



A Study of Tesla's Competitive Strategy in the European Electric Vehicle Market

Yue Yin

Immersion academy school, California 92460, USA
info@immersionacad.com

Abstract. With the improvement of environmental awareness and the support of government policies, the sales of new energy vehicles have grown significantly in Europe. As a leader in the EV market, Tesla has both opportunities and challenges in the European market. This study focuses on Tesla's competitive strategy in the European EV market and analyzes how it formulates and implements its competitive strategy to gain market advantages in the fast-developing European EV market through literature research and multiple data analysis. The study finds that Tesla has rapidly seized the market with its high-end models, self-driving technology and environmental awareness, built a huge network of supercharging stations, and adopted a direct-to-consumer sales model. However, sales have declined in the face of a range of political factors and diversifying consumer demand. The results of the study reveal Tesla's strengths and weaknesses in the European market, which not only provides a reference for Tesla to optimize its strategy but also provides experience and inspiration for national car companies to go overseas.

Keywords: Tesla, European Electric Car Market, Competitive Strategy.

1 Introduction

With the increased emphasis on environmental protection and new energy sources, the EU has developed a series of political measures. By 2030, CO₂ emissions from new cars will be reduced by 55% compared to 2021 levels, and CO₂ emissions from new vans will be reduced by 50%. By 2035, the sale of all new internal combustion engine vehicles will be banned, leading to a 100% reduction in emissions [1]. Against this backdrop, sales of electric vehicles in Europe are surging. The European electric vehicle market exceeded \$360 billion in 2023, and experts expect it to grow at a CAGR of 29.1 during the period from 2024 to 2032 [2].

In this fierce competition in the European electric vehicle market, the brand Tesla stands out. This study provides an in-depth analysis of Tesla's competitive strategy in the European electric vehicle market. As a leading company in the global electric vehicle industry, Tesla's development strategy in the European market can provide important references for other car companies. For Chinese automakers, an in-depth study of Tesla's performance in the European market can help them better formulate their overseas strategies and enhance their international influence. According to an article,

Tesla's sales in the European market have been declining since the beginning of this year. This situation has attracted the attention of industry experts and many scholars, and people have conducted research around this event.

The European Union (EU) has developed a series of policies to promote the development of high electric vehicles. The (TEN-E) regulation funds the development of energy infrastructure, including EV charging infrastructure, across Europe. The TEN-E regulation supports the deployment of fast charging stations along major highways and in urban areas [3]. In addition, the EU's Carbon Boundary Adjustment Mechanism (CBAM) aims to ensure market equity by placing a reasonable price on the carbon emissions generated in the production process of carbon-intensive products entering the EU; at the same time, the mechanism can incentivize non-EU countries to actively promote the transition of industrial production to a cleaner, lower-carbon direction [4].

This study mainly adopts methods of literature research and data analysis. On the one hand, it obtains information on Tesla's European sales data, product layout, market share, etc. by reviewing official reports and relevant literature for industry analysis; on the other hand, it collects data on sales, price, cost, etc. of Tesla and other electric vehicle brands in Europe, and through comparative analysis, it understands Tesla's competition in all aspects and explores the key factors affecting its competitiveness.

2 European Electric Vehicle Market Scale

As shown in Figure 1, the share of electric vehicles in the market of European countries is gradually rising. According to statistics, the registration of electric vehicles is close to 3.2 million in 2023, which is nearly 20% higher than in 2022 [5]. With the expansion of the market scale, the competition in the European electric vehicle market has become more and more intense and has attracted the participation of many foreign car companies.

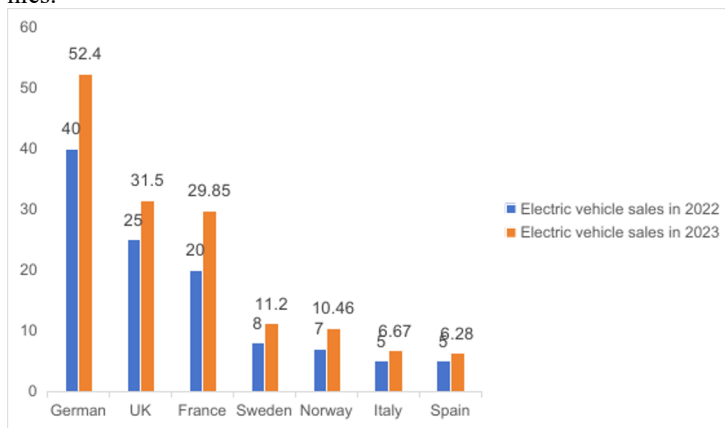


Fig. 1. Comparison of the share of electric vehicle sales across European countries from 2022 to 2023.

In the module of the European electric vehicle market, Tesla ranked third in 2023 with a share of 15.7%, only behind Volkswagen Group (ID series, market share of 22.3%) and Stellantis Group (its Peugeot and Fiat Den brand took 18.9% share). This shows that Tesla has a position in the European electric car market that should not be underestimated. In terms of sales figures, Tesla delivered more than 250,000 units in Europe in 2022, up 38% year-on-year. Among them, the Model Y became the best-selling electric car in Europe, with annual sales of 142,000 units, surpassing the 125,000 units of the Volkswagen ID.4, and ascending to the sales champion of the European electric car market.

In terms of regional distribution, Germany, France, the United Kingdom and Norway have become Tesla's core markets. Norway, as the country with the highest penetration rate of electric vehicles in the world, the proportion of electric vehicles is more than 80%, and Tesla's performance in the country is particularly outstanding. In 2023, Tesla's market share in Norway reached 20, and the Model Y was the top electric vehicle sales in Norway for three consecutive years [6]. Other major markets are located in the country market share is higher than 11%.

The European electric vehicle market is diversified, with two main categories of brand competitors. In terms of local brands, traditional car brands such as Volkswagen, BMW and Mercedes-Benz are accelerating their electrification transformation, posing a huge threat to Tesla with their complete sales network and deep technical heritage. Volkswagen Group's ID series, covering ID.3, ID.4 and other products, BMW's iX, i4 and other electric models, as well as Mercedes-Benz's EQ luxury series of models have attracted many consumers in Europe, with rapid year-on-year sales growth. Meanwhile, new Chinese power brands represented by BYD and Azera are starting to enter the European market. BYD has achieved good results in Europe with its blade battery technology and cost-effective pricing. In 2023, BYD's registrations in the UK grew by 550% year-on-year. Azera is rapidly building brand awareness with its lifetime battery replacement model and high-end services, but the share of new Chinese brands in Europe is relatively small and at the early stage of market development.

Government support is also an important factor driving the growth of electric vehicles in Europe. The European Union's "2035 Fuel Vehicle Ban" policy has set out a clear development path for the automotive industry and accelerated the electrification transition of automotive companies. At the same time, European governments have also introduced a series of policies for electric vehicles. In the purchase of subsidies, the Netherlands provides a maximum subsidy of 5,000 euros for pure electric vehicles, and France provides a subsidy of 7,000 euros for electric vehicles priced below 45,000 euros. In infrastructure construction, Germany plans to build 1 million public charging piles before 2030, Italy provides tax incentives for charging pile construction enterprises, Sweden promotes the "green corridor plan", in the traffic artery tongue under the high-density charging pile network. These policies not only stimulate market demand but also reduce the consumer's concerns about the purchase of cars.

Shifting consumer preferences is also an important driver of market growth. In the Nordic countries, people have a strong sense of environmental protection and are highly receptive to new energy technologies. In Norway, for example, more than 80% of consumers list environmental factors as their primary consideration when purchasing a car,

which has made electric vehicles popular in the region. In Southern Europe, Italy, Spain and other countries, the government's car purchase subsidy policy significantly reduces the cost of consumers to buy a car, promoting the market demand for electric vehicles. In addition, as technology continues to advance, the range of electric vehicles continues to improve, and charging facilities are becoming more and more sophisticated, consumers are increasingly looking at this tendency to intelligent and environmentally friendly vehicles.

3 Tesla's European Market Strategy

3.1 A Subsection Sample

Tesla focuses on simplicity in product design, eliminating the traditional instrument panel and adopting a large center screen with vehicle control, entertainment and other functions, which has gained a large number of consumers' favor.

Tesla has a clear product position in the European market. The main high-end models, such as Model Y and Model 3, have an average price of about 45,000 euros. These models emphasize the autonomous driving technology (FSD) as the core selling point, and the Beta version of FSD has been tested in some European countries, which is equipped with such functions as automatic lane changing, automatic parking, intelligent navigation assistance driving, etc., which is more advantageous than the assisted driving system of traditional car companies. Such product positioning helps Tesla to establish its high-end brand image, enhance its brand influence, and obtain a larger profit margin, but it also limits the market coverage to a certain extent.

Tesla adopts a direct-to-consumer sales model, which is both convenient and reduces sales costs [7]. Consumers can customize the vehicle through the official website to place orders online or go to offline experience stores for consultation and a test drive. This mode has no intermediate circulation links, so that Tesla can directly grasp consumer data and accurately analyze market demand, but it also faces the same policy restrictions on the direct sales mode in some countries, which affects market expansion to a certain extent.

Tesla's Supercharger network is extensive in Europe, with over 12,000 individual Superchargers currently covering over 90% of Europe's major cities and transportation thoroughfares. These charging stations can provide a range of approximately 200 miles in about fifteen minutes (exact range and time varies by model), and such impressive charging speeds make them much faster than competitors' charging networks on average, which not only solves the problem of consumers' mileage anxiety, but also further enhances the brand's competitiveness [8]. In addition, Tesla has used Superchargers as a touchpoint for brand promotion, with some charging stations established near high-end shopping malls and tourist attractions, enhancing brand exposure.

3.2 Creating an Environment-Friendly Image Through "Zero Emission" Publicity

Tesla has taken "zero emissions" as its core promotional point and is fully committed to shaping an environmental protection image that closely aligns with the green government of Europe.

Tesla conveys the concept of "zero emissions" through diverse channels [9]. In advertisements, whether it is TV commercials showing vehicles traveling freely in a pure and natural environment or the online advertisements interpreting zero-emission technology, they are all conveying their environmentally friendly features to consumers. For instance, in Germany, Tesla's advertisements emphasize that its vehicles do not emit exhaust emissions while in operation, which is highly consistent with Germany's goal of reducing air pollution and has strongly resonated with local consumers.

Apart from online advertising, Tesla is also actively involved in various offline activities to integrate into the environmental protection ecosystem in Europe. In the UK, Tesla participated in an environmental protection public welfare exhibition, setting up a special exhibition area. It not only showcased the technological advantage of zero emissions for its vehicles but also presented its innovations in the subsequent links of energy recycling, enabling consumers to understand the environmental protection plan of this product. In France, Tesla, in collaboration with local environmental organizations, jointly held the "Green Mobility Forum", inviting numerous industry experts, government officials, and consumer representatives to discuss the role of electric vehicles in promoting green transportation. This move greatly enhanced the brand's publicity and strengthened its image as an environmental leader.

Tesla's environmental image is also reflected in its deep integration with European green policies. The European Union has formulated strict carbon emission regulations, and Tesla, with its "zero emissions" feature, perfectly aligns with this policy orientation. In terms of business operations, Tesla actively responds to policy calls and increases its investment in the utilization of renewable energy. Some of the supercharging stations are powered by clean energy such as solar power, reducing carbon emissions from the source of energy supply and providing support and implementation for Europe's green policies. Such an all-around environmental protection image shaping has enabled Tesla to gain recognition from European consumers.

3.3 Test Drive Events to Eliminate Consumer Anxiety about Range

Range anxiety is also a key factor hindering consumers from purchasing electric vehicles. As a result, Tesla has offered long-term test drive events in markets such as Norway and the Netherlands.

In Norway, Tesla has collaborated with local tourism agencies to design an "Electric Vehicle Test Drive Tour throughout Norway". After a consumer's application is successful, they can take a two-week self-driving trip in a Tesla vehicle. During the journey, Tesla's supercharging station network is reasonably distributed, allowing consumers to charge conveniently and experience the speed and efficiency of charging firsthand. Moreover, the on-board system will display energy consumption data in real time, allowing consumers to intuitively understand the vehicle's power consumption.

Many consumers who participated in the test drive said that through this test drive, they found that the range of Tesla vehicles far exceeded expectations and was fully capable of meeting the needs of daily travel and long-distance trips, thus dispelling their previous concerns.

Tesla has also launched long-term test drive events in the Netherlands, targeting urban commuting and nearby travel scenarios. Consumers can take the vehicle home and use it continuously for a week. Consumers can experience Tesla's energy consumption performance in daily travel and on various road conditions, as well as the convenience of its fast-charging function. Meanwhile, Tesla staff will also provide detailed charging guidelines for test drivers, including knowledge about efficient charging and more. Through this test drive experience that is close to daily life scenarios, Dutch consumers' confidence in the range of Tesla vehicles has significantly increased. Many people placed orders for cars without hesitation after the test drive ended.

4 The Challenges Tesla Faces in Europe

4.1 Policy and Regulatory Pressure

The increasingly strict carbon emission regulations in Europe have also been a headache for many automakers. The European Union requires car manufacturers to take responsibility for battery recycling. This measure aims to reduce the potential harm of battery waste to the environment [10].

For Tesla, battery recycling is a complex and costly task. Its battery technology is advanced, and its internal structure is very complex, requiring professional disassembly equipment and technicians. To meet compliance requirements, Tesla has had to invest a large amount of money to establish dedicated battery recycling facilities and develop efficient recycling technologies. These additional costs have weakened its price advantage in market competition. Furthermore, as regulations continue to raise standards, Tesla needs to constantly upgrade its recycling technologies and facilities, which is an ongoing task.

Once upon a time, car purchase subsidies were a powerful boost to the development of the European electric vehicle market. However, in recent years, countries like Germany have gradually phased out subsidies for electric vehicle purchases, and this change has had a significant impact on Tesla's market sales. Take Germany as an example. At the end of 2022, private subsidies were terminated. Before that, the German government offered subsidies of up to 6,000 euros to eligible electric vehicles, which made models of brands like Tesla more attractive in terms of price.

After the subsidies were reduced, the price advantage of Tesla models is no longer obvious. When consumers purchase a car, they have to pay a higher cost, which makes some consumers who are particular about the price give up.

4.2 Differentiated Market Demands

In Europe, people in different regions have different consumption preferences for cars. Most cities in Southern Europe have a long history and narrow streets. Small cars are

more convenient for parking and daily commuting. Tesla, on the other hand, currently mainly launches mid-to-large-sized models. The larger body dimensions cause inconvenience when driving on narrow streets, and the relatively high prices exceed the budget of some consumers in Southern Europe.

The Eastern European market is relatively sensitive to prices, and consumers generally have a high demand for low-priced electric vehicles. However, Tesla's models are priced relatively high and there is a lack of models priced under 30,000 euros. This makes it difficult for Tesla to expand in the Eastern European market and fail to meet the demands of local consumers.

The environmental controversies sparked during the construction of Tesla's Berlin factory, such as deforestation and water resource usage, have drawn widespread public criticism in Europe. The Berlin factory has cut down a large amount of forest to obtain construction land. This act is regarded by environmental protection organizations in Europe and some people as serious damage to the ecological environment. They believe that cutting down forests will affect biodiversity and the local ecological balance.

4.3 Consumer Trust Crisis

In addition, the issue of water resource usage during the construction and operation of factories has also been widely criticized. In some parts of Europe, water resources are tight, and Tesla's factory's excessive water usage has been questioned for lacking sustainability. These environmental disputes, through extensive media coverage, have seriously damaged Tesla's brand image. Consumers have developed a crisis of trust in Tesla's environmental commitment, and the brand's favorability has dropped significantly. If this trust crisis is not properly resolved, it will have a long-term impact on Tesla's development in the European market.

5 Conclusion

This study comprehensively analyzes Tesla's competitive strategies and challenges in the European electric vehicle market. The European electric vehicle market is showing a rapid growth trend driven by policies, technological progress and changes in consumer demand. Tesla once held an important position in the European market with its high-end product positioning, extensive charging network, innovatively developed products and effective brand marketing. However, the decline in sales in 2025 exposed a series of problems. Research shows that Tesla has a problem with lagging product iteration in the European market. At the same time, it failed to take effective countermeasures when facing the brand crisis caused by consumer dissatisfaction due to controversial remarks. In terms of responding to competition, Tesla was highly passive and failed to promote any market in response to market changes and the demands of European consumers. These deficiencies have all had a huge impact on Tesla's competitiveness in the European market.

Future research can delve into two aspects. Firstly, it is necessary to explore the impact of the differences in consumer preferences among different European countries on brand competition strategies. For instance, some consumers in Northern Europe pay

more attention to the driving range, while those in Southern Europe are more sensitive to prices. Therefore, enterprises need to formulate corresponding marketing strategies. Secondly, in combination with the EU's industrial policies and supply chain layout, analyze the long-term impact of the electric vehicle industry chain on costs and the market, including the stability of battery raw material supply and whether there is a shortage of chips and other issues.

Tesla needs to accelerate the research and development of its models and launch more products that meet local demands and offer good value for money in the European market, thereby enhancing its competitiveness in Europe. Meanwhile, enhance the cost performance of the products to cope with the fierce market competition in Europe. For Chinese automakers venturing into Europe, they can draw on Tesla's experience in technology research and development as well as marketing promotion to accelerate their localization layout.

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