Research on Tesla's Marketing Strategy in China

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Abstract: With the increasing challenges of the global energy shortage, environmental pollution, and driving safety, the new energy vehicle industry is gaining more and more attention from enterprises and people. As the leader in new energy pure electric vehicles, Tesla has created a new concept of manufacturing cars with internet thinking and opened up a whole new segment of the automotive market.This paper takes Tesla's entry into the Chinese market as an example and explains Tesla's marketing strategy based on questionnaire data. In addition, a survey was designed and placed on a highly active forum in China to obtain the basic characteristics of Tesla users and what they think, and then the data were analyzed according to the STP theory in marketing to analyze its market segmentation, target market, and market positioning. The paper also provides a comprehensive account of Tesla's marketing strategy in terms of price strategy and brand maintenance strategy.

Keywords: Marketing Strategy; Tesla; Electric Vehicles

1. Introduction

A growing number of automakers and governments are beginning to focus on new energy vehicles as issues like air pollution and global warming continue to get worse. With a clear division of labor between each plant, Tesla has expanded its operations and its network of manufacturing, sales, and supply chain to every corner of the world as a successful multinational company with promising prospects for future growth. Since it entered the Chinese market in 2012, Tesla has been the market leader in terms of vehicle sales there. The company's guiding principles and marketing approach can serve as a template for the development of Chinese new energy vehicle business.

This paper focuses on Tesla using case study approach to analyze its marketing strategy in China in depth. At the beginning of the study, a survey questionnaire was designed to obtain a profile of Tesla users, which was placed on a highly active car forum in China, thus ensuring the authenticity of the data and the size of the sample. A total of 1837 valid questionnaires were collected for this study. Finally, the results are interpreted according to the STP theory in marketing, and the marketing strategy of Tesla in China is explained. At the same time, suggestions are made for its future development strategy based on its current development status to provide a reference for the future development of other automotive companies.

2. Literature review

The popularity of cars in recent years has led scholars to analyze and discuss automotive marketing. Jang et al (2018)explored how to facilitate the electric vehicle diffusion from a two-sided market platform competition. They discovered that EV makers should employ a strategy that offers energy suppliers incentives to voluntarily join the EV platform to increase EV diffusion[1]. Thomas and Maine (2019)found that Tesla Motors has not adopted a strategy for disruptive innovation. Instead, the lens of architectural innovation and the Attacker's Advantage is used to understand Tesla's marketing approach[2]. Shanmugavel and Micheal (2022) applied the technology acceptance model, and the results demonstrate that personal inventiveness utilizes all marketing-related cues and perceived incentives for the usability of electronic cars, i.e., that personal inventiveness is essential for the purchase of goods with new technology[3].

Based on the existing studies, it can be found that most of the studies focus on constructing models to assess the performance of

corporate marketing strategies, while studies that analyze corporate marketing strategies based on specific cases are more limited,Therefore, this paper will take Tesla's entry into the Chinese market as an example and explore what marketing strategies Tesla has used in the Chinese market from the user portrait of Tesla cars, and make corresponding suggestions on the problems and shortcomings.

3.Results

Based on 1837 questionnaires,we found that the main consumer group is concentrated in the age of 30-35, followed by 36-45 years old, in addition, 79.8% of them have a bachelor's degree or above; more than 48% of consumers come from the computer industry or the financial industry, and most of them are in the middle management of the enterprise and above.And the results for the reasons for purchase and opinions on new energy vehicles are as follows

3.1 Reasons for purchase

Table 1. Reasons for purchase

Reasons for purchase	Population	Proportion
Environmental protection and energy saving	1630	88.7%
High-tech configuration	1453	79.1%
High security	1071	58.3%
Excellent performance	977	53.2%
Cost savings	656	35.7%

3.2 Views on new energy vehicles

Table 2. Views on new energy vehicles

Views	Population	Proportion
Demonstrate an attitude to life	617	33.6%
Improve the living environment	1696	92.3%
Symbolize status and position	1222	66.5%
Represent high-tech technology	1323	72.0%

4. Discussion

4.1 Market Segmentation

In terms of spatial division. The more economically developed areas of each market are where Tesla concentrates the majority of its sales. For instance, in China, sales of Tesla vehicles are substantially greater in established cities like Beijing and Shanghai than they are in other cities. According to market pricing and demographics, Tesla vehicles are better suitable for the mid-to-high-end market, where buyers with high-income levels are more likely to purchase a Tesla vehicle. Additionally, the 30- to 45-year-old demographic is the largest customer segment and is more likely to pick alternative fuel cars for transportation. Psychologically, the majority of Tesla car owners are affluent members of the internet or finance worlds who identify better with Tesla's development philosophy and think that new energy vehicles are exemplars of cutting-edge technology and can effectively address environmental issues.

4.2 Market Targeting

The best consumer group for Tesla belongs to customers who have high technological and cultural standards as well as substantial financial resources, particularly CEOs, general managers, and executives of certain enterprises and corporations. In terms of cultural awareness of pure electric vehicles and high purchasing power, they are able to match the key values represented by Tesla. As a result, Tesla's target market is concentrated in developed areas, and its consumer target group is made up primarily of high- or middle-class earners between the ages of 30 and 45 who are interested in living a green lifestyle and protecting the environment.

4.3 Market Positioning

According to the market value of Tesla automobiles, Tesla mostly serves middle- and upper-class customers because its vehicles are significantly more expensive than those from other manufacturers in their class. Second, to satisfy the craving for innovation of successful individuals, Tesla promotes innovative energy and green design ideas. Comparatively speaking, Tesla offers good performance and usability, and it is also full of cutting-edge technological ideas. To maintain its products at the forefront of technology, Tesla makes significant investments in ongoing, top-notch research and development.

4.4 Marketing Strategy

Tesla has created a cost-plus-based pricing model that incorporates new product pricing techniques in order to bring the price of the automobile itself into relative balance with its value. Beginning in 2022, Tesla will offer the Model 3 and Model Y at significantly reduced prices. Tesla will keep changing its pricing strategy in reaction to the business and market conditions. Additionally, Tesla has established a consistent pricing strategy so that customers may benefit from the same prices and services regardless of the country in which they purchase a Tesla vehicle. This has increased customer loyalty and trust in the Tesla brand. Customers are therefore more likely to believe in and support the Tesla brand.

Tesla is dedicated to keeping its brand at a high-end, technological, and incredibly ecologically friendly level as part of its brand maintenance plan. Tesla has deviated from the conventional view of new energy vehicles as "cars" and described them as electronics, opening offline experience shops where customers and tech and environmental enthusiasts may test drive the vehicles in real-world settings. The "pre-purchase-delivery" model used by Tesla to sell its electric vehicles, however, can also be viewed as a sort of hunger marketing. After consumers have experienced the car in an experienced shop, they pay a deposit, arrange for production, and then delivery. This hunger marketing capability makes Tesla's products more attractive.

Conclusion

Based on previous analyses and investigations, there are three important factors that are essential to the success of Tesla's international strategy. The first is its unique development concept, i.e. environmental protection, efficiency, and innovation, which is shared by the majority of people. The second is its precise market positioning and marketing strategy. Tesla has focused its target market on high-income and environmentally conscious consumers aged 30-45, and through its pricing strategy and brand maintenance strategy, it has continued to expand its influence and increase product sales. Thirdly, Tesla has created an excellent industrial chain layout, constantly realizing the vertical integration of the production process, minimizing production and operating costs, achieving a rational allocation of resources.

The current new energy vehicle market is highly competitive, so based on the research in this paper, the recommendations for Tesla's optimization strategy are as follows. Firstly Tesla should address production and delivery issues: Tesla often faces delays and quality issues in the production and delivery of its cars, which also negatively affects the company's reputation and stock price. Additionally, even though Tesla's charging infrastructure is growing, not enough places are still covered. In addition, Tesla's strict integration of the entire industry chain was once a way for Tesla to reduce production costs and maximize profits. However, at the same time, the length of the chain makes it difficult to manage the company, increasing management costs and to a certain extent reducing the operational efficiency of each link.

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