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Contemporary Issue: New Competition in the Marketplace (The Case of Tesla)

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Abstract: This paper examines the challenge of intensifying market competition facing Tesla amid globalisation and the rapid expansion of the electric vehicle (EV) sector. Despite rising global revenues, Tesla's market share is declining due to new entrants offering comparable technologies at lower prices. In response, Tesla has pursued globalisation through factory expansion, invested in technological innovation to enhance brand value, cut prices in key markets, and leveraged CEO Elon Musk's public image. While these strategies have yielded mixed outcomes, challenges remain, including logistical inefficiencies, reputational risks from price cuts in the luxury segment, and overreliance on Musk for brand visibility. To sustain competitiveness, Tesla must diversify its marketing approach, emphasise CSR-driven branding, and address operational bottlenecks in Europe.

Keywords: Tesla; Globalisation; Market Competition; Innovation Strategy; Industrial Transformation; China EV Market

1. Introduction

The report examined the theme of globalisation, specifically free markets and state intervention and impact of FDI. In examining the impact of globalisation on business performance, the report identified new competition in the marketplace as affecting businesses. Tesla was selected for case analysis. A justification of the choice of new competition in the marketplace as a global business contemporary issue facing Tesla has been discussed. The report also examined the ability of Tesla to respond to new market competition in line with globalisation. The report also evaluated how the response has impacted Tesla's performance.

2. New competition in the Marketplace in Relation to Globalisation

2.1 Background

The contemporary business issue selected for discussion is new competition in the marketplace. It was selected because it fits in the theme of globalisation and Tesla has ventured into new markets in the last decade. Globalisation is like a double-edged sword: it presents new opportunities such as access to a larger market and resources but it also opens the company to immense competition and scrutiny by more rivals and regulations ^[1]. Therefore, new competition in the marketplace is a specific effect of globalisation and its effect on performance.

Tesla is an American multinational specialising in the production of electric vehicles, battery products, and luxury cars. Initially, Tesla focused on the American market where it has grown to become a top luxury brand. However, in 2013 it went global when it first exported its fast car to Europe; then sold another car in Asia in 2014 ^[2]. Initially, the entry into the Asian market was overly successful as it tapped into a market with wealthy consumers willing to buy luxury vehicles that are more unique from those of peers ^[3]. This success did not last long. In Europe, Tesla got favourable reception in Norway owing to its emphasis on green living ^[4]. Generally, Tesla still struggles in markets outside China and the U.S. Tesla has been planning to build a factory in Berlin and enter the Indian market aggressively, however affordability could be a challenge in India. In 2022, the global sales of Tesla increased by 43% YoY, in the last quarter there was visible demand increase in Europe owing to the smoothing production ramp facilitated by the Berlin factory that enabled delivery of a significant number of Model Ys in Germany ^[5].

2.2 New Competition in the Marketplace for Tesla (Revised)

The electric vehicle (EV) market, once an oligopoly, is rapidly evolving toward monopolistic competition as global demand surges and new entrants emerge. Tesla's revenue continues to grow, but its market share has declined significantly—from 79% in 2020 to 65% in 2022—and is projected to drop below 20% by 2025 as the number of competing EV models increases ^{[6][7]}.

In the U.S., Tesla is losing dominance as lower-priced models below \$50,000 enter the market. Tesla's Model 3, starting at \$48,200 be-

fore add-ons, struggles to compete on price^[8]. The company now faces rivals offering similar or superior technologies at lower costs.

China, the largest EV market, accounted for two-thirds of global EV sales in 2022, with Tesla facing intense competition from domestic players such as BYD, NIO, and Li Auto. BYD, backed by Warren Buffett, now leads in sales with comparable models priced up to \$8,000 less than Tesla's^[6]. NIO targets the luxury segment with advanced features, while Tesla's market share in China fell from 13% in 2021 to 8% in 2022^[2]. As EV offerings diversify, Tesla's competitive advantage is increasingly under threat.

Brands	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
BYD Auto	7%	11%	12%	14%	16%	20%
Tesla	15%	15%	14%	16%	12%	13%
Wuling	7%	6%	5%	6%	5%	5%
Volkswagen	7%	6%	5%	4%	4%	4%
GAC Motor	2%	2%	2%	2%	3%	3%
Others	62%	59%	62%	59%	60%	55%

Source: Global Electric Vehicle Model Sales Tracker: Q1 2018 – Q3 2022

Figure 1. Global EV Sales Q2 2021 – Q3 2022

Source:^[7].

3. Evaluation of Tesla's ability to respond to new competition in the marketplace

Tesla has responded to competition using technological innovations, which has seen it become market leader while attaining investor and market confidence immensely. However, new models are coming up with equally good technology and at a lower price such as NIO^[6]. Besides innovation, the EV pioneer has applied various strategies, some that have succeeded and others failed and require redirection.

3.1 Globalisation strategy

Tesla was keen to globalise its market from 2013 as it had primarily focussed on the U.S market. It approached new and key markets by establishing factories in the markets particularly in Asia and Europe. The factory was established in Germany for Europe and China for Asia. In China, the factory saw the market grow its EV use confidence making China the biggest market for EVs globally and forming 40% of Tesla's sales^[7]. While Tesla struggled at first in Europe, from 2021, the factory has seen an increase in sales in the market as it managed to smooth production ramps that had become a challenge. Tesla's market share has increased in the European market.

However, Tesla has an opportunity to fully exploit the European whose EV consumption is second globally by enhancing its logistics. Despite the success of the factory, Tesla is struggling in supply logistics which saw deliveries fall short of expectations in 2022^[6]. This will delay its ability to catch up with competition such as Volkswagen and GAC Motor that are fast coming up by supplying more cars.

3.2 Price Cuts in China

Tesla's 3 main competitors are based in China including BYD, Wuling, NIO and Li Auto. The new entrants and competitors at Tesla have been competing on price. As more people embrace EVs outside the luxury market segment, they are keen on price unlike earlier approaches where Tesla focussed on the luxury market. In January 2023, Tesla introduced price cuts in China which saw the sales of Nio, Li Auto, and Xpeng decline by about 60 percent in one month^[5] while Tesla increased demand by up to 13.5%. The same approach is being applied in the U.S in a bid to spike sales following decline in sales of EV in December globally. However, the price cut caused an uproar in China where earlier customers demanded refunds. Tesla has positioned itself as a luxury EV brand being sold at a premium price and this approach may negatively affect its customer base in the future leading to a decline in sales revenue.

3.3 Using innovation to build stronger brand image and reputation

Tesla has heavily invested in innovation to win consumer confidence in battery performance, ease of charging and technology amid unique technologies such as automated driving^[1]. Initially, Tesla struggled in meeting customer expectations even in terms of supply due to logistical challenges around Lithium. Overtime, Tesla is building its factory to produce Lithium and address the efficiency of the cars and guarantee constant supply. For instance, currently, Tesla has the best performing battery in the EV market with a wide range for consumer convenience^[2]. This has safeguarded its market because even competitors like NIO that have more luxurious EV cannot compete on the battery function of Tesla^[8]. While BYD has lower prices, it cannot compete on the battery performance and luxurious appeal of Tesla.

3.4 Elon Musk

Elon Musk has been a great boost to the confidence of investors and consumers of Tesla cars because of his technological footprint. The other segment of space technology has also increased confidence in Tesla's ability. This confidence has translated to justification of high prices for both the products and Tesla stock. Harwit^[2] notes that Tesla seems to rely on Musk for marketing.

However, Tesla's overreliance on Elon Musk is evident in its stock decline after Musk switched his attention to Twitter^[5]. Decline in market share was expected, but the rate after Musk's shifted focus to Twitter is higher. Tesla should find new marketing approaches detached from Musk like genius advertisements and brand storytelling around CSR.

4. Conclusion

The report concludes that Tesla has the ability to respond to new competition in the marketplace. So far it has successfully used strategies such as using factories (FDI) to enter new markets, superior technology that give its unique and inimitable technologies such as automation and batteries, using innovation to build strong brand image and reputation, and price cuts in key markets. However, it still needs to address logistical challenges in the European market, overreliance on the Elon Musk brand, and uproar of the luxury market segment due to price cuts.

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