



The 4P's of Marketing Mix Analysis: The Uniqueness of Tesla's Strategic Marketing Tactics in China

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Abstract. This paper examines Tesla's distinct marketing strategies in China from the perspectives of the marketing mix's four Ps (Product, Price, Placement, and Promotion). To begin with, Tesla employs a product adaptation and differentiation strategy to make its products more competitive and advantageous when compared to existing domestic competitors. Additionally, Tesla has expanded rapidly in China by opening physical stores and service centers with futuristic characteristics across the country to stimulate sales of its products. Moreover, there are two types of strategic tactics for pricing in the 4Ps of the marketing mix, including price-cutting strategy and charm pricing strategy. These two marketing strategies help Tesla to stimulate hesitated consumers to have a purchasing behavior. Ultimately, Tesla's promotional strategy focuses on digital marketing to strengthen its brand image and engage with consumers in the local market. Overall, through the marketing mix analysis of Tesla, the contribution of this paper is to emphasize the significance of the 4P of marketing mix in launching a new product in a foreign market.

Keywords: Marketing Mix; Tesla; Marketing Strategy; Chinese Market.

1 Introduction

Globally, along with an increasing number of electric vehicles sold yearly, the whole market for electric cars grows sharply worldwide. Although consumers' purchasing power is highly affected by the COVID-19 pandemic, according to the International Energy Agency, electric car sales still reached a new record of 6.6 million in 2021, doubling the sales in 2020. Also, electric car sales in 2022 indicate strong growth, and the top countries for electric car sales were mainly led by China, the United States, and European Union [1]. Because of Chinese government subsidies and Chinese consumers' growing concerns about the negative environmental impacts of traditional gasoline-powered vehicles, most electric vehicle companies now have an excellent opportunity to enter the Chinese market. According to data from the China Association of Automobile Manufacturers, 6.89 million new energy vehicles, including electric and hybrid vehicles, were sold in China in 2018, accounting for a significant portion of total vehicle sales worldwide in 2022 [2]. Admittedly, electric vehicles, a relatively niche segment

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of the Chinese car market at first, have already developed a big market attracting foreign companies to seize the local market share. As a highly competitive company of electric vehicles around the world, Tesla is not an exception to entry into the Chinese market. This paper will use the case study method to analyze how Tesla uses the tools of 4P's to adopt marketing strategies to cater to the needs and preferences of the local market when it entered the Chinese market in 2014. Also, the author will provide suggestive advice about marketing tactics for the future of Tesla in China.

2 Product

In the 1950s, the concept of the 4P's of marketing, which included "Product, Price, Placement, and Promotion," was first popularized by Neil Borden, an advertising professor at Harvard University. His article "The Concept of the Marketing Mix" effectively illustrated the 4P's of marketing strategies that companies could use to enhance their market performance [3].

The primary component of the product is always important in a highly competitive company's marketing mix. As a result, launching a sufficient number and variety of products into the targeted market is an important consideration for decision-makers.

2.1 Product Adaption Strategy

Tesla, Inc. is a product-orientated company when it first planned to open the electric vehicle market in China. In order to cater to the preferences and needs of target consumers in the local market, Tesla modifies an extensive range of electric vehicle versions, including Model Y, Model 3, and Model X Plaid. For instance, Tesla realized Chinese consumers prefer to travel with prominent families. Therefore, offering a larger rear seat space on Model Y accommodates big families in China. Besides, it is a trend that an increasing number of online ride-hailing Tesla drivers registered in China nowadays, Tesla provides all models with a Chinese navigation system with voice recognition in Mandarin by partnering with Baidu Map for the sake of tailoring to the Chinese market [4]. In this way, it brings convenience for and increases the safe possibility of both chauffeurs and passengers, since chauffeurs do not need to look at the screen of the phone's navigation anymore when driving.

Furthermore, Tesla, as a globally innovative company, continued to improve their electric vehicles in a variety of ways, including increasing the powered battery range, maximum speed, and longevity. For example, Tesla discovered that their target consumers enjoy travelling in Tesla vehicles, so Tesla formed a product development team comprised of professionals to continuously pursue long-term goals. The figure 1 illustrates a trend that the range of Model 3, Model 3 with long-range version, Model X, and Model Y has mainly increased in three years. It is pretty worth it for Tesla to put so much effort into the design and innovation technology of electric vehicles, reasoning that the product adaption strategy has largely helped Tesla push the boundaries of the possibility of electric cars and gain Chinese customer loyalty.

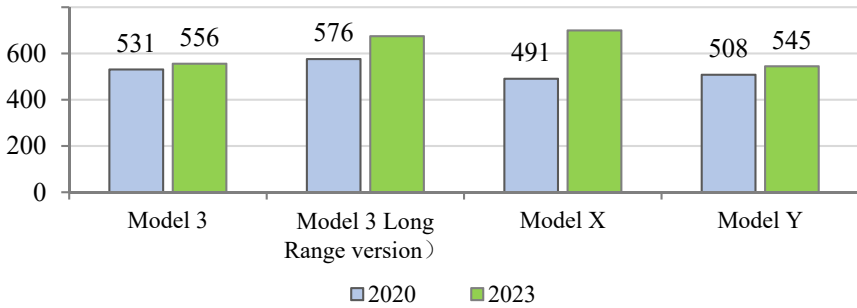


Fig. 1. The range of Tesla models in 2020 VS. 2023[5].

2.2 Product Differentiation Strategy

Because of the product's unique features, product differentiation is critical in order to effectively separate from competitors in the market. Tesla designs four models with Plaid, Performance, and Long-Range Versions for different groups of consumers in China in order to become highly competitive in the Chinese electric vehicle market. Table 1 clearly shows that all models included approximately two to three versions differentiating on the range, maximum speed, and seatings provided for Chinese consumers.

Table 1. Tesla's Production in China [6].

Model Type	Range	0-100km/h	Maximum Speed	Seating	Price
Model S	715km	3.2s	250km/h	4	¥789,900
Model S (Plaid)	672km	2.1s	322km/h	4	¥1,009,900
Model 3	556km	6.1s	225km/h	5	¥229,900
Model 3 (Performance Version)	675km	3.3s	261km/h	5	¥329,900
Model X	700km	3.9s	250km/h	7	¥879,900
Model X (Plaid)	664km	2.6s	262km/h	7	¥1,039,900
Model Y	545km	6.9s	217km/h	5	¥261,900
Model Y (Long Range Version)	660km	5.0s	217km/h	5	¥311,900
Model Y (Performance Version)	615km	3.7s	250km/h	5	¥361,900

Taking Model S with the Plaid version as an example, its sleek design and impressive range with innovative technology facilitate it comparatively advantageous in the upper-class market when Tesla is compared with local competitors, such as BYD and NIO. Although these local competitors have tried to catch up with Tesla for years, they still lack the ability to match Model X with the Plaid version's uniqueness of product design and cutting-edge technology. Meanwhile, Model 3 and Model Y features are affordable and accessible and appeal to middle-class consumers [7]. Tesla always continued to create new models in the niche market -- Cybertruck, which has the utility of a truck with sports performance targeted towards higher income individuals, launched the reservation in China in 2020. Thus, the main reason Tesla insists on launching various models with different versions in China is to attract various groups of consumers and gradually try to use a product differentiation strategy to occupy more market share in China.

In short, both product adaptation and product differentiation strategies aided Tesla's success in China by allowing it to create competitive and unique products that engaged Chinese consumers.

3 Placement

After launching the unique products into the market, the company needed to pay attention to the importance of placement. Admittedly, more available and accessible products in suitable locations are able to increase the likelihood of consumers' purchase intention. In 2013, Tesla opened its first physical store with highly decorated features in China and chose Beijing's Parkview Green shopping mall to exhibit their electric vehicles. This way, it was reasonable for Tesla to get more exposure so potential consumers could be walked around and learn more about Tesla. As a result, it was an excellent opportunity for Tesla to make a first impression on Chinese consumers and to introduce itself to the local market. After capturing the attention of Chinese consumers, Tesla has steadily increased its physical presence by opening multiple stores and service centres in developed cities such as Beijing, Shanghai, and Chengdu [8]. In addition, Tesla has added large and futuristic showrooms designed to be interactive with touch screens in the stores to bring an innovative VR experience for Chinese consumers.

In order to stimulate the sales of Tesla vehicles in China, Tesla has invested heavily in building its charging network and partnered with the most significant Chinese charging network provider, State Grid, to expand charging infrastructure in China, with the completion of 10,000 Supercharger stations as of 2022. There are 50 percent more superchargers in China than in Europe [9]. In this case, hesitated consumers considering the issue of lacking charging infrastructure in China, would make a quick choice of purchasing behavior.

Additionally, Tesla has established a super factory in Shanghai to manufacture electric vehicles locally. In this way, Shanghai's factory can produce 4,000 vehicles per week and 200,000 units per year. To a large extent, the construction of the Shanghai factory enabled Tesla to effectively reduce transportation and manufacturing costs and

provide more competitive prices for Chinese consumers by avoiding the impact of unfavourable tariffs and expensive shipping costs, which helps to lower the overall cost of Tesla vehicles [10]. In summary, when faced with massive demand from China, Tesla overcame the barrier of high manufacturing costs and increased the handover rate.

4 Price

Once potential consumers know the product which is available and accessible, they will consider whether the price of a product is affordable. After all, pricing is the last consideration of consumers before purchasing behavior [3]. After analyzing the local market of electric vehicles and the prices of domestic competitors, Tesla has mainly used the following two types of pricing strategies to increase its sales locally:

4.1 Price-Cutting Strategy

Tesla initially differentiated itself from local competitors by positioning itself as a high-end luxury brand. However, the premium pricing strategy did not work well in the Chinese market because Chinese consumers were unwilling to pay a premium for an entirely new brand's electric vehicles. Furthermore, the high price of electric vehicles did not meet the Chinese government's incentives, so the local government has offered an unlimited number of car number plates and subsidies for purchasing electric vehicles as part of the country's efforts to encourage clean energy and reduce air pollution. Hence, Tesla has to change its premium pricing strategy into a price-cutting strategy over time, making Tesla vehicles more accessible and affordable to appeal to a broader range of Chinese consumers and take advantage of the government's incentives. Figure 2 illustrates the price-decreasing changes in Model 3 in China from 2019 to the end year of 2022. In addition, the COVID-19 pandemic in recent years largely impacted Chinese consumers' purchasing power and demand for electric vehicles. However, according to Tesla's official financial statements in 2021 and 2022, its automotive sales growth increased by approximately 23% during the pandemic, along with 29.3% of gross margin, by lowering the prices of Model 3 and Model Y [11].

Price (Ten Thousand Yuan)

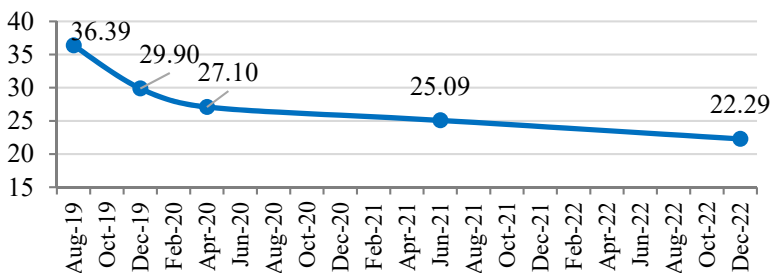


Fig. 2. The Price Reduction Changes on Model 3 [7].

4.2 Charm Pricing Strategy

Furthermore, Tesla has tried to set psychological prices to impact consumers when considering Tesla positively. Based on Table 1, all the prices of Tesla vehicles in China typically end in an odd number, like a nine. Researchers usually call this tactic the "Charm Pricing Strategy," which is generally for property sellers to use on the listing prices below round price [12]. Table 1 shows Model X's listing price is ¥879,900 instead of ¥880,000. Model Y's listing price is ¥261,900 instead of ¥262,000 Etc. Admittedly, most consumers used to read prices from left to right, along with unconsciously decreasing attention. Consumers could easily interpret ¥879,900 as ¥800,000 rather than ¥900,000 [13]. By utilizing a charm pricing strategy, Tesla's listing prices are more attractive to consumers in China.

Overall, Tesla's decision to use a price-cutting and charm pricing strategy reflects the company's strategic approach to the local market, allowing it to capitalise on Chinese government incentives and compete more effectively with key competitors.

5 Promotion

The 4P's of the Marketing mix is like a funnel. Once unique products are created and displayed in the physical store, a majority of consumers would be attracted and come to sit in and touch the product. When some consumers learn about the product's price, it indicates that these potential consumers have a higher possibility of purchasing the product. However, to keep these potential consumers choosing the product, promotion would be the company's last and most powerful strategy to instill this group to make final purchase decisions in this funnel. In other words, the promotion provides an effective communication channel with target consumers to generate more product sales. The promotional strategy of Tesla in China is to focus on digital marketing, domestic social media platforms, and influencer marketing tactics. [14]. Leveraging Weibo, WeChat, and The Red Book, the most popular social media apps in China, contributes to engaging young Chinese consumers and promoting Tesla vehicles. For example, Tesla has over one million followers on Weibo and regularly posts Tesla's information and activities to interact with Chinese fans. Moreover, Tesla has launched its first online flagship store on Tmall, mainly selling Tesla accessories and peripheral products. Also, it used popular Chinese online communication tools--- live streaming by cooperating with Chinese influencers to promote the brand image. Admittedly, Tesla has seized every popular Chinese shopping festival to promote campaigns. Tesla provided a lottery activity for four accessible limited-edition vehicles to domestic makeup brand--- Perfect Diary's Weibo fans during its 618 campaign. As a result, this post successfully gained 67,000 likes, 96,800 shares, and 46,600 comments, which helped Tesla increase its brand awareness on Weibo [15]. Furthermore, Tesla has focused on developing a Chinese-language official website and app that offer online test drive booking and car configuration. Finally, relying on digital marketing on popular Chinese social media platforms assists Tesla in promoting a strong brand image, engaging with consumers, and ultimately choosing Tesla.

6 Conclusion

To sum up, this paper reviews the analysis of 4P's in the marketing mix for Tesla in China. The researcher illustrates the significance of the 4P's of the marketing mix, including product, placement, price, and promotion elements. Overall, marketing strategies could assist Tesla in more effectively reaching its target market in China. Tesla's core innovation capability in product design brings local innovation of electric vehicles, but Tesla has enjoyed global success. As previously stated, the marketing approaches of product adaptation strategy, product differentiation strategy, price-cutting strategy, and charm pricing strategy have successfully established a strong brand image, engaging and gaining loyal consumers, and ultimately expanding market share in the Chinese electric vehicle industry. Although purchasing electric cars still represents a relatively small percentage of the overall Chinese car market, as long as Tesla continues to improve its technological advancement on the product itself, pursue more cost-effectively, and enhance consumers' driving experience, Tesla would have long-term success in the fierce competition in China.

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