



# Sustainability Business Model Tesla Motors

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**Abstract.** Tesla is building not only all-electric vehicles, but also clean energy generation and storage products that are scalable indefinitely. Tesla uses Market Driven Strategy as one of the strategies in developing its business. This study aims to analyse how is the market driven strategy carried out by Tesla to achieve a sustainability business model. The method used is a qualitative method in the form of literature review from various journals in previous research. Based on its four characteristics, namely becoming market oriented, distinctive capabilities, creating customer value, and superior performance, it can be said that Tesla Motors has achieved superior performance. Tesla Motors has been successful in implementing a strategy with a market approach based on the opportunities, threats, advantages, and even weaknesses of the company.

**Keywords:** Market Driven Strategy · Tesla Motors · Strategy · Sustainability

## 1 Introduction

In this day and age, business activities are very diverse, ranging from different commodities to different marketing techniques. Along with the times, business competition will also increase. A business in order to survive in the long term is required to have high fighting power in order to survive in this increasingly fierce market competition. Therefore, it is important for a company to build a strong marketing strategy so that it can stand on top in the intense market competition.

In life there is a principle, “If you do the same thing over and over again and expect different results, then the action is Insanity (madness)”. This is an important thing in the life of marketing. So that in marketing if you only market the product repeatedly in the same way then the product will not be possible to increase sales because when you only market the product in the same way, competitors will give more than what we have given so that we will not complete. Therefore, in this paper, we will examine the Market Driven Strategy as a marketing strategy that can be used so that businesses can stand tall in the long term. As a case study, it will examine the Tesla Motors company and how the Tesla Motors company applies the concept of Market Driven Strategy.

## 2 Materials and Methods

### 2.1 Market Driven Strategy

Market Driven Strategy can be said to be a market-oriented strategy that includes 3C, namely Companies, Customers, and Competitors who strive to provide superior value

for their customers to gain an advantageous position in the market because their main orientation is to improve market access. The fundamental thing for implementing a market-driven strategy is to obtain information about potential demand or market potential as an information base for selecting, formulating, and implementing competitive advantage strategies with a wider market. Market-based management as the activity of learning, understanding, and responding to the perceptions and behaviors of stakeholders in a particular market structure [1]. Market-driven refers to a business orientation that is based on understanding and reacting to customer preferences and behavior in a particular market structure through conducting market research and providing continuous innovation. This orientation is closely related to the acquisition of information and knowledge about customers and competitors, which enables the company to generate product innovations and maintain a competitive advantage.

In every business strategy decision, it must begin with a clear understanding of the market, customers, and competitors. The market and customers that make up the market should be the starting point for building a business strategy. The characteristics of market driven strategy can be identified into four identities, including becoming market oriented, distinctive capabilities, creating customer value, and superior performance [2].

## **2.2 Becoming Market Oriented**

Market orientation in a company can be regarded as the culture of the company's organization. Market orientation is a shared set of beliefs and values that place the customer at the center of a firm's thinking about strategy and operations [3]. Market orientation is a business perspective that makes consumers the focal point of all company operations. A company is market-oriented if it has a culture and commitment to continuously create superior customer value. Market orientation consists of three, namely customer orientation, competitor orientation, and inter-functional coordination. These three things when combined will provide an advantage in competing in the market [4].

## **2.3 Distinctive Capabilities**

A company that adheres to a market-driven strategy must apply the identity of distinctive capabilities in its business activities. A resource is categorized as distinctive capabilities if it is superior, difficult to imitate and can be used in various competitive situations [5]. Resources like this are a source of company advantage and are effective if they can match the demands of consumers. Therefore, understanding the distinctive capabilities and how to relate them to consumer value demands is important to consider in the design of marketing strategies.

## **2.4 Creating Customer Value**

Customer value is the result of a process that begins with a business strategy based on a deep understanding of customer needs. Customer value literally means customer value, which means the value given by customers for a particular product or service. Customers today have a strong value orientation who seek quality and results that exceed the price

they have paid for a product or service, causing a lot of confusion in the calculation of customer value according to the price given [6]. Many companies have suggested pricing based on perceived customer value rather than traditional cost-based pricing. Thus, pricing should not only be about setting prices based on cost and competition, but about justifying prices based on perceived value [6].

## **2.5 Method**

The method used is the Traditional Review, which is a literature review method that has been commonly carried out and the results are found in many existing survey papers. So that a review of scientific works is carried out specifically on one topic and selects the known literature. The literature support used to identify how the state of fintech in the pay later feature is summarized in the following topic.

# **3 The Result and Discussion**

## **3.1 Tesla Motors Overview**

Tesla was founded in 2003 by a group of engineers who wanted to prove that people don't have to compromise to drive electric – that electric vehicles can be better, faster, and more fun to drive than petrol cars. Today, Tesla is building not only all-electric vehicles, but also clean energy generation and storage products that are scalable indefinitely. Tesla believes the sooner the world stops relying on fossil fuels and moves towards a zero-emissions future, the better.

Tesla vehicles are manufactured at its factories in Fremont, California, and the Shanghai Gigafactory. To achieve our goal of having the safest factory in the world, Tesla takes a proactive approach to safety, requiring production employees to participate in a training program several days before setting foot on the factory floor. From there, Tesla continues to provide on-the-job training and track performance on a daily basis so that improvements can be made quickly. The result is that Tesla's safety levels continue to increase as production increases.

In addition to vehicles, Tesla also produces a unique set of energy solutions, Powerwall, Powerpack, and Solar Roof, that enable home, business, and utility owners to manage the generation, storage, and consumption of renewable energy. To support automotive and energy products, Tesla uses Gigafactory 1, a facility designed to significantly reduce battery cell costs [7]. By bringing cell production in-house, Tesla is producing batteries at the volumes needed to meet production goals, while creating thousands of jobs. With Tesla building its most affordable cars, Tesla continues to make products accessible and affordable to more people, ultimately accelerating the emergence of clean transportation and clean energy production.

## **3.2 External Environmental Analysis**

PESTEL analysis (Political, Economic, Sociocultural, Technological, Environmental, Legal) is a tool used to see the big picture of the company's external environment, and

**Table 1.** External Factor Evaluation (EFE)

External Strategic Issues	Weight	Ratings (1–4)	Weight Score
<b>Opportunity</b>			
- The ZEV (Zero Emission Vehicles) program will be adopted in many other places outside the United States.	0.2	4	0.8
- Traditional fossil fuels are expected to be getting thinner.	0.05	2	0.1
- The shift to an electric mobility system.	0.15	3	0.45
- Increasing technology used in alternative solutions for oil and new types of extraction.	0.1	3	0.3
- Selfdriving technology for driving safety.	0.1	3	0.3
<b>Threat</b>			
- There are government regulations in many countries that do not allow direct sales of cars by manufacturers.	0.05	1	0.05
- The development of very expensive battery innovations.	0.2	4	0.8
- Competitors are starting to develop into electric cars.	0.05	1	0.05
- Mindset of people who still think the use of electric cars is not economical.	0.1	3	0.3
<b>Total Weight Score*</b>	<b>1</b>		<b>3.15</b>

\* Total Weight Score > 2.5: responsive

seeks to examine existing opportunities and threats. Tesla has structured the external environmental factors into opportunities and threats that form the basis of the company’s strategy. Furthermore, an evaluation of the company’s response to external factors is carried out using External Factor Evaluation (EFE) based on the previous PESTEL analysis. Opportunities and threats will be weighted to determine how responsive the company is to external issues. This is described in Table 1.

Based on the results of the analysis using the EFE matrix, a total score of 3.15 was obtained, meaning that Tesla was responsive to external issues in handling opportunities and threats. It can be seen from the weight score on the opportunity is 1.95 and the threat score is 1.2. The gap is far enough so that the opportunities you have can be used to cover the threats or challenges facing Tesla.

**3.3 Internal Environmental Analysis**

Internal Factor Evaluation (IFE) Matrix is a strategy formulation tool used to summarize and evaluate the main strengths and weaknesses in the functional areas of a business, and also provides a basis for identifying and evaluating the relationships between these

**Table 2.** Internal Factor Evaluation (IFE)

Internal Strategic Issues	Weight	Ratings (1–4)*	Weight Score
<b>Strength</b>			
- A business model that is difficult to imitate.	0.2	4	0.8
- Production site close to technology development company	0.05	3	0.15
- Having its own distribution network in strategic locations	0.05	3	0.15
- Very low promotion cost	0.05	3	0.15
- Have an expert and experienced R&D	0.05	4	0.6
- Implementation of Supercharge and GigaFactory.	0.1	4	0.4
- Have a visionary and unique management in making strategy	0.1	4	0.4
<b>Weakness</b>			
- The high cost of R&D investment and battery technology development	0.1	1	0.1
- Potential theft of innovation ideas due to implementing an open source innovation system	0.1	1	0.1
- Limited distribution network because it does not go through a third party ( dealer)	0.05	2	0.1
- Only reach high-end consumers.	0.05	1	0.05
<b>Total Weight Score**</b>	<b>1</b>		<b>3.0</b>

\* Rating (1–4): Major Weaknesses (1), Usual Weaknesses (2), Usual Strengths (3), Major Strengths (4); \*\* Total Weight Score > 2.5: responsive

areas (David, 2006). In conducting internal analysis, comparisons against competitors are needed to measure strengths and weaknesses. In the Internal Factor Evaluation (IFE) Matrix, Tesla will be compared with Toyota and described in Table 2.

Based on the results of the analysis using the IFE matrix, a total score of 3 was obtained which exceeded the minimum weight score of 2.5. This means that Tesla is responsive to internal issues in handling strengths and weaknesses. It is clearly seen that Tesla managed to manage its internal strengths and overcome its weaknesses well so that Tesla has a strong internal position (Strong Internal Position).

### 3.4 Consumer Analysis

Tesla has targeted three main consumer segments for each stage of its product adoption:

1. High-end sports car market: a relatively small market segment targeted for introducing the Tesla brand.

2. The luxury vehicle sedan market: a much larger but highly competitive segment, a consumer segment targeted at adopting a wider range of consumers.
3. Mainstream vehicle consumer segment: targeted for mass vehicle production The Tesla market is the Electrical Vehicle market which is also segmented by geographic, demographic, socioeconomic, psychographic, and behavioral variables.

Consumer analysis can be done by looking at the general characteristics of the buyers of vehicles produced by Tesla Motors. Tesla has made several target markets in its business activities, including:

1. Tesla focuses on men (83.9%) and business executives. The majority are between 45–64 years old. 77.3% have an income of more than \$100,000 and are considered rich and are in the upper middle class [8].
2. Tesla is targeting family consumers by selling the Model S and X which are equipped with seven seats, which offer large space for families [9].
3. Tesla sold the Model 3 in 2017 at half the price than any other Tesla model, thus targeting a more price-sensitive segment in the future [8].

### 3.5 Competitor Analysis

Specifically, there is actually no competitor with the same business model as Tesla Motors, but there are several companies in the automotive industry that are starting to enter the electric car market. BMW is one of the competitors in the automotive industry with a premium class market segmentation such as Tesla Motors. The BMW Group is created by BMW, M performance, Mini and Rolls Royce and has been making motorcycles since the 1920s. The car manufacturer BMW produces city cars, sedans and wagons, sports coupes and convertibles, and SUVs. The group is active in more than 150 countries around the world. In 2007, BMW formulated the “Number ONE” Strategy, with two targets, namely profitability and increasing long-term value in times of change. The four pillars of the strategy are growth, future formation, customers and profitability, and access to technology [7].

The group invests in electric and hybrid vehicles. In 2007, the BMW I brand was established, following an investment of 400 million euros, and the first two vehicles were launched in 2013 (BMW i3) and in 2014 (BMW i8) respectively. The BMW i3 is sold in electric and plug-in hybrid versions, with a 647cc two-cylinder petrol engine, with a maximum range of about 200 km for the electric and 300 km for the hybrid model. This is a premium city car made of fine materials, such as Carbon Fiber Reinforced Plastic (CFRP). By the end of the first half of 2015, more than 30,000 vehicles were sold [7].

The BMW i8 is another model of the BMW I family. It is a completely different car from the i3, it is a premium hybrid sports car, with a traditional 1.5 L engine coupled to a 131-hp electric unit, which produces a total power of over 360 mobile phone. Performance is comparable to that of major competitors, with an electric range of 30 km and emissions limited to 49 g per km CO<sub>2</sub> (g/km, 4 times less than competitors) [7].

### 3.6 Competitor Analysis

Tesla uses Market Driven Strategy as one of the strategies in developing its business. Based on its four characteristics, namely becoming market oriented, distinctive capabilities, creating customer value, and superior performance, the implementation of Tesla Motors will be described.

#### *Becoming Market Oriented*

Tesla Motors tries to maximize the perceived value of its customers by offering unique features in its cars. This made it possible to change the previously held conception of electric cars, which were considered slow, unreliable and uneconomical. Tesla manufactures environmentally friendly vehicles, using sustainable operations in its factories. The company offers a variety of ways to customize a vehicle, by presenting different interior color choices, external options and characteristics [7]. In addition, the buyer can decide to buy his car with different battery options and with several configurations (each vehicle can be ordered with one or two engines, each making the car rear-wheel drive or all-wheel drive). A varied lineup is a strategic factor that increases value for customers. The company offers sedans, SUVs and upcoming compact sedans and sports cars. This is a broad reach for a small automaker like Tesla. These options can satisfy different buyer desires and expand customer base. Moreover, the performance offered is better than its direct rivals, and can be compared to several sports cars. The design is also unconventional, making this vehicle an ideal object.

The classic problem with electric vehicles is that they don't reach as far as cars on petrol. The first model was only allowed to drive around town or for very short trips, as its range was limited to 100/150 km (approximately 60/90 miles) on each charge. With its new development, Tesla cars can now go more than 500 km (310 miles) per single charge [7]. In addition, Tesla offers a widespread Supercharger infrastructure, which allows each customer to charge their own car for free with the important benefit of the price paid annually (Tesla states that the 5-year savings with their vehicle amounted to over €5,500 when compared to ICE cars. Traditional). In addition to these savings, many states offer tax and tribute discounts that allow buyers to view these types of cars more comfortably.

#### *Distinctive Capabilities*

The VRIO framework is a tool to analyze the company's internal resources and capabilities to find out whether the company can be a source of sustainable competitive advantage. In the VRIO analysis, the company will analyze the following four questions [10]:

##### 1. Valuable

The first question in this analytical framework is whether the company has the resources that add value to take advantage of opportunities and survive in the face of threats? This target can be achieved with the help of Panasonic, a well-known player in the battery industry who can provide the necessary knowledge, and through the implementation of GigaFactory can provide the company with the capacity needed to manufacture both for Tesla's needs and for external markets.

## 2. Rare

Resources that can only be obtained by one or very few companies are resources that are considered scarce. Tesla has registered a new system that allows its vehicles to reach up to 400 miles (about 640 km) on a single charge, thereby competing on an equal footing with traditional-engined cars. This patented battery system combines metal-air with traditional lithium-ion batteries, where the former is used as a generator to recharge the latter, as is the case with hybrid cars, which use a traditional gasoline engine to recharge the battery.

## 3. Inimitable

Resources that have a high cost will be difficult to imitate, buy, and replace by competitors. In the case of imitation, competitors have two ways, namely by directly imitating / duplicating resources and providing comparable products or services. Tesla's focus on electric cars with strong R&D and network, especially collaboration with Panasonic in producing advanced batteries, is a value that is difficult to imitate because innovation will always be developed.

## 4. Organized to Captured Value

Resources themselves do not provide any benefit to the company if it is not organized to capture value from them. A company must manage its management systems, processes, policies, structures and organizational culture to fully realize its valuable, rare and expensive potential in order to achieve a sustainable competitive advantage. Tesla has an inherent value in its HR, this is because Tesla CEO, Elon Musk, has a unique and visionary view. The management system and policies that are made always look at the opportunities and threats that exist. The strategy made always pays attention to existing internal and external changes. This proves that Tesla is a well-organized company from various sides.

Based on the VRIO analysis, Tesla has met all the VRIO criteria. One of Tesla's most prominent criteria is to consider the resource that best meets the VRIO criteria is Inimitable.

### ***Creating Customer Value***

Tesla Motors to create customer value is done in several unique ways and competitors do not. First, it offers several test drives at Tesla public events, so that potential buyers feel the difference between driving a Tesla versus a traditional car. Tesla cars, especially the Model S, were rated as the best car in the annual customer satisfaction rankings in 2013 and 2014 by Consumer Report.

Second, the key to creating lasting brand loyalty is transparency. In the auto sector, no one does this better than Tesla. The company has enhanced its reputation for quality and customer support by reaching out to its consumers through social media and the Tesla blog. Thanks to this transparency, buyers feel like they are personally connected to the automaker. For example, in August 2014, two Tesla drivers submitted an open letter to Elon Musk through a California newspaper proposing some changes to the vehicle to



be made. The founder himself responded on Twitter by saying that some changes will be included in future production vehicles.

Another strong point in Tesla's relationship with its customer base is Tesla's Best Resale Value Guarantee Program. This consists in keeping the value of the company's cars higher than the premium competitor cars in the market. This guarantee is co-created with Wells Fargo Bank and is personally endorsed by Mr. Musk to give buyers peace of mind about the long-term value of Tesla products. The policy allows customers to return the car after three years of use, with a fixed value that is determined when the car is purchased.

### ***Superior Performance***

Based on the three characteristics of the previous Market Driven Strategy, namely coming market oriented, distinctive capabilities, and creating customer value, it can be said that Tesla Motors has achieved superior performance. This is evidenced by sales that continue to increase and the level of customer trust is increasingly loyal. Tesla Motors has been successful in implementing a strategy with a market approach based on the opportunities, threats, advantages, and even weaknesses of the company. This cycle will revolve back into becoming market oriented and Tesla Motors should not be careless over its competitors in the future.

## **4 Conclusion**

Based on the results of the analysis using the internal and external environment with IFE and EFE matrix, the total scores were 3 and 3.15, respectively. This means that Tesla Motors can respond to the company's internal factors and can take advantage of existing internals to respond to global competition.

Tesla uses Market Driven Strategy as one of the strategies in developing its business. Based on its four characteristics, namely becoming market oriented, distinctive capabilities, creating customer value, and superior performance, it can be said that Tesla Motors has achieved superior performance. This is evidenced by sales that continue to increase and the level of customer trust is increasingly loyal. Tesla Motors has been successful in implementing a strategy with a market approach based on the opportunities, threats, advantages, and even weaknesses of the company.

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