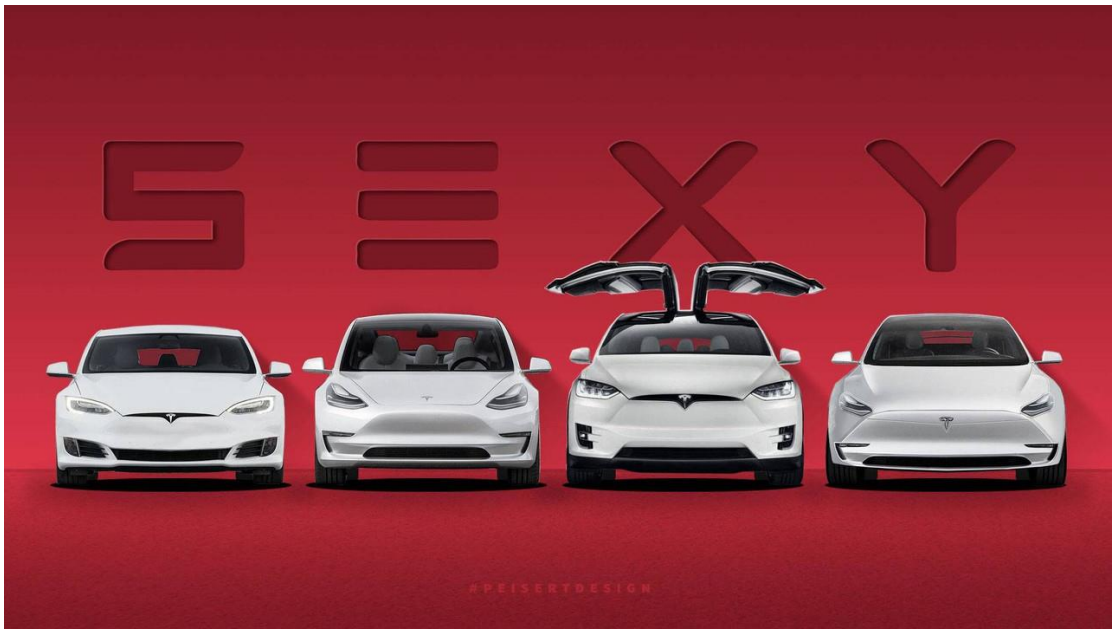
Tesla's mission statement is "***to accelerate the world's transition to sustainable energy.***"




Tesla's vision statement is "***to create the most compelling car company of the 21st century by driving the world's transition to electric vehicles.***"

TESLA

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# BRIEF REVIEW ABOUT TESLA, INC.

**Tesla, Inc**. is an automotive and energy company of America which produce electric cars that located in Palo Alto, California. Tesla was established in July 2003 by a group of engineers such as Martin Eberhard and Marc Tarpenning. They want to show that people do not need to compromise to drive electric. The electric vehicles can be better, faster and more amusing to drive than fuel cars. The former name of Tesla was Tesla Motor. Tesla Motor was joined by Elon Musk, J. Straubel and Ian Wright, all of whom were allowed to call themselves co-founders of the company.

All Tesla vehicles are manufactured at its factory in Fremont, California, where most of the car's components are also made. Tesla has been applied to its diversification business and has created some partnerships to make battery packs for local and professional applications as well as highly competitive solar panels with solar power city.

## TESTLA PERFORMANCE

According to the data, Tesla is slipping from its birth stage to its growth stage, which means the latest investment is needed to meet substantial growth, then revenues just happen and need a few years to show enough profit. Thus, Tesla is in a transitional phase and needs more than ever to create long-term and long-term strategies for growth and maturity.

# INTERNAL ANALYSIS

## ORGANIZATION'S RESOURCE

Main two types of organization's resources such as Tesla Motors financial and physical resources:

The Tesla financial resource was considered by its balance sheet that it has $1.2 billion in cash reserve for a total $8 billion in total asset. The company also owns its factory which is in South Fremont California and can produce 2000 cars per week for a total of 100000 per year. In addition, the second factory of Tesla company located in Nevada that calls Gigafactory which has been financed by Tesla and some of its collaborator including Panasonic, is currently operational and could reach its optimal activity in 2018 by cutting down batteries cost by 30%. In 17th of November 2016, Solar city is a firm whose board of director is closed to Tesla that was merged by Tesla company with the solar cells manufacturer and it also has been validated by both executives. Finally, Tesla is discussing about an eventual acquisition with the German automated manufacturer which named Grohmann Engineering that should enhance the production of Tesla from current 300000 demand to a 500000 annual production.

The physical resource of Tesla was considered as intangible asset which is mostly Intellectual Property including Brand Valuation and Valuable Know-How. According to the results of computing, were exposed that an average Brand value of 14634 million, with a minimum of 2823 million and a maximum of 28517 million. The Tesla Motors has an incredible value as a brand, was represented by a high visionary strategy led by its CEO Elon Musk.

## GENERAL COMPETENCES AND CAPABILITIES

The Tesla Motors has three tree sub categories:

*-Electric Vehicle Manufacturing (EVM):*
Tesla Model S
Tesla Model X
Tesla Model III

Tesla Motors offers in electric vehicles consists in three high quality models all equipped by last high technologies; smart decision making, self-driving, high interaction with the car through beautiful screen. Each model has power supported by an ultra-efficient electric propulsion. The Model S is the luxury sport model of Tesla which is sold between $70000 and $150000. The Model X is a luxury SUV equipped with the same technology than the Model S with higher autonomy and lower acceleration than Model S (3,1 second against 2,7) although this feature is still exceptionally high on SUV. In addition, the Model III has been unveiled on March the 31 of 2016 and start to be delivered in 2017. This model is in the middle classes. It is also positioned on top of the range rather than in luxury by starting from $35000.

*-High Performance Battery manufacturing (HPBM):*
Tesla Power Wall
Tesla Power Pack
Tesla Power Roof
Tesla Motors diversified its activity and had chosen to use its know-how in battery manufacturing to develop smart energy management services. The Power Wall consists in a compact box available for $6000 to $7000 that allows household to manage its energy consumption; stock the electricity produced by renewable energies, make it usable for domestic applications. Tesla also makes available the professional version of its Power Wall; the Tesla Power Pack. This Tesla Power Pack consists broadly in the same utilization than the Power Wall but is built for being integrated in every company with multiple configuration and flexible options. In addition, Power Roof had been announced on last October before confirmation of an eventual merger with Solar city.
*-Capability to draw a consistent future*

Transformational leadership

As the Tesla Motors' CEO Elon Musk is a brilliant entrepreneur involved in many successful tech companies. By drawing this future through its engagements, Musk creates a long term optimistic scenario within which every business he has developed have a high-potential to broadly improve the world-wide situation.

# COMPETITIVE ADVANTAGE

Tesla recently acquired Maxwell Technologies, an ultra-capacitor and battery component manufacturer that's working to provide improved energy storage capabilities.
Tesla's battery research team recently applied for a battery patent that will lead to reduced charging times, higher energy density, and a lower cost
The $35,000 Model 3 will likely be made available as a result of these new advancements. Although it seems that their main focus is currently their automotive products, they also are working on ramping production of their energy production and storage devices which will benefit from better battery technology as well.

# ORGANIZATIONAL STRUCTURE

Tesla has a functional or unitary-form (U-form) organizational structure and it uses the organizational function as the main defining factor

The three characteristics that are significant in Tesla's organizational structure:

*Function-Based Hierarchy (most important*): it involves functional teams or offices that oversee domestic and international operations. This feature is typically observed in traditional corporate structures, where companies aim to maintain strict managerial control of their operations. According to the case of Tesla's organizational structure, the following functional offices direct and represent the global hierarchy:

Chairman & Chief Executive
Officer Finance Technology
Global Sales and Service
Engineering
Legal

*Centralization*: managerial control on the entire organization through decisions that a central group or team generates. The heads of the offices of the global hierarchy form the corporation's central headquarters, which directly control all operations. Tesla minimally supports the autonomy of its regional or overseas offices. The company's headquarters make most of the decisions for overseas operations.

*Divisions:* focuses on the extent of geographical or other types of divisions in Tesla's automotive business. These divisions are used to implement different strategies and marketing campaigns, and to organize financial records and reports. The company's main divisions in its corporate structure are Automotive and Energy Generation and Storage.

# EXTERNAL ANALYSIS

## PESTEL ANALYSIS

### *Political*

*Government incentives for electric automobile*: There have been a lot of initiative taken by the government to support innovation in developing hybrid engines and electric driven powertrain.
*New global trade agreements*: Every car Tesla import to China is subject to a tariff of 40% composed of a 15% regular tariff in existence for some time and an additional 25% tariff imposed after the US initiated his trade war with China. The 25% tariff will now be repealed.
*Political Stability in the majority of major market:* The political stability of major market makes the remote or macro-environment favorable to Tesla's generic competitive strategy and intensive growth strategies, which include market penetration.

### *Economic Factor*

*Decreasing battery cost*: The battery costs have fallen from $100/Kwh in 2010 to $227/Kwh in 2016. The price further expected to dip to $90/Kwh by the end of the decade.

### *Social*

*Increasingly preference for renewable energy*: The demand for sustainable products has grown that make more people think of government.
*Improving wealth distribution in developing market*: Tesla focus on helping transition toward a better, greener, sustainable and more fuel efficient future.

### *Technological Factors*

*Intellectual property rights and patents protection*: Tesla and the sector as a whole will have higher safeguard.
*5G and AI*: Car Tesla has to keep a close eye on the development and enhancement of user experience with increasing speed and access.
*Battery:* The battery of Tesla can delivery faster charging, longer life and lower cost.

### *Environmental*

Tesla is in the process of developing battery packs to be used in conjunction with solar panels to help utilize the suns abundant energy truly making Tesla ecofriendly.

### *Legal*

*Expanding international patent protection*: Legal protection of intellectual property.
*Energy consumption regulations*: It provides Tesla a marketing opportunity to promote their product/
*Dealership sales regulation the United States:* in some states direct sale is not allowed and instead require dealership for sale.

## INDUSTRY ANALYSIS

### *Bargaining power of the buyers*

### *(Moderate force)*

Since the number of the demand of the product in the market is bigger than the number of the suppliers those that producing those kind of product in the industry. There are fewer company while there is a huge amount of desire from buyer. So, the company such as tesla will have more power to control on the price of their product.
But as the company is expanding to mass market by introduction its model 3 into the market it's also causing pricing sensitivity. Furthermore, there is also low switching cost for buyer.

### *Bargaining power of the suppliers*

### *(Weak force)*

In case of so many suppliers who has an operation with the Tesla Inc. and because the development of Tesla's giafactories. Tesla has more power to lower the cost on production by offering in lower price from their supplier. It is fact that each supplier force themselves to accept the offer by decreasing their price, if not the company will switch to other supplier who will provide them the lowest cost. In short we can say that suppliers have weaker bargaining power for negotiate in the price within the industry.

### *Threat of new entrant*

### *(Weak force)*

According to the differentiation, quality, brand and unique of the product it has built a strong power in the economic scale in the market. Therefore, it has a strong barrier to enter the industry and really costly base on resources, technology, and capital for new entrants to enter.

### *Threat of substitute product*

### *(Moderate force)*

A few companies which can put a threat of substitution on Tesla's model 3 are Chevrolet Bolt EV, the Nissan leaf, and the Ford focus Electric. Another threat is that the car which is powered by hydrogen fueled car that's developed by Honda, Toyota, and Hyundai.

### *Rivalry of existing firm*

### *(Strong force)*

Tesla will face such a high density competition with automotive company such as Ford Motor, General Motor, and Fiat Chrysler. Beside, luxurious car producer such as BMW, Mercedes Benz, Audi, Porsche, and Jaguar are announced to produce electric car in the next few years. Moreover, Volkswagen is creating several new electric vehicles already, while Volvo announced to start in this year. In short, these companies are aggressively competing with each other.

## SWOT ANALYSIS

## *Strength*

*Branding:* innovation and invention for the future. The first of its kind to launch the most advance technology in electric car.

*Booming product and technology success:* Tesla is able to produce the high performance and sustainable car thanks to its research and development which is invested in a huge amount of money by Tesla itself.

## *Weaknesses*

*Expensive product prices*: high cost of car compare to other company which sell environmental friendly car. However, the company try to lower its products price by launching the model 3 which was priced at 35,000$.

*High cost of research and development*: Tesla has spent 834$ million in R&D which is equal to 14% of its revenue.

*Limited market presence*: generate most profit from United State but absence in China and other developing countries

*Limited supply chain*: prevent company to grow the customer based and market share.

## *Opportunities*

*Continuing sustainability market trends*: The market today wants sustainability, green, and environment friendly sort of product.

*Upcoming artificial intelligence* and 5G: There's no doubt that Tesla could develop another new level of AI which operate in their autopilot car.

*Global sale expansion*: expand its product to other countries which has such a good economic growth stabilization for example expand to Asian automotive and renewable energy market

*Global supply chain expansion*: in order to support global expansion and operation

*Business diversification*: establishing or acquiring new business in order to survive in the automotive market in the long run.

## *Threat*

*Competition form luxurious and environmentally friendly car*

*Aggressive competition*

*Fluctuation in material prices*: the unstable price of lithium which is the material to produce the source of energy in Tesla product.

*Dealership regulations*

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