TESLA

BRAND AUDIT

Brand Management
ESADE Business School
December 2017

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Glossary and acronyms

Definitions of product categories and body styles

In the analysis conducted, the following terms and acronyms are used with the meaning specified below

PRODUCT CATEGORIES

BEV **BATTERY ELECTRIC VEHICLES**

The electric cars category refers to all-electrical vehicles only, namely Battery Electric Vehicles (BEVs)

ICE **INTERNAL COMBUSTION ENGINE**

An ICE is a car that solely runs on fuel (gasoline or diesel)

HYBRID **HYBRID VEHICLES**

Hybrid vehicles make use of both a combustion and an electrical engine. The hybrid car segment refers to all types of hybrid electric cars, including Plug-in Hybrid Electric Vehicles (PHEVs), Extended Range Electric Vehicles (EREVs) and standard Hybrid Electric Vehicles (HEVs).

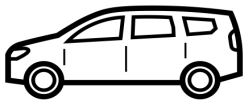
BODY STYLE

HATCHBACK A car that has a trunk in the back that can be lifted up to allow things to be put in. It is often used as a city car

SEDAN A car with seats for four or five people, two or four doors, and a separate trunk in the back

COUPÉ Very similar to the sedan, but typically a more sportive car with 2 doors

SUV A large sport utility vehicle with an engine supplying power to all 4 wheels so that it can easily travel over difficult ground



VANS A medium-sized vehicle with windows all round, used for carrying more people than an ordinary car

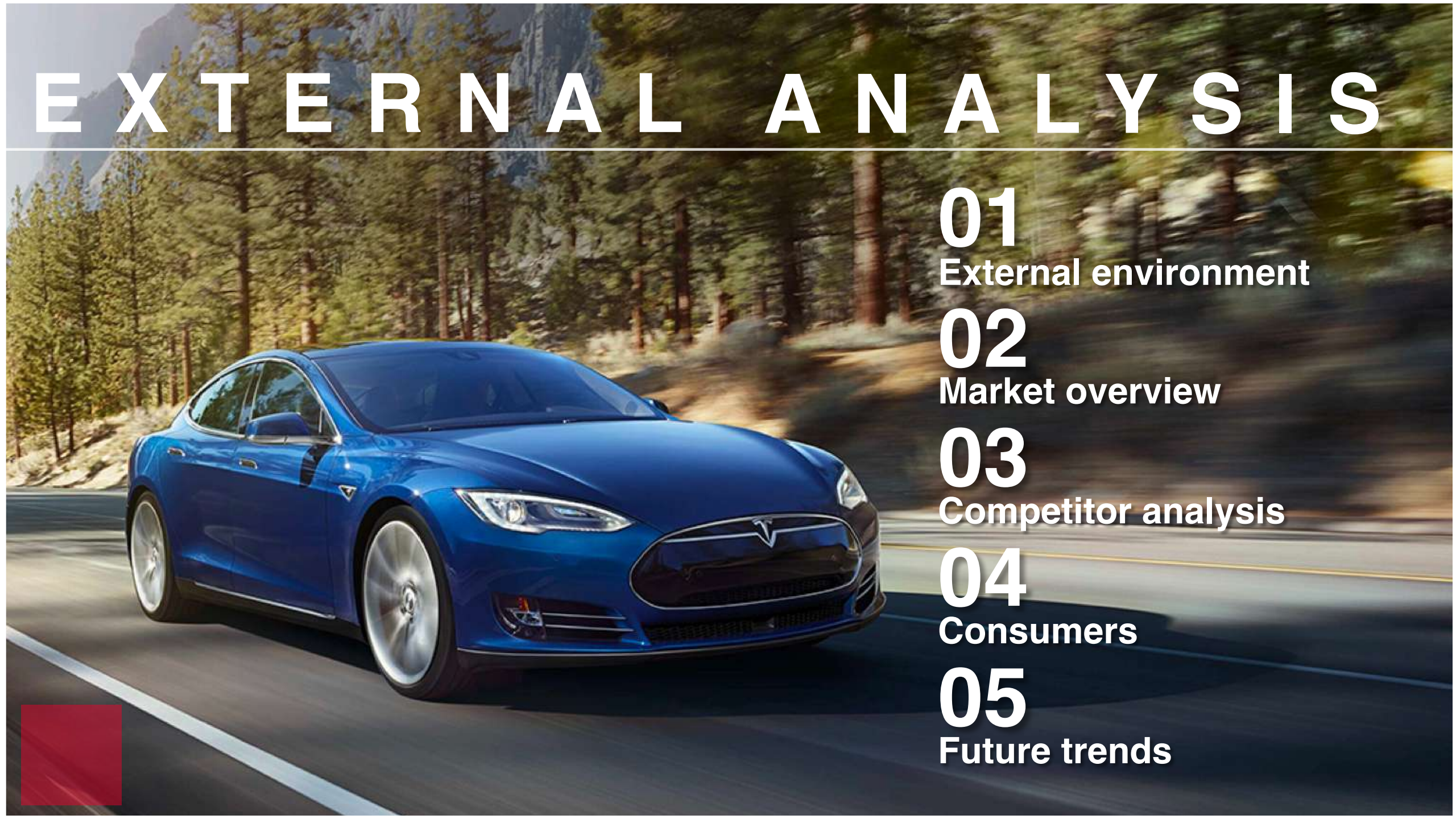
Glossary and acronyms

Classification of vehicles by price level

		ECONOMIC	BELOW AVERAGE	ABOVE AVERAGE	LUXURY
PSA GROUP	CITROËN	C-zéro, C1, C3 Picasso, C4-cactus, Nemo, Berlingo	C4 Picasso, C4 Air Cross, Jumpy, Spacetourer, Jumper	C5, C-elysée	
	DS	Ds3	Ds4	Ds5	
	PEUGEOT	I0n, 108, 208, 2008, Bipper, Partner	308, RCZ, 3008, 4008, 5008, Expert, Traveller, Boxer	508, 301	
RENAULT GROUP	RENAULT	Twingo, Clio, Captur, Kangoo, Zoe	Mégane (Scénic), Fluence, Master	Trafic, Kadjar, Koleos	Espace, Talisman
	DACIA	Logan, Sandero, Duster, Dokker	Lodgy		
BMW	BMW	I3	Série 1, Série 2	Série 4, X1	Séries 3, 5, 6, 7, X3, X4, X5, X6, Z4, I8
	MINI	Mini			
DAMLER	MERCEDES	Citan	Classes A, B, Cla, Vito	Gla	Classes C, E, S, GL, SL, CLS, SLK, GLC, GLE
	SMART	Fortwo, Forfour			
FIAT	ALFA ROMEO	Mito	Guiletta		Giulia, 4C
	FIAT	Panda, 500, Punto, Fiorino, Doblo, Qubo	Ducato, Tipo	Freemont, Talento	
	JEEP	Renegade		Wrangler, Compass, Che- Rokee	Grand Cherokee
	LANCIA	Ypsilon	Delta		Thema, Voyager
FORD EUROPE	FORD	Ka, Fiesta, B-max, T. Courier, T. Connect, Ecosport	Focus, (Grand) C-max, Kuga, Transit, T. Custom	Mondeo	Mustang, Galaxy, S-max, Edge
GEELY	VOLVO			V40	S60, S80, V60, V70, C70, XC60, XC70, XC90
GM EUROPE HONDA	OPEL	Agila, Corsa, Adam, Meriva, Combo, Mokka	Astra, Ampera, Zafira, Movano	Cascada, Insignia, Antara, Vivaro	
	HONDA	Jazz	Civic, HR-V	Accord, CR-V	
HYUNDAI	HYUNDAI	I10, I20, Ix20	I30, Veloster, Elantra	IX 35, I40, Santa Fe, Tucson, Ioniq	Genesis
	KIA	Picanto, Soul, Venga	Rio, Cee'd, Carens, Niro	Optima, Sportage	Sorento
MAZDA	MAZDA	2	3, 5, MX5, CX-5	6	
MITSUBISHI	MITSUBISHI	I-miev	Lancer, Spacestar, Asx	Outlander	Pajero
NISSAN	NISSAN	Micra, Note, Juke	Leaf, Pulsar, Primastar, Nv200	Qashqai, X-trail	370Z, Pathfinder, GT-R, NV400
SUBARU	SUBARU	Trezia		Impreza, Legacy, Forester, Outback, Levorg	Brz
SUZUKI	SUZUKI	Celerio, Swift, Sx4, Jimny, Vitara	Baleno	Grand Vitara	
TATA GROUP	JAGUAR				XE, XF, XJ, XK, F-type
	LAND ROVER			Freelander, Rr Evoque	Discovery, Range Rover
TOYOTA	LEXUS		CT		GS, IS, LS, RX, NX
	TOYOTA	Iq, Aygo, Yaris, Verso-s	Verso, Auris, Corolla	Avensis, Prius, CH-R, RAV4	GT86, Land Cruiser
VOLKSWAGEN GROUP	AUDI	A1, S1	A3, S3	A4, A5, Tt, Q3	A6, A7, A8, Q5, Q7
	PORSCHE				911, Boxster, Cayman, Macan, Cayenne, Panamera
	SEAT	Mii, Ibiza	Leon, Altea	Toledo, Exeo	Alhambra
	SKODA	Citigo, Roomster, Yeti	Fabia, Rapid	Octavia	Superb
	VOLKSWAGEN	Up!, Polo, Caddy	Golf, Jetta, New Beetle, TouRan, Eos, Crafter	Passat, Scirocco, Tiguan, Transporter	Sharan, Phaeton, Touareg

Source: CCFA

EXTERNAL ANALYSIS



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External Environment

PESTEL Analysis

Geographical markets

Spain and France

SPAIN

The Spanish BEVs market is the **focus of the analysis**. It has grown strongly since 2012, even though it is still relatively small with respect to the rest of Europe. The first Tesla showroom was opened in Barcelona in September 2017

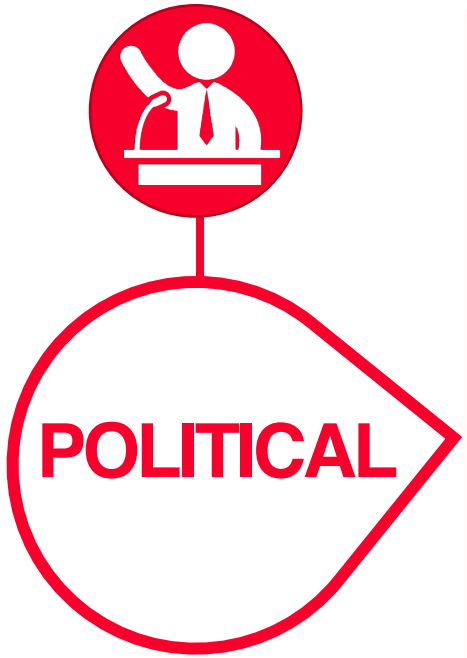
FRANCE

France is used in this analysis as a **reference market**.
With a sales volume equal to 80.133 units, France is the **second largest market in Europe** for Hybrid and Electric Vehicles. **Tesla** has been present in France since **2012**

Sources: Marketiline Industry Profile – Hybrid & Electric Cars in France; Marketiline Industry Profile – Hybrid & Electric Cars in Spain

PESTEL Analysis

Assessment of the external environment in Spain



EU/Global initiatives

- **Paris Agreement** → global warming well below 2°C[1]
- The EU directive on the **Deployment of Alternative Fuels Infrastructure** (2014) required member countries to define electric charging point targets for 2020, 2025, 2030 by November 2016[1]

  The Spanish NPF estimates a comparably low share of roughly 0,5% electric vehicles on the road in 2020. It does not include a 2020 target for recharging points[2]
- **Target**: increase renewables for public transport by 11,3% by 2020; increase by 20,8% the share of energy coming from renewables by 2020 (the EU target is 20%)[3]

Local government/political situation

- **Young democracy** (only around 40 years)
- Rajoy resumed office in Oct. 2016 → end of an unprecedented political deadlock. However, PP still does not have the absolute majority in parliament[4]
- Strong **Catalan independent movement** (referendum October 1st 2017) → very delicate and unstable situation, deep social fracture[4]
- Low importance attached to renewable energy in political agenda → critics argue that standards are counterproductive and hinder incentives (e.g. prohibition of photovoltaic self-generated energy)[5]
- **Foreign investments** face least regulatory restrictions in the secondary sector → regulations are made on the regional level. However, the passage of the Market Unity Law is a first step towards defragmentation[4]

Sources: [1]Global EV outlook; [2]European Commission website, "Summary on national plans for alternative fuel infrastructure" (p.5); [3]Deloitte EV Energy Market Report 2013 (pp. 9-12); [4]Market Line PESTEL Analysis Spain; [5]Online Source REVE (evwind.com)

PESTEL Analysis

Assessment of the external environment in Spain

Quick facts

- **GDP/capita**: €22.482[5]
- Expected **GDP growth rate** for 2017: 2.28%[2]
- **Unemployment rate** decreasing: 22.06% (2015), 19.70% (2016), 18.27% (exp. 2017)[2]

Economic situation

- Huge impact of the crisis on the country's economy. GDP dropped by 16% in the period 2008-2013, now the country is recovering
- Industry: 2nd largest manufacturers of cars in Europe (12th in the world)[1]
- Cars are the most valuable export category[1]
- Product market liberalization + limited competition for energy, electricity, TM markets[2]
- Labour costs fell as a consequence of very high unemployment, but can bounce back once the economy recovers[2]

Energy sector

- High dependency on fossil fuels (petroleum, coal, natural gas)[3]
- Very concentrated electricity market (deregulation in 1998) → few powerful players[1]
- As of 2015, Spain was concentrated on mitigating the crisis effect → policies in the energy sector for the period after 2020 are not defined[3]
- Increasing private electricity cost: 26,72 cents/kWh for low users (1.000-2.499 mWh) and 21,85 cents for heavy users (2.500-5.000 mWh)[4]

Sources: [1]Investinspain.org; [2]Market Line PESTEL Analysis Spain; [3]Deloitte EV Energy Market Report 2013 (pp. 1-13); [4]Statista; [5]Data WorldBank

PESTEL Analysis

Assessment of the external environment in Spain

Quick facts

- **Urbanization:** In 2015, 79,6% of the total population in Spain lived in cities[1]
- **Low fertility rate:** 1,3[2]
- **GINI index (2014):** 36 (30-36 is considered medium)[3]

Car usage

- 1,14 million new passenger vehicles registered in 2016[4]
- Average distance travelled by car: 34 km/day
- Services like Uber and car2go are relatively immature
- 32% of people surveyed mentioned price as the most important attribute for future purchases[3]

BEVs

- 36.590 new passenger BEVs were registered in Spain in 2016[4]
- According to a Greenpeace survey of 2017, 1/3 of citizens want to be part of the transition to an energy system based on renewable sources[5]
- Among respondents, 38% declare to be not at all familiar, 40% somewhat familiar and 21% familiar with BEVs[4]
- Spanish drivers are more optimistic in terms of future electric car shares than the EU average (54% think there will be more than 21% of electric car sales in the next 10 years over the total number of cars sold, with respect to an EU average of 40%)[4]

Sources: [1] Data, Statista;[2] Data, World Bank"; [3]Data, OCED; [4]European Commission "JRC Scientific and Policy Report: Attitudes of European car drivers towards electric vehicles: a survey" (pp.8,13); [5]Online: greenpeace.org, "Uno de cada tres españoles, predispuesto a participar en la transición energética, según Greenpeace"

PESTEL Analysis

Assessment of the external environment in Spain

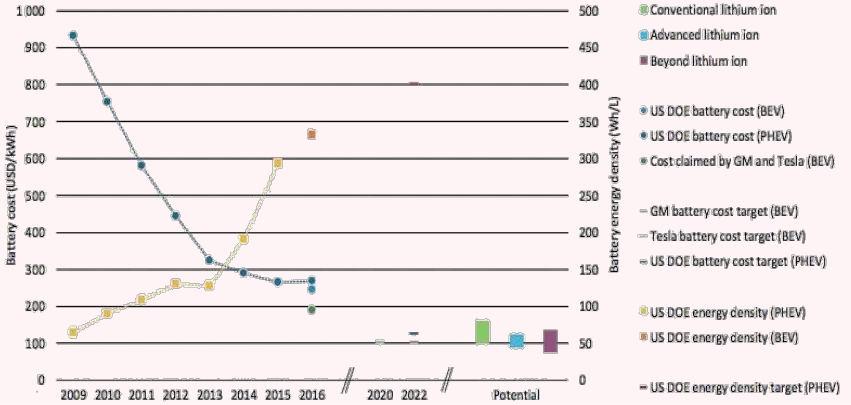
R&D Expenditures

- In 2015, 1,22% of GDP was spent on research and development[1]. R&D policies are very fragmented and focused on regional/provincial level[2]
- The Europe 2020 strategy sets the target of increasing combined and private investment in R&D to 3% of GDP by 2020[3]
- **Degree of innovation:** the low level of innovation is reflected by the low number of patents registered (912 in 2015, compared to France and Germany, with 7.026 and 17.752 patents, respectively)[2]

EVSE (Electric Vehicles Supply Equipment)

- Charging stations: 2.511 (2015)[5]
- Tesla supercharger: 24 (by the end of 2017)[6]
- BMW Group, Daimler AG, Ford Motor Company and Volkswagen Group with Audi & Porsche have planned a JV for fast, high-power charging along major highways in Europe[7]
- **Software:** Web-based apps are emerging to facilitate the access, use and payment of EVSE in Europe
- **Battery**: battery density increases and battery cost decreases. The cost could be further reduced by increasing production volume and pack size[4]

Battery energy density and cost[4]



Sources: [1]Data, World Bank; [2]Marketilne PESTEL Analysis Spain (pp. 5, 35); [3]Eurostat, "Europe 2020 indicators - R&D"; [4]IEA, Global EV Outlook 2017 (pp.13-14, 34); [5]Electromaps; [6]Tesla Website; [7]Daimler Website

PESTEL Analysis

Assessment of the external environment in Spain

Overview

Spain is ranked 6th in the best Environment Performance Index, studied by Yale University and released at World Economic Forum. Nine issues such as health impacts, air quality, climate and energy or biodiversity etc., as well as other 20 indicators, are taken into account to measure effort in these areas[1]

Air Pollution[2]

- Concentration of PM_{10} above limit value in rural areas
- NO_2 concentrations above the hourly limit value (mostly at urban traffic stations but also in 3 urban background stations in Madrid)
- C_6H_6 (benzene) concentrations above estimated WHO reference level
- Largest health impacts attributable to NO_2 exposure (together with Italy, UK, Germany, France)
- Largest health impacts attributable to O_3 (together with Italy, Germany, France, Poland)

Noise pollution[3]

- Transport is the biggest source of noise in European urban and rural areas (60% of people are affected)
- Noise from road traffic alone is the second most harmful environmental stressor in Europe, behind air pollution, according to the World Health Organization (WHO)
- Over 50% of population is exposed to noise between 55-59 db, 20% is exposed to 60-64 db, 10% is exposed to 65-69 db, 15% is exposed to 70-74 db, and 5% is exposed to 75 db

Sources: [1]Online, Environment Performance Index"; [2]EU Air Quality Report; [3]European Environment Agency, "Noise in Europe: Country Fact Sheet Spain"

PESTEL Analysis

Assessment of the external environment in SPAIN

- **Purchase subsidies**
  Plan MOVEA 2017: €14 million allocated for subsidies for the purchase of EVs (approved June 2017) - funds allocated on a first-come-first-served basis until Oct 15th, 2017. Discounts are granted depending on the manufacturer's specification regarding km driving range capacity. Extra €750 are available if the costumer scraps an ICE car that is at least 10 years old[1]
- **Ownership tax:** Mechanical traction vehicles tax - Promote reductions of up to 75% on the annual tax for mechanical traction vehicles[2]

Preferred circulation[2]

- Allow electric vehicles circulation on the BUS-HOV lanes at any time
- Allow the use of electric vehicles on urban roads restricted to traffic (e.g. historic and city centre)
- **Loading and unloading goods:** urban advantages provide preferences of circulation and expansion of permitted hours in order to permit operations at the points provided for this purpose[2]

Regional and administrative level regulations[2]

- **Parking:** guarantee a space assigned for EV charging; free parking for residents (annual fee exemption); parking at €0 rate in any restricted area of the city (Green zone or Blue zone), based on the regulating criteria of the tax ordinances of each municipality
- Bonus on energy recharging in public charging points at ground level and underground parking

Sources: [1]Ministerio de Economía, Industria y Competitividad Website; [2]EMOVE, Encouraging the use of electric vehicles

PESTEL Analysis

Assessment of the external environment in France

EU/Global initiatives

- **Paris Agreement** → global warming well below 2°C[1]
- Member of the **Electric Vehicles Initiative**, aimed at sharing knowledge on policies and programmes supporting EV's deployment → EV30@30 initiative: goal for all members to achieve a 30% market share for EVs over all passenger cars, light commercial vehicles, buses and trucks, by 2030
- **EU target:** 4 million EVs by 2020[2]

  The French National Policy Framework estimates 1,6% EVs on the road by 2020. Each department of metropolitan cities already has at least one recharging point. Distance requirement of more than one recharging point/60 km is fulfilled. The existing CNG refuelling points are sufficient[2]
- As of 6th Nov. 2017, only 8/25 FNP frameworks met the requirements for alternative fuel infrastructure[2]

Local government/political situation

- New presidency of Emmanuel **Macron** (political party: "En marche!", translated as "Forward!" or "On the move!") → considered a progressive party, between left and right wings. It has been described as a radical centrist party socially and economically liberal in ideology. It is EU-friendly
- The extreme-right party "National Front" is also fairly popular
- **Public procurement:** government buys electric cars for public use (goals set in 2017: government fleet - 50% of renewals must be EVs&PHEVs; local authorities - 20% of renewals must be EVs & PHEVs)
- End petrol/diesel vehicles by 2040
- Goal: 7 million charging outlets by 2030

Sources: [1]Global EV outlook; [2]European Commission website, "Summary on national plans for alternative fuel infrastructure" (pp.4-6); [3]EVI: Government Fleet Declaration; [4]Market Line PESTEL Analysis France.

PESTEL Analysis

Assessment of the external environment in France

Quick facts

- **GDP/capita:** €34.472[1]
- Expected **GDP growth rate** for 2017: 1,35%[1]
- **Unemployment rate** was 10% in 2016, and it is now at its 5-year lowest (9,6%, Q1 2017)[3]
- **Industry**: 11th-largest automobile manufacturer in the world by unit production (2015) and the 3rd-largest in Europe (after Germany and Spain)[4]

Economic situation[5]

- Slow but steady recovery: in the period 2012-17 (Hollande's presidency), the country has underperformed in terms of real GDP with respect to Germany, the UK and the US
- High governmental spending, high deficit. According to the OECD, "the fiscal situation is weak, with a chronic deficit, considerable government spending, correspondingly high taxes and rising public debt"
- Corporate taxes eased: French business tax burden is still high, it is a potential barrier to investment and company growth. At 48%, the labour tax wedge was the 5th highest in the OECD in 2015, and the French corporation tax remains the highest in Europe

Energy sector

- The electricity sector is dominated by nuclear power (72,3% of total production in 2016), while renewables and fossil fuels account for 17,8% and 8,6%, respectively. France has the largest share of nuclear electricity in the world[6]
- One of the lowest electricity prices in Europe (14,72 cents/kWh), the average cost of electricity is 26,5% cheaper than EU average, equal to 20,02 cents/kWh[7]

Sources: [1]Data, World Bank; [2]Data, OECD; [3]Financial Times, "French unemployment rate hits five-year low"; [4]Data, OICA; [5]Financial Times, "The Economy that France's Next President Will Inherit"; [6]Data, Réseau de transport d'électricité; [7]European Commission, "Electricity price statistics"

PESTEL Analysis

Assessment of the external environment in France

Quick facts

- **Urbanization:** in 2016, about 79,75% of the total population in France lived in cities[1]
- **Fertility rate**: 2,01[2]
- **GINI Index** (2014): 32,3 (30-36 is considered medium)[3]

Car Usage

- France ranked 3rd in Europe for passenger car registrations (2 million new registrations in 2016)[1]
- Average distance travelled by car: 35,9 km/day[4]
- In rural areas, cars represent personal mobility ("We need a car to live"); in urban areas this concept is less fundamental, moreover, the ownership of ICE vehicles is being questioned because of pollution concerns[4]

EVs

- France ranked 3rd in Europe for new passenger EV registrations (80.136 registrations in 2016)[5]
- 75% of French people would be willing to buy EV, if: (a) they cost less than ICE vehicles, and (b) technological issues were fixed (e.g. autonomy, charging point available etc.)[6]
- The market for electric passenger vehicles is driven by rental car companies (EuropCar, Avis, UCAR, Sixt), car-sharing services (Autolib, Citiz, Uber Green) and by taxi companies (G7, Taxis Bleus)[7]
- Many French cities have introduced an electric vehicle sharing service, for example "Autolib" in Paris, introduced on the initiative of Mayor Bertrand Delanoë, and "l'Auto bleue" in Nice[8]

Sources: [1]Data, Marketline; [2]Data, World Bank"; [3]Data, OCED; [4]Voitures Électriques: En route vers une diffusion massive? (p. 5); [5] Data, Marketline; [6]Voitures Électriques: En route vers une diffusion massive? (p. 6); [7]Export.gov, The Electric vehical market – France; [8]France Diplomatie

PESTEL Analysis

Assessment of the external environment in France

R&D Expenditures

- In 2015, 2,23% of GDP was spent on research and development[1]
- The Europe 2020 strategy sets the target for increasing combined and private investment in R&D to 3% of GDP by 2020[2]

EVSE

- Number of slow-chargers: 14.612[4]
- Number of fast-chargers: 1.231[4]
- Number of Tesla supercharger: 63 (as of Nov,15th 2017)[5]
- BMW Group, Daimler AG, Ford Motor Company and Volkswagen Group with Audi & Porsche plan a joint venture for ultra-fast, high-power charging along major highways in Europe[6]

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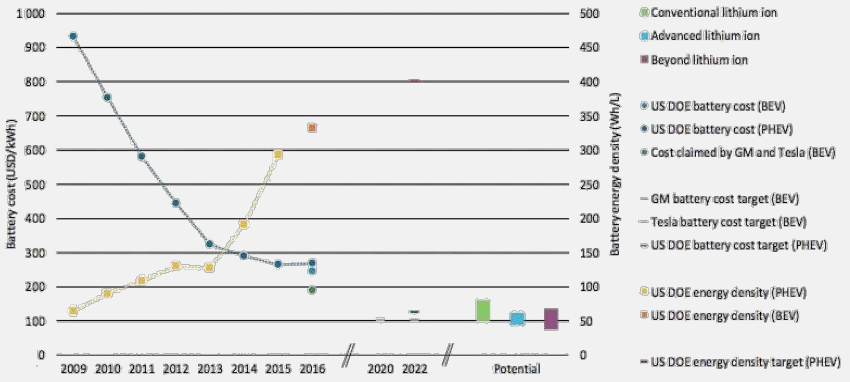

Sources: [1]Data, World Bank; [2]Eurostat, "Europe 2020 indicators - R&D"; [3]IEA, Global EV Outlook 2017 (pp.13-14); [4]IEA, Global EV Outlook 2017 (p. 52); [5] esla Website; [6]Daimler Website; [7]IEA, Global EV Outlook 2017 (p. 34)

PESTEL Analysis

Assessment of the external environment in France

- **Overview**

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- **Air Pollution**[2]
  - Concentration of PM_{10} above limit value in rural areas
  - NO_2 concentrations above the hourly limit value
  - Largest health impacts attributable to NO_2 exposure in Europe (together with Italy, UK, Germany, Spain)
  - Largest health impacts attributable to O_3 in Europe (together with Italy, Germany, Spain)

- **Noise pollution**[3]
  - Transport is the biggest source of noise in European urban and rural areas (60% of people are affected)
  - Noise from road traffic alone is the second most harmful environmental stressor in Europe, behind air pollution, according to the World Health Organization (WHO)
  - 45% of the population is exposed to noise between 55-59 db, 25% to 60-64 db, 20% to 65-69 db, 8% to 70-74 db and 2% to 75 db
- **Actions:** Paris has temporarily made public transport free to tackle severe pollution (e.g. October 2016, PM_{10} > 80mg for several weeks). This decision is usually taken by STIF (Syndicat des transports d'Île-de-France)

Sources: [1]Online, Environment Performance Index; [2]EU Air Quality Report; [3]European Environment Agency, "Noise in Europe: Country Fact Sheet France"; [4]Independent, "Paris makes all public transport free in battle against 'worst air pollution for 10 years' "

PESTEL Analysis

Assessment of the external environment in France

- **Purchase subsidies**: Electric and hybrid electric vehicles emitting 20 g/km or less of CO_2 benefit from a premium of €6.000 under a bonus-malus scheme. For vehicles emitting between 21 and 60 g/km, the premium is €1.000 Diesel Scrappage Scheme: Switching a 11 year or more diesel for a new BEV grants an extra €4.000 (or €2.500 in case it is a PHEV)[1]
- **Ownership tax:** Both fully electric vehicles and plug-in hybrids are eligible for either a 50% discount or are exempt from the license plate tax depending on province[2]
- **Company car tax:** Electric vehicles are exempt from the company car tax. Hybrid vehicles emitting less than 110 g/km are exempt during the first two years after registration[3]
- **Preferred circulation:** EU tailpipe emission standard (Euro 6 in 2016); EU fuel economy regulation; Crit'air certificate (electric car - "zéro mission moteur")[4]
- **EVSE**: Financial incentives can take the form of a tax credit equivalent to 30% of a home charger or subsidies for the installation of residential or workplace, and recent legislation mandated that 50-75% of parking bays in any new or renovated residential building must be pre-installed with conduits that allow the easy installation of EVSE ranging between 7-22 kW. In commercial buildings, 5-10% of parking bays must have conduits suitable for installing EVSE with a power rating of 22+ kW[5]
- **Regional and city level regulations:** For example, in Paris, the municipality has mandated that all electric cars are allowed to use the chargers of its Autolib electric car-sharing programme, with the additional benefits of free parking and dedicated parking spots[6]

Sources: [1]EAFO Website, "Summary: France"; [2]Clean Technica Website; [3]EAFO Website, "Summary: France"; [4]Voitures Électriques: En route vers une diffusion massive?,IAU, (pp. 16-17); [5]LegiFrance Website, Décret n° 2016-968; [6] CCT, "Electric vehicle capitals of the world" (pp. 11-12)

PESTEL Analysis

Spain

SPAIN

External environment in Spain is moderately favourable towards the BEV category

OVERVIEW

There are several **international political forces** that have a **positive impact** on the future of the BEV category in Spain. However, this favourable political climate could be stunted due to **apathy towards renewable energy (current government)** and political instability

Recovering from a recent recession, Spain's macro-economic numbers are far from ideal. In particular, the **unemployment level is still relatively high**. However, the situation has been improving steadily, and GDP has shown decent growth last year

The automotive industry has a significant impact on the environment of many industrialised countries, Spain included. BEVs can be part of the solution to **air pollution and other environmental problems,** and therefore might actually profit from this negative evolution

R&D expenditures and the degree of innovation in Spain **are low**. This is unfavourable for the BEV product category. Fortunately, this is partly offset by global progress in terms of battery technology progress

There are several **legal measures in place** (e.g. preferred circulation measures), that are favourable towards BEVs and will therefore contribute positively to the popularity of the category

Though still **not very familiar with BEVs**, Spanish consumers want to take active part in the transition to sustainable energy and **are positive** about a growth of the BEV category share

PESTEL Analysis

France

FRANCE

External environment in France is moderately to highly favourable towards the BEV category

OVERVIEW

There are several international political forces that have a positive impact on the future of the BEV category in France. This is reinforced by the **policies of the current national government**. However, in the future this could be contested by right wing parties such as Front National, who have gained support in the last couple of years

Economic indicators are far from desirable in France. Nonetheless, they have shown **improvement over the last couple of years**

The automotive industry has a significant impact on the environment, and France is no exception. BEVs can be part of solution to **air pollution** and other **environmental problems,** and therefore might actually profit from this negative evolution

In the last couple of years, major investments have been made in France concerning EV infrastructure. Combined with decreasing prices for batteries, we conclude that **technological elements** are favourable for the BEV category in France

France provides several **fiscal benefits for BEVs**. There are also several measures in place that encourage the use of BEVs. In conclusion, the legal climate in France is fairly favourable for BEVs

The car is a popular transportation mean in France. Consumers have shown a **taste for BEV**, especially in urban settings, where several initiatives have been taken in order to put more BEV on the roads

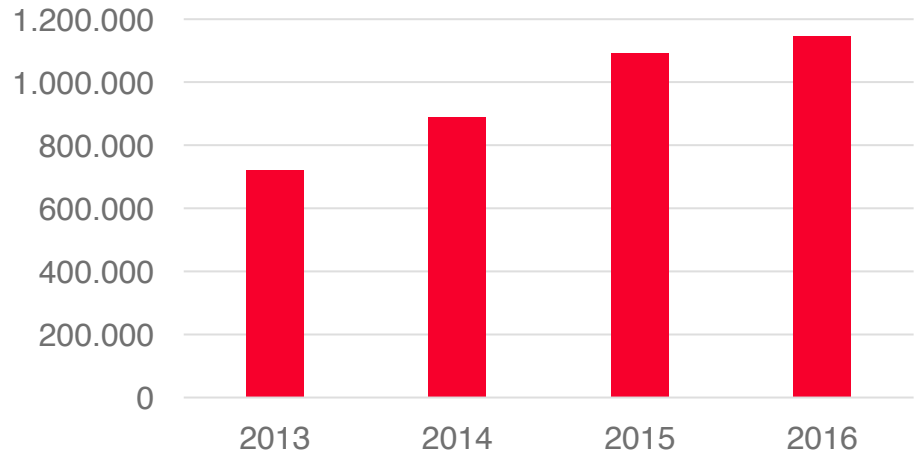
Market overview

Definition of product category and adjacent categories

The Spanish car market

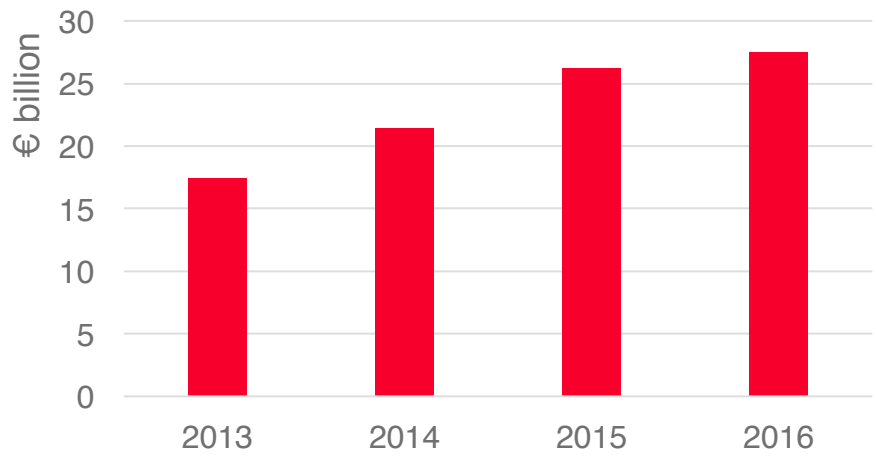
Market volume and value 2013-16

MARKET VOLUME



- New cars market: **1.15 million units** in 2016
- The volume of passenger car sold has been increasing (2015-16), though not at the same rate as during 2013, 2014, and 2015
- Rapid growth probably caused by economic growth and a subsidy scheme backed by the government and manufacturers, offering a scrap rebate of €2.000
- CAGR 13,4% (2012-16)
- Forecast
  - Expected to rise to 2.39 million units by 2021
  - CAGR 9,6% for the period 2016-2021

MARKET VALUE



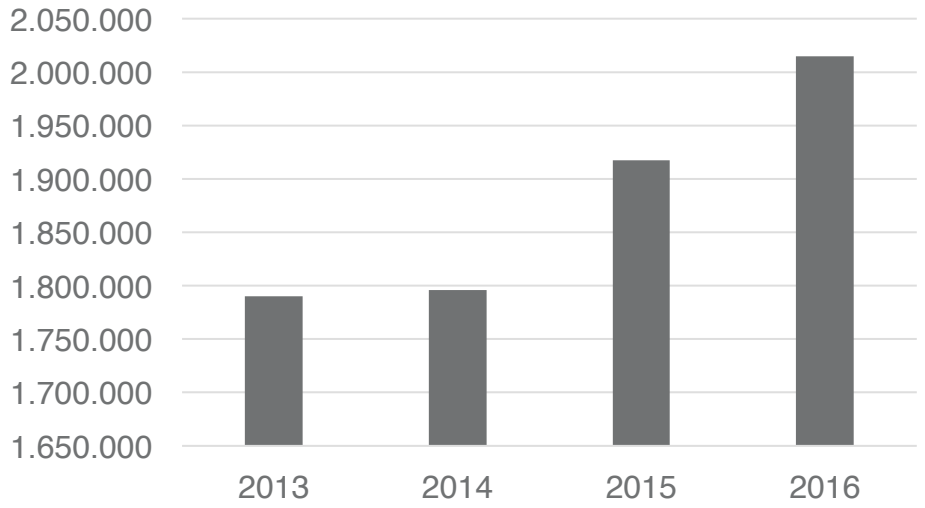
- Market for new passenger hit value of **€27,5 billion in 2016**
- The value of passenger car market steadily grew in the period 2013-16
- (CAGR) of 13,4% between 2012 and 2016
- Forecast
  - Expected to rise to value of **€46 billion by 2021**
  - CAGR 10,6% 2016-21 → Acceleration

Source: MarketLine, New cars in Spain

The French car market

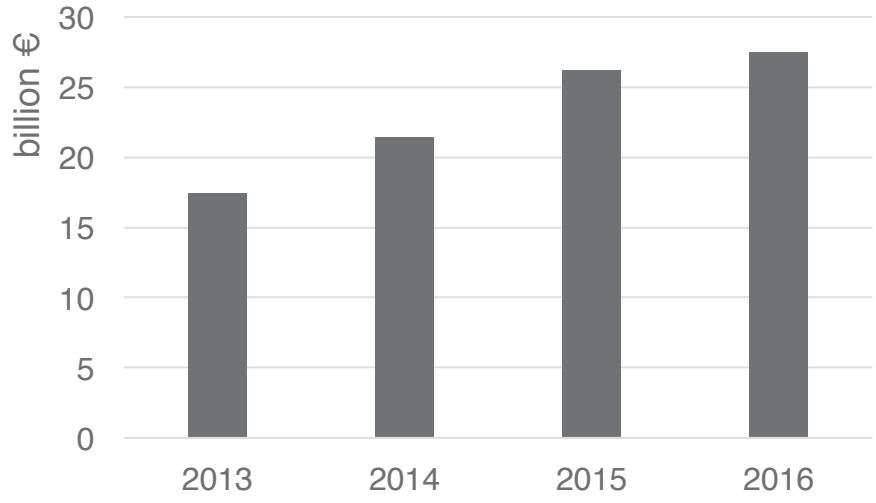
Market volume and value 2013-16

MARKET VOLUME



- New cars market: **2 million units** in 2016
- The volume of passenger cars sold in France is increasing significantly (probably due recovery of crisis 2012)
- CAGR: 1,5% during the period 2012-16 (the market shrank by almost 6% in 2013)
- Forecast
  - Expected to rise to 2.39 million units by 2021
  - CAGR 3,5% in the period 2016-21

MARKET VALUE (in billion €)



- The market for new passenger hit value of **€55,1 billion** in 2016
- The value of passenger car sold in France went down in 2014 but significantly recovered in 2015 and 2016
- CAGR: 4,7% in the period 2012-16
- Forecast
  - Expected to rise to value of 6855,46€ by 2021
  - CAGR: 4,3% 2012-16 → Deceleration

Source: MarketLine, New cars in France

Battery Electric Vehicles

Product category definition

Adjacent category					Product category					Adjacent category				
Hybrid					**Battery Electric Vehicles (BEV)**					Internal Combustion Engine (ICE)				
Hatchback	Sedan	Coupé	SUV	Vans	Hatchback	Sedan	Coupé	SUV	Vans	Hatchback	Sedan	Coupé	SUV	Vans
Luxury	Luxury	Luxury	Luxury	Luxury	Luxury	Luxury	Luxury	Luxury	Luxury	Luxury	Luxury	Luxury	Luxury	Luxury
Above average	Above average	Above average	Above average	Above average	Above average	Above average	Above average	Above average	Above average	Above average	Above average	Above average	Above average	Above average
Below average	Below average	Below average	Below average	Below average	Below average	Below average	Below average	Below average	Below average	Below average	Below average	Below average	Below average	Below average
Economy	Economy	Economy	Economy	Economy	Economy	Economy	Economy	Economy	Economy	Economy	Economy	Economy	Economy	Economy

WHERE DOES TESLA COMPETE?

Based on our understanding of the market, Tesla mainly competes in the product category of **Battery Electric Vehicles (BEVs).** However, adjacent categories (Hybrid and ICE) must also be taken into consideration, with a focus on **luxury sedans and coupés** and **above-average sedans and coupés,** competing with Tesla Model S and Tesla Model 3 respectively, and **luxury SUVs,** competing with Tesla Model X

Battery Electric Vehicles

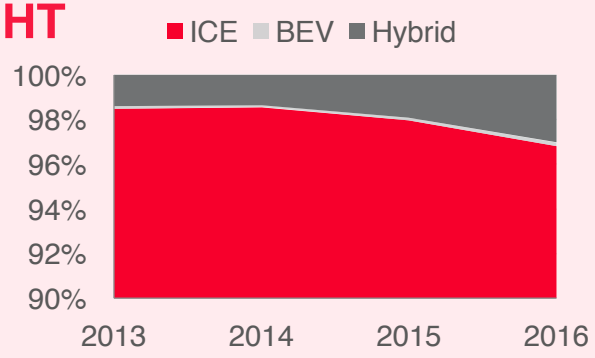
Market volume in Spain

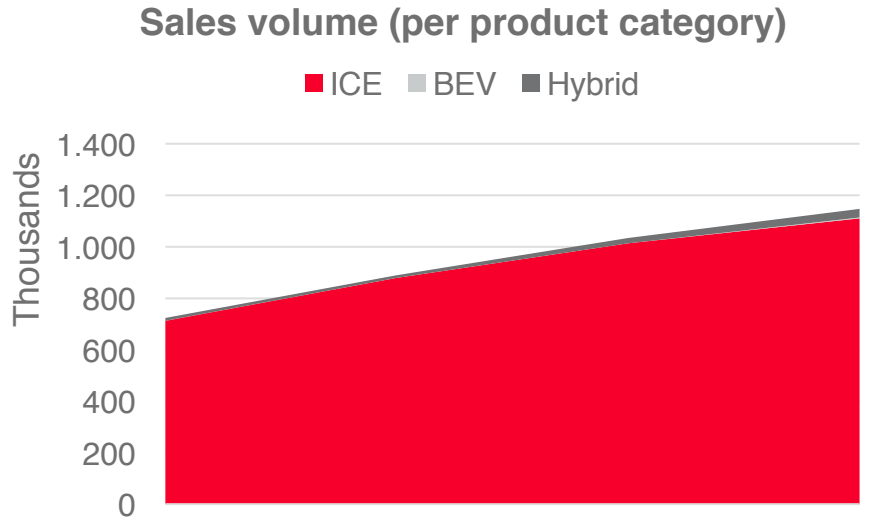
ABSOLUTE SALES VOLUME (2013-16, per category)

Overall, in the period 2013-2016 there has been a positive trend, and all categories have grown in terms of sales volume. In absolute terms, ICE is the category which is selling more by far (1.110.410 units in 2016). However, the BEV category is experiencing the slowest growth in absolute terms (679 more units in 2016 with respect to the previous year). The absence of Tesla, one of the best known electrical vehicles producers, could be one explanation for this phenomenon. In addition, up until recently, Spain did not dispose of a widespread charging network

PRODUCT CATEGORY WEIGHT

- **ICE** has a **significant advantage** in terms of sales volume in comparison to the adjacent categories
- **Hybrid** is the **fastest growing** category



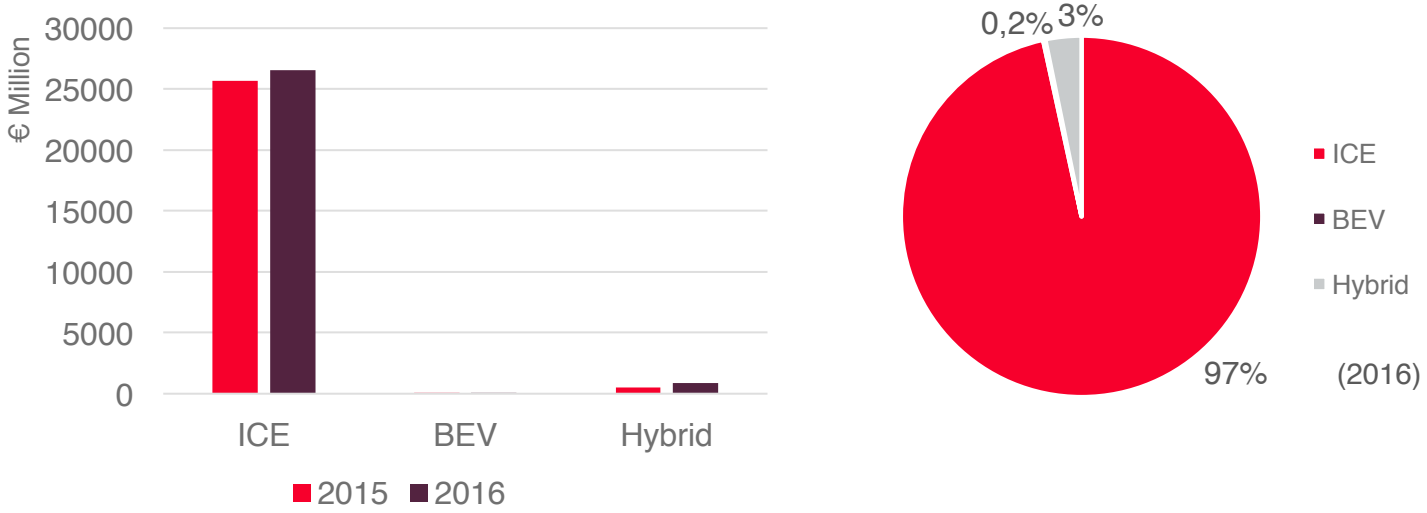


	2013	2014	2015	2016
ICE	711.789	877.157	1.013.240	1.110.410
		23,23%	15,51%	9,59%
BEV	793	969	1.342	2.021
		22,19%	38,49%	50,60%
Hybrid	10.118	11.974	19.650	34.569
		18,34%	64,11%	75,92%
Total	722.700	890.100	1.034.232	1.147.000

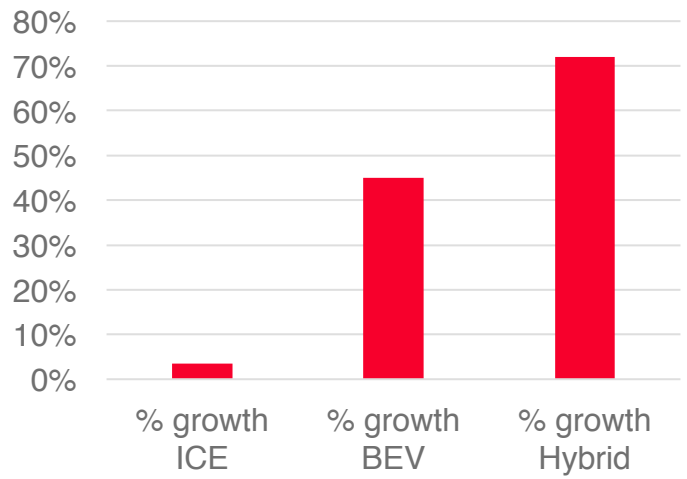
Battery Electric Vehicles

Market value in Spain

MARKET VALUE (2015-16, per category)



% GROWTH 2015-16



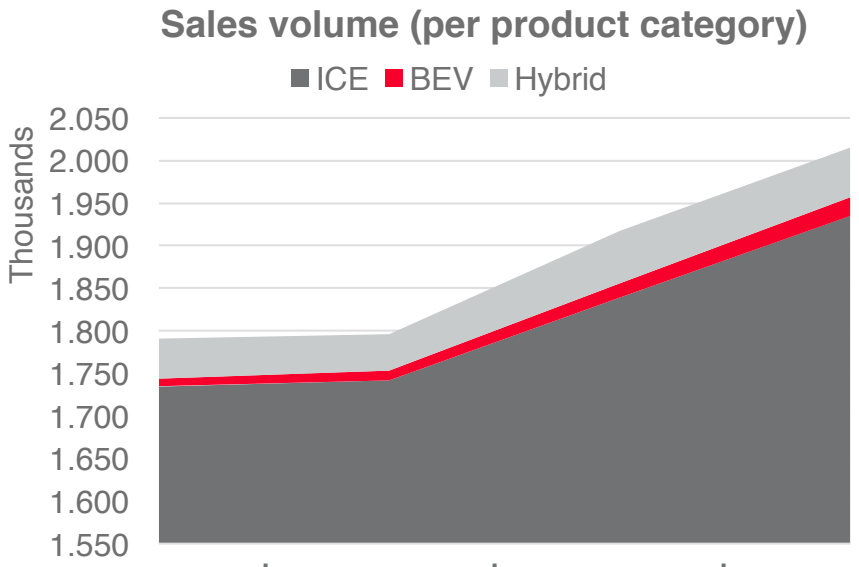
- ICE is the leading category in terms of value (over 26,56 billion in 2016, which translates into a 97% market share)
- On the contrary, BEV only represents 0,2% of the market value, corresponding to almost €55 million
- As shown in the figures, the category experiencing the biggest growth is that of hybrid vehicles (72,03% in 2015-16), which has captured market share. On the contrary, the BEV category has only captured limited market share so far (less than 1%)
- The EVs is a very young market, where both BEVs and hybrid cars are experiencing a strong growth (around 45% in 2016)
- The market value of Hybrid and BEVs is anticipated to grow at a CAGR of 19% for the next 5 years, reaching a value of €2,2 billion

Battery Electric Vehicles

Market volume in France

ABSOLUTE SALES VOLUME (2013-16, by category)

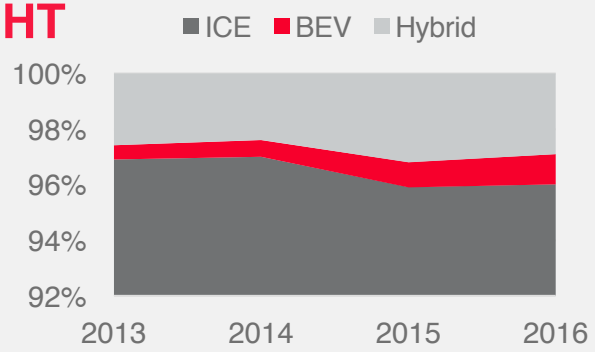
As a general trend, in the period 2014-16, all the categories have grown in terms of sales volume, and the car market as a whole has increased 12,2% over 3 years. In absolute terms, **ICE** is the category experiencing the largest increase (+192.860 cars sold in 2016, with respect to 2014). The **hybrid** category is instead the one suffering the most, with sales slightly decreasing in the last year (-5%, 2015-16). **BEVs**, on the contrary, are growing at impressive rates, and the sales volume of the category has more than doubled in the period 2013-16



	2013	2014	2015	2016
ICE	1.734.932	1.742.181	1.838.339	1.935.041
		0,42%	5,52%	5,26%
BEV	8.779	10.561	17.268	21.751
		20,30%	63,51%	25,96%
Hybrid	46.745	43.143	61.619	58.385
		-7,71%	42,83%	-5,25%
Total	1.790.456	1.795.885	1.917.226	2.015.177

PRODUCT CATEGORY WEIGHT

- **ICE** remains by far the **biggest category** in terms of sales volume
- **BEVs** is the **fastest growing** category rapidly stealing market share
- Sales volume of the hybrid category has decreased

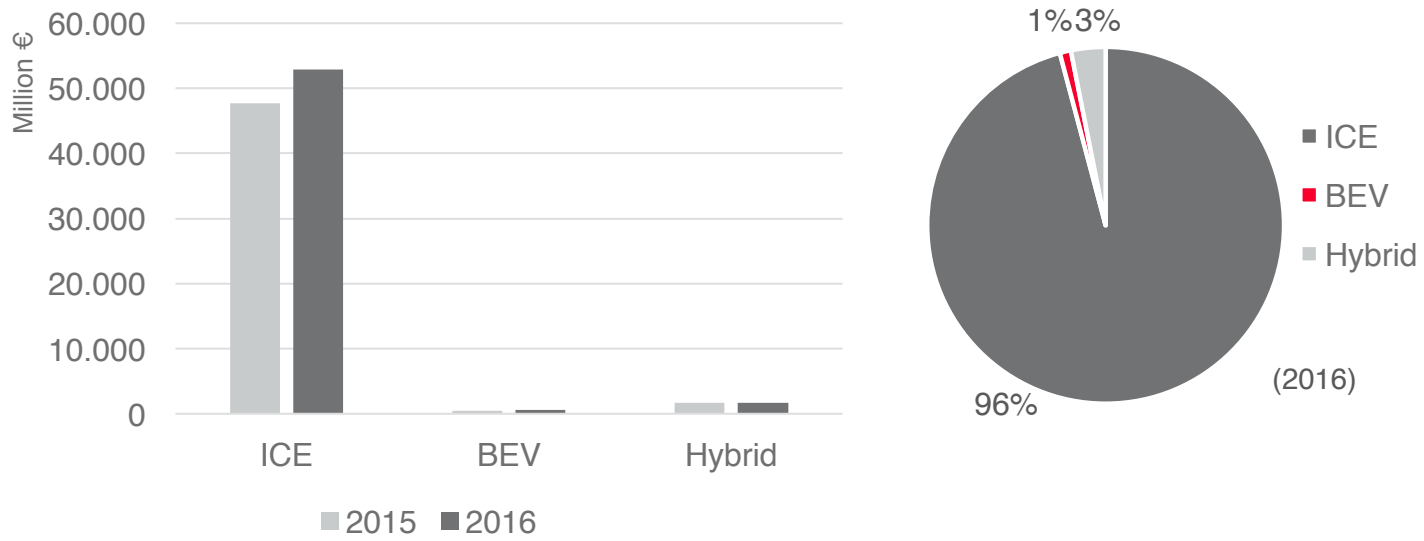


Source: CCFA

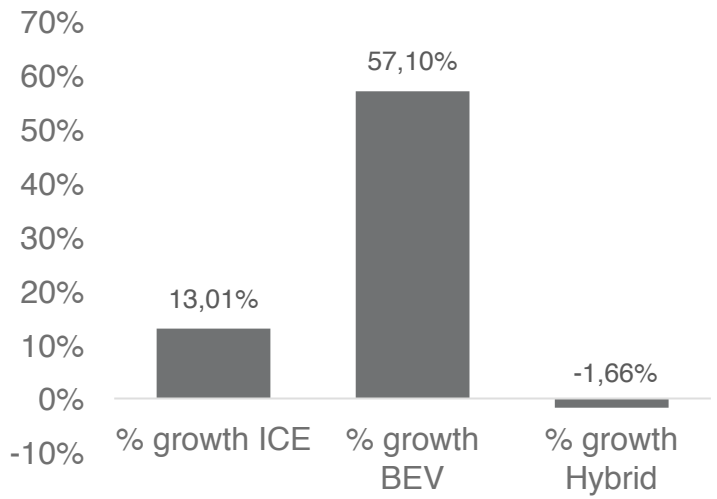
Battery Electric Vehicles

Market value in France

MARKET VALUE (2015-16, by category)



% GROWTH 2015-16



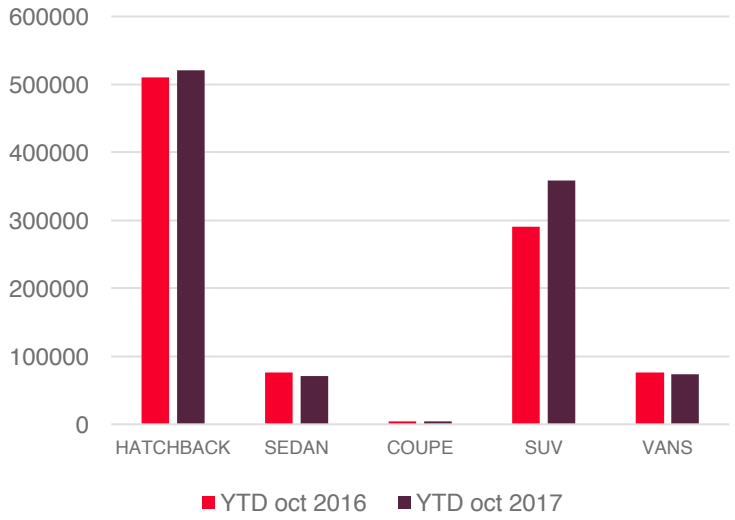
- ICE is by far the biggest category in terms of value (almost €53 billion in 2016, 96% of market share)
- Coherently with the volume figures, the fastest-growing category is that of BEVs (57%, 2015-16), and it is hence capturing market share over the years
- On the contrary, the Hybrid category experienced a negative growth in 2015-16 (-1,66%)
- The BEVs and Hybrid categories together are forecasted to grow at a CAGR of 5,4%

Source: MarketLine

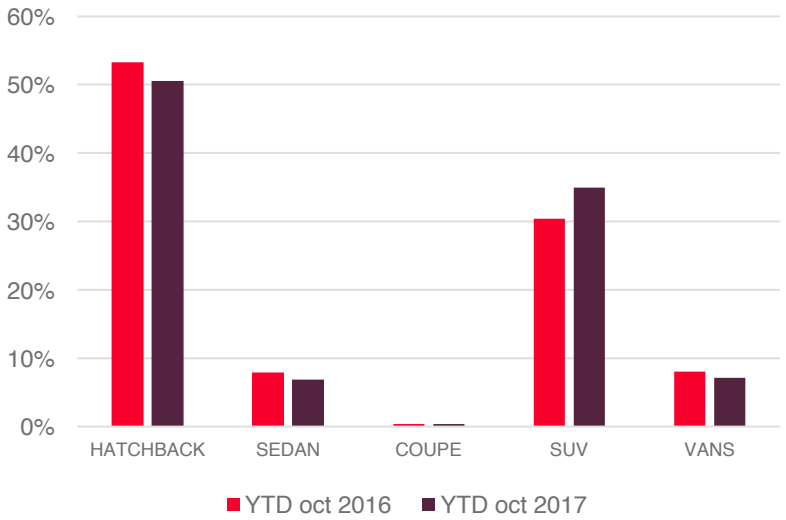
Adjacent categories: ICE and Hybrid cars

Classification based on body type (Spain)

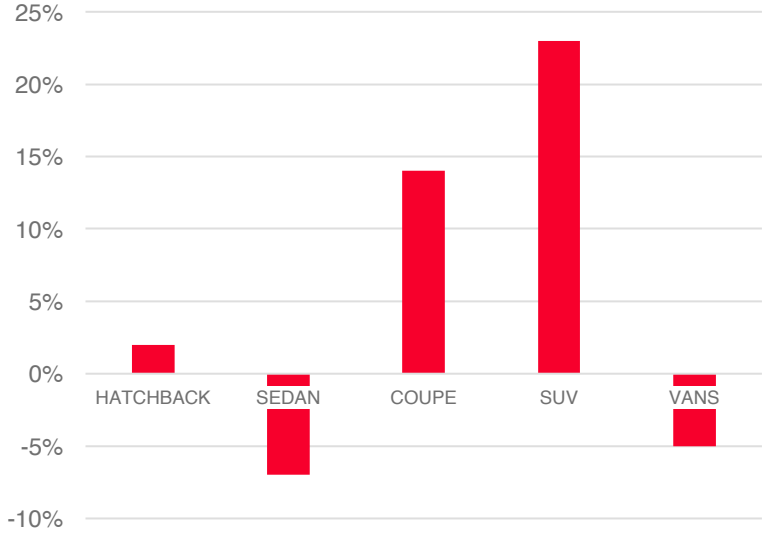
SALES VOLUME (YTD Oct. 2016-17)



MARKET SHARE (YTD Oct. 2016-17)



% GROWTH 2015-16



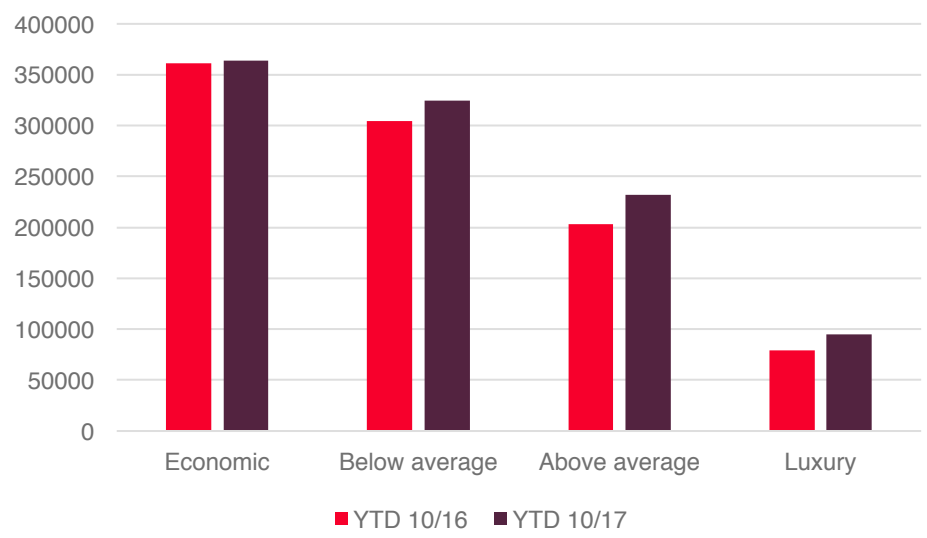
- The Hatchback category is the most popular, followed by that of SUVs
- The sales of hatchbacks and coupés were stable in 2016, while the sales for SUV increased significantly. For the sedan and vans categories, sales slightly decreased
- The SUV category captured several percentage points of market share thanks to a growth rate of 23% (2016-17)
- The sales volume of both the sedan and van categories experienced a negative growth in 2015-16, respectively -7% and -5%

Source: ANFAC

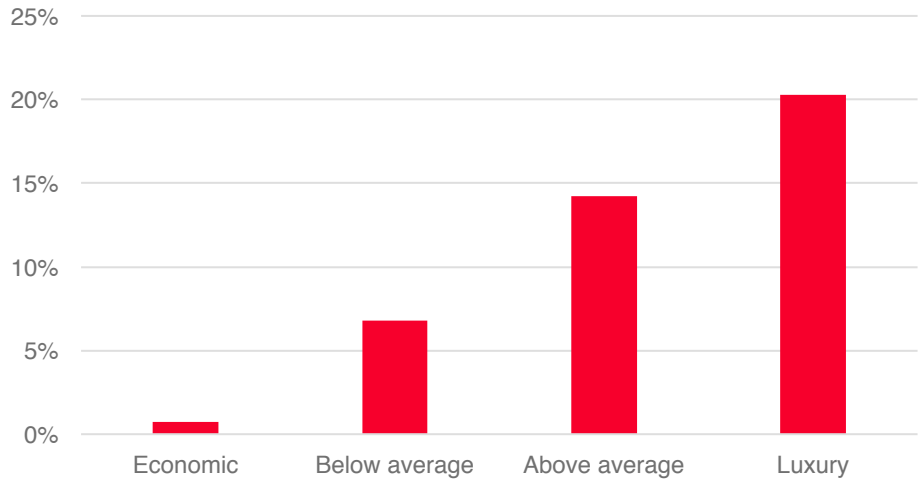
Adjacent categories: ICE and Hybrid cars

Classification based on price level (Spain)

SALES VOLUME (YTD Oct 2016-17)



% GROWTH (2016-17)



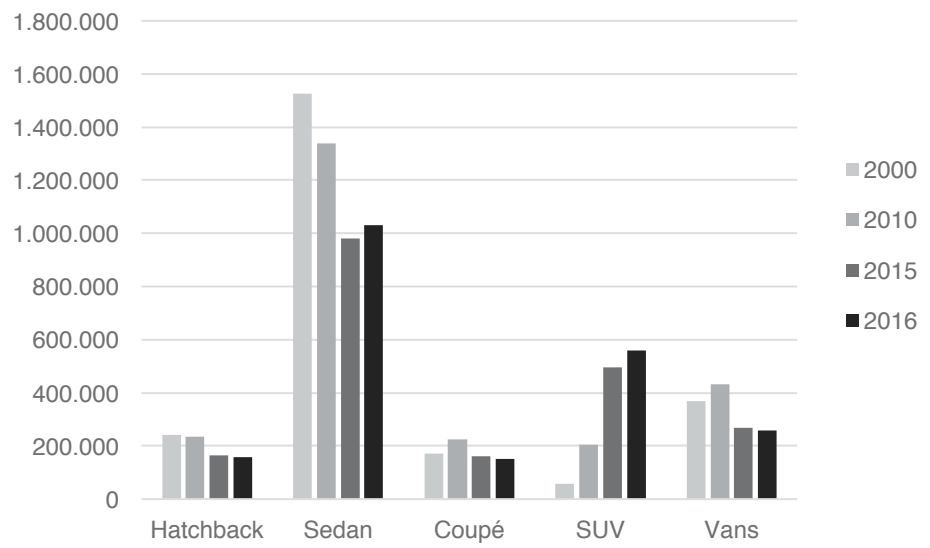
- Sales per price class remained stable for the sub product category of economic vehicles
- The strongest growth in sales can be observed in the luxury and above-average category
- It can be argued that there is a shift towards more high-end models
- This growth indicates continuous improvement of the Spanish vehicle market after a recession in 2013

Source: ANFAC

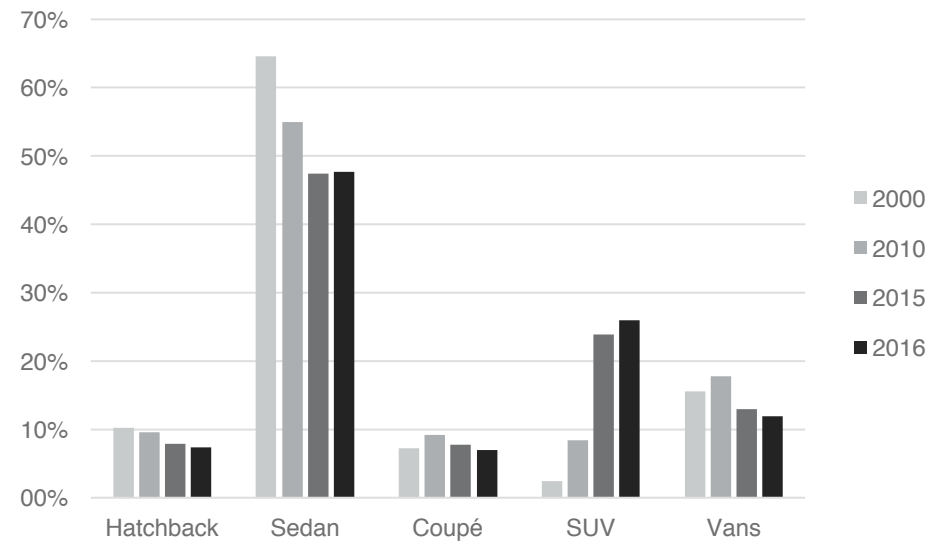
Adjacent categories: ICE and Hybrid cars

Classification based on body type (France)

SALES VOLUME (2000-16)



MARKET SHARE (2000-16)



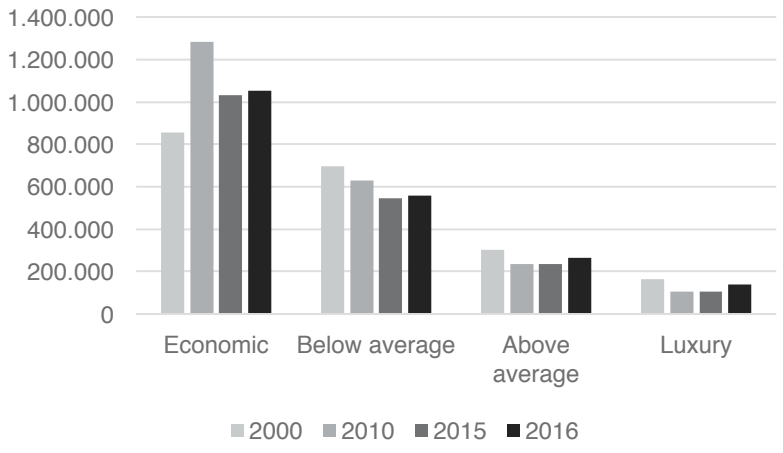
- That of sedans are by far the most popular sub product category, followed by SUVs
- The sales of hatchbacks decreased significantly in 2016, while the sales for SUVs increased
- SUVs gained considerable market share in the last years, while the sedan lost a significant portion of market share
- Over the last years, the market share for other categories was relatively stable
- Sedan and van sub-categories both decreased in volume, though the former slightly recovered in 2016

Source: CCFA

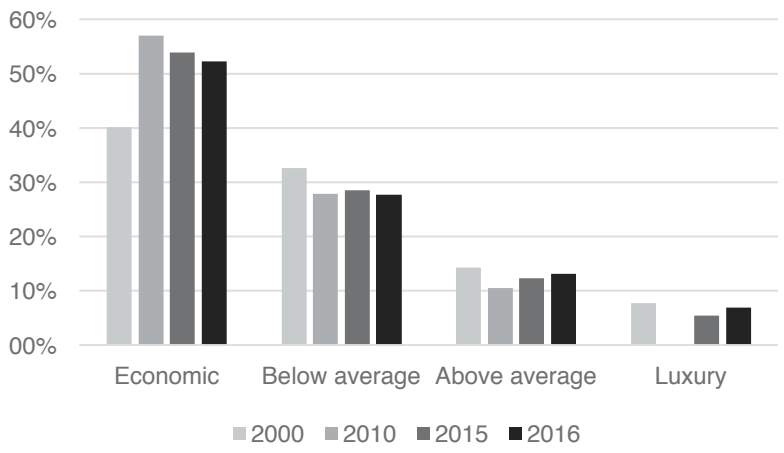
Adjacent categories: ICE and Hybrid cars

Classification based on price level (France)

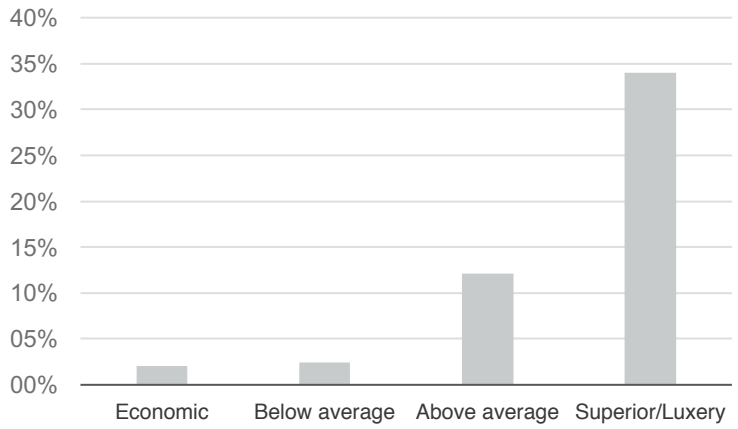
SALES VOLUME (2000-16)



MARKET SHARE (2000-2016)



% GROWTH (2015-2016)



- Sales of economic models ('Economic' and 'Below average' sub product categories) were stable in 2015-16
- The strongest growth in terms of sales can be observed in the 'Economic' and 'Below average' category
- Economic and Below average are the most important sub product categories in the French car market
- However, Luxury and Above average have been gaining importance in the last couple of years

Source: CCFA

BEV subcategories

Analysis of product subcategories (Spain)

Market share per body type			
Body type	**2017 YTD MS**	**2016 YTD MS**	**YTD pp. Change**
Hatchback	83,3%	98,5%	-15,2%
Sedan	11,5%	1,5%	10,1%
SUV	5,1%	0,0%	5,1%

Top 3 selling brand YTD 2017	
Renault	23,5%
Nissan	21,2%
BMW	16,2%

Top 3 selling models YTD 2017		
Brand	**Model**	**Market share**
Renault	Zoe	23,5%
Nissan	Leaf	21,2%
BMW	i3	16,2%

- The hatchback is by far the most popular body type. Almost all BEV models released are hatchbacks. With the Model S and the Model X, Tesla is one of the few exceptions
- In terms of sales volume, Renault is the most popular car brand in the BEVs category in Spain
- The Nissan Leaf was the most sold car in 2017, and currently has a market share of 23,5%

BEV subcategories

Analysis of product subcategories (France)

Market share per body type			
Body type	**2017 YTD MS**	**2016 YTD MS**	**YTD pp. change**
Hatchback	93,7%	96,3%	-2,7%
Sedan	4,6%	3,7%	0,9%
SUV	1,8%	0,0%	1,8%

Top 3 selling brand 2016	
Renault	52%
Nissan	18%
Citroen	6%

Top 3 selling models YTD 2017		
Brand	**Model**	**Market share**
Renault	Zoe	68,7%
Nissan	Leaf	9,7%
Peugeot	iOn	3,6%

- The hatchback is by far most popular body type. Similarly to Spain, almost all BEV models released are hatchbacks. The large market share of hatchbacks can be partly explained because of the dominance of the Renault Zoe in the BEV market
- In terms of volume, the Renault is the most popular car brand by sales in the BEV category in France
- The Nissan Leaf is the most popular BEV in France, and it was responsible for more than 50% of the sales in 2016

Market overview

Spain

OVERVIEW

The Spanish car market grew both in terms of value and volume (3,56% and 9,59%, respectively in 2015-16)

In terms of volume, ICE was the most sold category (93% car market in 2016). However, strong growth in BEVs was witnessed in 2015-16 (50,60%)

Hatchbacks is most popular sub-product category in the Spanish passenger car market (50,62% market share in 2016). SUV has shown the strongest growth in the last two years (24% growth)

Regarding price, economic and below average price classes represent the largest sub-categories of cars sold (688.440 vehicles between Jan-Oct 2017)

Up to now, hatchbacks were the only available BEV option in Spain. Therefore, this subcategory was by far the largest sub-category in the BEV market in Spain

Hatchback lost ground in the last year due to the introduction of BEV sedans (Tesla Model S and Hyundai Ioniq)

Market overview

France

OVERVIEW

As in Spain, the French car market is experiencing growth both in terms of value and volume (5,10% 2015-2016). This growth is forecasted to endure for the next 5 years

Sedans are the most popular sub-product category (47,7% market share 2016). SUV has shown a strong growth the last couple of years (8,79% growth in market share in 2014-2016)

Hatchback are the most popular BEV sub-product category (63,6% market share)

In terms of volume, ICE was the most sold category. However, France is one of the leading markets for BEVs

Regarding price, the economic and below average sub-categories have the largest market share in France (52,2% and 27,7% in 2016, respectively)

Nissan Zoe dominates the BEV category in France with over 50% market share

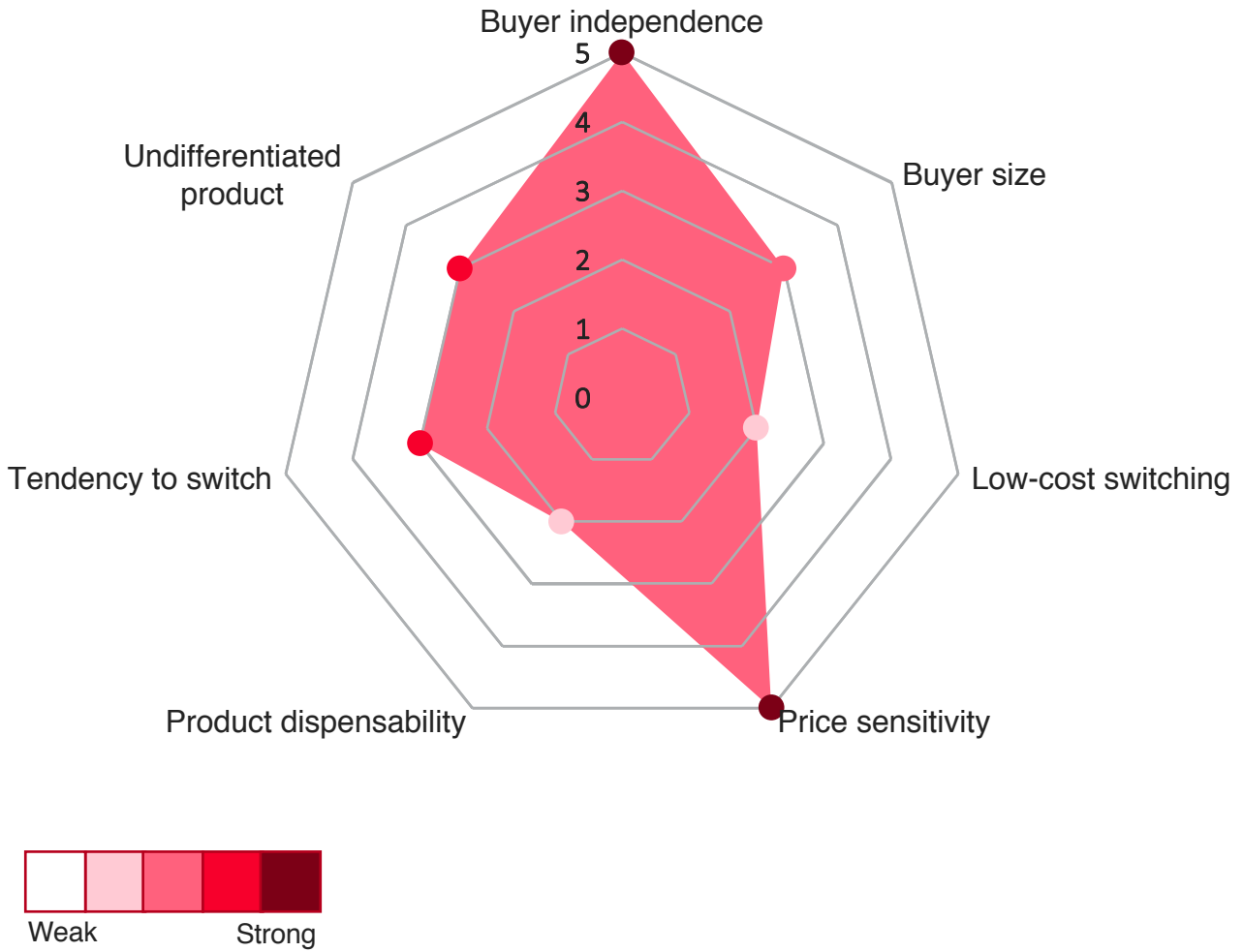
Competitor Analysis

Porter 5 forces analysis, profile of biggest industry players

Buyers' power: moderate

PORTER's 5 FORCES ANALYSIS

- The BEVs market offers limited choices for consumers, and because of poor charging infrastructure, switching costs are high
- Compared to the ICE market, that of EVs has a narrower target group. Notwithstading this, the overall buyer power of consumers is still limited because of lower price sensitivity
- In the short-term, manufactures have to meet buyers' requirement. However, this will weaken buyers' power in the long-term, as EVs become more and more common
- The propensity of consumers is associated with the price of gasoline fuel and electricity. In France, the decline in fuel prices in 2014 directly influenced the EV market. The recovery of the market by 2015 is thanks to the governmental financial incentives. Accordingly, there are signs of price sensitivity in this market

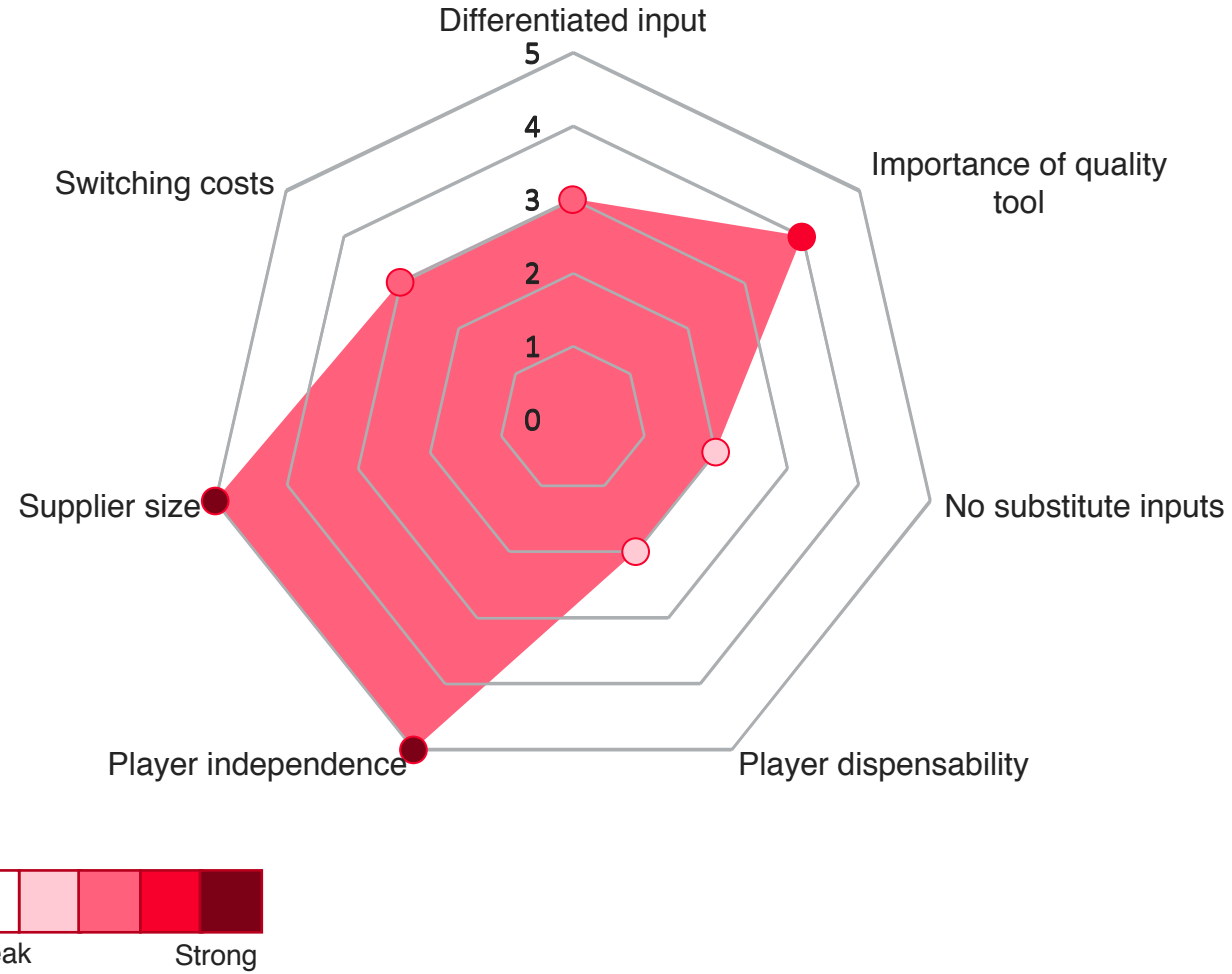


Sources: MarketLine, "Hybrid & Electric Car in Spain"; MarketLine, "Hybrid & Electric Car in France"

Suppliers' power: moderate

PORTER's 5 FORCES ANALYSIS

- Manufactures require high-quality commodity items, such as metals, as well as more differentiated input such as fabricated components produced by other companies rather than being manufactured in-house
- Manufactures also require operational and logistic excellence from suppliers. Manufactures often build a long-term partnership with suppliers which can meet the requirements. This creates a high dependence. For example, the battery supply relationship between Panasonic and Tesla Motors is vital to Tesla's success
- EV manufactures only contribute to a small share of total supplier revenues now. However, the future trends are likely to strengthen the position of manufactures

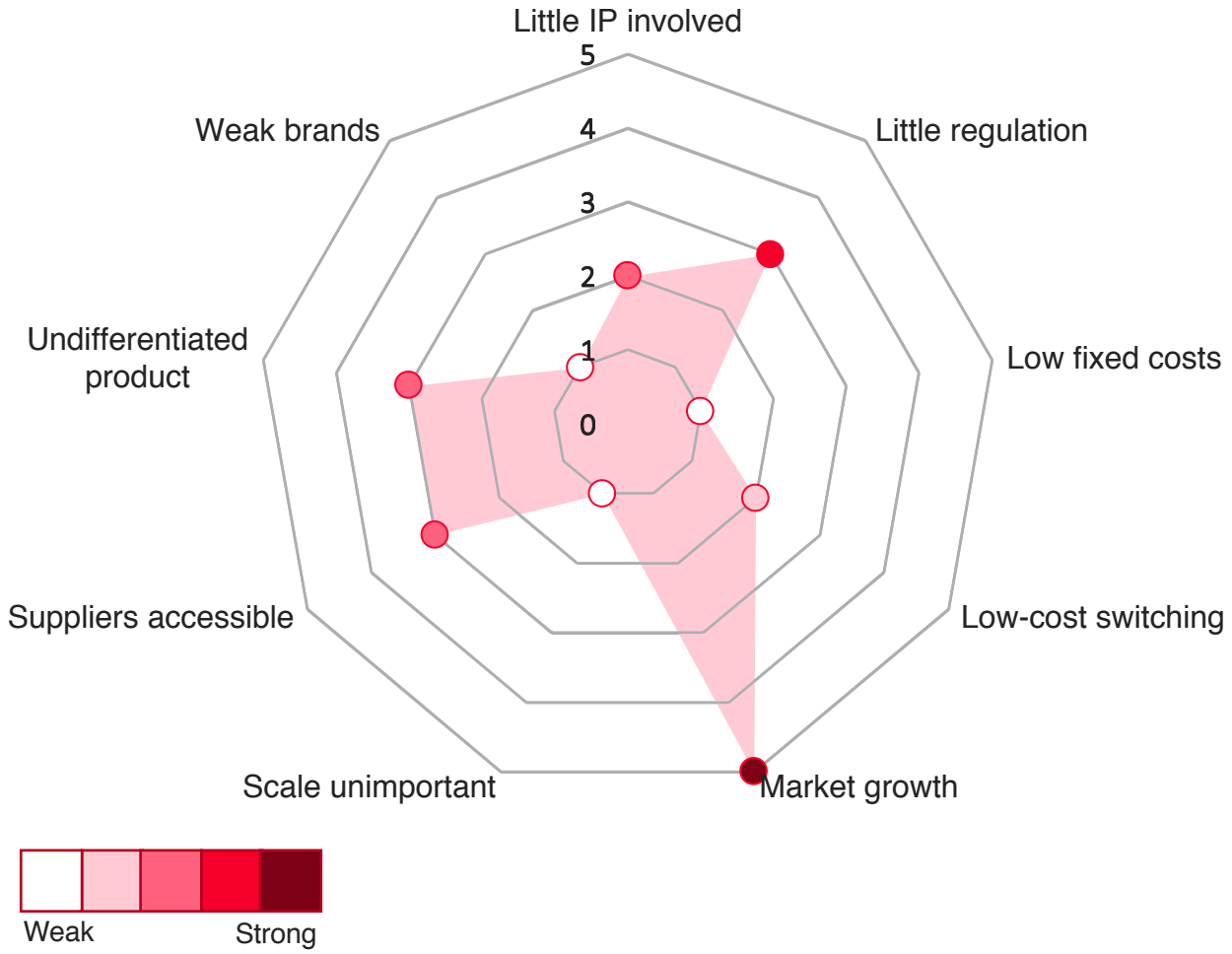


Sources: MarketLine, "Hybrid & Electric Car in Spain"; MarketLine, "Hybrid & Electric Car in France"

Threat of new entrants: moderate-to-low

PORTER's 5 FORCES ANALYSIS

- Due to high fixed cost involved in design and manufacturing, it is hard for start-up companies to enter the EV market. Once entered, they must gain a competitive advantage with the ability to meet growing customer expectations and service levels while protecting and optimizing profits
- Brand is important in automotive industry, big ICE vehicles manufactures are likely to enter the EV product category for this reason. They could also benefit from the economies of scale gained from mass-production
- ICE manufactures are likely to be pressured by consumers because of the increasing importance of the environment, and new entrants are incentivized by the government
- Both France and Spain does not have an extended network of charging stations compared to the size of its market

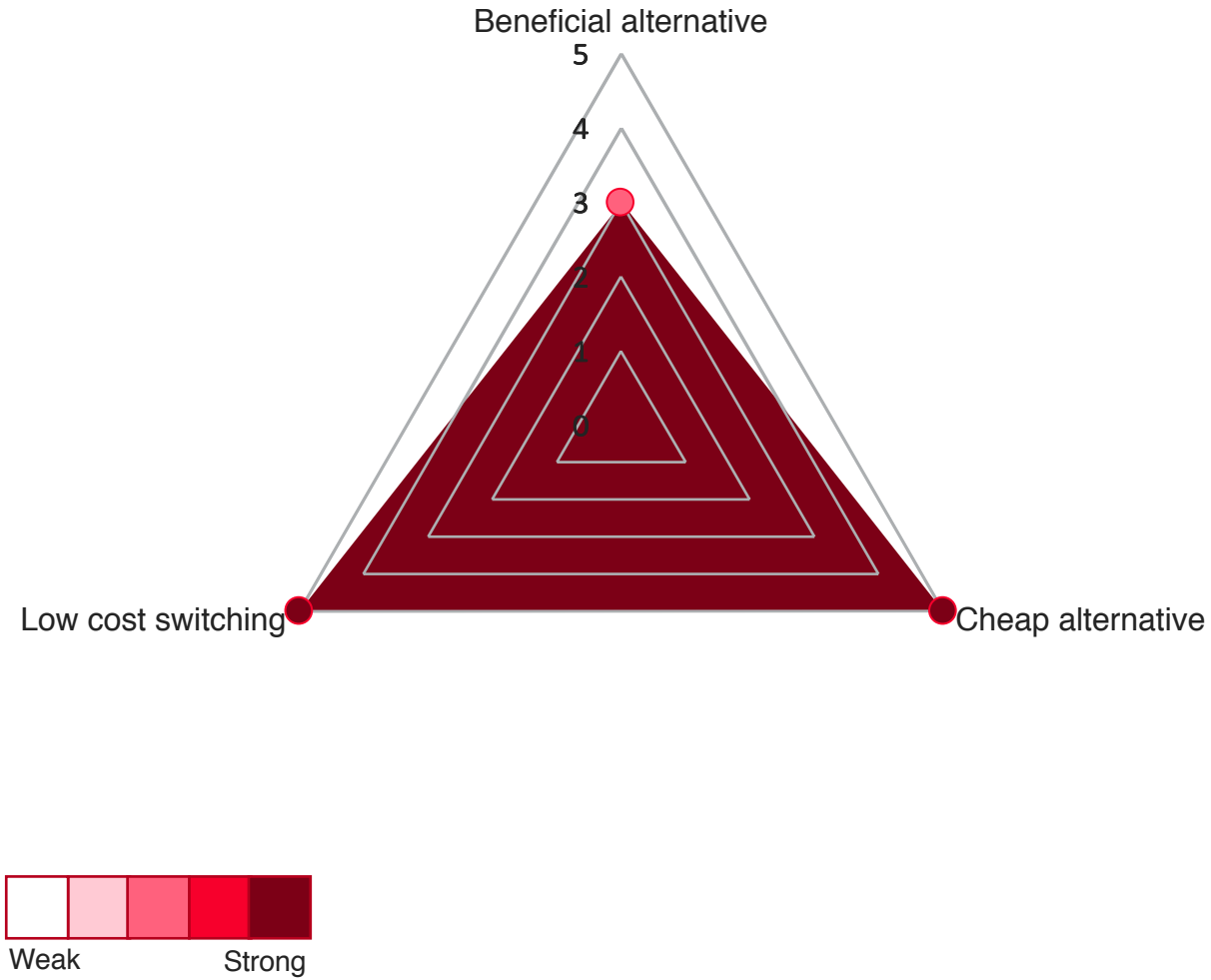


Sources: MarketLine, "Hybrid & Electric Car in Spain"; MarketLine, "Hybrid & Electric Car in France"

Threat of substitutes: high

PORTER's 5 FORCES ANALYSIS

- The main substitutes threatening players are standard fuel cars, used cars, alternative forms of personal transport and public transport. All of these substitutes are often cheaper alternatives to EV due to high manufacturing cost
- Public transport, and personal transport substitutes, such as bicycles, can reduce the effect of volatile fuel prices for the consumers
- Automotive manufacturers tend to produce a range of vehicles running different fuel types, but the standard fuel cars might not directly compete with EVs

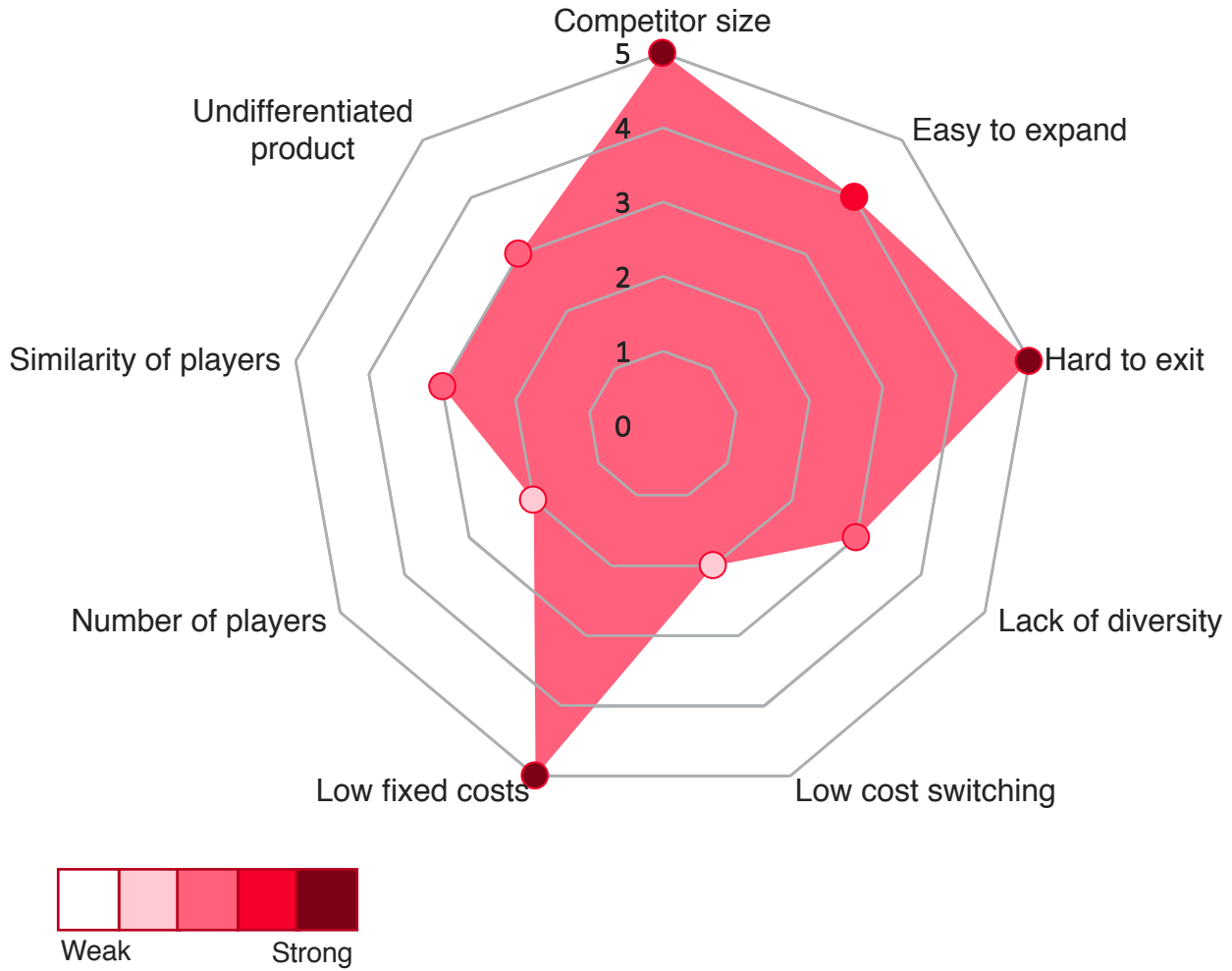


Sources: MarketLine, "Hybrid & Electric Car in Spain"; MarketLine, "Hybrid & Electric Car in France"

Degree of existing rivalry: moderate

PORTER's 5 FORCES ANALYSIS

- The EV market is highly concentrated. It is dominated by a small number of large companies, offering competing models
- The massive growth of the Spanish market – as a result of emerging penetration of hybrid cars, and the impressive growth of the French Market stimulated by the government's incentives to consumers - has alleviated rivalry among players
- The absolute market value is still low. However, it is strategically important for manufactures to position in the market to benefit from overall growth
- Manufactures such as Toyota, Renault, Nissan, Volkswagen and BMW have increased financial strength and diversity in the wider automotive industry to have greater financial resources to invest in R&D of EV. Furthermore, the economies of scale and synergies create a decisive competitive advantage, leading to higher margins



Sources: MarketLine, "Hybrid & Electric Car in Spain"; MarketLine, "Hybrid & Electric Car in France"

Main competitors

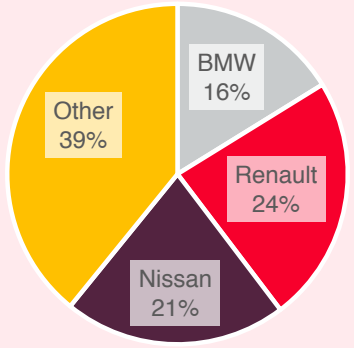
Battery Electric Vehicles product category

SPAIN

In terms of volume for BEVs, Tesla's three main competitors in Spain are Renault, BMW, and Nissan. However, the market is fragmented and players like Peugeot, Kia, and Hyundai are also relevant

RENAULT NISSAN BMW

MARKET SHARE (in volume, 2017)

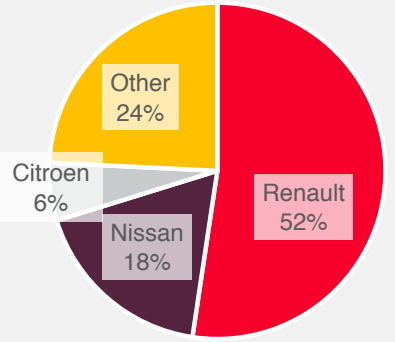


FRANCE

In terms of volume, Tesla's three main competitors for BEVs in France are Renault, BMW, and Nissan. The market for BEV is very concentrated, with the 3 brands accounting for 76% of total sales

CITROËN RENAULT NISSAN

MARKET SHARE (in volume, 2017)



Nissan

Competitor profile in the BEVs product category

	SPAIN	FRANCE
Identity	Superior results to enrich people's lives, innovation (slogan: "innovation that excites") Vision: enriching people's lives Mission: provide unique and innovative automotive products and services that deliver superior measurable results to all stakeholders in alliance with Renault Nissan dares to go roads that other car manufactures find too crazy • Experiment, innovate but also fun component, adventure, excitement, expressionistic: either you love it or you hate it • Trust: safety, reliability, value • Core principles: simplify, unify, strengthen	
Communication	**TV commercials** Informative, based on facts, aimed at solving customers' doubts on EVs and educate them 2015, emotional component but still focused on giving facts: widest network of charging points, new battery with 250km autonomy, 1€ every 100km 2017, commercial with Iniesta (How much does it costs to drive 100km with a Nissan Leaf?" "1€"; "Do you still have doubts about getting a 100% Electric car? Test it for 3 months and give it back if you're not convinced" → pushing the whole category of EVs more than the single model → product category communication)	**TV commercials** 5+ years ago: based on facts, educating consumers (charge it in less than 30 minutes, 3€ to fill the tank, connect it to your smartphone) Commercial 2015: advertising the widest network of charging points, new battery with 250km autonomy, 1€ every 100km Nowadays, more emotional, less factual 2017 ambassador: Mactor Robbie, actress Seductive tone
Distribution	194 Nissan dealers	386 Nissan dealers
Product portfolio and price	• **Leaf** compact hatchback car launched at the end of 2010. Official range for the 2016 model with the 30 kWh battery is 172 km (107 miles) on a full battery charge, while the trim with the smaller 24 kWh battery is 135 km (84 miles) • **eNV200 Evalia**: light, commercial van for business purposes	 Leaf  eNV200 Evalia
	• **eNV200 Evalia** - from €33.400 • **Leaf** - from €25.900	• **eNV200 Evalia** - from €25.900 • **Leaf** - from €20.000

Source: Nissan Website

Renault

Competitor profile in the BEVs product category

	SPAIN	FRANCE
Identity	Mission: design innovative products and services accessible to the greatest number, foster sustainable mobility for all (notably through its range of all-electric vehicles), develop profitable international growth, in particular through its Alliance with Nissan and its other partnerships	
Communication	The message of communication focuses more on the **rational** benefits such as price advantage or technological changes, playing an educational role. For example, the introductory video of Zoe heavily uses voiceover to comment images with technological details. However, the introductory video in France uses exactly the same images but doesn't have voiceover. **Website -** Configurator to combine different features. **Social Media –** Facebook pages (Renault 907K, Renault España 517K), the community hasn't formed yet	The communication already focuses on **emotional** side. Every model is promoted as different brand, which represents a different set of meaning. For example, Twizy's slogan is "Daily fun", and Zoe's slogan is "Electric cars for everyone". **Website** - E-commerce approach, Digital Showroom (Zoe is on the top of the web page) **Social Media** – Facebook pages (Renault 907K followers, Renault France 655K followers. Renault ZE 65K followers) – Already have a fan-base and they organize ccommunity event
Distribution	Official Renault owned selling points + authorized dealers	Authorized dealers + official Renault concessionaires
Product portfolio and price	**Private** **ZOE** - 5 versions • Entry: €22.520 (Flexi) & €30.020 • Life: Flexi – €25.020 (Flexi) & €32.520 • Intens: Flexi – €26.820 (Flexi) & €34.320 • Bose: Flexi – €29.620 (Flexi) & €37.120 **Twizy & Twizy Cargo** From €7.355 to €13.825 **Utility** Nuevo Kangoo Z.E. – *B2B market: no price available on the website*	**Private: (Voiture privé) -** 5-door supermini electric car **ZOE** - 4 versions - Electric cars for everyone ("L'électrique pour tous") • Life Gamme 2017 – €23.700 • Zen Gamme 2017 – €24.900 • Intens Gamme 2017 – €25.700 • Edition One – €28.100 **Twizy** – 5 versions - Daily Fun (Fun du quotidien) – a battery-powered 2-seat electric city car • Twizy – €7.440 or € 8.240 • Twizy Cargo (professional version of Twizy) - €8.460 **Utility (Voiture Utilitaire)** - leisure activity vehicles and light commercial vehicles Nouveau Kangoo Z.E. - 13 versions - €21.750 Nouveau Master Z.E - *B2B market: no price available on the website*   

Source: Renault website

BMW

Competitor profile in the BEVs and Hybrid product categories

	SPAIN	FRANCE
Identity	Mission: "The BMW Group is the world's leading provider of premium products and premium services for individual mobility." Vision: We are Number ONE. We inspire people on the move. We shape tomorrow's individual premium mobility. BMW is: reliable, sophisticated and ambitious	
Communication i8	Message: premium, performance, rewarding, entrepreneurial	
Communication i3	More informational, TV Spot i3, digital on BMW Facebook page – 2016/17 same with incentives plan MOVEA 2014 teaser short /2015 more information	More emotional, no speech, connectivity Own BMWI France 61K likes
	• PR, related magazines, online BMW magazines (golf, outdoors, yacht club, race car) • Celebrity/ product placements – Panda Video, listened to 600 million times on Spotify	• James Bond – the world is not enough • Social Media – direct engagement • TV and Out of home • Events/Sponsorship – Berlin Marathon
Distribution	• Subsidiaries and independent importers • Dealership BMW partner	• Subsidiaries and independent importers • Dealership BMW partner
Portfolio and price	• **i3**: five-door urban electric car - from €38.200 • **i8:** plug-in hybrid sports car with a 7,1 kWh lithium-ion battery pack that delivers an all-electric range of 37 km (23 mi) - from €141.850 • **Serie 2 Active Tourer** – from €37.900 • **Serie 3 hybrid**: entry-level luxury car produced in 6 generations – from €47.300 • **Serie 5 hybrid:** mid-size luxury car initially available only in a sedan body style. The wagon/estate body style ("Touring") and the 5-door fastback ("Gran Turismo") were added in 1991 and in 2009, respectively – from €61.650 • **Serie 7 hybrid** – from €105.350 • **X5 hybrid** – from €75.650	• **I3** – from €38.100 • **i8** – from €138.950 • **Serie 2 Active Tourer** – from €39.900 • **Serie 3 hybrid**: entry-level luxury car produced in 6 different generations – from €37.750 • **Serie 5 hybrid:** mid-size luxury car initially available only in a sedan body style. The wagon/estate body style ("Touring") and the 5-door fastback ("Gran Turismo") were added in 1991 and in 2009, respectively – from €56.800 • **Serie 7 hybrid** – from €96.050 • **X5 hybrid SUV** – from €75.150


i3


i8


Serie 2 Active Tourer


Serie 3 Hybrid


Serie 5 Hybrid


Serie 7 Hybrid


X5 Hybrid

Source: BMW website

Citroën

Competitor profile in the BEVs product category

	SPAIN	FRANCE
Identity	• PSA/Peugeot-Citroen now Groupe PSA. CEO Philippe Varin recently outlined the new product strategies for Peugeot and Citroen like this: Citroen stands for: Fuel-efficient and environmentally friendly cars, Easy-to-use, less sophisticated technology, Purist design. Citroen is: creative, technological, vivid, inspired by its costumers "Push to Pass" strategy - two primary ambitions: • To be a great carmaker with cutting edge efficiency and • A preferred mobility services provider worldwide for lifetime customer relationship. Moving towards a broader portfolio of business activities in a drive to optimise its existing customer base while expanding that base through digital innovation. elegant new logo: extension of PSA's product offer towards new mobility services. Inspired by heritage.	
Communication	• **Sustainable Marketing** online • **Marketing activities**: out of home, TV, PR, Social Media (No local facebook pages only Citroen with 10 Million likes in different languages), Online national page (little to no difference on corporate page, but in France there is no specific column for Evs), Online corporate international website. • **Sponsorship** Citroen racing: Race cars and sponsorship/ participation in race events • **Concept cars** – special editions designed with other brand (by Courrège, french fashion company) New Slogan 2017: "Inspired By You". (Old from 2009: "Créative Technologie")	
	• **E-Méhari:** same (2016) • No TV Spot for other E models	• **C-Zero – TV:** more educational, hinting to environmental issues, no speech (2013) • **E-Méhari – TV:** electrified, young, freaky (2015) • **E-Berlingo TV:**– young, vivid, connected, practical for use + easy to use/charge (2017)
Distribution	Authorized dealers (although advertised as official dealers online)	Authorized dealers
Portfolio and price	• **C-Zero:** Mitsubishi i-MiEV. Rebadged variants of the i-MiEV are sold in Europe by PSA Peugeot Citroën, as the Peugeot iOn and Citroën C-Zero. The i-MiEV is the world's first modern highway-capable mass production electric car • **E-Méhari**: electric off-road compact SUV produced from 2016 onwards. About 1.000 cars are to be produced in collaboration with the French electric car producer Bolloré • **E-Berlingo:** battery-powered version of the Berlingo range of vans	 C-Zero E-Méhari E-Berlingo
	• **C-Zero:** €26.900 • **E-Méhari:** €29.879 • **E-Berlingo:** €31.256	• **C-Zero:** €26.900 • **E-Méhari:** €25.000 • **E-Berlingo:** €30.100

Source: Citröen website

Audi

Competitor profile in the Hybrid vehicles product category

	SPAIN	FRANCE
Identity	Mission: Audi is an internationally renowned manufacturer **of high-quality cars.** Our success has been achieved through creativity, commitment and the ability to generate enthusiasm. The wishes and emotions of our customers are the guiding principle behind our every action. Vision**:** "Vorsprung" is our promise. ("Vorsprung" means progress/advantage) We inspire through individual, sustainable premium mobility. Our premium vehicles are the foundation. The mission in three areas: digitalization, sustainability and urbanization Audi means: premium, innovative, superior (but modest)	
Communication	Target group: premium segment TV for overall line but not hybrid; Audi Magazine; related magazines; flagship stores; sports and sponsorship ventures; Out of home; Online; Social Media; PR; celebrities.	
	• **Q5** - successful, sportive, active, effective, new chapter (2012), no TV spot - about 4 minutes with sales person explaining the advantages. • **Q7** no videos found	• Same spot used in Spain (2011) • **Q7** no videos found
Distribution	authorized dealers	authorized dealers
Portfolio and price	• Audi Q7: mid-size luxury crossover SUV of the German manufacturer Audi, unveiled in September 2002 at the Frankfurt Motor Show. It is the first SUV offering from Audi and went on sale in 2003. • Audi Q5: series of compact luxury crossover SUVs produced by the German luxury car manufacturer Audi from 2008, The original first-generation (Typ 8R) model was the third member of the B8 family to be released after the Audi A5 and fourth-generation A4, all being based on the AudiMLB platform.	
	Premium pricing for positioning (wide variety of payment plans → affordable for many)	
	• **Q7 hybrid SUV e-tron quattro** – €82.620 • **Q5 hybrid SUV** – *the official price is not released because the model is not yet available*  **Q7 e-tron quattro**	• **Q7 hybrid SUV e-tron quattro** – €83.260 • **Q5 hybrid SUV** – *the official price is not released because the model is not yet available*  **Q7 e-tron quattro**

Source: Audi website

Mercedes-Benz

Competitor profile in the Hybrid vehicles product category

	SPAIN	FRANCE
Identity	Part of Daimler AG. Mission of the group: 1. Grow profitably worldwide in our core business 2. To lead with our vehicles and our business models centred around CASE (Connected, Autonomous, Shared & Services and Electric) 3. Reflect variety, agility and requirements of our business environment with our corporate culture. Goal: Launch more than 10 electric vehicles by 2022; Slogan: the best or nothing (launched in 2010). Mercedes-Benz is: premium, innovative technology, traditional (History is important for company)	
Communication	• Corporate spot (2017) - young, uncontrolled, vivid, diverse. Use of hashtag grow up. In Spanish translated in French and in English. Hybrid (500 S) TV ad: Starring Louis Hamillton and Nico Rosberg. Comparison of PHEV to formula 1 race car. Focus on being the best, performance (2015) • Hybrid Ad: Pre-entering climate control (connected system over app) (2017) • Hybrid ad Germany for C 350 e: with Louis Hamillton and Nico Roßberg racing, one in race car other in C 350 e. Best driver of the world, hint to performance (2015) • GLC e - no TV spot only driving video without speech. Mysterious, prestige, agile, well performing (2015) Formula 1 Team, DTM race cars (noted on Spanish and French web) Other sponsored activities internationally include soccer (national team Germany, Golf and horseback riding, tennis, kyte-surfing. triathlon, donations for sports initiatives) Events - showcase historical models; Museum Mercedes-Benz; Fashion events sponsored by Mercedes Benz To extend costumer base without loosing the older ones: Generation Benz: online community of 25- 35 year olds providing guidance to Marketing team on how to attract younger consumers without losing prestige (created super bowl ad with Usher and Kate Upton) Digital marketing with extensive microsites for models; Social Media: Content Marketing and Influencers such as photographers or young Hollywood celebrities to present new model in photos throughout LA Advocating for driver safety (video with Louis Hamillton)	
Distribution	Authorized dealers in Catalonia; Official dealers (owned by Mercedes Spain) in the rest of Spain	Authorized dealers
Portfolio and price	GLC: Under the vehicle naming scheme maintained by Mercedes-Benz, SUVs use the base name "GL", followed by the model's placement in Mercedes-Benzhierarchy Mercedes also offers a GLC Coupe, with four doors. In mainland Europe it is available with three diesel engines, three petrol engines, and a plug-in hybrid.The Mercedes-Benz C-Class is a line of compact executive cars produced by Daimler AG	
	• **GLC 350e hybrid:** from €53.400 • **C 350e hybrid:** from €54.750  GLC 350e  C 350e	• **GLC 350e hybrid:** from €58.350 • **C 350e hybrid:** from €55.000  GLC 350e  C 350e

Source: Mercedes-Benz website

Competitor analysis

Price point competing models BEV category

Model	Base Price	Body Type
Nissan Leaf	€25.900	Hatchback
Renault Zoe	€22.520	Hatchback
Renault Twizy	€7.355	Other
BMW i3	€38.200	Hatchback
Citroen C-Zero	€26.900	Hatchback
Citroen E-Méhari	€29.879	SUV
Citroen E-Berlingo	€31.256	Van
Nissan eNV200 Evalia	€33.400	Minivan

Average price for hatchbacks is 28.380 euros. The BMW i3 is the most expensive base mode, at 38.200 euros

Competitors clusters

» URBAN LEADERS

Competitors in this cluster are leaders in the BEV product category. However, their area of expertise is limited to city vehicles

HATCHBACKS

Usually hatchbacks for consumers who move around cities. This cluster also includes some minivans for families

ECONOMIC

Car models included in this cluster are economic or below-average cars. Therefore, these models are cheaper alternatives to Tesla products

BRANDS

CITROËN NISSAN RENAULT

» PREMIUM CHALLENGERS

This group includes competitors that target similar segments and offer products with equivalent features. Therefore, they may suppose a threat for Tesla

SEDAN - SUV

These are the sub-product categories which are growing the most. As a result, premium challengers are investing in this kind of vehicles (where we found Model X and Model S)

PREMIUM

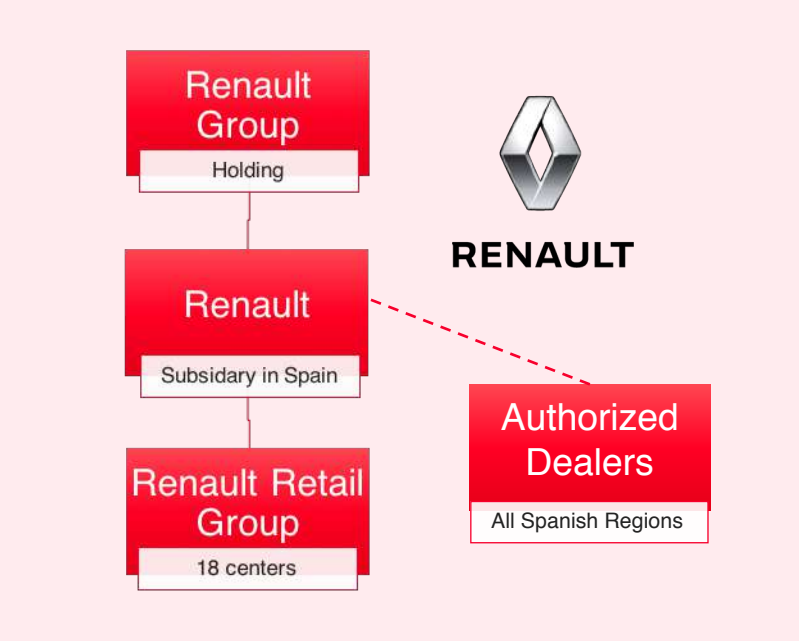
Premium challengers have similar prices to Tesla products (above-average/ luxury prices). Consequently, consumers considering to buy a Tesla have the same budget restrictions

BRANDS

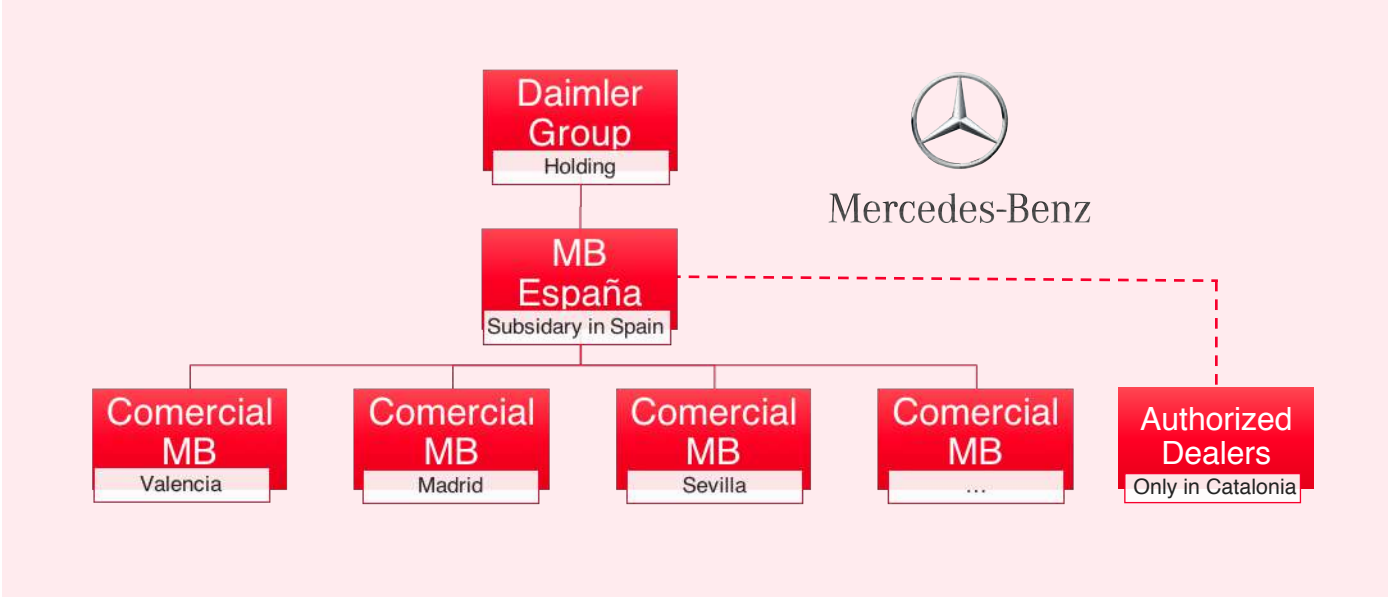
Mercedes-Benz BMW Audi

Competitors distribution

Examples of the distribution channels of two car manufacturers (Spain)



Car distribution in Spain is mainly done through authorized dealers (franchises). In 2016, in Spain there were more than 4000 dealers. However, some companies such as Porsche, Mercedes or Renault also opened their own points of sales, as a way to be closer to consumers



Source: Spanish Car Dealer Association - FACONAUTO

Competitors distribution

Nissan (Urban leaders) and BMW (Premium challengers)

There is a high number of car official resellers in Spanish Market
In order to understand the distribution network, a market analysis based on clusters is needed

NISSAN DISTRIBUTION NETWORK

- **Nissan** is one of the main competitors for Tesla in the Urban leaders market
- In Spain, there are over 195 Nissan stores distributed all across the country with a higher concentration in most populated areas (mainly in Madrid and Barcelona)

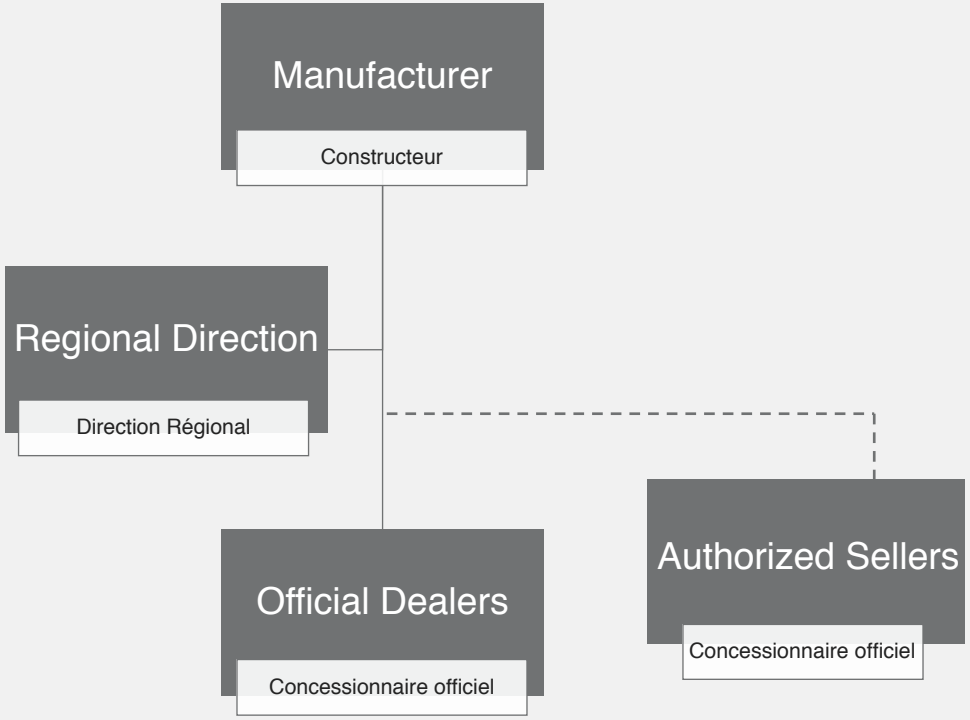
BMW DISTRIBUTION NETWORK

- Tesla also competes (especially with the model X and the model S) with “Premium challengers”, i.e. top selling premium vehicles such as Mercedes, Audi, and BMW
- For instance, BMW has over 104 selling points in Spain, covering all the geographical areas
- The widespread presence of BMW raises the brand awareness, and makes it more accessible and convenient for consumers

Source: Nissan Website

Competitors distribution

Structure of the distribution channels of car manufacturers (France)



France has similar distribution channels as the ones in Spain. The manufacturer (*constructeur*) sales the vehicle to its Regional Direction (RD). The RD is responsible of importing - when needed - the vehicle from the manufacturing plant to the region where it is and commercialize it to the different sellers (*concessionnaires*). These sellers can be official dealers owned by the manufacturer or authorized dealers (*concessionnaires independents*)

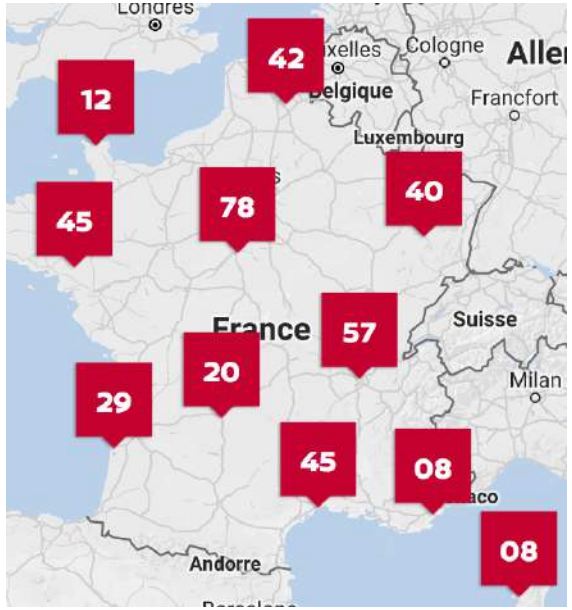
Source: National Council of Automobiles Professions - CNPA

Competitors distribution

Nissan (Urban leaders) and BMW (Premium challengers)

In France, the number of car official resellers is higher with respect to Spain
In order to understand the distribution network, a market analysis based on clusters is needed

NISSAN DISTRIBUTION NETWORK



- Nissan is one of the main competitors for Tesla in the Urban leaders EV market
- In France, there are over 380 Nissan stores distributed all across the country. In the Paris area only, there are around 78 selling points, which translate into a big bet by Nissan towards the importance of intensive distribution

BMW DISTRIBUTION NETWORK

- In France, the main French “Premium challengers” are the same as in Spain, i.e. Audi, Mercedes, and BMW
- BMW France has over 195 selling points of sale, spread across the country, with 3 stores around Paris
- The high number of competitors’ selling points makes it challenging for Tesla to compete in the country, as the latter currently has fewer point of sales

Source: Nissan Website

Competitor Analysis

PORTER ANALYSIS

The biggest issue Tesla has regarding the competition is the risk of substitute products from adjacent categories, i.e. ICE and HEV vehicles. The degree of rivalry in the main category is moderately low. However, Tesla may have to face higher rivalry soon, as competitors keep investing in R&D

COMPETITORS BY CLUSTER

Urban leaders (Hatchbacks and Economic)

- Leaders in the BEV product category
- The area of expertise is limited to city vehicles
- Main competitors in the cluster: Nissan, Renault, and Citroen

Premium challengers (Sedans and SUVs)

- Target similar segments and offer equivalent products
- Main competitors in the cluster: BMW, Audi, and Mercedes

DISTRIBUTION

Tesla's competitors have a significant larger distribution network, and own more points of sales, comprising official resellers and authorized dealers. This makes it difficult for Tesla to compete on equal footing, as it is more difficult to reach consumers

MAIN PLAYERS

(In decreasing order of market share)
Spain: Renault, Nissan, and BMW
France: Renault, Nissan, and Citroen

Consumers

Consumer analysis

Consumer analysis

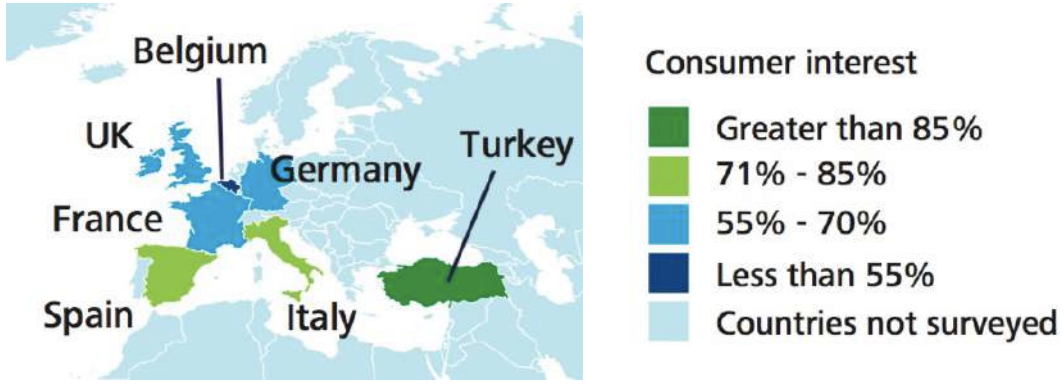
Consumer's attitudes towards BEVs

CONSUMERS PROFILES

Spanish people have the highest interest in electric cars in Europe, with **83%** of the surveyed considered potential consumers (22% are considered "potential first movers", while **61%** "might be willing to buy") [1]

In **France**, instead, **57%** of respondents are considered as potential BEV buyers, with 5% of "potential first movers" and 52% of "might be willing"

The appeal of electric vehicles is mainly due to the fact that they are perceived as cleaner, more environmentally friendly, and sometimes even more efficient than ICE



22% "Potential first movers"

61% "Might be willing to buy"

83% potentially interested in electric cars

5% "Potential first movers"

51% "Might be willing to buy"

52% potentially interested in electric cars

Source: [1]Deloitte (2011): "Unplugged: Electric vehicle realities versus consumer expectations "

Consumer analysis

Analysis of current and potential BEVs customers

TIMING – 3 horizons of BEV adopters

BEV adoption is likely to occur over three horizons.
Near-term buyers want more basic e-mobility solutions without the range and utility required by more demanding future buyers. Such "basic BEVs" are still rare and offer a development opportunity for automakers to expand their BEV model portfolio

Today

(time)

1st horizon: early adopters

Consumers with higher incomes and/or an eco-friendly and high-tech mind set who also value characteristics such as "new" and "different" in the products they buy

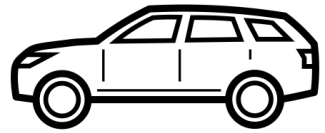
2nd horizon: near-term buyers

New segments that have more basic mobility needs with shorter range and fewer vehicle options. They typically live in more urban areas

3rd horizon: long-term buyers

Mainstream consumers, including families, who would buy an BEV instead of ICE for driving performance and efficiency, but would also expect more driving utility and an equivalent range with respect to ICE

Source: McKinsey Sustainable Mobility Initiative – 2016 Electrified Vehicles Consumer Survey



Source: McKinsey report "How automakers can drive electrified vehicle sales and profitability" (2017)

Consumer analysis

Analysis of current and potential BEVs customers

CONSUMERS PROFILES

9 BEV consumer segments along the three time horizons outlined in the previous slide can be identified. Two segments ("status and luxury enthusiasts" and "risk-averse greens") demand the type of high-end performance (e.g. Tesla Model S) and/or purpose-built sustainability (e.g. Nissan Leaf, Chevy Volt) associated with the most successful BEV models today

Today (time)

1st horizon: early adopters

- **Status and luxury enthusiasts:** they expect luxury cars, differentiated design cues, and performance;
- **Risk-averse greens:** they are interested in green technology, they care about the environment, but they are not willing to pay a large premium

2nd horizon: near-term buyers

- **Mainstream mobility seekers:** they are in-town commuters who look for a basic and affordable mobility solution with low operating costs;
- **Mass premium seekers:** they are young buyers who want an entry point into a premium brand with a performance/handling edge;
- **Low-cost performance:** they are buyers with limited budget looking for affordable performance to make daily commute more fun

3rd horizon: long-term buyers

- **Urban families:** consumers that seek a practical transport option for families;
- **Trendy families:** consumers looking for a larger vehicle with a modern style;
- **High-tech status seekers:** buyers who expect excellent performance, new technology, cutting-edge style;
- **Feature-focuses buyers:** consumers who want an all-around well-equipped vehicle at a low price

Source: McKinsey Sustainable Mobility Initiative – 2016 Electrified Vehicles Consumer Survey

Source: McKinsey report "How automakers can drive electrified vehicle sales and profitability" (2017)

Consumer analysis

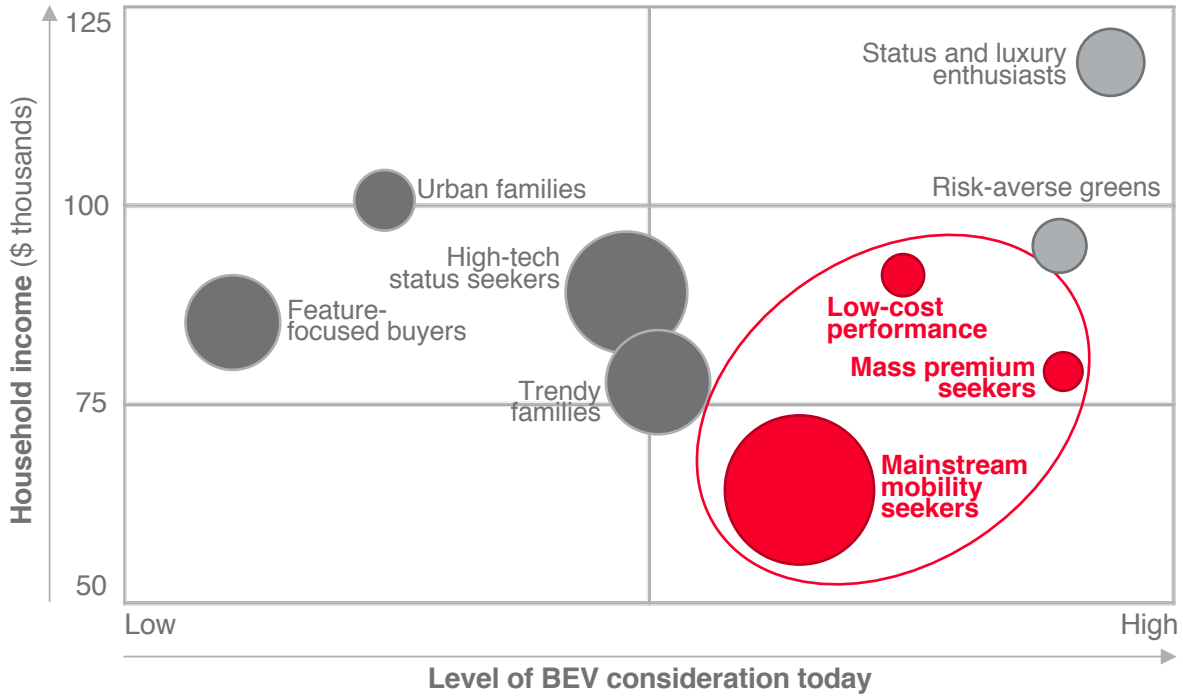
Analysis of potential near-term BEVs customers

CONSUMERS PROFILES

Two segments ("status and luxury enthusiasts" and "risk-averse greens") seek high-end performance and/or purpose-built sustainability vehicles

The other 7 consumer segments indicate a near-term unmet demand for more basic mobility solutions (e.g. lower-range and smaller vehicles with less driving utility), which is an interesting fact to be considered by manufacturers. According to McKinsey, the potential next-mover BEV adopters could be the "**mainstream mobility seekers**", "**mass premium seekers**", and "**low-cost performance**" segments. These individuals live predominantly in urban areas and travel on average 40-55 km/day

These segments have **lower household incomes** than early adopters. This considered, any automaker designing vehicles must be careful about keeping cost/price to a minimum. In this respect, large European cities offer significant **sales and scale potential**, as they are becoming progressive environments for sustainable transport solutions, e.g. in terms of restrictions for ICE models and incentives for BEV buyers. Indeed, buyers may be willing to pay a certain (limited) **price premium** for a BEV if they get a perceived benefit of added "performance" and greater mobility access within cities in return



Source: McKinsey Sustainable Mobility Initiative – 2016 Electrified Vehicles Consumer Survey

Source: McKinsey report "How automakers can drive electrified vehicle sales and profitability" (2017)

Consumer analysis

Near-term buyers

URBANIZATION

Across the world the size and number of **urban centers** are increasing. This increase will lead to demand for sustainable transportation solutions. It also suggests that a larger share of people may drive shorter distances on average per trip, requiring less range. These urbanites or people who live close to the city will be the near term buyers of BEVs

CONSUMERS SEGMENTS

The near-term buyers can be segmented into three segments:

- **Mass mobility seekers**
- **Mass premium seekers**
- **Low-cost performance**

The table below provides a more in depth-analysis

		Importance of…				
SEGMENT	**LIVING AREA**	**RANGE**	**TECHNOLOGY**	**DESIGN**	**PERFORMANCE**	**BEV SOLUTION**
MASS MOBILITY SEEKERS		M	M	L	M	Low-cost small BEV that is adapted to urban environment. Reduced performance, battery size, and fewer advanced features and technologies
MASS PREMIUM SEEKERS		L	H	H	H	An entry-level BEV model from a premium brand with good performance and style, used primarily for short commutes
LOW-COST PERFORMANCE		M	M	L	H	Regular mass-market brand BEV with good driving performance at affordable price

Source: McKinsey&Company (2017):"How automakers can drive electrified vehicle sales and profitability"

Consumer Analysis

Overview

OVERVIEW

CONSUMER'S ATTITUDE

22% "Potential first movers"

61% "Might be willing to buy"

Spanish people have the highest interest in electric cars in Europe (**83%**)

5% "Potential first movers"

51% "Might be willing to buy"

52% of the French population is potentially interested in electric cars

TIME HORIZON

Adoption to BEVs is likely to occur over **3 time horizons**

Today (time)

1st horizon: early adopters

- Higher income consumers
- Eco-friendly and high-tech mind set
- Seek "new" and "different" products

2nd horizon: near-term buyers

- More basic mobility needs (shorter range and fewer vehicle options)
- Typically live in more urban areas

3rd horizon: long-term buyers

- Mainstream consumers
- Expect more driving utility and the same range of ICE

3 consumer profiles with high potential can be distinguished

- **Mass mobility seekers:** attach moderate importance to range, technology, and performance
- **Mass premium seekers:** attach high importance to technology, design, and performance
- **Low-cost performance:** attach medium importance to range and technology, high importance to performance

Future trends

Future mobility scenario

Mobility future trends

01 ELECTRIFICATION

- Political and legal enforcements for the reduction of emissions make BEVs necessary to meet targets[1]
- Fast technological advances increase battery energy density and reduce battery cost, improving BEVs cost structure[2]
- Urbanization worsens pollution in urban areas. Consumer demand is shifting in favor of e-mobility[3]

Sources: [1]McKinsey&Company, "Electrifying insights: How automakers can drive electrified vehicle sales and profitability" (p.8); [2]IEA, "Global EV Outlook 2017" (p.14); McKinsey&Company, "Electrifying insights: How automakers can drive electrified vehicle sales and profitability" (p.8)

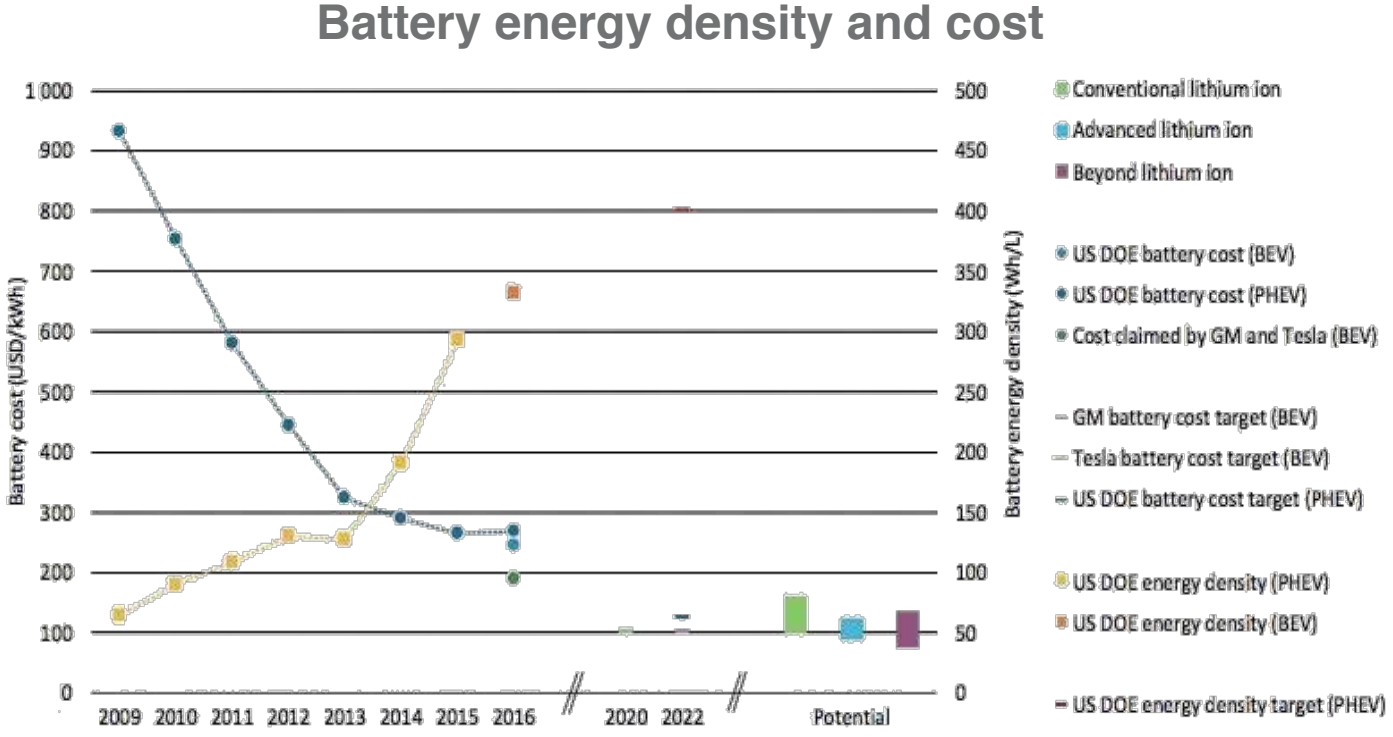
Mobility future trends

Market development and battery cost

Market: In Europe, the market share of EVs including BEVs, PHEVs, and E-REVs, is expected to represent the lion's share of the market by 2040 in terms of driving technologies

Some OEMs (Original Equipment Manufacturers are implementing electrification step by step into their existing models. For example, BMW reconsidered many aspects to develop the I3, which represented an investment of 2 billion euros. The new model was launched in November 2013[1]

Battery cost: The average price of lithium-ion battery packs used in EVs dropped by 65% over the period 2010–15, from $1,000/kWh to $350/kW
The cost of battery packs is expected to decrease to well below $100/kWh in the next 10 years, and possibly as low as $50-60/kWh in the longer term[1]



[2]IEA, Global EV Outlook 2017 (pp.13-14, 34)

Source: Deloitte (2009): "A new era in Accelerating toward 2020 – an auto Industry transformed"; [2]IEA, Global EV Outlook 2017 (pp.13-14, 34)

Mobility future trends

Drivers and barriers to the adoption of BEVs

DRIVERS OF ELECTRIFICATION

Regulation: legal restrictions for emission and renewable energy targets

Subsidies: incentivize purchase

Shared mobility:

- Increase mobility consumption
- Spread the cost of ownership
- Increase renewable power generation[2]

BARRIERS FOR THE ADAPTION OF BEVs

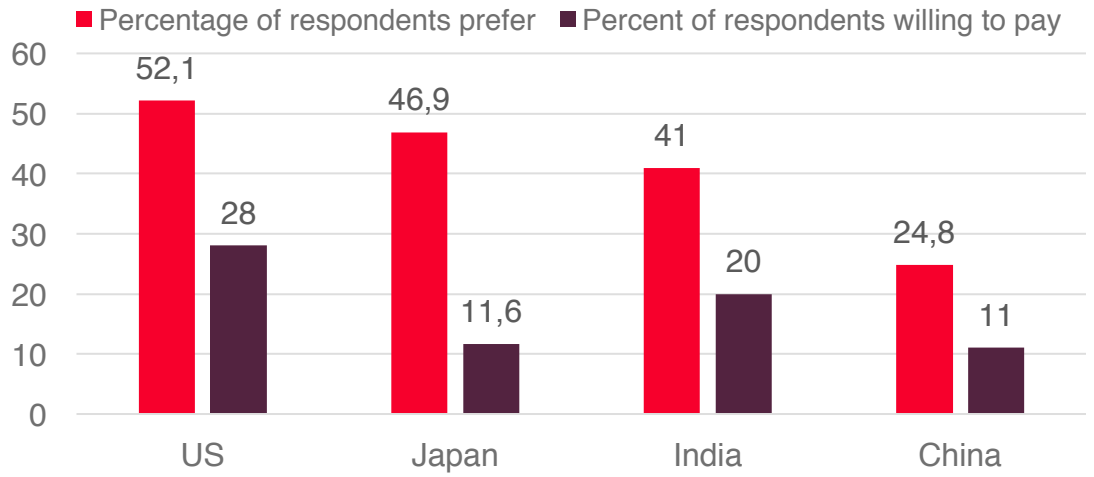
- Cost of BEVs
- Limited range of BEVs
- Lack of charging infrastructures
- Lack of government incentives and/or subsidies[1]

Different types of Global Tax Subsidies

Subsidy	Region
Tax reduction (car tax, road tax, registration tax, annual circulation tax)	European countries such as Belgium, Austria, Finland etc.
Financial incentives	Europe, China, USA, Japan
Local regulations	Preferred zones, parking

Source: Accenture (2010): "A new era in Accelerating toward 2020 – an auto Industry transformed"

Preference vs. willingness to pay



Source: Deloitte Automotive Survey; Deloitte Consulting LLP [1]

Sources: [1]Accenture (2010): "A new era in Accelerating toward 2020 – an auto Industry transformed"
[2]Mckinsey 2017 An integrated Perspective on the future of mobility

Mobility future trends

02 SHARING

- Change from the one-car-fits-all approach to a situational-need approach. Some consumers may value more access to multiple vehicle types with respect to ownership[1]
- Car sharing can make one car achieve greater annual driving distance, offering a lower total cost of ownership for BEVs with respect to other vehicle categories[2]
- Reducing traffic in developed metropolitan areas[3]

DRIVERS OF GROWTH OF SHARED MOBILITY

- A **new consumption culture** of sharing. The share of consumers willing to switch to manufacturers integrating apps, data, and media in their vehicles grew by 85% from 2014 to 2015[2]
- **Scarce resources** are driving up energy prices. Therefore, the demand for low cost mobility services is increasing
- **Digitalization:** innovation in communication technology is widespread, with smartphones that are more and more at the core of consumers' everyday private and professional life

DEMOGRAPHIC TRENDS

- Urbanization, aging populations in developed countries[1]
- Average density of metropolitan areas is expected to grow by 30% between 2015-2030
- In developing dense metropolitan areas, demand for mobility could nearly double if passenger kms travelled per person remain stable and car ownership is aligned with historical relationship with GDP growth[2]

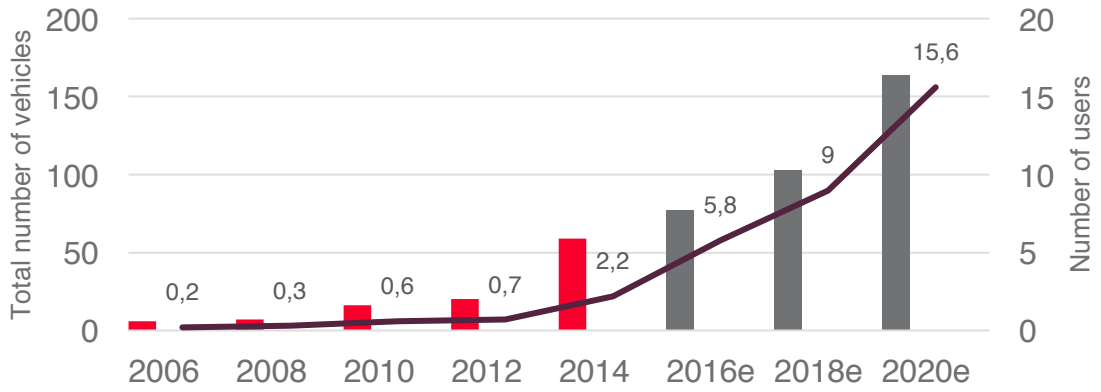
Source: McKinsey&Company, "Electrifying insights: How automakers can drive electrified vehicle sales and profitability" (p.8)

Mobility future trends

Shared mobility

Globally: the market value globally (China, USA, Europe) is €45,5 billion ($53 billion) and is expected to experience a growth of 20% until 2030. In Europe, the market value was only €4,8 billion ($ 5,7 billion) in 2015, due to regulatory restrictions (e.g. terms of parking or negative PR) and a fragmented market[6;7]

Car sharing market development for Europe (2006-2020e)



Monitor Deloitte analysis, based on Bundesverband of Carsharing Association (CSA),,The European Automotive Manufacturer's Association, CU Berkley, Frost and Sullivan. Countries: GER, UK, FRA, ITA, CH, AT, NL, SWE, SPA, BEL, NOR, DEN, SWE

"In major cities across North America, Europe and Asia, shared mobility companies today handle around 10% of public passenger transportation, up from less than 1% in 2014[2]. Today there are 30.000 vehicles in 50 cities worldwide with over 3 million users"[8]

INVESTORS CONFIDENCE

Starting from 2011, investments in shared mobility have taken off, and they reached €9,6 billion ($11,3 billion) in 2015[5]

Up to 1 out of 10 cars will possibly be shared by 2030. Acceleration of regulatory forces will enhance shared mobility[4]

Automotive revenues could grow at 4,4 % annually industry-wide, as a consequence of shared mobility and data connectivity[4]

THE SITUATION IN MADRID

- Madrid's city council actively supports BEVs adoption
- Thomas Beermann, chief executive officer of Daimler's car2go service in Europe, commented that "nowhere else are so many people having a positive experience with an electric vehicle."
- "That may explain why car2go's Madrid vehicles are rented as many as 15 times a day on average, the highest rate anywhere in the company's 26 cities"[3]
- Moderate to low presence of competitors

Sources: [1]Monitor Deloitte: Carsharing in Europe Business Models, National Variation.and Upcoming disruptions 2016; [2]Roland Berger: "Shared mobility – how new businesses are rewriting the rules of the private transportation game"; [3]Eltis online (2017); [4]McKinsey (2017): "Auto 2030 – How disruptive technology-driven trends could transform the auto industry"; [5]Bloomberg New Energy Finance; [6]McKinsey: "Center for Future Mobility online – Shared Mobilty"; [7]McKinsey Webinar: "Perspective on future mobility"; [8]VuLog Website: "Potential market of free floating carsharing"

Mobility future trends

03 AUTONOMOUS DRIVING

- Once technology and regulation have advanced, autonomous driving could add convenience and safety

- Autonomous driving transforms cars into platforms for people to enjoy their transit times, enabling manufactures to monetize the 50 minutes of daily average commuting time through entertainment

Sources: McKinsey&Company (2016): "Automotive revolution – perspective towards 2030"

Mobility future trends

RELEVANT FACTORS FOR AUTONOMOUS DRIVING'S SUCCESS

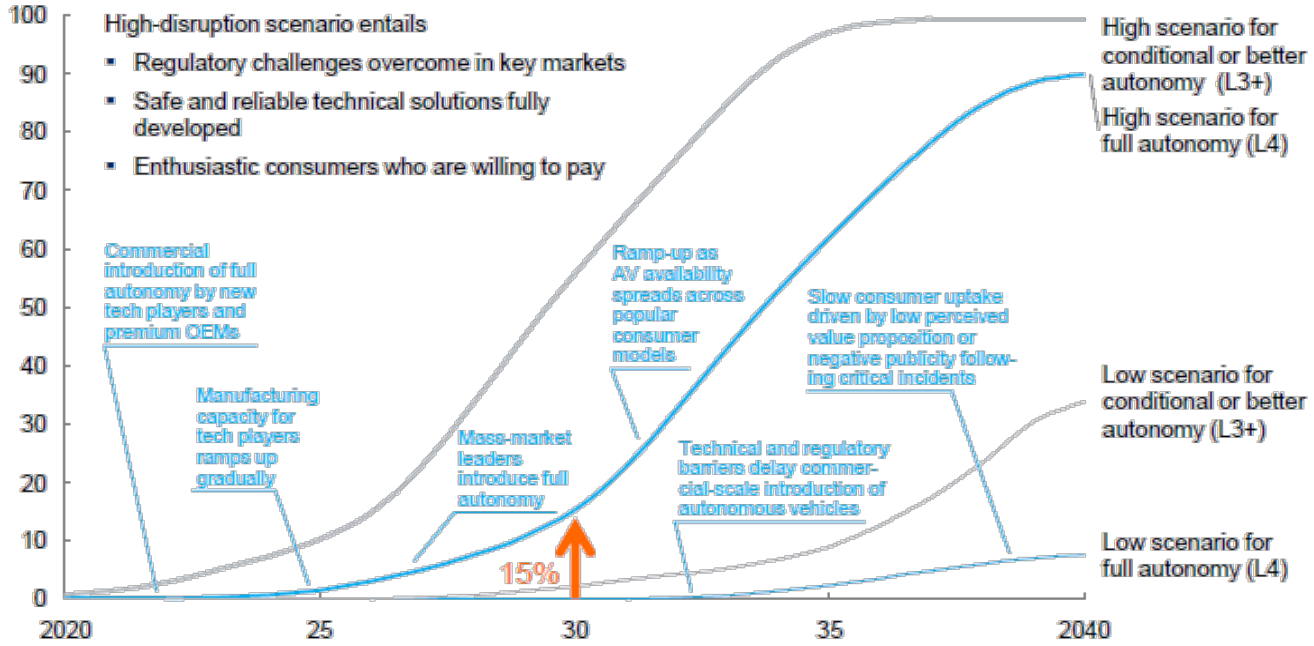
- Compliance with country-specific regulations
- Fully developed safe and reliable technical solutions
- Consumers' positive and welcoming attitude towards innovation and their willingness to pay for the feature

HIGH SCENARIO **LOW SCENARIO**

15% **5%**

2030 **2040**

Autonomous cars could represent 15% of the market in 2030, in the best possible scenario. Instead, in a low scenario for full autonomy, they would only account for 5% in 2040[1]



Source: [1]McKinsey (2017): "Auto 2030 – How disruptive technology-driven trends could transform the auto industry"

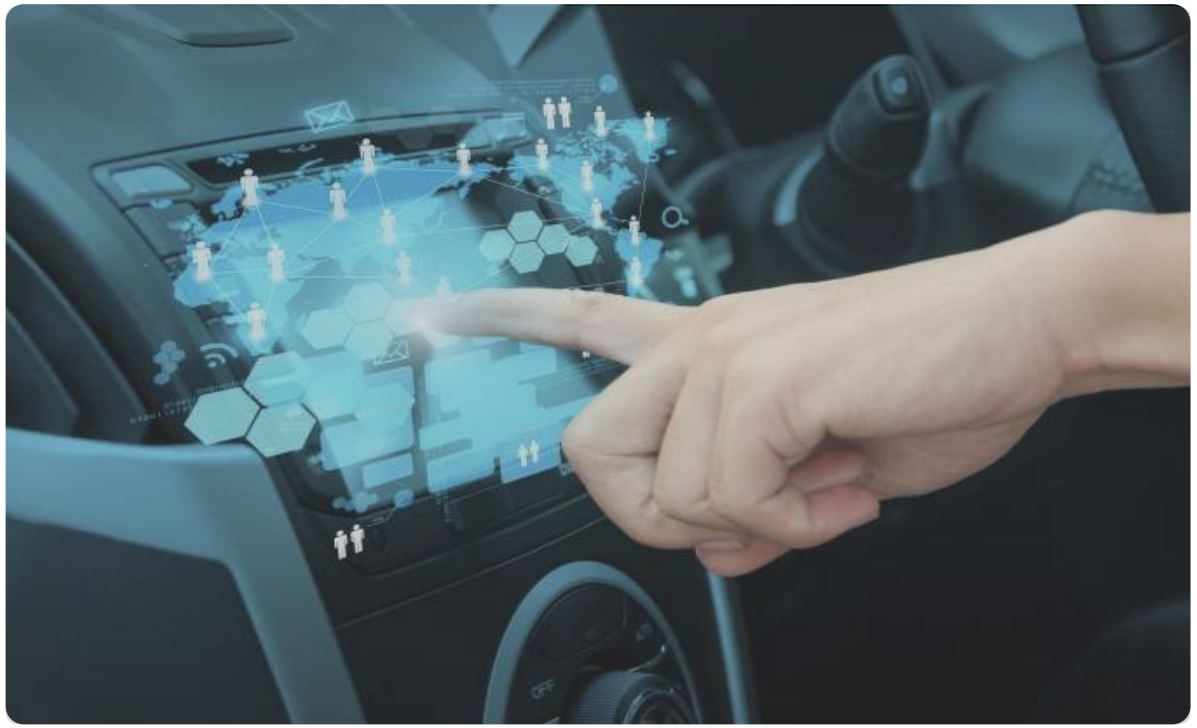
Step 1: Function specific automation (automated assisted breaking)
Step 2: Combined function automation (adaptive cruise control)
Step 3: Limited self-driving automation (Google self driving car)
Step 3: Full self-driving automation

Source: [1]McKinsey (2017): "Auto 2030 – How disruptive technology-driven trends could transform the auto industry"

Mobility future trends

04 CONNECTIVITY

- The connected EV ecosystem could increase convenience by providing Apps to monitor battery level and cost of charging, or locate charging stations[1]
- Cars will have to interface with devices such as phones and tablets etc.[1]
- Connected car grid solutions could enable cost-effective load balancing[2]



Sources: [1]McKinsey&Company, "Automotive revolution – perspective towards 2030"; [2]McKinsey&Company, "Electrifying insights: How automakers can drive electrified vehicle sales and profitability" (p.8)

Mobility future trends

Connected ecosystem to improve convenience for consumers

Recharging cost information and payment

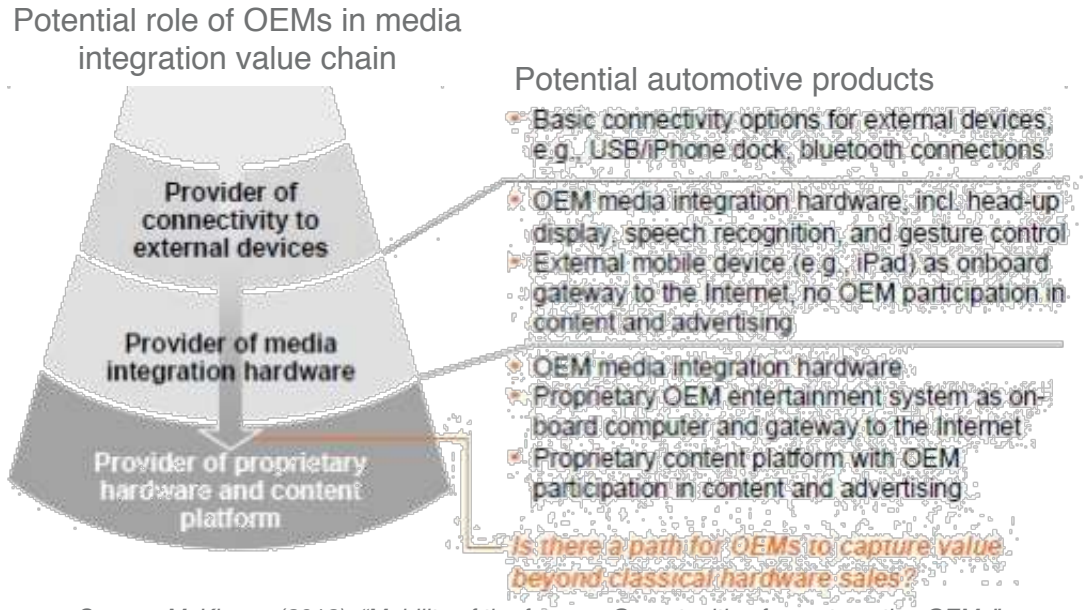
Monitor and manage battery charging online

Battery performance overview

Vehicle range control

Locate charging stations

The role of OEMs in media integration market is not yet determined



Source: McKinsey (2012): "Mobility of the future – Opportunities for automotive OEMs"

Automotive manufacturing companies can provide connectivity on different levels, from offering a connected ecosystem, to implementing the matching hardware to connect devices, to integrating into a new business model of mobile entertainment

Source: Accenture – The Electric Vehicle Challenge 2015

Mobility future trends

Overview

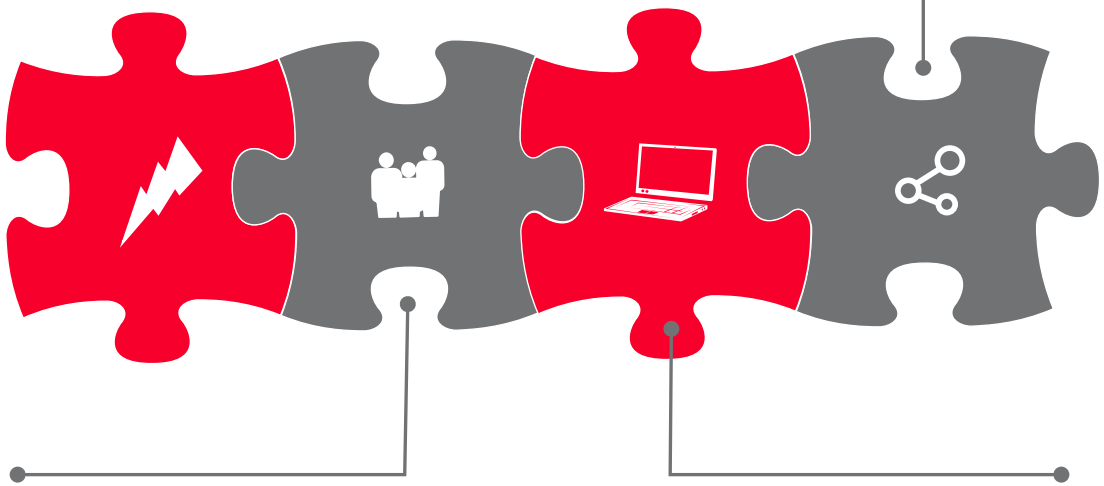
OVERVIEW

ELECTRIFICATION

Political, technological and social changes will enhance the transition towards BEVs

CONNECTIVITY

Connectivity, together with other trends, creates an integrated BEV system



SHARING

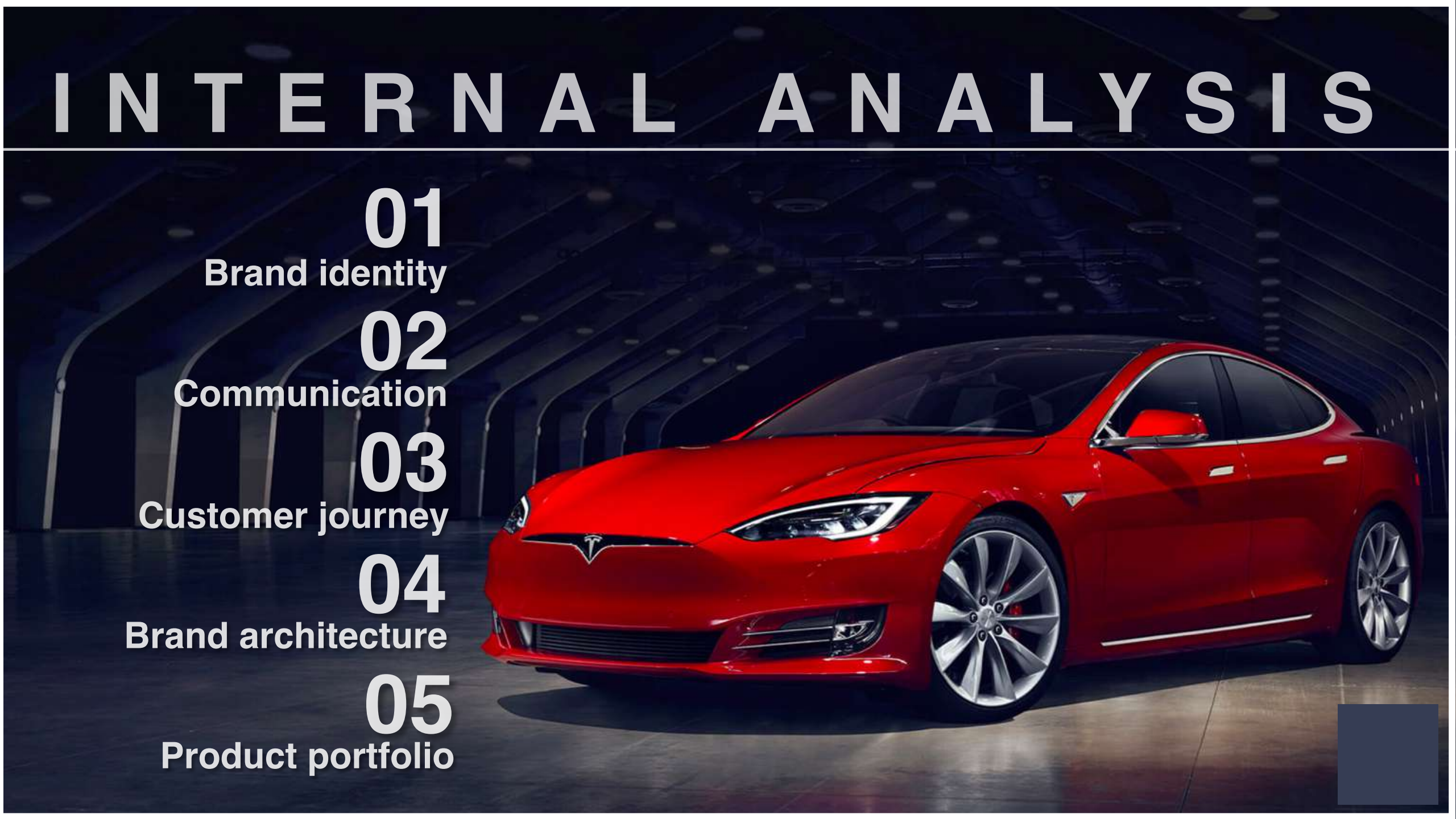
Shared mobility solutions with shorter life-span will become more common

AUTONOMOUS DRIVING

Up to 15% of new cars sold in 2030 could be fully autonomous

Source: McKinsey&Company, "Electrifying insights: How automakers can drive electrified vehicle sales and profitability" (p.8)

INTERNAL ANALYSIS



01
Brand identity

02
Communication

03
Customer journey

04
Brand architecture

05
Product portfolio

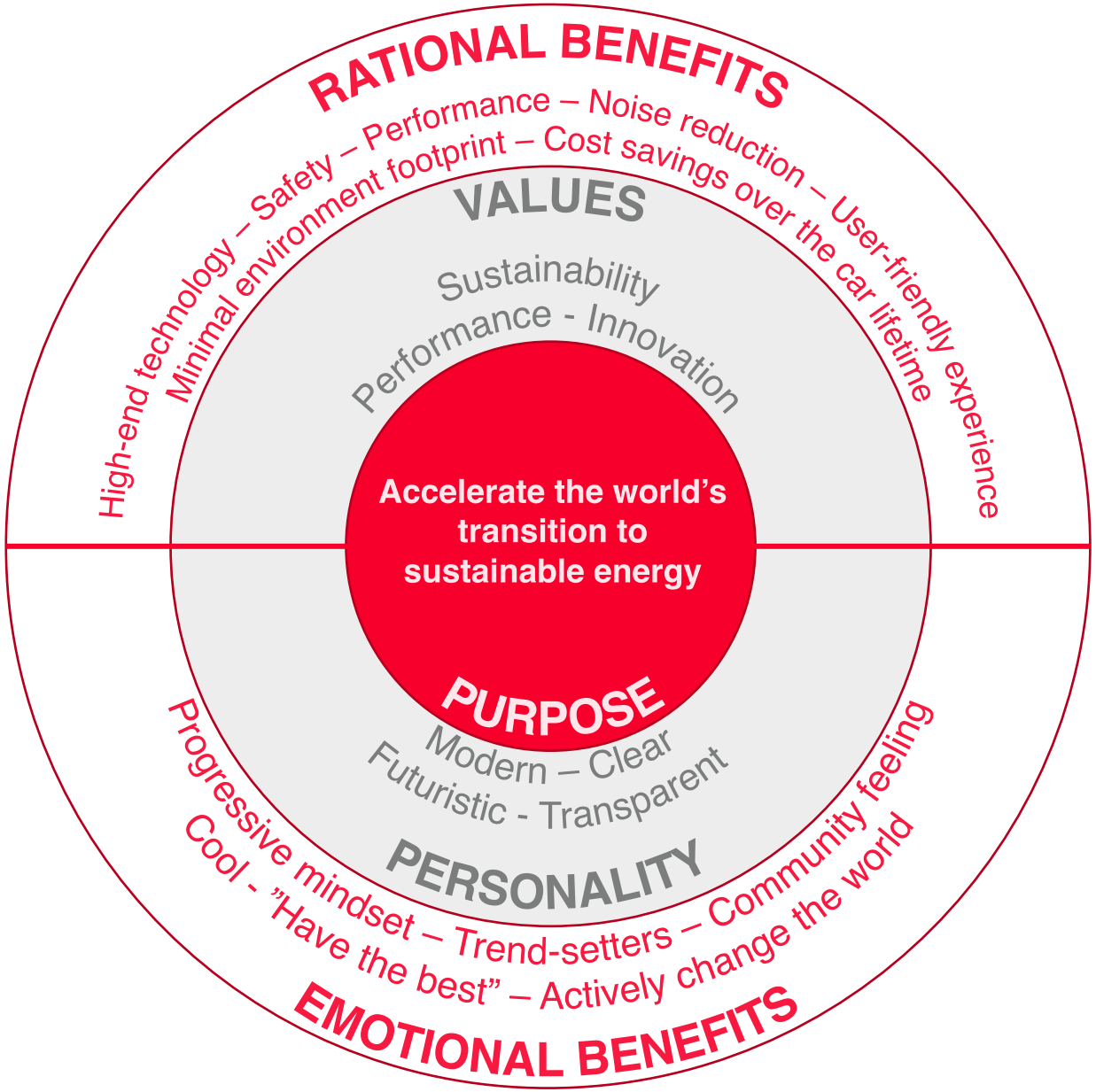
Brand Identity

The Brand Wheel, Brand symbols

The Brand Wheel

Analysis of Tesla brand

Tesla's products offer several unique rational, as well as emotional, benefits. **Rational benefits** are directly linked to the products' attributes. For instance, Tesla's vehicles promise an outstanding performance, such as a very fast acceleration from 0 to 100 km/h (e.g. 2,9 seconds for the fastest version of the Tesla Model X, 2,5 seconds for the Tesla Model S).
In addition, having obtained a 5-star rating, Tesla's cars can be considered as safe as only 1% of the vehicles in the US. Additional **functional benefits** include state-of-the-art technology, noise reduction, a user friendly experience, minimal environmental footprint, and cost savings over the car's lifetime.
Moreover, Tesla's models offer a range of **emotional benefits**, such as the feeling of "being cool and trendsetter", as well as being progressive and willing to change the world. The emotional benefits stem from the **brands values**, which can be identified as sustainability, performance, and innovation. The brand communicates these values through a modern, clear, transparent, futuristic, and progressive **personality**. All the aspects listed above, which are graphically organized in the brand wheel, can be traced back to the brand's and company's core **purpose,** i.e. the "acceleration of the world's transition to sustainable energy"



Source: Tesla Website

Brand symbols

The evolution of the brand name

2003

The company was incorporated as **Tesla Motors, Inc.** by Martin Eberhard and Marc Tarpenning

The name hints to **Nikola Tesla**, the Serbian-American genius who invented the induction motor and alternating-current (AC) power transmission

The name is easy to **remember** and it clearly shows consumers that it is a **car company**

2017

The company shortened the name from Tesla Motors Inc. to **Tesla Inc.** The decision shows Tesla's ambition to **move beyond selling electric cars** and become a **sustainable energy provider**

CERTIFICATE OF INCORPORATION

OF

TESLA MOTORS, INC.

FIRST: The name of the corporation is Tesla Motors, Inc. (the "*Corporation*").

SECOND: The address of the Corporation's registered office in the State of Delaware is 615 South DuPont Highway, City of Dover, County of Kent, State of Delaware 19901. National Corporate Research, Ltd. is the Corporation's registered agent at that address.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

FOURTH: The Corporation shall have authority to issue 20,000,000 shares of Common Stock, with a par value of $0.001 per share.

"Without Tesla's vision and brilliance, our car wouldn't be possible. We're confident that if he were alive today, Nikola Tesla would look over our 100 percent electric car and nod his head with both understanding and approval"

*Sources: [1]Alex Davies, "*Here's Why Tesla Motors Is Named For A Famous Serbian Inventor*", Business Insider, http://www.businessinsider.com/who-is-tesla-named-for-2013-8; [2]WebArchive, Tesla Motors, http://web.archive.org/web/20071016044752/http://www.teslamotors.com/learn_more/why_tesla.php*

Brand symbols

The evolution of the brand logo

TESLA MOTORS

TESLA

TESLA

"The T is like **a cross section of an electric motor**"

Sources: Elon Musk, Twitter, https://twitter.com/elonmusk/status/822180663285514240?lang=en,

Brand symbols

The evolution of the brand logo

Roadster

Model S

Model X

Model 3

TESLA MOTORS

- Luxury and elegance
- Shield: durability, safety, reliability, power
- A mix of high-tech tendencies with authentic feeling of safety and power
- Simplicity and style
- Colors: creativity, innovation
- Font: modern and futuristic-looking typeface, dynamism and precision

TESLA

Brand Identity

Overview

OVERVIEW

- Tesla's mission is ***to accelerate the world's transition to sustainable energy***
- Tesla's models offer a range of emotional benefits, such as the feeling of "being cool and trendsetter", as well as being progressive and willing to change the world. The emotional benefits stem from the **brands values**, which can be identified as sustainability, performance, and innovation. The brand communicates these values through a modern, clear, transparent, futuristic, and progressive personality
- In terms of **brand symbols**, in 2017, the company shortened the name from Tesla Motors Inc. to Tesla Inc. This signals a change in the company's brand image, as Tesla wants to move from being a car manufacturer to being a sustainable energy provider
- Tesla's **logo** has also been transformed from a conventional luxury car logo to a simpler and more modern one, in alignment with the new brand image

Communication

External and Internal

Communication

External

- Social Media (Facebook, Twitter)
- Video (YouTube)
- Website, configurator and application
- Events
- Showroom
- Elon Musk

> *“ Tesla Motors has **no advertising, no ad agency, no CMO, no dealer network**. And that’s no problem. ”*
>
> Michael McCarthy, Advertising Age

- Internal communication strategy
- How internal communication can be used externally

Internal

Sources: Michael McCarthy, AdAge, Tesla Generates Small Sales, Big Buzz Without Paid Ads, http://adage.com/article/news/tesla-generates-small-sales-big-buzz-paid-ads/241994/

Facebook

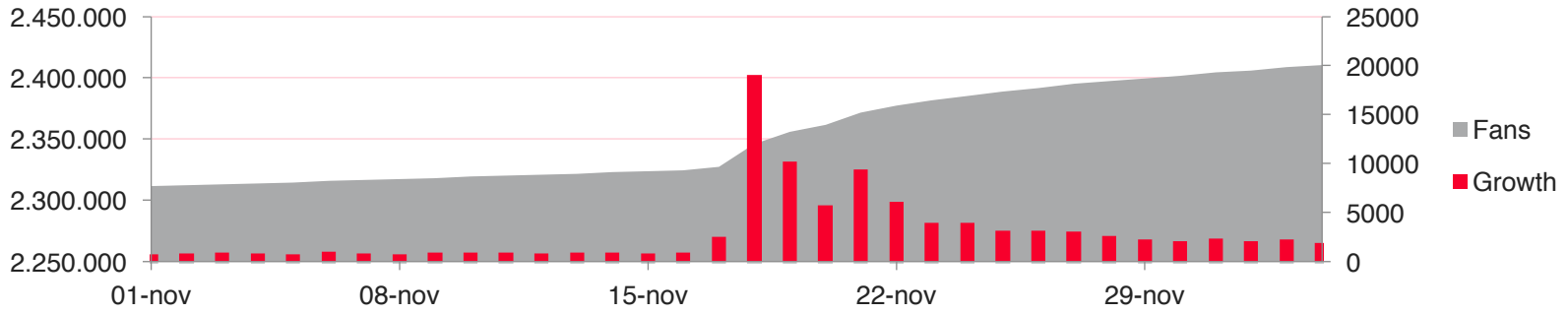
Overview of the official page: Tesla

About: “Electric cars, giant batteries and solar”
Category: Brands & Co. > Cars
Most popular in: United States
First Insight: Tesla is an occasional poster

16%

PAGE PERFORMANCE INDEX (PPI)
The Page Performance Index is a combination of the engagement value and the growth of the fan page (increase of number of fans). It is an indicator for the overall strength of the page

Fans	
10/31/17	12/4/17
2.3M	2.4M
+99,744 (4.3%)	



Evaluation of 3 Tesla-related profiles: the official page (Tesla), the Spanish and the French Tesla Club (Club Tesla Motors France and España)

Page	Page Performance Index	Number of fans	Average Weekly Growth	Engagement	Post interaction	Service Level	Posts per day	Ad-Value (EUR)
Tesla	16,0%	2410553	1,02%	0,12%	0,17%	55,17%	0,6789	41k €
Club Tesla Motors France	9,0%	9606	-	0,03%	0,93%	-	0,036	46 €
Tesla Inc Fan Club España	22,0%	459	-	0,22%	2,08%	0,0%	0,107	12 €

Facebook

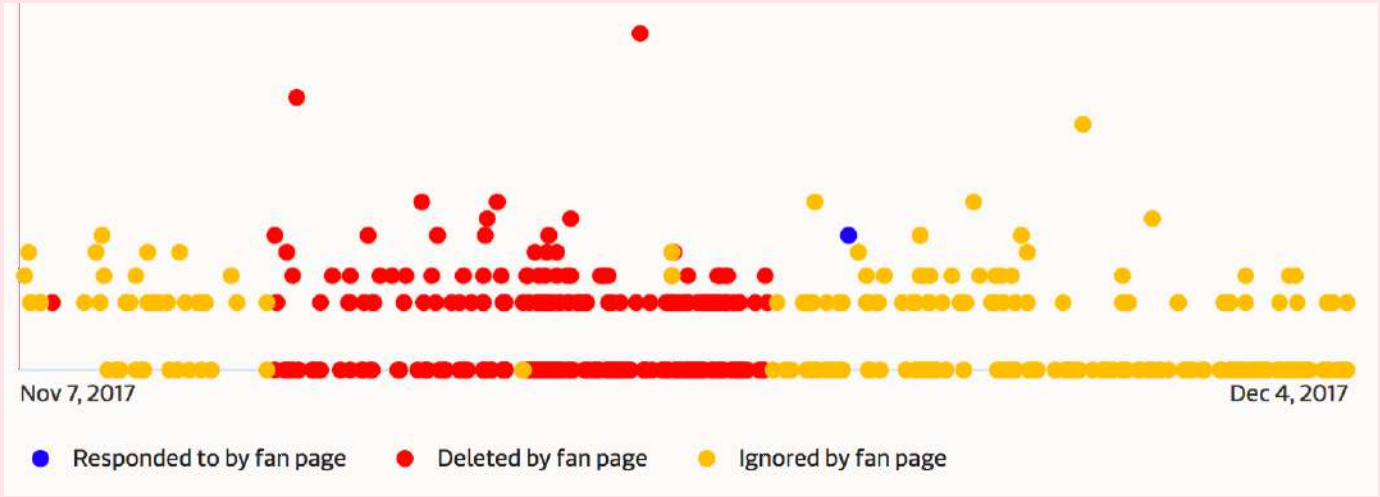
Top Posts, Total Reactions, Comments, Shares

Published	Image	Post	KPIs (as of Dec 5 2017)
Nov 20, 2017 7:59 PM View post		Going into plaid tesla.com/roadster	43853 Reactions 6908 Shares 2485 Comments 2.3% Interaction
Nov 15, 2017 8:42 PM View post		Watch the Tesla Semi unveil this Thursday, 11/16 at 8pm PT at Tesla.com	9665 Reactions 2090 Shares 913 Comments 0.55% Interaction
Nov 5, 2017 12:16 PM View post		"When you leave a restaurant and you are now parked in a puddle."	2825 Reactions 1596 Shares 789 Comments 0.23% Interaction
Dec 1, 2017 9:52 PM View post		The world's largest lithium-ion battery is now on in South Australia! http://ts.la/2AAsPxq	4621 Reactions 389 Shares 111 Comments 0.21% Interaction
Nov 12, 2017 1:02 AM View post		On this global day of remembrance and thanks for military veterans, we thank our veteran employees for their service. tesla.com/careers/vets	2030 Reactions 180 Shares 38 Comments 0.097% Interaction

Facebook

Engagement with users and suggestions for improvement

ENGAGEMENT WITH USERS



The graph represents posts by fans on the Tesla Official Facebook page between Oct. 31-Dec. 4, 2017
The higher the dot, the more reactions the post triggered
As can be clearly seen, Tesla is not actively managing user posts, with all but one post written in the period under study left without an answer

HOW TO IMPROVE

- It should be improved **how often** content is posted
- The **response rate** is quite low compared to similar pages
- Tesla does not like nor **interact** with other Facebook pages
- A lot more **variation** in terms of types of **content** posted could be used

Twitter

Overview of the company official profile @tesla

@tesla Tesla

6,426 tweets | 129 following | 2,141,089 followers | 11,009 listed

Joined Twitter on February 10, 2008 as user #13298072

Electric cars, giant batteries and solar

http://ts.la/w0i | Pacific Time (US & Canada)

5 top hashtags in the period under study on @tesla

#tesla	91
#newsmodelsx3	30
#newstesla	27
#lifestyle	17
#concurrence2	11

2.31 tweets per day | 128 retweets *4%*

2,451 user mentions *0.77* | 1,938 replies *61%*

915 links *0.29* | 327 hashtags *0.10*

1,588 tweets retweeted *49.66%* a total of 651,016 times *409.96*

2,052 tweets favorited *64.17%* a total of 1,546,692 times *753.75*

The Page Performance Index (PPI) is a combination of the engagement value and the growth of the followers. It is an indicator for the overall strength of the page

Evaluation of 3 Tesla-related profiles: the official page (@tesla), the Spanish and the French Tesla Club (@clubteslaES; @teslaclubfrance)

Page	Profile Performance Index	Average Weekly Growth	Tweets	Tweets/day	Number of likes	Retweets	Engagement	Conversations
@tesla	100,0%	2,58%	22	0,786	224.699	63.968	0,52%	13,64%
@clubteslaes	86,0%	-	33	1,179	1158	339	0,58%	18,18%
@teslaclubfrance	30,0%	-	102	3,643	70	49	0,07%	6,86%

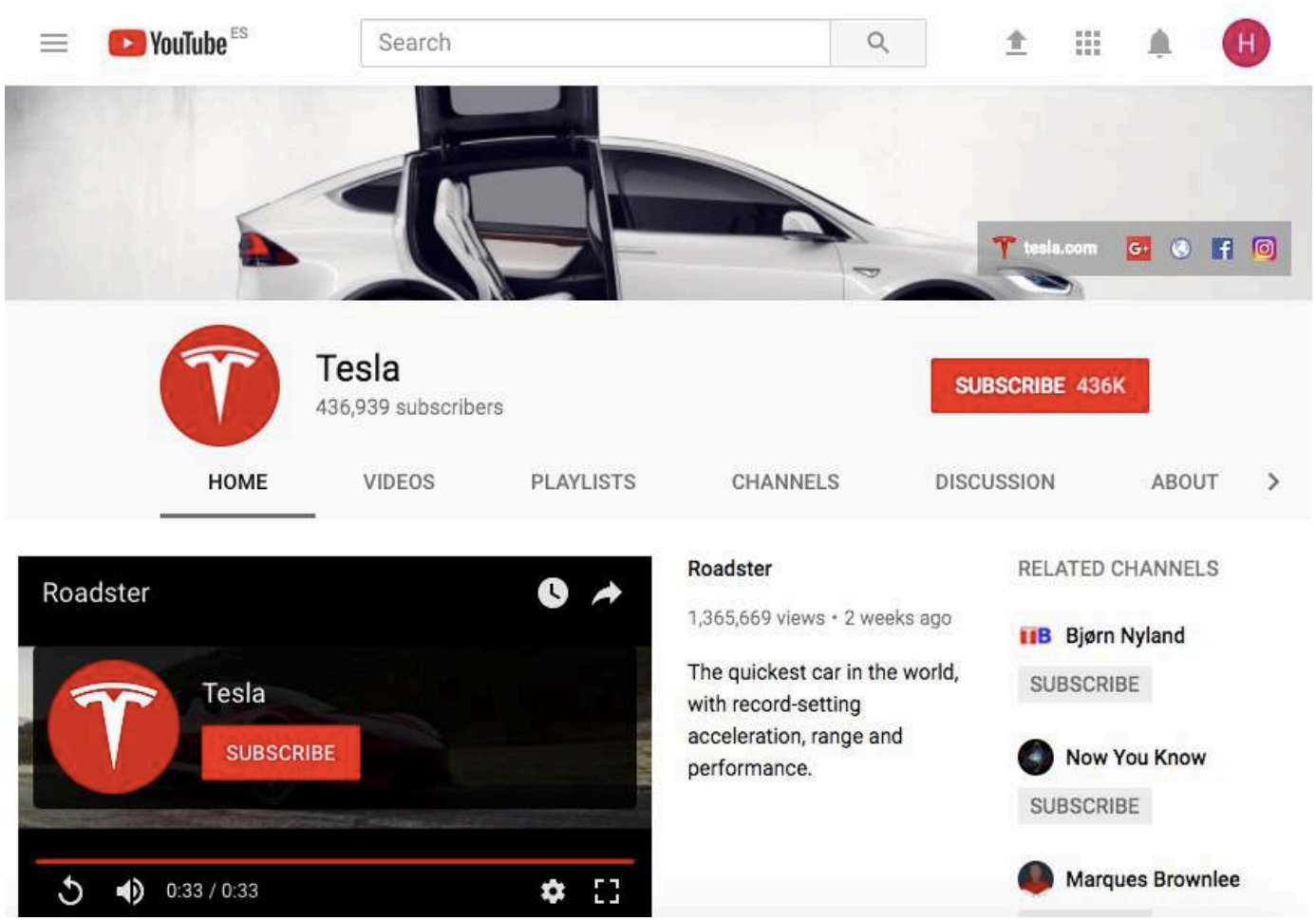
Twitter

Twitter: Top Posts, Retweets & likes

Published	Image	Tweet	KPIs (As of Dec.12 17)	
Nov 17, 2017 7:32 AM View post		Going into plaid https://t.co/OUU9s7CUwI	49200 16788 3.3%	Favorited Retweets Interaction
Nov 17, 2017 6:06 AM View post		https://t.co/0rBaJNQrum https://t.co/pyoDmOj4XC	34263 10588 2.3%	Favorited Retweets Interaction
Nov 15, 2017 8:26 PM View post		Tesla Semi unveil, 8pm PT tomorrow — watch live at https://t.co/8uVlhvzpu5 https://t.co/hCIm5iCW6J	21075 6847 1.4%	Favorited Retweets Interaction
Nov 17, 2017 6:56 AM View post		BAMF https://t.co/r535Hv4Xz7	18403 4266 1.1%	Favorited Retweets Interaction
Nov 14, 2017 9:31 PM View post		MIT researchers rebut misleading @FT article — truth is that EVs are way cleaner than petrol cars https://t.co/Pv7K9tU7hr https://t.co/jnUelBnEza	12176 4114 0.83%	Favorited Retweets Interaction

YouTube

Overview of the official channel



- Channel created on **Dec 7, 2006**
- **436.939** subscribers
- **33.222.742** views
- 8 categories:
  - Tesla Launch Events
  - Tesla Global
  - Tesla Energy
  - Customer Stories
  - Autopilot
  - Touchscreen Walkthrough
  - Tesla in the News
  - Roadster
- Tesla's official YouTube channel appears also on the Facebook page, under the name of "Tesla TV"

Sources: YouTube channel (data updated to Dec. 3 2017, 12.09pm)

YouTube

Evolution of the official channel

THE BEGINNING

- The **first video** was posted on **Dec 29, 2009**, 3 years after the creation of the YouTube channel
- The title is “Tesla Roadster on ice”, which is also the main message of this video
- The video is filmed by one Tesla test driver with her mobile phone, resulting in a very amateur quality
- The post-production is also very simple. Several cuts can be identified, but the purpose is purely functional
- The video is accompanied by a monologue to comment Tesla’s performance on ice. However, the sound is not very well recorded, and audiences can not hear clearly what she’s saying. No music is used
- After this video, we can find a number of similar videos targeting “tech geeks”. The message is simply to show how good Tesla’s performance is, focusing uniquely on rational benefits. The production of the video is amateur and does not cost anything

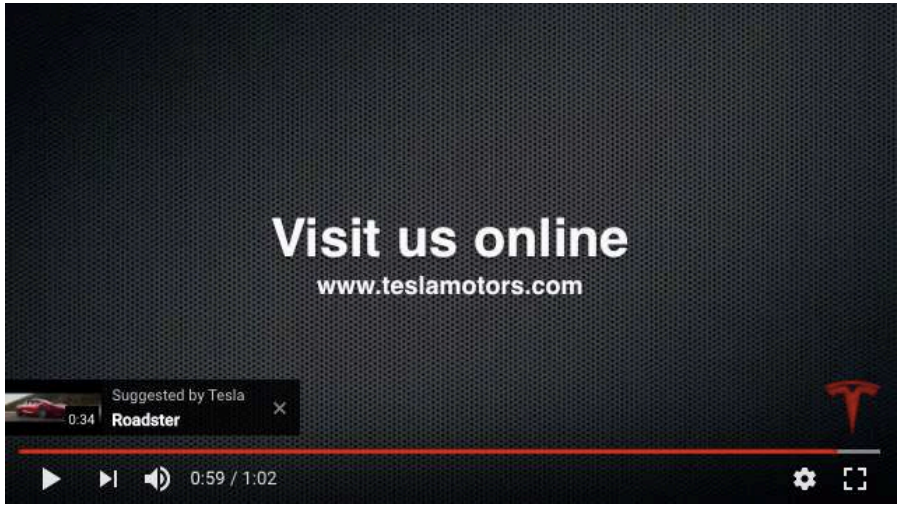
Link: https://www.youtube.com/watch?v=tH_mSJC21f8

YouTube

Evolution of the official channel

BRAND BUILDING

- One month after the creation, on Jan 26, 2010, Tesla started to actively manage the channel
- A new video was posted, under the title “Dueling Drifting Tesla Roadsters”, with the description of “Tesla Roadsters eat snow for breakfast”
- Tesla’s logo appears before the start of the video for the first time. The title appears just after, followed by a sentence: “The electric Tesla Roadster loves snow. Traction control is turned off for this parking lot drift-fest!”
- Although the message is always to show Roadster’s good performance, the focus of the video becomes “Tesla’s employees are having fun with Tesla.” The tone of the message is humorous
- The use of background music: “Modern Drift”. Tesla’s employees’ laughter can be clearly heard during the video, bringing audiences into a “fun world”
- Although the video production is still very amateur, the focus of the video moved from purely rational to emotional. The appearance of Tesla’s logo and website helps to build the brand awareness

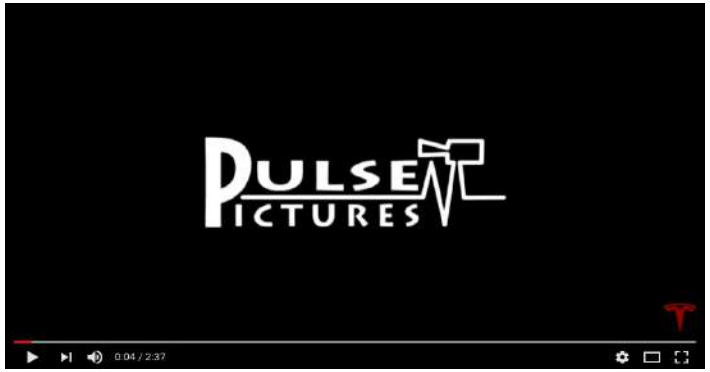


Link: https://www.youtube.com/watch?v=9KOme_d_2Do

YouTube

Evolution of the official channel

COUNTRY-SPECIFIC VIDEOS TARGETING DOMESTIC CUSTOMERS



- On March 25, 2010, Tesla's YouTube channel posted 2 videos targeting mainly Swiss audiences
- #1 Video: **"Odyssey of Pioneers Leg 1 – Basel to Zurich"** is a record of Tesla's Odyssey of Pioneers event – first Swiss Tesla Roadsters owners drive from Basel to Zurich
- #2 Video: **"Tesla Roadster in St. Moritz, Switzerland",** with the description of "The Tesla Roadster loves Switzerland. Many conventional cars lose roughly 3% efficiency per 300 meters of altitude, but not the Roadster! The Roadster motor is not dependent on oxygen and makes passing trucks on the twisty roads of the Alps a breeze!" Tesla's technology is far better than other "conventional cars" in a specific country – Switzerland
- The production of these 2 videos was outsourced to Pulse Pictures, a Swiss local video-production company. The result is significantly more professional than all previous videos. Especially the second video used cinemascope, a format to better show the Swiss landscape. Opening the video with landscape firstly makes the description visualized, and secondly it portrays environmental awareness, and the familiar image finally creates a sense of identification and projection in the hearts of Swiss
- It should be noted that the second video is entirely in German without subtitles. Although the video targets domestic consumers, it fails to take into consideration that Switzerland is a multilingual country. All things considered, in 2010, Tesla did not build up a very convincing communication strategy

Link: #1, https://www.youtube.com/watch?v=PGZqFdoCC0E, #2, https://www.youtube.com/watch?v=y0SwiJjuzDw

YouTube

Evolution of the official channel

PROMOTION VIDEOS: IN THEIR OWN WORDS

- On Jul 13, 2010, Tesla posted 2 videos (The Tesla Roadster - In Their Own Words, Part 1 & Part 2) showing 6 Tesla Roadster owners' experience
- The video begins with a brief description of the content: "The Roadster owners in this video spoke freely about their experiences." The videos use parallel editing, alternating interviews, in which explaining one of advantageous attributes of Tesla, with images or sound, as well as testimonies that support the attribute that Tesla's owners are talking about. The supporting elements play both a role of education and a role of proof, making the message clearer
- However, in a total of 5 minutes, these two videos try to convey 13 rational and emotional benefits of Tesla/Tesla Roadster (see the table in the next slide). According to the product category life cycle, it could be confusing for consumers

Link: #1, https://www.youtube.com/watch?v=VQfHOqJtVZ8, #2, https://www.youtube.com/watch?v=U0EIAnXm3sQ

YouTube

Evolution of the official channel

Attributes	Examples of testimonies	Examples of visual or audio elements
Silent	*"If you see a line of Tesla, and you can still hear the birds and the ocean"*	The sound of birds and the image of ocean
Fabulous technology	*"The fabulous technology simply plants into the car, your experience is transparent"*	The image of Roadster's battery with the logo of Tesla Motors
Comfort to use	*"The car is an extension of my legs, my eyes, my auditory sense…Tesla is a living extension of myself…it's hard to put into words you really need to feel"*	Close-up of different parts of Roadster running under the sunshine
Fast	*"The common experience of all the passenger's in my car is holy crap!"*	Roadster running fast in the snow and in the mountain, the music is getting stronger
Rapid and simple acceleration	*"It's more like pushing a elevator button"* *"It's impossible to describe... It's a roller-coaster without wheels"*	The image and the sound of a Roadster's take-off
Electric but different	*"You know you are doing something good"* *"Most electric cars just lame… but Tesla has turned up the perception upside-down, they are the fastest and most desirable cars on the planet"*	Roadster running towards the setting sun, and disappeared in the light
Easy to charge	*"I never go to a gas station, ever"* *"It's just full every morning when you wake up, so much convenience"*	One owner demonstrates how to charge a Roadster

Link: #1, https://www.youtube.com/watch?v=VQfHOqJtVZ8, #2, https://www.youtube.com/watch?v=U0EIAnXm3sQ

YouTube

Evolution of the official channel

Attributes	Examples of testimonies	Examples of visual or audio elements
Easy to maintain	*"There is almost no maintenance…that is pretty significant"*	Roadster in the garage
Cool	*"Just go to the grocery store, there's always someone wants to talk about the car"* *"The feeling is close to being a rock star or professional athlete, everywhere I go, people stop and ask the experience"*	Red Roadster running in the mountain
Battery range	*"What do you do when you run out of gas? Never!"* *"It takes me a while to realize I'm never gonna drive 10 000 miles"*	Tesla charging in garage, the repetition of owners put the plug in Roadster to charge
Good customer services and family feeling	*"The product itself is great, but it's wrapped with a customer experience, which is so far superior than any car company, the customers are passionate…about the cause, there is a level of connectiveness"* *"We are a Tesla family"*	The image "behind the screen", such as Tesla's office, factory, and designers designing accessories, Tesla's showroom, Tesla owners' meeting and events
Make people love to drive	*"This car makes me love to drive, I take the long way to work, all the time"* *"Just driving to store, just driving to work, it turns everyday into a special ride"*	Roadster in the mountain, in the snow
Superior than conventional cars	*"It's just better than other gas power car in any dimension, more fun to drive, easier to maintain, it's just the better experience every single day"*	One owner driving Roadster through wonderful landscape

Link: #1, https://www.youtube.com/watch?v=VQfHOqJtVZ8, #2, https://www.youtube.com/watch?v=U0EIAnXm3sQ

YouTube

Evolution of the official channel

STORYTELLING

- On Feb 27, 2016, Tesla posted a 4-episode promotional film. Every video focuses on the story of one Tesla owner. The 4 owners are in 3 different countries (USA, Canada, and Australia), they have different professions, and they bought Tesla for different reasons. The 4 different episodes are:
  - **“Generations I Tesla Customer Stories”.** A professional electric vehicle wants to educate next generation trough Tesla, focusing on environmental attributes
  - **“Future Driven I Tesla Customer Stories”.** A “tech geek” buys Tesla for its connectivity, and he considers the car as an extension of man. This video focuses on the technological attribute
  - **“Electric mail I Tesla Customer Stories”.** A postman who lives in Ortonville Minnesota delivers mails from town to town with a Tesla, highlighting the attributes of battery range and cost over lifetime
  - **“Safety first I Tesla Customer Stories”.** A racing enthusiastic who firstly chose Tesla for its good performance. However, after having a serious car accident with Tesla, he decided to buy a second one because of its safety.
- With respect to ”In their own words” series, these 4 promotional videos successfully incorporate storytelling techniques, and every video only focuses on one main competitive advantage of Tesla, making the message very simple and universally trasmittable

Link: #1, https://www.youtube.com/watch?v=tRc6lEL_3Oo&t=33s, #2, https://www.youtube.com/watch?v=QRVia4VZq1s, #3; https://www.youtube.com/watch?v=6s14n9PXZx4; #4, https://www.youtube.com/watch?v=naxbzoME6V4&t=1s

YouTube

Summary of the analysis conducted on the official channel

From 2009 to today, based on a deep analysis, several trends can be noticed in the official Tesla YouTube channel

01 LEVEL OF PROFICIENCY

From unprofessional to professional in terms of video production

02 MESSAGE CONVEYED

From uniquely focusing on rational benefits to using different techniques to create emotional benefits

03 TARGET AUDIENCE

From targeting undifferentiated audiences, to produce country specific video, to mainly explore new markets, especially in Asia (e.g. Tesla in China, Tesla meets Taiwan etc.)

FURTHER IMPROVEMENT

However, it should be noted that there is still a **lack of consistency** in terms of both content and form, especially with videos coming from different countries all over the world

The **lack of centralized organization** is also responsible for the bipolarization in terms of the number of views. A large number of well-produced videos could be better promoted to gain a larger exposure

Website, Configurator and Application

"We're closer to an Apple or a Google than we are to a General Motors or a Ford"

Elon Musk

WEBSITE: E-COMMERCE

- Visible calls to action
- Short end-to-end processes (3-step order)
- Above-the-fold press testimonials
- Trust elements

CONFIGURATOR: SUPPORT TOOL

- Buying a car is a major and time-consuming decision decision for the majority of individuals
- Tesla configurator provides continuous support and education (work-in-store, at home, on-the-go)

APPLICATION: CONNECTIVITY

- Check charging progress and start-or-stop charge
- Adjust temperature before driving
- Locate and track movement
- Easy to find the car in a parking by flashing lights or honking the horn
- Vent or close the panoramic roof
- Lock or unlock

Events

Launch event: Tesla unveils the Model 3 (March 31, 2016)

Still Shot: simple, neat, content-focused

MISSION STATEMENT
accelerate the world's transition to sustainable energy

↓

TESLA'S SECRET MASTER PLAN
retrospective presentation of previous models

↓

INTRODUCTION OF MODEL 3
with emphasis on safety, speed, battery range, autopilot hardware, comfort, supercharging capacity and autonomy

↓

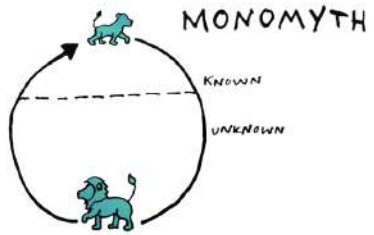
FEASIBILITY
supercharger network, stores and services, vehicle factories and Gigafactory

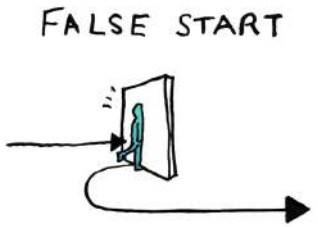
↓

DELIVERY TIME AND PRICE

↓

UNVEILED
video + 3 prototypes





How classic storytelling techniques are applied in this speech?

Sparklines - At the beginning of the speech, the hero, Elon Musk, engages people by contrasting our present world (climate change, pollution etc.) with an ideal, improved, and more sustainable world (Tesla's mission) to evoke resonance

Monomyth - Tesla's Master Plan takes audiences into a unpredictable journey. Every model is a new quest. Musk expressed gratitude to the owner of Model S and Model X, it is a way of engage them as a part of story. "Storytelling" became "Story-sharing"

False Start - "Do you want to see the car?" "Yes!" "Well.. We don't have it for you tonight" "Ohhhhh.." "I am just kidding." This small joke disrupted audiences' expectation and kept the audience engaged. This twist makes the unveiling even more exciting

Besides, Musk's tone is pretty casual, we can also find some small flaws and interactions during the speech, these elements make the speech humanized

Sources: Sparkol, 8 Classic storytelling techniques for engaging presentations, https://www.sparkol.com/en/Blog/8-Classic-storytelling-techniques-for-engaging-presentations

Events

A video contest for amateurs

LOVEDAY PROJECT

In 2017, Tesla approached advertising in form of an amateur video ad contest. The idea was inspired by Bria Loveday, a 10-year-old who sent a heartfelt letter to Elon Musk. The prize for the winner was a free trip to a future Tesla launch event

Tesla posted contest videos on its official Twitter account, and Elon Musk announced the winner on his Twitter account, simultaneously with the big event for the **launch of Tesla Model 3**

The winner was Marques Brownlee, a top-tier technology observer, with over 4,7 million subscribers to his YouTube Channel (MKBHD). The contest video totaled more than 1 million views

Project Loveday was the natural extension of Tesla's longstanding preference for fan- and news-driven word-of-mouth over paid-advertising communication strategy, and very consistent with the company's view on traditional advertising

Sources: Fortune, "Tesla's Fan Commercial Contest Winner Is a Familiar Face", http://fortune.com/2017/07/29/project-loveday-winner-marques-brownlee; AdAge, "Tesla still doesn't need advertising to make sales", http://adage.com/article/cmo-strategy/tesla-paid-advertising/310008/?CSAuthResp=1512573288494:0:2238190:0:24:success:20A958537384667CEE5B8B2837157716

Events

Others

Showroom

The configuration of Tesla stores

“Our technology is different, our car is different, and, as a result, our stores are intentionally different”

Elon Musk

01 VERTICAL INTEGRATION

Leverage vertical integration: unified brand experience

02 RETAIL SPACES

Choose high traffic retail spaces: interact with and educate potential customers in a less formal and more experiential environment

03 TECHNOLOGY

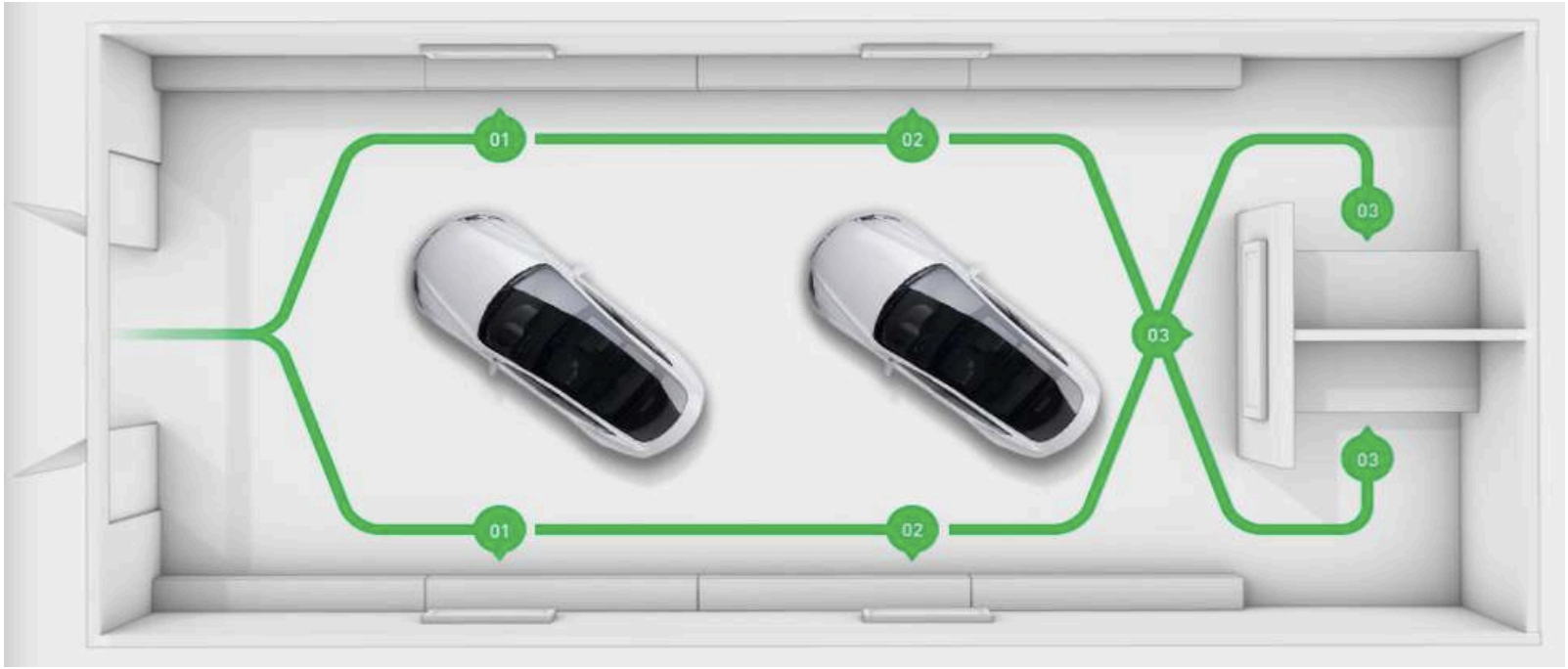
Enhance the stores trough technology - various informative experiences in a small space. For instance, potential buyers could create, modify, and save their car designs in-store by using the configurator and then revisit their ‘creation’ on PCs, and vice versa

Photos taken in the Tesla Showroom in Barcelona (November 2017)

Source: NuRun, Tesla, https://www.nurun.com/en/case-studies/tesla-motors-retail-kiosks/

Showroom

The configuration of Tesla stores



01. LEARN

Draw people into the store with visuals and content, start an educational process, and make visitors transition from a general interests to a real purchase consideration

02. CONFIGURE

Visitors can configure their own cars by choosing paint color, interiors, wheels, and roof type. All materials are displayed in the store, available for consumers to touch and feel

03. PURCHASE

The sales team can easily retrieve the finished design selected by the customer, and discuss additional options available before the purchase is completed

Sources: NuRun, Tesla, https://www.nurun.com/en/case-studies/tesla-motors-retail-kiosks/

Showroom

The location of Tesla stores

ANALYSIS OF TESLA'S NETWORK DISTRIBUTION: SPAIN vs FRANCE

- Tesla was only recently introduced in Spain. Therefore, its network of point of sales is currently limited to 3
- In 2017, Tesla opened a flagship store in Barcelona
- In the summer of 2017, a pop-up store was also installed in Marbella
- Currently, there is a store every 12 million inhabitants

- In 2012, Tesla opened its first store in France
- Currently, there are 13 points of sale in the country, mainly located close to large population centres
- With 3 stores, Paris (the country's most populous city) has the highest number of stores
- Currently, there is store for each 5 million inhabitants

Sources: NuRun, Tesla, https://www.nurun.com/en/case-studies/tesla-motors-retail-kiosks/

Showroom

The location of Tesla stores

ANALYSIS OF TESLA'S NETWORK DISTRIBUTION: NORWAY

- Norway is one of Tesla's most successful markets. Therefore a brief analysis of the distribution network of Tesla is warranted
- In 2013, Tesla was launched in Norway
- Currently there are several points of sales in Norway, mainly located in the more populated southern regions
- Most of the points of sales are located near the capital Oslo
- In Norway, there is a store for each 450 thousand inhabitants. Compared to other markets this a relatively high number

Sources: NuRun, Tesla, https://www.nurun.com/en/case-studies/tesla-motors-retail-kiosks/

Elon Musk

The icon behind the brand or the brand behind the icon?

MUSK'S ROLE IN SHORT

"Elon Musk is the co-founder, CEO and Product Architect at Tesla, overseeing all product development, engineering, and design of the company's electric vehicles, battery products, and solar roofs"[1]

QUICK FACTS

VENTURES

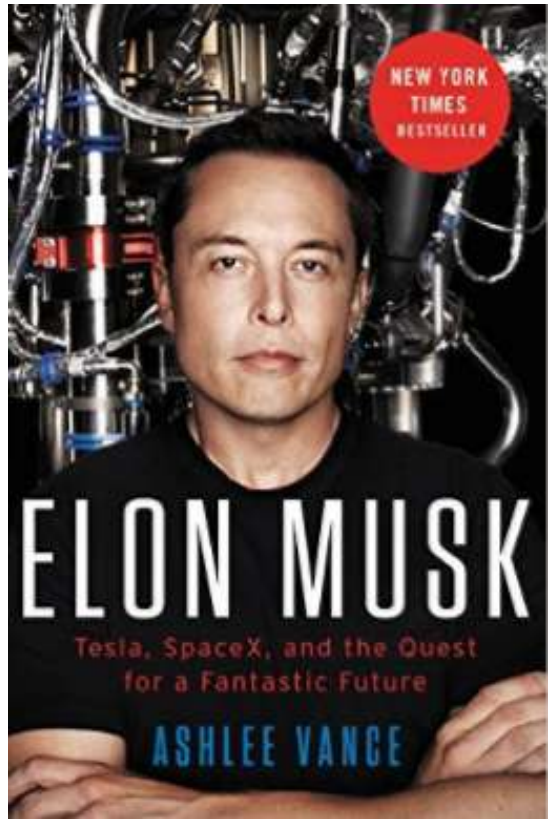
The South African is part of Tesla, SpaceX, The Boring Company and OpenAI[2]

THE STORY

He drew attention with his biography, in which he reflects on his experience. Launched in 2015, it was a NY Times bestseller[3]

ADADEMIC BACKGROUND

Musk studied at the University of Western Ontario (Canada), then he transferred to The University of Pennsylvania (US) for Degree in Economics and Physics, and lastly to The University of Stanford California (US) for a PhD, even though he eventually dropped out[2]



Sources: [1]Tesla Corporate Website - Tesla.com; [2]Biography Online 2017 - https://www.biography.com/people/elon-musk-20837159; [3]New York Times 2015 - https://www.nytimes.com/2015/05/13/books/elon-musk-a-biography-by-ashlee-vance-paints-a-driven-portrait.html

Elon Musk

Career milestones

1972

Elon Musk was born in **South Africa** on June 28, 1972

BIRTH

1995-2002

ZIP2&PAYPAL

Founded **ZIP2** - helped big publishers (e.g. New York Times) go online) - sold for $307 million in cash and $34 million in stock options (1999). Cofounded X.com, later renamed **Paypal**, sold to eBay for $1.4 billion (2002)[2;3]

2002

Co-founded **SpaceX**. Its mission is “to revolutionize space technology, with the ultimate goal of enabling people to live on other planets". Valued at $21 billion in 2017 (NY Times)[3]

SPACE X

2003

TESLA

Co-founded **Tesla**, now active as CEO, and **Product Architect**[2]

2013-15

Announced the idea of **Hyperloop**, a way of fast commuting between big cities. Co-chair of the non-profit company **OpenAI** (stated mission: advancing artificial intelligence). Support the venture **Neuralink**, to create devices to be implanted in the human brain to merge with software[3]

HYPERLOOP & ARTIFICIAL INTELLIGENCE

2017

THE BORING COMPANY

Launched **The Boring Company** to build tunnels between major cities. Announced to pitch for the Chicago O’hara tunnel. Joined Trump advisory council (stepped down when the US announced withdrawing from Paris Agreement)[3]

Sources: [1]Forbes Online 2016 - https://www.forbes.com/profile/elon-musk/; [2]Tesla Corporate Website - Tesla.com; [3]Biography Online 2017 - https://www.biography.com/people/elon-musk-20837159

Elon Musk

Social Media of the CEO

@elonmusk
16Million

Elon Musk is not just the CEO of Tesla, he is also a public representative and the icon of the brand. His most active channel on social media is Twitter, where he has **16 million followers**. Musk posts about his various business ventures, space, artificial intelligence, as well as the environment. He also publicly discusses his political opinion and engages with his followers

Tone of voice: blunt, edgy, colloquial, direct, creative, progressive

Source: Elon Mask's personal Twitter page (@elonmusk)

Internal Communication

> *"The problem with this approach (chain of command) is that, while it serves to enhance the power of the manager, it fails to serve the company"*
>
> Elon Musk

Musk sent the following email, with the subject line "**Communication within Tesla**", to Tesla's employees a few years ago to explain the company's philosophy in terms of corporate communication

> *"Anyone at Tesla can and should email/talk to anyone else according to what they think is the fastest way to solve a problem for the benefit of the whole company", he wrote. "You can talk to your manager's manager without his permission, you can talk directly to a VP in another department, you can talk to me, you can talk to anyone without anyone else's permission." In the sprit of "ensuring that we execute ultra-fast and well," employees should consider themselves "obligated to do so until the right thing happens"*

Tesla's internal communication strategy could also be transformed into a **tool** to use for **external communication** in this respect:

- The email is provocative, and it generates **buzz and viral posts on social media**, creating lots of "free-advertisement" on the Internet
- It enhances Tesla's **innovative image** by showing that Tesla does not only have innovative products, but it is also innovative in terms of its corporate culture
- It builds a very strong **company culture**. The brand is organic, and the employees are a crucial part of the brand-building process. The strong company culture ensures consistency during the process

Sources: Justin Bariso, This Email From Elon Musk to Tesla Employees Describes What Great Communication Looks Like, Inc., https://www.inc.com/justin-bariso/this-email-from-elon-musk-to-tesla-employees-descr.html

Communication

Overview

OVERVIEW

» **Tesla does not use traditional mass-media communication strategies. Its communication channels are mainly social media (Facebook, Twitter, Instagram), videos (YouTube), digital means such as website, configurator and application, as well as physical showroom. Events also play a major role in Tesla's communication. Elon Musk is the public face of Tesla**

In terms of social media performance, Tesla is not actively managing user posts on Facebook. The company should increase the amount and variation of content and posts, and it should start to actively monitor content posted by users, as well as interact with other Facebook pages

Tesla's twitter account is better managed with respect to the Facebook page. Content is posted regularly and users' interaction is moderate to high

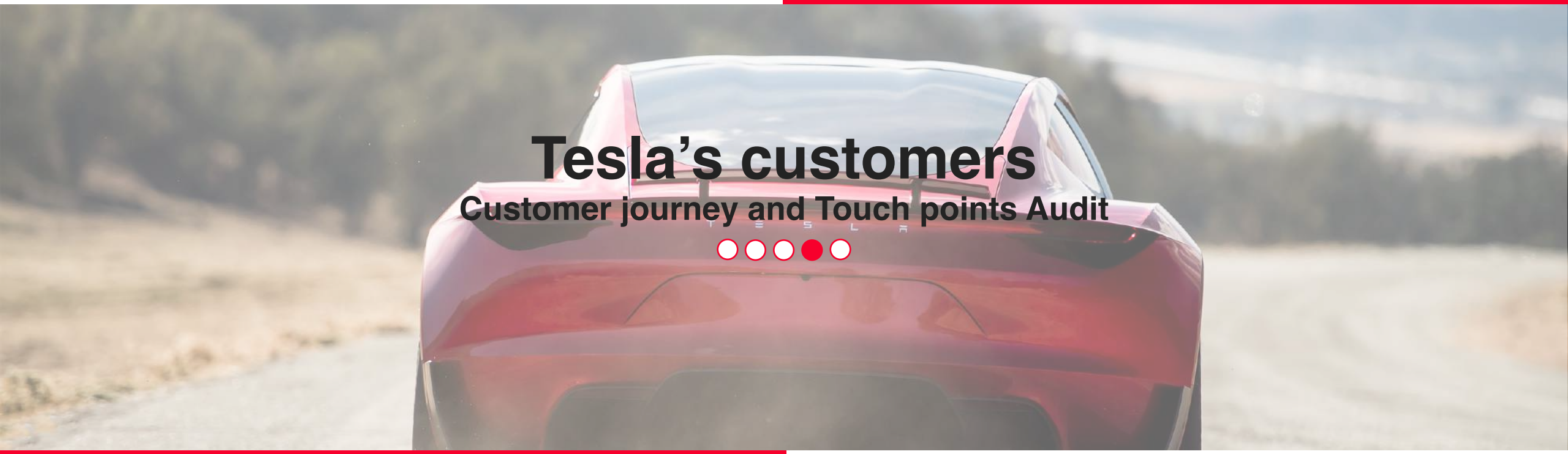
On Tesla's YouTube channel, despite an improvement in terms of the level of proficiency, clarity of message conveyed and precision of target audience, Tesla still should improve consistency and make Tesla's organization more centralized

Tesla's communication is also digitalized: Tesla's website adopts an E-Commerce approach, configurator plays a role of continuous support and application enforces Tesla's connectivity

Tesla uses a wide range of events such as product launch events, video contest, auto shows, rallys to build brand awareness. Tesla also organizes owner club activities to create a family feeling among consumers

Tesla mainly distributes trough Tesla-owned showrooms. This ensures that the company has a unified brand image across countries, and makes it achieve vertical integration

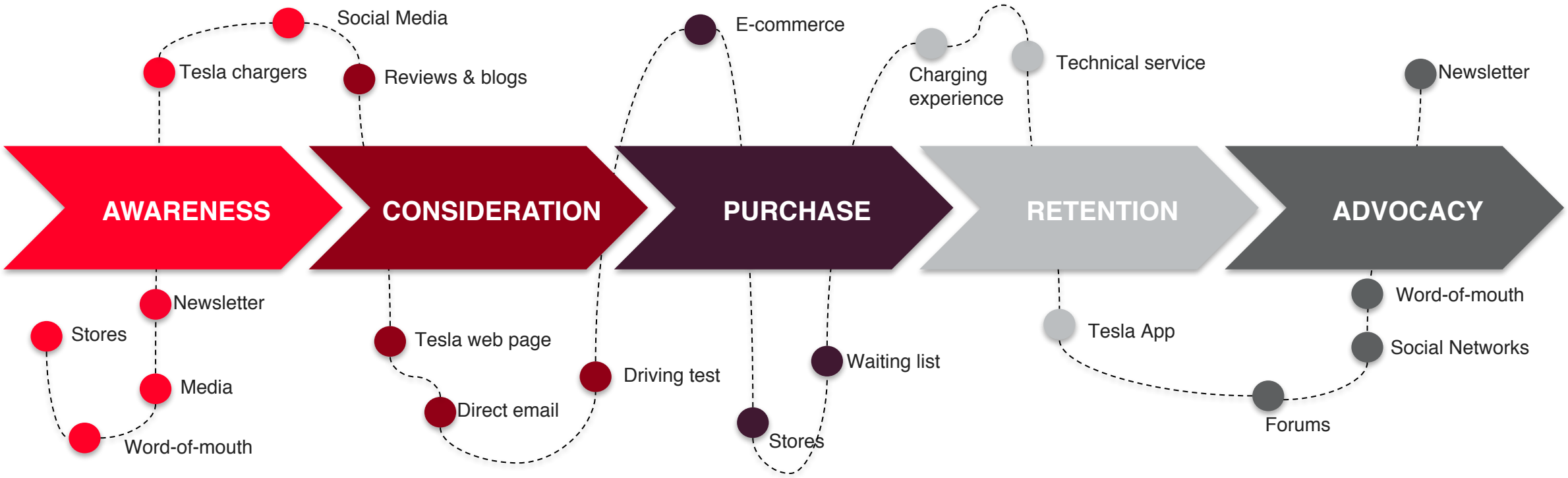
Elon Musk is not only the co-founder, CEO and product architect, but he is also the public face of Tesla



Tesla’s customers

Customer journey and Touch points Audit

Customer journey



Customer journey

Awareness

AWARENESS | CONSIDERATION | PURCHASE | RETENTION | ADVOCACY

FLAGSHIP STORES

Pure design stores to reflect the brand personality, located in premium location to increase awareness

SOCIAL MEDIA

Even though Tesla is not very active in social media, it is one of the most direct ways to get to know the brand

POP-UP STORES

Opened in strategic locations for proximity reasons and to increase brand awareness among costumers

AWARENESS

MEDIA

New product launches receive a lot of media attention and appear in TV news and press for several days

TESLA CHARGERS

Located in top establishments and service stations, these chargers have a characteristic design which eases the connection with the brand

WORD-OF-MOUTH

Oftentimes, Tesla-owners share their impressions and spread the brand awareness with other potential customers

Customer journey

Consideration

AWARENESS | CONSIDERATION | PURCHASE | RETENTION | ADVOCACY

REVIEWS & BLOGS

There are several dedicated blogs where consumers and Tesla lovers share their experiences and opinions

DIRECT MAIL

Tesla sends mails on behalf of the country manager to all those who have shown interest in purchasing a model

CONSIDERATION

TESLA WEBSITE

The web page is aligned with the brand personality. Here consumers can discover more about Tesla, the products, as well as purchase them

DRIVING TEST

Tesla offers the possibility to experience the feeling of driving a model S or X to those who are interested in making a purchase (and are over 25 years old)

Customer journey

Purchase

AWARENESS | CONSIDERATION | PURCHASE | RETENTION | ADVOCACY

E-COMMERCE

E-commerce is a convenient way to purchase through the official website where consumers may see used and new cars in stock or order a customized one

WAITING LIST

For some products waiting lists should be expected. Meanwhile, Tesla keeps clients constantly informed on the status of their order through direct mails, phone calls etc.

PURCHASE

STORES

Here consumers can ‘feel’ and choose the model they wish, as well as the customizable car features. A dedicated Tesla employee will guide the client through the purchase process and will calculate the cost-savings deriving from owning a Tesla over the car lifetime

Customer journey

Retention

AWARENESS | CONSIDERATION | PURCHASE | RETENTION | ADVOCACY

CHARGING EXPERIENCE

Superchargers and chargers are located in strategic locations (e.g. restaurants, hotels, gas stations etc.) to ensure a convenient charging experience

TESLA APP

An ad-hoc app allows Tesla-owners exclusively to connect with their car, know about the battery status, open the doors, etc.

RETENTION

TECHNICAL SERVICE

Tesla offers technical service worldwide by sending their team wherever is needed. In addition, all models are online connected to Tesla support center which has access to information concerning the car status

Customer journey

Advocacy

AWARENESS | CONSIDERATION | PURCHASE | RETENTION | ADVOCACY

FORUMS

There are several clubs and forums where users can share their experiences and even meet in some private events

NEWSLETTER

Tesla sends a periodical newsletter to its clients (and to whoever signs up) with the latest updates on the models, events, and updates concerning the company

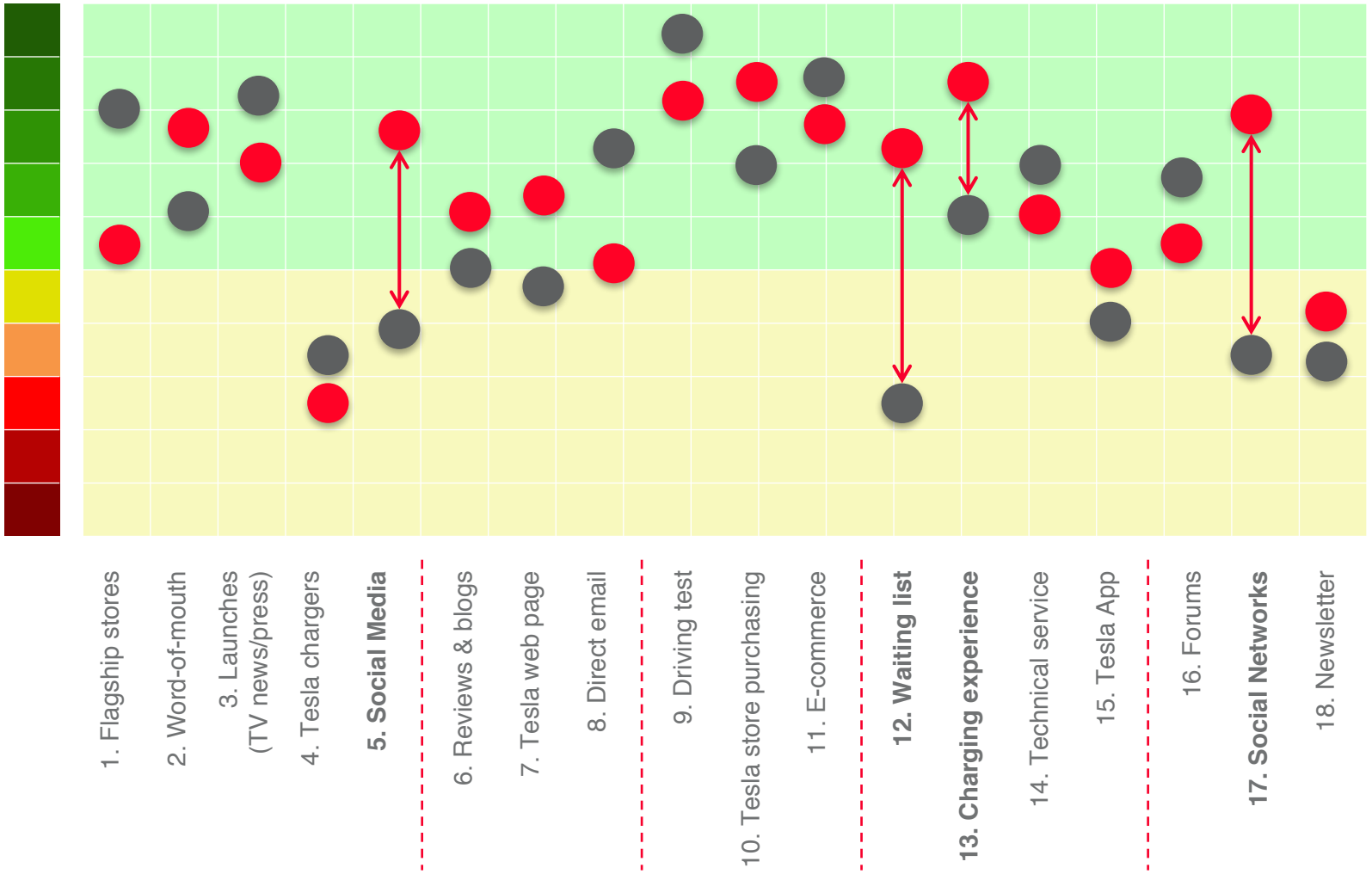
ADVOCACY

SOCIAL NETWORKS

Tesla makes use of its social networks to keep clients updated on their latest news. Nevertheless, the company's social pages are not extremely active

Touch points audit

Evaluation of importance and satisfaction level of the touch points



Importance attached to the touchpoint by customers

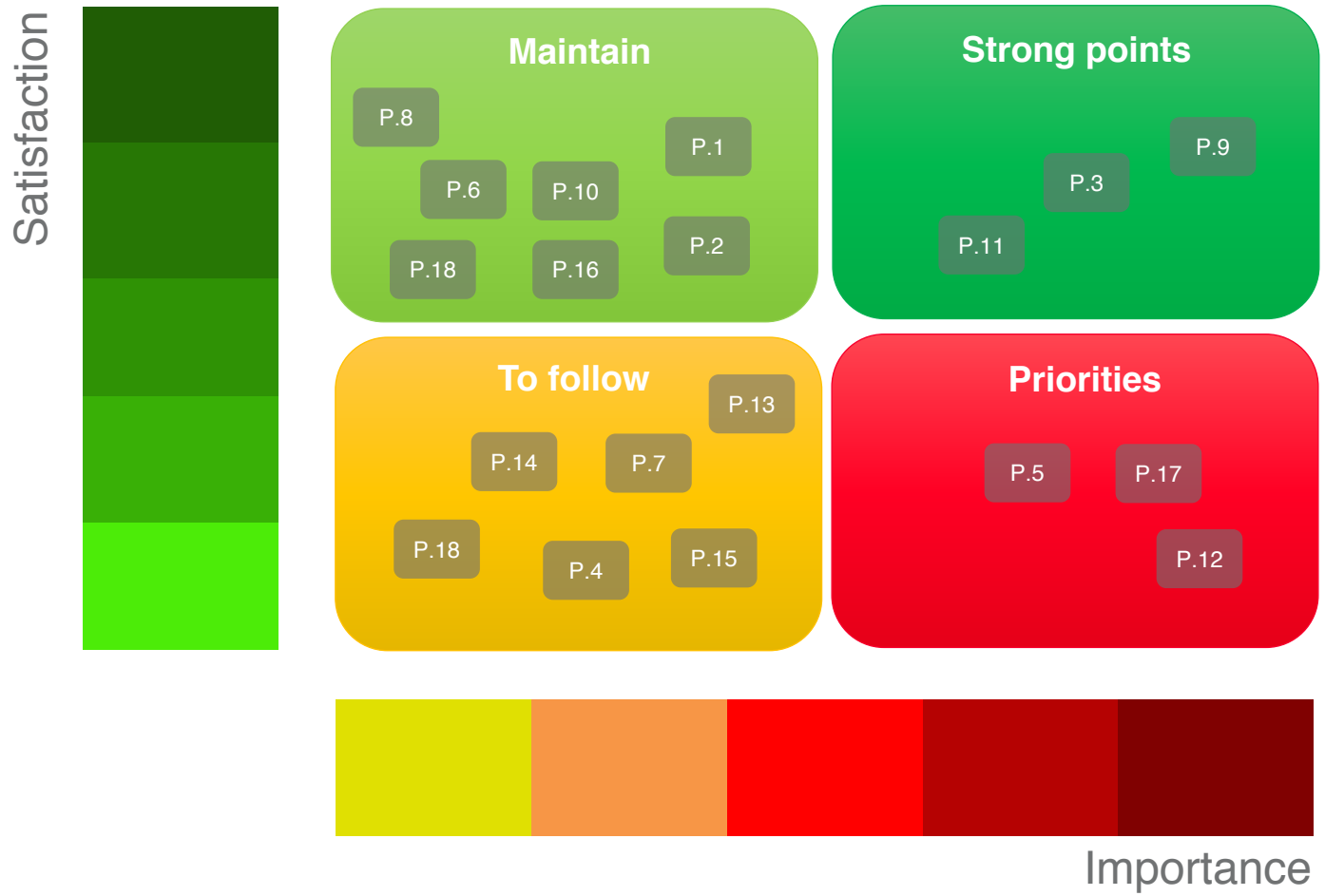
Satisfaction level for the touchpoint

There are some touch points in which the distance between the importance users give to the touch point and the satisfaction they obtain is relatively wide. For companies, social media is a very powerful tool to engage with costumers and get useful feedback. However, Tesla does not sufficiently take the advantage of these tools, and has a low answering rate.
Moreover, consumers tend to give importance to the waiting time. Therefore, their satisfaction rate, especially with the delivery of the Tesla Model 3, is distant from ideal.

Sources: Conversations with people interested in buying a Tesla car, other vehicle users and Tesla Sales Representatives. Websites and articles: Tesla Official Website; ClubTesla.es; TeslaWeekly.com; ElMundo.com:"Tesla abre hoy en Barcelona su primera tienda permanente en España"; Diariomonitor.com"¿Qué ocurre si accidento mi Tesla? Te contamos cómo responde la marca que no tiene concesionarios en España"

Touch points audit

Actions to be taken based on the analysis of importance and satisfaction level of the touch points



According to the importance of the different touch points and their corresponding importance assigned by consumers Tesla should focus on improving the outlined priorities (i.e. performance in Social Networks and Waiting List Management), while not keeping other touchpoints out of side which performed relatively low as well but were assigned lower importance. Nevertheless, Tesla should also leverage on strong points in which they are performing well and that are perceived as very important by consumers, e.g. the e-commerce platform, their new products events (launches), and their driving tests

Sources: Conversations with people interested in buying a Tesla car, other vehicle users and Tesla Sales Representatives. Websites and articles: Tesla Official Website; ClubTesla.es; TeslaWeekly.com; ElMundo.com:"Tesla abre hoy en Barcelona su primera tienda permanente en España"; Diariomonitor.com"¿Qué ocurre si accidento mi Tesla? Te contamos cómo responde la marca que no tiene concesionarios en España"

Consumer's journey

Overview

ANALYSIS OF TOUCH-POINTS

Awareness: Strong brand awareness thanks to successful events and word-of-mouth. On the other side, Tesla has a low activity in social media and low answer rate

Consideration: Tesla should maintain their performance in this part of the journey.

Purchase: Offers a good customer service and the chance to drive a Tesla to know how it feels like to drive it

Retention: This part of the consumer's journey is particularly relevant, as consumers may change to other brands if their level of satisfaction is not adequate. In this respect, Tesla should focus on improving the charging experience

Advocacy: Tesla has a strong and committed fan-base, and relies on its customers to advocate for its products

PRIORITIES

Wisely manage communication of waiting time, thus improving user's satisfaction in the touch-point

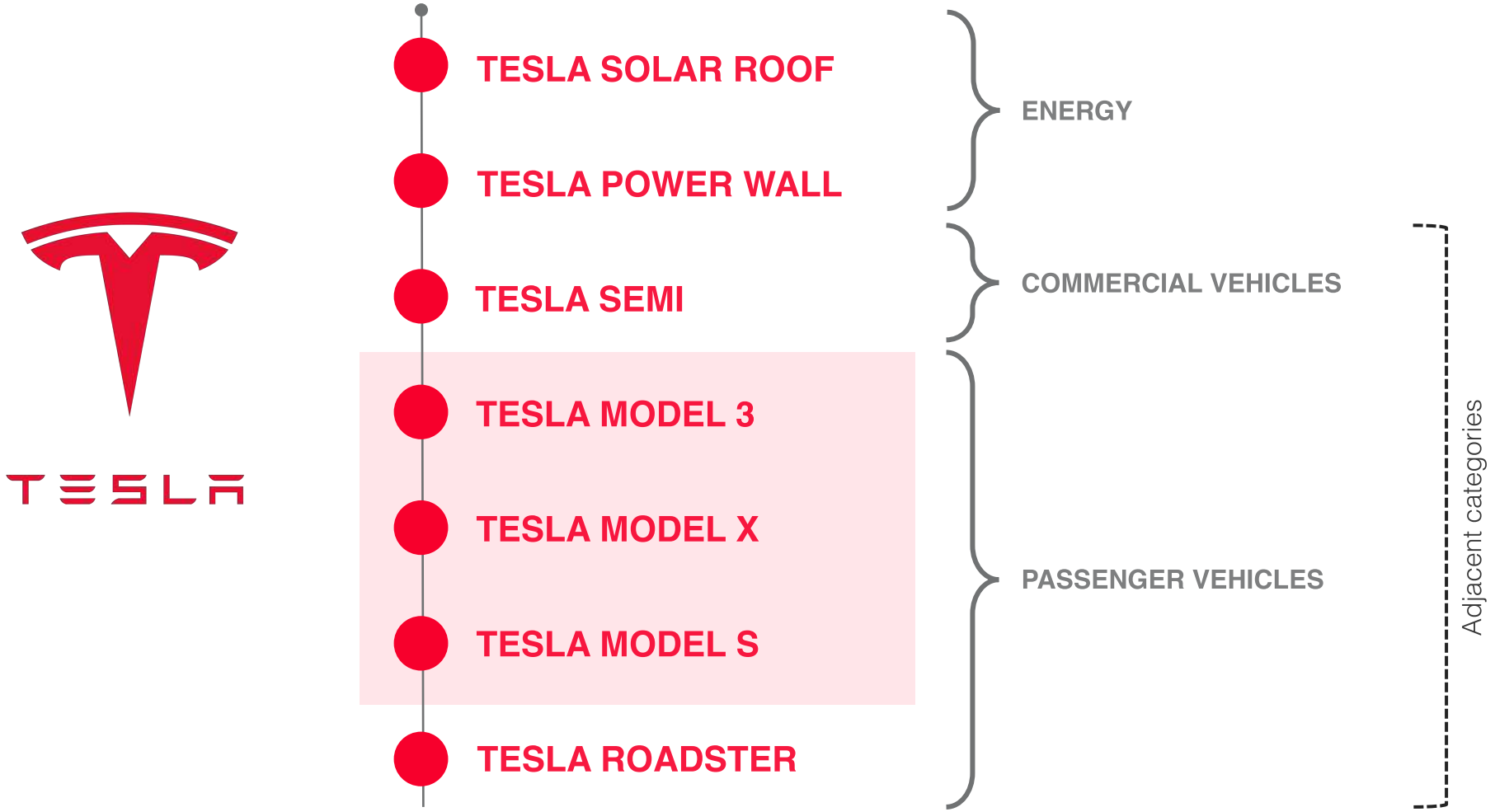
Improve performance on social media (Facebook in particular), to enhance both the awareness and advocacy steps of the consumer's journey

Keep working on improving the charging experience

Brand Architecture

The monolithic structure of Tesla

Endorsed Brand Architecture



Source: Tesla Website

Product portfolio

Portfolio analysis and Tesla Master Plan

Product portfolio analysis

Tesla Master Plan: the strategic role of each product

Each product in Tesla's product portfolio plays a vital role in the master plan. The purpose of Tesla is to move from a hydrocarbon-based economy towards a more sustainable solar electric economy. To reach this goal, Tesla adopted the following strategy: enter at the high-end of the market, where customers are prepared to pay a premium, and then drive down the market as fast as possible, to reach a higher unit volume and lower prices with each successive model

Time

ROADSTER

- Tesla Roadster is designed to **beat** a **gasoline sports car** like a Porsche or Ferrari in a head-to-head showdown
- Prove that BEVs are a **viable transportation option** and build **credibility** for Tesla
- Smaller, simpler factory, test and develop production environment
- **Invest money** in development for more **democratic car**
- Retired, again available starting in 2020

MODEL S & MODEL X

- Use the technology from the Roadster to enter the luxury car market
- Make **BEVs** more **mainstream.** Increase **scale** and **revenue** streams by targeting larger segments (Sedan and SUV)
- **Manufacturing optimization** to bring costs down in the upcoming Model 3 and forthcoming vehicles
- **Invest money** in development for an even *more* democratic car
- **Models**: 75D, 100D (more battery), P100D more power

MODEL 3

- **Mass market**, affordable car
- Move Tesla **away from** the **luxury car** image
- Manufacturing of this model on large scale. Spread out **production costs** over larger volume
- Planned to be available at the end of 2017, However, most lilkely postponed to the end of 2018

Source: Tesla Website (https://www.tesla.com/en_GB/blog/secret-tesla-motors-master-plan-just-between-you-and-me?redirect=no)

Product portfolio analysis

Tesla Model S

Type of car: **luxury sedan** that is loaded to the brim with the latest automotive technlology, e.g. autopilot capabilities. Designed to be the safest, most exhilarating sedan on the road. Provides unparalleled performance

75D - base model

100D - provides better battery with greater range

P100D - provides better battery with greater range and acceleration

75D	100D	P100D
75 kWh Battery	**100 kWh Battery**	**Zero to 100 in** 2.7 sec
Up to 490 km	632 km	613 km
NEDC range	NEDC range	NEDC range

Every car can be further **customized**, by changing, interior, sunroof, wheels, paint, etc.

Source: Tesla Website

Product portfolio analysis

Tesla Model X

Type of car: **luxury SUV** that is the is the safest, fastest and that can fit up to seven adults and all of their gear. Designed to maximise passenger comfort, the second and third row in the seven-seat option are capable of folding flat and flush, creating extra space

75D - base model

100D - provides better battery with greater range

P100D - provides better battery with greater range and acceleration

75D	100D	P100D
75 kWh Battery	**100 kWh Battery**	**Zero to 100 in** 3.1 sec
417 km	565 km	542 km
NEDC range	NEDC range	NEDC range

Every car can be further **customized**, by changing, interior, sunroof, wheels, paint, etc.

Source: Tesla Website

Product portfolio analysis

Tesla Model 3

Type of car: **mass-market sedan.** It is not the replacement of the Model S and will be inferior to the model S in many regards. Model 3 is a smaller, simpler, more affordable electric car

Due to manufacturing issues, Tesla decided to **limit the custimization** options for the Model 3

Range: 350 km

Not yet available on a wide scale
Reservation deposit: €1.000

Reservation holders will receive an **email** with periodical **updates**, and they can also consult online the status of their Tesla Model 3. Delays are foreseen due to current manufacturing issues

Product portfolio analysis

Tesla Master Plan 2.0: the strategic role of each product

Provide an entire ecosystem of products that operate together, and allow the users to become more sustainable. Starting with the power generation required to power its products, Tesla created stunning solar roofs with seamlessly integrated battery storage. Furthermore, they will expand the electric vehicle product line to address all major segments. In addition, Tesla will have a self-driving capability that is 10 times safer than manual via massive fleet learning

ROADSTER, MODEL Y & SEMI

- Tesla **Roadster** is **the fastest car** in the world with an acceleration from 0-100 km/h in 1,9 sec. Available from 2020. Symbolic product for the BEV category
- Tesla **Semi** aims to be the safest and most comfortable truck ever built. Four independent motors provide maximum power and acceleration and require the **lowest energy cost** per km
- The **Model Y** is Tesla's new compact SUV, no real confirmation about the introduction of this model so far. Elon Musk's tweets have given strong hints that this might be the next model

PROVIDING ECO-SYSTEM

- Power production: **Tesla Solar Roof** is a stunning solar roof that complements a home's architecture while turning sunlight into electricity
- Power storage: with an integrated **Powerwall battery**, energy collected during the day is stored and made available at any time, effectively turning a home into a personal utility

COMMERCIAL & UTILITIES

- **Commercial:** provide organisations energy independence by offering them solar and battery pack solutions. Available, for instance, for the agricultural industry, schools, and property developers
- **Utilities:** design and deploy distributed energy resources that meet clients' electric grid requirements
- **Projects:** Pacific Gas and Electric Company & Southern California Edison

Source: Tesla Website (https://www.tesla.com/en_GB/blog/secret-tesla-motors-master-plan-just-between-you-and-me?redirect=no)

Product portfolio analysis

Tesla Roadster

Type of car: Tesla Roadster is a **BEV super car**, designed to leave its ICE rivals far behind. The car statistics are record breaking in terms of performance (quickest commercial car in the world)

Due to manufacturing issues, Tesla decided to limit the custimization options for the Roadster model

Range: 1000 km

Available starting from 2020
Reservation deposit: €50.000
Base model will start from $200.000 in the US

Source: Tesla Website

Product portfolio analysis

Tesla Semi

Type of vehicle: Tesla Semi is the safest and most comfortable **truck** ever designed. Four independent motors provide maximum power and acceleration and require the lowest energy cost per mile

It will disrupt the trucking industry. The product has several USPs: it is one of the safest trucks, it has a very low cost of ownership, and it is equiped with the latest technology

Not yet available on a wide scale.
The **reservation deposit** is currently not available on the official website (as of Dec, 4 2017)

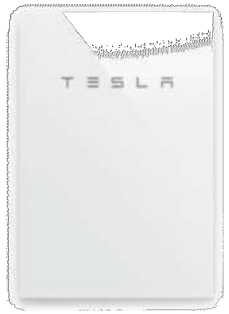
Source: Tesla Website

Integrated Eco-system

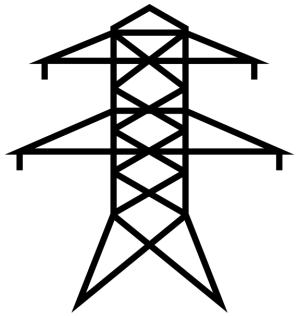
The interconnection between Tesla's products

GENERATION

STORAGE



ELECTRICAL GRID



LOAD

Tesla manufactures products with specific roles, but working together in an integrated eco-system. The **Solar roof** generates power, a certain **load** is used (e.g. to charge a Tesla car), the energy surplus is stored in the **Powerwall**, which provides energy to the household when the solar panels are not able to meet the required supply

When both the the Solar Roof and the Powerwall fail to provide sufficient energy, the **electrical grid** will provide the user with the required load. The user can monitor each component of the eco-system through the app

Source: Tesla Website

Product portfolio analysis

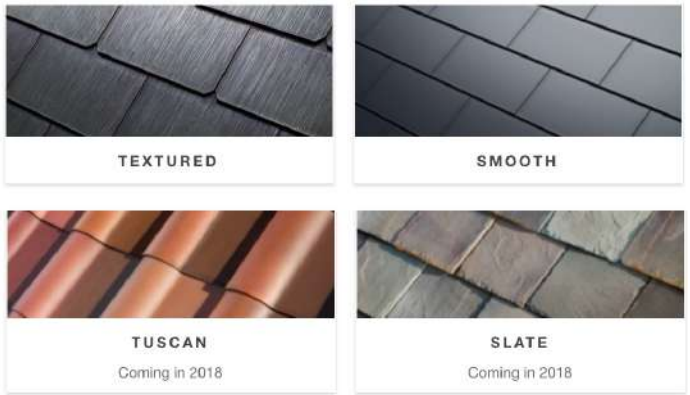
Energy division: Tesla Solar roof

With the **Solar roof**, Tesla provides its **consumer** with a **sustainable option** to generate **energy**. This fits neatly within the tesla eco-systems. Energy collected during the day is stored and made available any time, effectively turning your home into a personal utility. Glass solar tiles are so durable and are warrantied for the lifetime of the property

Customize the amount of electricity your Solar Roof produces **to fit your energy needs**. This feature is made possible by using two types of glass tile, solar tile and non-solar tile. Both appear the same from street level

Several design options to fit customer taste preference (Textured, Smooth, Tuscan, Slate)

Place order for €930. Testing product in 2017 and ramping up production to start fulling orders at the end of 2017



Source: Tesla Website

Product portfolio analysis

Energy division: Tesla Powerwall

Tesla Powerwall integrates solar solutions to **store excess energy** generated during the day, and makes it available when the customer needs it, minimizing reliance on the grid

Tesla provides a **calculator** on the official website that determines a **consumer's electricity needs.** This calculation is based on several easily determinable variables such as property surface, use of electricity intensive appliances such as AC, EV charging, and pool pump. Thereafter, Tesla **recommends** the user a certain **product** based on his needs

Powerwall is a completely **automated system** that installs easily and requires **no maintenance**

After the down-payment of a reservation fee, a **Tesla specialist** will reach out to the customer, **evaluate** his property, and **recommend** a **specific set-up**. The costs varies depending on the home, but on average the price of one Powerwall is around €6.800

Source: Tesla Website

Product portfolio analysis

Commercial and utilities

- **Commercial:** Provide Commercial **organizations** and government entities with **solar power** so that they can achieve greater control, reliability and security with our solar and Powerpack systems. Powerpack **integrates seamlessly with solar** to shave peak energy usage, lower demand charges and generate new revenue streams from grid services and demand response programs
- **Utilities:** Tesla designs and deploys distributed energy resources to **meet your grid service needs**. For instance, they provide **microgrids** that combine renewable energy and storage to provide communities with clean, reliable and affordable power
- Tesla provided a micro grid for **Kaua'I Island** replacing their dependeny on diesel generators.

Source: Tesla Website

Product portfolio analysis

Sub-product categories

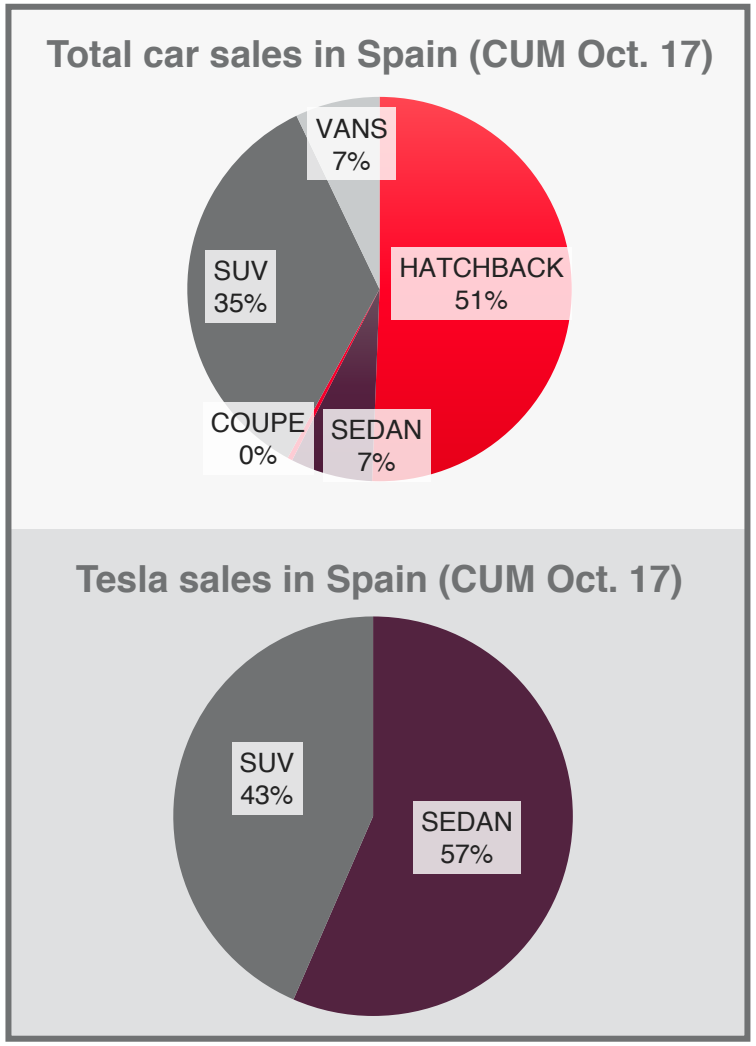
» TESLA AND THE MARKET

Even though the SUV percentage amongst Tesla products matches significantly with the percentage of SUV in the market, Tesla does not have any model to compete in the biggest sub-product category in terms of sales, i.e. hatchbacks.

Sedans represents 57% of Tesla sales in volume during last year (YTD Oct. 2017), whereas in the total Spanish market sedans just suppose a 7% share of total sales

» MODEL X: SUV

» MODEL S: sedan



Source: ANFCA

Product Portfolio Analysis

Overview

TESLA'S MASTER PLAN

1. Enter a high-end of the market (customers prepared to pay a premium)
2. Drive down market to a higher unit volume
3. Lower prices with each successive model

Tesla Roadster

Tesla Model S

Tesla Model X

Tesla Model 3

Phase 1

Phase 2

Phase 3

Move towards a more sustainable solar electric economy

INTEGRATED ECOSYSTEM

Provide an entire ecosystem of products that operate together seamlessly and allow the users to become more sustainable

- Tesla Solar roof
- Tesla Powerwall (batteries to storage electricity from solar roof)
- Tesla Semi (Truck)
- Self-driving Capability

TESLA AND THE MARKET

Tesla does not have any model to compete in the biggest sub-product category in terms of sales, i.e. hatchbacks

The company's lion share of sales currently comes from the sedan product sub-category, which however is not a particularly popular category in Spain

DIAGNOSIS

01
Key Success Factors

02
Distinctive competencies

03
COTSWA Analysis

Key Success Factors

Success factors for the BEV product category

KEY SUCCESS FACTORS

ATTRACTIVE DESIGN

STRONG BRAND

PRODUCT RANGE

DISTRIBUTION

BATTERY TECHNOLOGY

TESLA's DISTINCTIVE COMPETENCIES

INNOVATION CAPACITY

SAFETY

DESIGN CAPABILITIES

ICONIC EV BRAND

PRODUCT PERFORMANCE

Key Success Factors

#1 Attractive design

DESIGN AS AN ADDITIONAL INNOVATIVE VALUE

In the automotive industry, design is considered as the application of creativity in the process of innovation[1]. Product design input contributes 60% to its wealth generation, as well as 50% to the inbuilt quality of its value chain, and thereby plays a major role in the product competitiveness[2]

DESIGN AS A MEANS OF DIFFERENTIATION

“Today, bad cars do not exist anymore, just beautiful cars and less beautiful ones. Thus, styling has become one of the most important purchasing criteria for or against a specific car. Winning, retaining, and managing brand-differentiating design experts and their teams co-determine a brand's success”[3]

DESIGN AS FULFILLMENT OF PSYCHOLOGICAL NEEDS

Several people think cars are the extension of the human body. Vehicles are used as a statement, not only as a mode of transportation. The car expresses one’s identity and social status. For this reason, while encouraging the public to go electric, it is important that appropriate technology develops alongside the vehicle aesthetic look[4]

DESIGN IN REFERENCE TO ICE

The electric car category is relatively new, hence consumers always compare BEVs with conventional cars. J.D. Power data shows that a third of buyers will not even consider a specific model if they do not like the exterior styling

Sources: [1]Theodore Levitt, “Creativity is Not Enough”; [2]Oliver Wyman (2004): “Envisionning an Empowered Nation: Technology for societal transformation”; [3]Oliver Wyman: “Growing Importance of Styling and Design in Automotive Industry”; [4]”Electric Vehicles: Prospects and Challenges”

Key Success Factors

#2 Strong Brand Perception

BRAND IMAGE, AWARENSS, CUSTOMER EXPERIENCE

- **Brand image:** More than 76% of respondents indicated that the vehicle brand is important while deciding on the purchase, and customers are generally willing to spend 20% more for image reasons. An established brand name gives importance to the car and makes it look supreme[1]
- **Brand awareness**: Typically less than 20% of the customers conduct research about all the brands they have in their minds in the consideration phase of their purchases. However, buyers do not research all the brands that they may be considering. Strong brand awareness will act as a driving force to make consumers conduct further research, pushing the purchase decision[1]
- **Customer experience**: 42% of new car buyers choose a vehicle based on their previous experience with that brand or model[2]

THE AUTOMOTIVE INDUSTRY AS A DIGITAL BUSINESS

- **Online research**: 50% to 70% of auto buyers (depending on the country) choose the make and model that they ultimately buy before they visit a dealer's showroom, and 40% to 50% form their choice on the basis of online information. Consumers spend more time for online research to purchase a car than for any other product
- **Social media**: Consumers use social networks to research cars they might want, get advice from friends on what car to buy, and even to find specific cars to buy. 69% of millennials experience a fear of missing out when they see friends share pictures of new cars on social media
- **Connectivity:** connected systems are important for younger, more digitally oriented consumers and will likely impact their next vehicle brand purchase decision

Sources: [1]Deloitte, Driving through the consumer's mind: Steps in the buying process (p.10); [2]J.D. Power: "Top 10 Reasons Why Car Buyers Choose a Specific Vehicle Model"

Key Success Factors

#3 Attractive product range

This success factor is key for almost all products categories in the automotive industry. Although it might be seen as a generic argument, providing an attractive product range with models that target segments is a crucial part of being a profitable car manufacturer. Many manufacturers try to dominate in one product sub-category. For instance, Ford dominates the large truck market with their F150 truck. Some of the reasons why a competitive product range is needed for BEVs establishment are listed below

01 EXTRACT VALUE FROM DIFFERENT SEGMENTS

Varied product range enables the car manufacturer to capture value from different segments with different demand characteristics. Historically, creating new models that target new segments has been often used as a growth strategy by car manufacturers (e.g. SUVs and crossovers are powering the Australian automotive market to possible record sales in 2017)

02 VOLUME

With a greater sales volume, the manufacturer is able to profit from economies of scale and spread out the large investment and development costs over a larger body of products, subsequently bringing down the unit price per product

03 SOCIAL PROOF

According to Roger's adoption curve, the presence of more BEVs on the roads increases likeliness of people buying one

Key Success Factors

#4 Distribution excellence

ATTRACTIVE DESIGN | STRONG BRAND | PRODUCT RANGE | **DISTRIBUTION** | BATTERY TECHNOLOGY

DISTRIBUTION SYSTEM

- The **distribution network** enables companies to reach a broader customer base. Indeed, not all consumers go through the research phase on their own, but some of them depend on dealerships to collect information on cars, as well as validate information about competitor products. Generation Y (37~48 years) tends to visit the dealerships more than the Millennials (19~36 years) respondents[1]
- **Stores** as confirmation of decision: for most consumers, especially in Western countries, the principal purpose of a pre-purchase dealership visit is to validate their initial decision, most importantly by experiencing the car in person[2]
- **Dealership** accelerate buying process: unlike the research stage where customers spend on average 10 hours, more than 50% of them desire to spend less than 45 minutes for dealership visit and test drive[1]

Sources: [1]Deloitte: "Driving through the consumer's mind: Steps in the buying process" (p.16-18); [2]BCG (2016): "Digital Reroutes the Auto Purchase Journey and OEM Strategies"

Key Success Factors

#5 Meet perceived mobility needs: batteries

ATTRACTIVE DESIGN | STRONG BRAND | PRODUCT RANGE | DISTRIBUTION | BATTERY TECHNOLOGY

BATTERY RANGE

Range is found to have a positive and statistically significant effect on BEV adoption decisions[1]

- **Requirement:** The vehicles would need to travel 160 km on a single charge for 27% of respondents to consider buying them; however, the vehicles would need to travel 482 km for a majority (56%) of respondents to consider the purchase[4]
- **Perception:** 32% of Europeans strongly agree that a BEV car can only travel 150 km, 23% agree moderately[2]
- Consumers who are interested in electric cars are more fearful about range issues compared to consumers who have actually purchased an electric car
- **Clear preference:** When given the opportunity to change one aspect of a product set, 32% said they would change the price and increase the amount travelled with one charge (options given were price, range, time to recharge, possibility to charge at home and max speed)[2]
- 42% of European, 43% of French, and 48% of Spanish people say they would buy a particular BEV because of its battery

CHARGING EXPERIENCE

Recharging time is found to be significant in all the studies that included it[1]

- In most studies, charging experience has a significantly positive effect, possibly because a higher number of charging facilities save time and search cost for users as well as relieve their range anxiety. Achtnicht et al. found the effect to be non-linear with a diminishing marginal utility[1]
- In most European countries, the speed of charging was the most important attribute (16%), while in Spain were range and price (32% and 29%). In France it was the option to charge at home (31%), with price and range at 32%[2]
- **Perception:** respondents reported a low perceived availability of BEV charging stations. Overall, only 18% of respondents were aware of any charging stations that were on the routes they drove regularly[4]
- **Preference:** unavailability of charging points are key factors to choose a hybrid over a BEV for respectively 83% and 70%[3]

Sources: [1]Fanchao Liao, Eric Molin & Bert van Wee Transport Reviews Vol. 37, Iss. 3, 2017: "Consumer preferences for electric vehicles: a literature review"; [2]Thiel et al.: „Attitudes of European car drivers towards electric vehicles"; [3]JRC Scientific and Policy Reports, European Commission: "Institute for Energy and Transport"; [4]Consumer Views on Plug-in-Electric Vehicles National Benchmark Report: Mark Singer, National Renewable Energy Laboratory 2016

Distinctive competencies

Core competencies of Tesla

KEY SUCCESS FACTORS

ATTRACTIVE DESIGN

STRONG BRAND

PRODUCT RANGE

DISTRIBUTION

BATTERY TECHNOLOGY

TESLA's DISTINCTIVE COMPETENCIES

INNOVATION CAPACITY

SAFETY

DESIGN CAPABILITIES

ICONIC EV BRAND

PRODUCT PERFORMANCE

Distinctive competencies

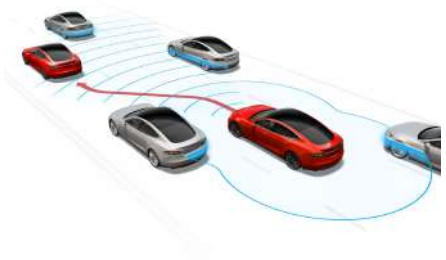
#1 Innovation capacity

INNOVATION CAPACITY | SAFETY | DESIGN CAPABILITIES | ICONIC EV BRAND | PRODUCT PERFORMANCE

When it comes to innovation, Tesla is ahead of the game. Innovation is part of the company's DNA. Their image as a brand is transformative and progressive. Tesla managed to produce the first commercially viable BEV sport car and to both amaze their fans and critics with cutting edge innovation and sleek design. They have developed unique innovation capabilities, as it is demonstrated by their most recent innovations

01 AUTOMATION

In 2016, all models came built with full autonomy. They currently help support the driver for instance with break assitance to avoid accidents. Currently their autopilot is operational and keeps improving trough gathering experience on the road. Tesla's future goal is to develop a self-driving capability that is 10X safer than manual via massive fleet learning



02 BATTERY TECHNOLOGY

Tesla is constantly pushing to decrease the production costs of battery packs. Compared to their competitors, they managed to push down production costs per kWh, either making their batteries cheaper per km or make them go farther for to same price. Tesla's recognition of the importance of advancing battery technology was further confirmed by their acquisition of Solar City last year. Since then, Tesla has disrupted the way we think about energy storage

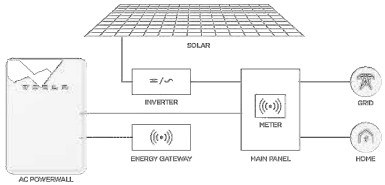
Battery costs ($) / kWh	
Chevy Bolt	Tesla Model 3
205	165

03 CONNECTIVITY

Through over the air software updates, Tesla can improve products that have been already sold to their customers. In this way, they can add substantial features and improvements to their sold products (i.e. battery optimization, automatic breaking, etc.) In addition, They provide connectivity to consumer with the Tesla app. With this app where the consumer knows the status and whereabouts of their car

04 SOLAR POWER

With the Tesla Powerwall and Solar Roof, Tesla is the only car manufacturer that provides an integrated solution to a consumer energy needs that connects to their BEV business. Furthermore, Tesla also installs power solutions on a larger level. Within 100 days, Tesla installed 272 power packs on the island of Kauai, Hawaii, solar power can now be reliably stored for overnight use. It's not just what Tesla has done and who they've partnered up with that makes them disruptive



Typical system layout

Source: UBS (2017): "UBS Evidence Lab Electric Car Teardown –Disruption Ahead?"

Distinctive competencies

#2 Safety

INNOVATION CAPACITY | **SAFETY** | DESIGN CAPABILITIES | ICONIC EV BRAND | PRODUCT PERFORMANCE

Safety Palo Alto, CA — Independent testing by the National Highway Traffic Safety Administration (NHTSA) has awarded the Tesla Model S a **5-star safety rating** in every single subcategory. Approximately 1% of all cars tested by the federal government achieve 5 stars[1]

The Tesla Model X was also reported to be the safest SUV ever tested by NHTSA[2]

"Of all vehicles tested, including every major make and model approved for sale in the United States, the Model S set a new record for the lowest likelihood of injury to occupants. While the Model S is a sedan, it also exceeded the safety score of all SUVs and minivans. This score takes into account the probability of injury from front, side, rear and rollover accidents"[2]

COMPARISON TO VOLVO, KNOWN FOR ITS SAFETY

In July 2017, during a handover event at Tesla's factory in Fremont (CA), Elon Musk showed a video comparing the impact of a side crash of Volvo S60 to that of a Tesla Model 3. In the video, the Tesla Model 3 clearly suffers a much less severe impact[3]

Simulation crash of Tesla Model 3

"We engineered Model X to be the safest SUV ever, and today, the National Highway Traffic Safety Administration (NHTSA) announced that after conducting independent testing, it has awarded Model X a 5-star safety rating in every category and sub-category, making it the first SUV ever to earn the 5-star rating across the board. More than just resulting in a 5-star rating, the data from NHTSA's testing shows that Model X has the lowest probability of injury of any SUV it has ever tested. In fact, of all the cars NHTSA has ever tested, Model X's overall probability of injury was second only to Model S[1]"

Sources: [1]Business Insider: "The Tesla Model S Just Got The Best Safety Rating Of Any Car In History"; [2]Tesla Website; [3]Business Insider: "Elon Musk took a jab at Volvo while talking about the Tesla Model 3's crash test"

Distinctive competencies

#3 Strong design capabilities

Renault Zoe

BMW i3

Nissan Leaf

Tesla Model 3

Although Tesla Model 3 has a rule-breaking design (lack of front grille, simplified dashboard display etc.), it is interesting to note that Tesla's success so far in introducing the new technology is in no part due to bold sci-fi styling. Instead, the brand has focused on simply making cars into something that works in a new and better way

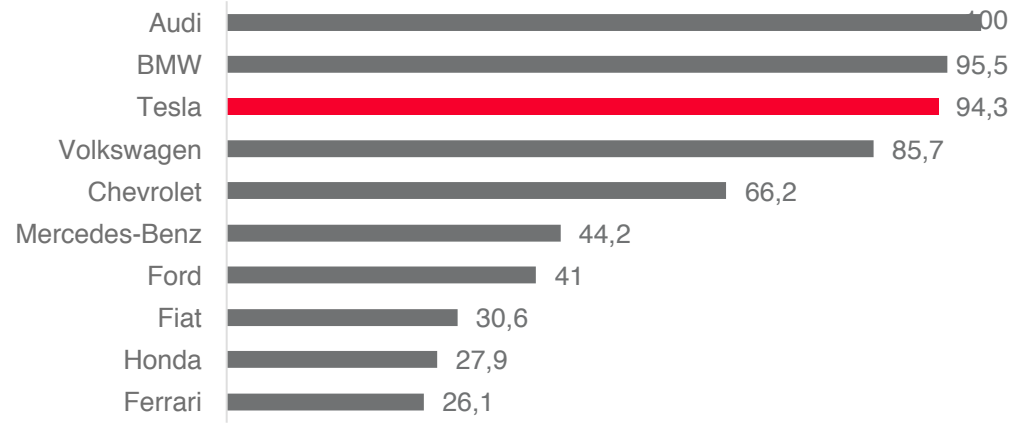
Source: Richard Green, "The Aesthetics of the Autonomous"

Distinctive competencies

#4 Iconic EV brand

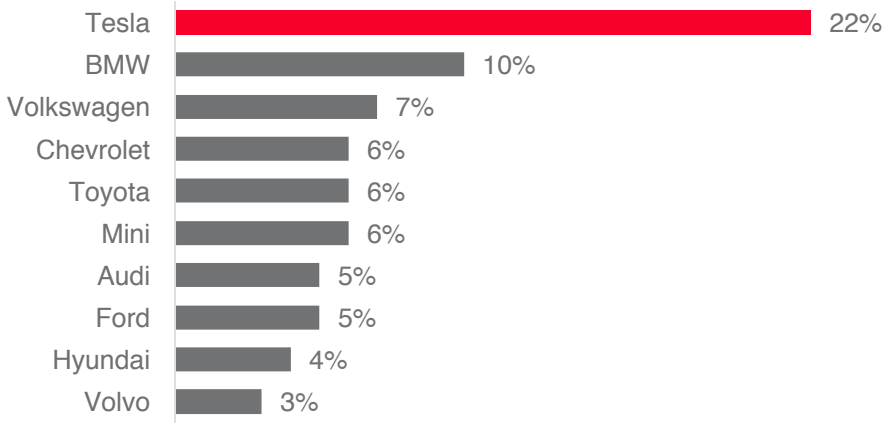
INNOVATION CAPACITY | SAFETY | DESIGN CAPABILITIES | **ICONIC EV BRAND** | PRODUCT PERFORMANCE

Exhibit 1: Top 10 car brands per total mentions across social channels



Source: Talkwalker: "Automotive Industry Ranked On Social Media" (p.6)

Exhibit 2: Top 10 brands per percentage of social discussion on Electric Vehicles



Source: Talkwalker: "Automotive Industry Ranked On Social Media" (p.20)

The Group XP recently released its latest "Experience Index" study, in which the research firm looked at 43.000 brands evaluated across 46 markets in order to identify leaders based on the following aspects, crucial for a positive consumer experience:

- **Impression:** stand for something unique
- **Interaction:** deliver on your most important needs
- **Responsiveness:** have better online services and engaging content
- **Resilience:** strive to make people's future lives better through higher brand purpose

Based on these attributes, Tesla has the best consumer experience

In terms of **social media networks**, Tesla has:

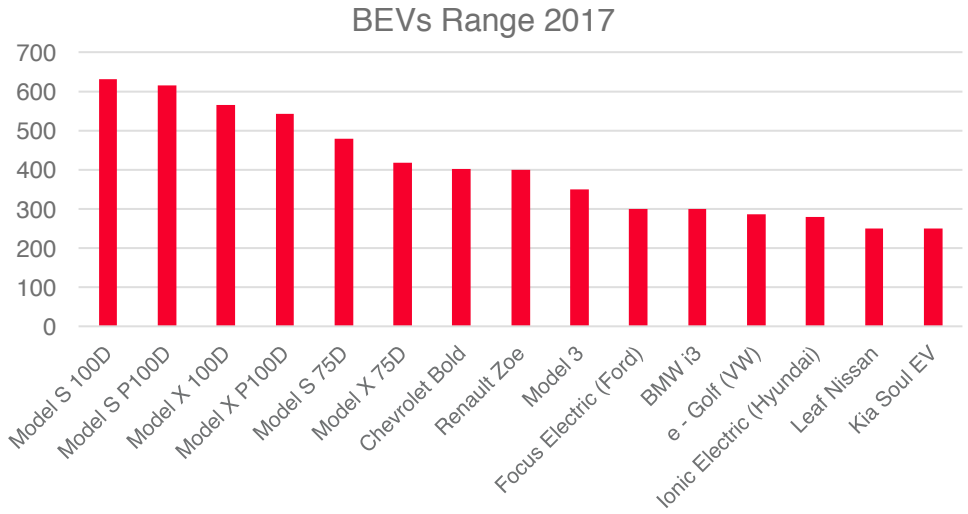
- the 3rd highest **volume of conversation** (see Exhibit 1): the brand sits on top of the Twitter engagement podium, meaning the brand has the most likes, retweets, impressions, mentions, and replies.
- the highest **percentage of social discussion** on EVs, also leading the way with autonomous vehicles (see Exhibit 2). Twitter is the platform that carries the highest social traffic for Tesla, with its pioneering CEO, Elon Musk retweeting every tweet to his 12 million followers

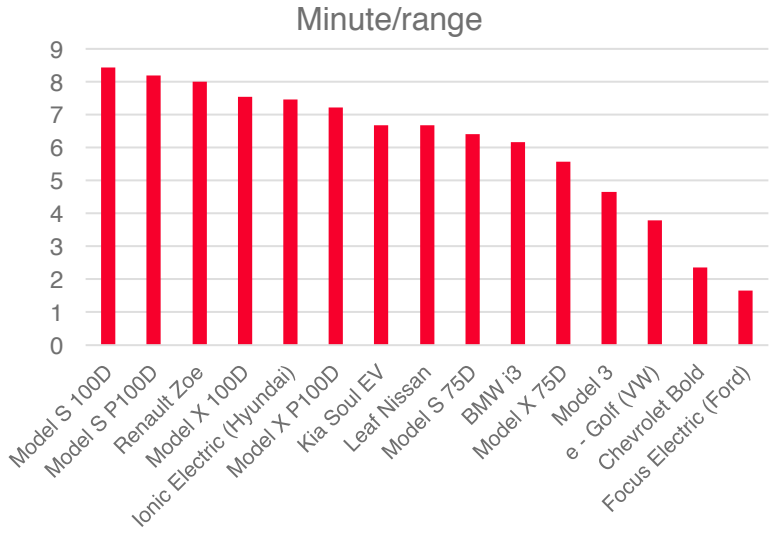
Source: Talkwalker: "Automotive Industry Ranked On Social Media"

Distinctive competencies

#5 Product performance – Batteries

Tesla offers the highest battery range in the market with Model S 100D at 632 km. The next competitor Chevrolet follows with 402 km, Renault Zoe with 400 km, and Nissan Leaf with 250 km. The BMW i3 offers 300 km. It is also useful to add, that Tesla provides a clear measure bar on its website to communicate range, which other competitors fail to do





As the only player, Tesla offers the supercharger which allows to load 270 km in 30 minutes. Other models, such as the I3, are configured to use public fast charging. However, the charging capacity is still lower (50 compared to 120 kWh). Tesla cars can use home charging and public charging stations

In comparison to other competitors Tesla has the best minute/ range ratio (for the Model S 100D)

In France, Tesla offers 64 Tesla Superchargers while in Spain there are currently 17 (the goal is to reach 24 by they end of 2017). To these numbers, regular chargers must be added

Most common options given by competitors to charge BEVs:

1. Home chargers (any electric plug)
2. Fast home chargers
3. Public chargers
4. Public fast chargers

Sources: Tesla Official Website; Other car manufacturers' Official Websites (Ford, Renault, Kia, Volkswagen, Nissan, Chevrolet); Website: Going Electric (Elektrauto News)

Key Success Factors and distinctive competencies

Evaluation of Tesla's distinctive competencies with respect to the BEV product category's Key Success Factors

APPEALING DESIGN	STRONG BRAND	PRODUCT RANGE	DISTRIBUTION	BATTERY TECHNOLOGY
				
Tesla has very strong design capacities. Tesla's design is considered as the application of creativity in the process of innovation, it contributes to brand's differentiation and it fulfills consumer's psychological needs. Moreover, Tesla's design is in reference to ICE, making the brand behaviorally compatible for consumers	Tesla built up an iconic EV brand. Tesla has a relatively high brand awareness and clear brand image, according to market research, Tesla also has the best consumer experience. In terms of social media network discussion on EVs, Tesla ranked the highest. It also ranked the 3rd highest in terms of value of conversation among all automotive manufactures	Tesla is absent in many important categories. Their current product range only covers a limited portion of the BEV market. Moreover, Tesla is absent in arguably the most important sub product category, hatchbacks. The segment is large in volume, and currently represents a missed opportunity for Tesla. Hence, Tesla product range could be stronger, even though in recent years progress has been made	Tesla offers a strong retail experience and their point sales. In addition their stores are integrated which gives them greater control over the experience. In Spain Tesla only has 4 points of sales. This significantly less than in other countries such as France and Norway. The lack of point of sales becomes even more apparent when compared to competitors such as BMW and Nissan and Spain	Tesla is highly competitive in terms of battery technology, which is evident from its battery rangy, clearly larger in comparison to that of its competitors. In addition, Tesla has managed to communicate its products' battery efficiency in a costumer-friendly way. As it is the only player offering the supercharging option of 270 km in 30 minutes, it can benefit from a significant competitive advantage. This is supported by the fact that Tesla has the highest range per minute ratio

COTSWA Analysis

Challenge #1: Build the category of BEVs

01 CHALLENGE

How to increase the popularity of the BEV product category in Spain

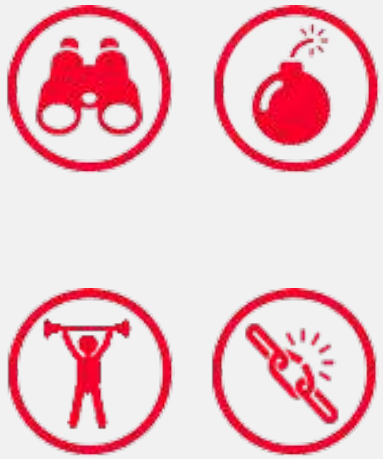
Fact: *In 2016 the market share of BEVs in Spain (for all passenger vehicles) was only 0,2%*

OPPORTUNITY

- Fiscal advantage of owning BEVs (€14 million worth of subsidies were approved for BEVs in 2017)
- Positive public opinion towards the category
- Very high interest of Spanish consumers in BEVs (71-85%)
- Better control and strategize distribution (influencers etc.)
- More time to expand charging infrastructures

STRENGHTS

- Iconic BEV brand
- Strong PR strategy
- Previous experience in rapidly growing the category of BEVs, e.g. Norway
- Very strong brand experience, especially in the stores



THREAT

- "Range anxiety": many people are still sceptical towards the mobility capacities BEVs
- Currently, no electrical cars are purchased for governmental programs
- Slow economic recovery

WEAKNESSES

- In Spain Tesla only disposes of limited number point of sales
- Tesla was introduced very recently in Spain
- Shoestring budget

ASSESSMENT

Short-term, High impact

Sources: [1]Business Insider: "Tesla completely missed its goal for Model 3 production in September"; [2]Various articles and newspapers related to Tesla's production dealys

COTSWA Analysis

Challenge #2: Perceived vs desired brand image

02 CHALLENGE

How to fill the gap between perceived and desired brand image

Fact: *Tesla is currently perceived as a high-end brand, and the public thinks that is it "too futuristic" and "something for someone else"*

OPPORTUNITY

- Attract new consumer segments
- Enhance specific value proposition for each model
- Foundation for developing new sub-categories
- Enrich the meaning of mother brand and enhance consistency

THREAT

- Lose customer base who was uniquely attracted by Tesla's "premiumness"
- More in general, confusion about the brand image

STRENGHTS

- Social media presence already established and exploitable as an additional communication channel
- Very strong spokesman - Elon Musk
- Cult-like fan club
- Clear mission statement

WEAKNESSES

- Limited financial resources
- Limited communication means due to the company's policy on communication strategies (no paid advertisement)
- No control through over some channels (TV news, newspapers, online articles etc.)

ASSESSMENT

Short to medium-term, Medium-to-high impact

Source: Company presentation (September 2017)

COTSWA Analysis

Challenge #3: Conquering the Hatchback category

03 CHALLENGE

How to expand into the most popular EV sub-category in France and Spain

Fact: *Hatchbacks account for 51% of sales volume in Spain. In the EVs category, the best selling models are all small city cars*[1]

OPPORTUNITY

- Attract a new segment with high potential by entering a very popular sub-category in Spain and in France
- Make the brand image more accessible and democratic: aligned with the 3-step vision to make products appealing also to mass market
- Fits the idea of smart city and integrated systems for car sharing ventures

THREATS

- Potential confusion among customers
- Customer disappointment if not well managed
- Strengthen the skeptical towards the BEV category
- Other players might directly benefit
- New source of competition

STRENGHTS

- Share the same technology and supply chain as other products
- Design capabilities
- Exploit brand awareness and recognition
- Exploits the concentration of charging stations in the cities
- Connectivity is more important in the city

WEAKNESSES

- Production and distribution speed and capacity
- Lack of points of sales
- The brand is currently perceived as luxurious

ASSESSMENT

Medium-term, High impact

Source: [1]ANFAC (see External Analysis for more detailed information)

COTSWA Analysis

Challenge #4: Adapt to future mobility trends

04 CHALLENGE

How to redefine the business model to integrate future mobility trends

Facts: *New business models based on shared mobility and connectivity could expand the automotive industry' revenue by ~4,4%[1]; In 2030, 1/10 cars sold would probably be a shared vehicle[2] and up to 15% vehicles could be fully autonomous[1]*

OPPORTUNITY

- New sources of revenues
- First-mover advantage
- Business diversification
- Possible new business partnerships (medias, F&B)

THREAT

- Slow adoption among consumers (especially for Spain)
- Uncertain investment
- New sources of competition (e.g. Tech companies)
- Resistance of petrol industry and conventional cars manufactures
- Risk of losing focus

STRENGHTS

- Availability of technologies (e.g. battery technology)
- Exploit existing production facilities
- Fan base: word-of-mouth
- Strong leadership, more efficient than hierarchical structures
- Vertical integration

WEAKNESSES

- Limited budget
- Limited ability to influence regulations and industry decisions
- Difficulty in communicating long-term gains over short-term benefits to stakeholders

ASSESSMENT

Long-term, High impact

Sources: [1]McKinsey&Company 2016: "Automotive&Assembly disruptive trends that will transform the industry"; [2]McKinsey&Company 2016: "Automotive revolution – perspective towards 2030"

COTSWA Analysis

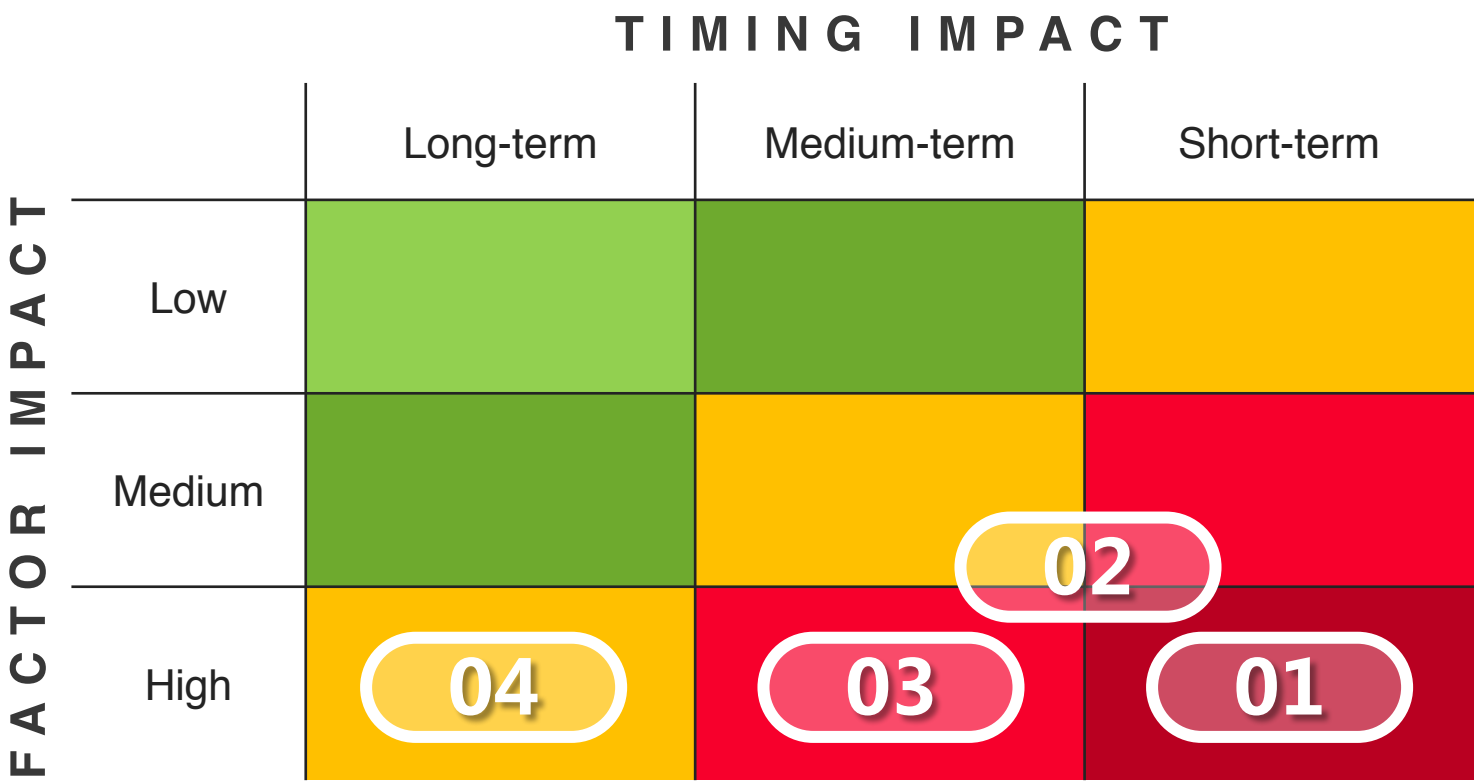
Assessment of the 4 challenges under consideration

APPEALING DESIGN	STRONG BRAND	PRODUCT RANGE	DISTRIBUTION	BATTERY TECHNOLOGY
85%	70%	40%	40%	55%

FACTOR IMPACT	TIMING IMPACT	CHALLENGES
HIGH	SHORT-TERM	01 Build the category of BEVs
MEDIUM	MEDIUM-TERM	02 Perceived vs desired brand image
HIGH	MEDIUM-TERM	03 Conquering the Hatchback category
HIGH	LONG-TERM	04 Adapt to future mobility trends

COTSWA Analysis

Graphical representation of the 4 challenges under consideration



CHALLENGES

01 Build the category of BEVs

02 Perceived vs desired brand image

03 Conquering the Hatchback category

04 Adapt to future mobility trends

STRATEGY


01
Build the category
02
Close the gap
03
Conquer the city
04
Drive the future

Overview of the 4 strategies

BUILD THE CATEGORY

CLOSE THE GAP

CONQUER THE CITY

DRIVE THE FUTURE

Strategy #1

BUILD THE CATEGORY

CLOSE THE GAP

CONQUER THE CITY

DRIVE THE FUTURE

OGSM framework

BUILD THE CATEGORY

OBJECTIVE

Grow the BEV category: increase the volume of BEVs sold in Spain by increasing the penetration rate in the passenger car market

GOAL

Become the 2nd largest product category in Spain after ICE cars. Obtain market share parity with the hybrid product category, arguably the most similar product category (3% is the benchmark with Hybrid)

STRATEGY

Build the category by expanding distribution network and making BEVs more readily available to the public.
Introduce pop up stores in Spain largest cities and locate them strategically in banks and shopping malls

MEASURES

Not enough data available

Where to play

Growth strategy and ability to win

BUILD THE CATEGORY

GROWTH STRATEGY: INCREASE PENETRATION

Increase the share of BEVs users in the Spanish passenger car market by attracting users form both ICE and Hybrid categories

01 High level of competition

The ICE product category is a mature category with low growth (note: relatively strong growth last years because of recovery from the recession). Several large brands with well-developed distribution channels, strong marketing capabilities, and power to copy innovation are active in the adjecent product cateogries

02 Large business potential

Both the ICE and Hybrid cateogries are highly valuable product categories in Spain. Converting 1% of either category would have a significant postive impact on the growth of the BEV category

Overview key figures 2016

Product category	Value in euro	Volume
ICE	€26.559.400.000	1.110.410
BEV	€54.758.874	2.021
Hybrid	€885.841.126	34.569

ATTRACTIVENESS: MEDIUM

ABILITY TO WIN

01 Key competencies

Tesla possesses several key competencies that make it a valid substitue for its ICE and hybrid counterparts. The most important competencies in this respect are:

Strong innovation *Great design* *Strong brand*

02 Push for more sustainable solutions

Due to international pacts such as the Paris climate agreement, governments will be pushing towards more sustainable mobility solutions. In addition, consumer attitudes towards buying a BEV in Spain are promising. These facts ombined, it is likely that a large portion of consumers will be willing to switch to BEVs in the near future

ABILITY TO WIN: HIGH

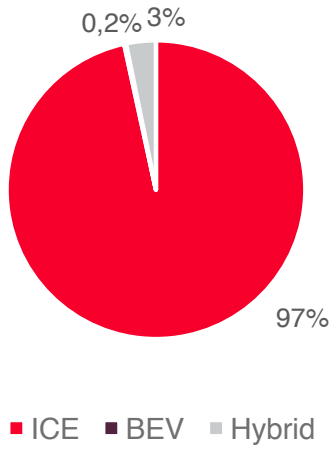
ORGANIC GROWTH IS A PRIORITY

How to win

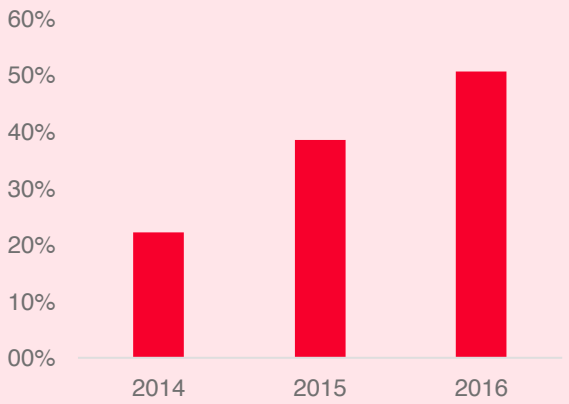
Invest in distribution

BUILD THE CATEGORY

MARKET VALUE 2015-2016



MARKET VALUE 2015-2016



Currently the BEV category in Spain is small both in terms in volume and value. However, the market value has seen strong and accelareting growth. In addition, most brands are currently not profitable. These properties indicate that the BEV category is still in its introduction phase

MARKET VALUE 2015-2016

STORE PASSEIG DE GRACIA

In 2017, Tesla opened its first store in Spain, located on Passeig de Gracia (Barcelona). Tesla offers a great consumer experience at its points of sale (see slide 104). However, when compared to other markets such as Norway and to their competitors distributions networks, Tesla's point of sales network is still underdeveloped

"Tesla's distribution network is underdeveloped and they are active in a product category that is in the introduction phase. Therefore, to build the category, they should invest in expanding their distribution network in Spain."

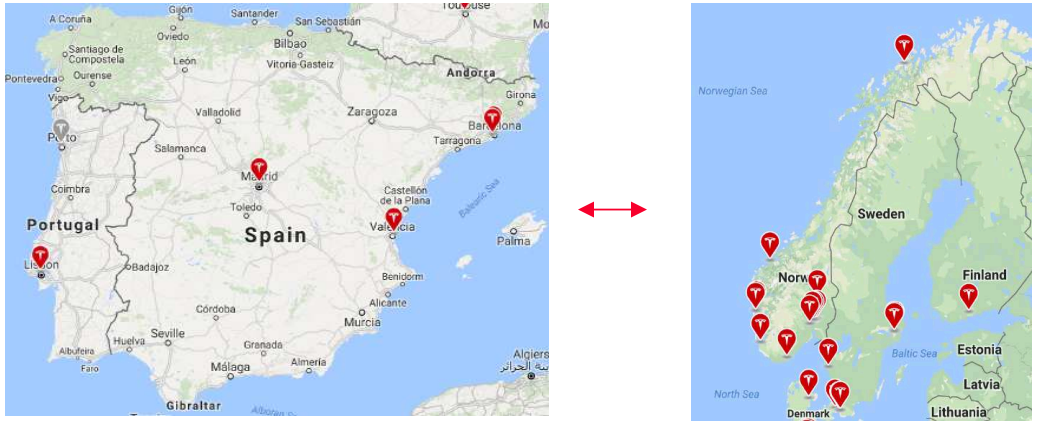
How to win

Strategy implementation overview

BUILD THE CATEGORY

INCREASE NUMBER OF POINT OF SALES

- Currently Tesla has too few point of sales to successfully drive the demand for the BEV category
- In the long term, the company should open stores in all major population centers in Spain, as they have already done in other countries (e.g. Norway)
- However, scaling up distribution rapidly might be too costly and stretch their organizational capacity too much. Therefore, in the short term, Tesla should use pop-up stores to increase distribution capacity. These pop-up stores will provide an experience emulating Tesla's traditional showrooms



Point of sales in Spain compared to Norway

SHORT TERM DISTRIBUTION STRATEGY: POP-UP!

Malls offer Tesla an ideal space to locate pop-up stores in a place with high traffic. In particular, malls that already offer a Tesla chargers would be interesting, as there is already a connection with the brand at the location. They could be installed in the aisles or central atrium of the mall. The mall would benefit by having one of the most prestigious and innovative car brands amongst their stores

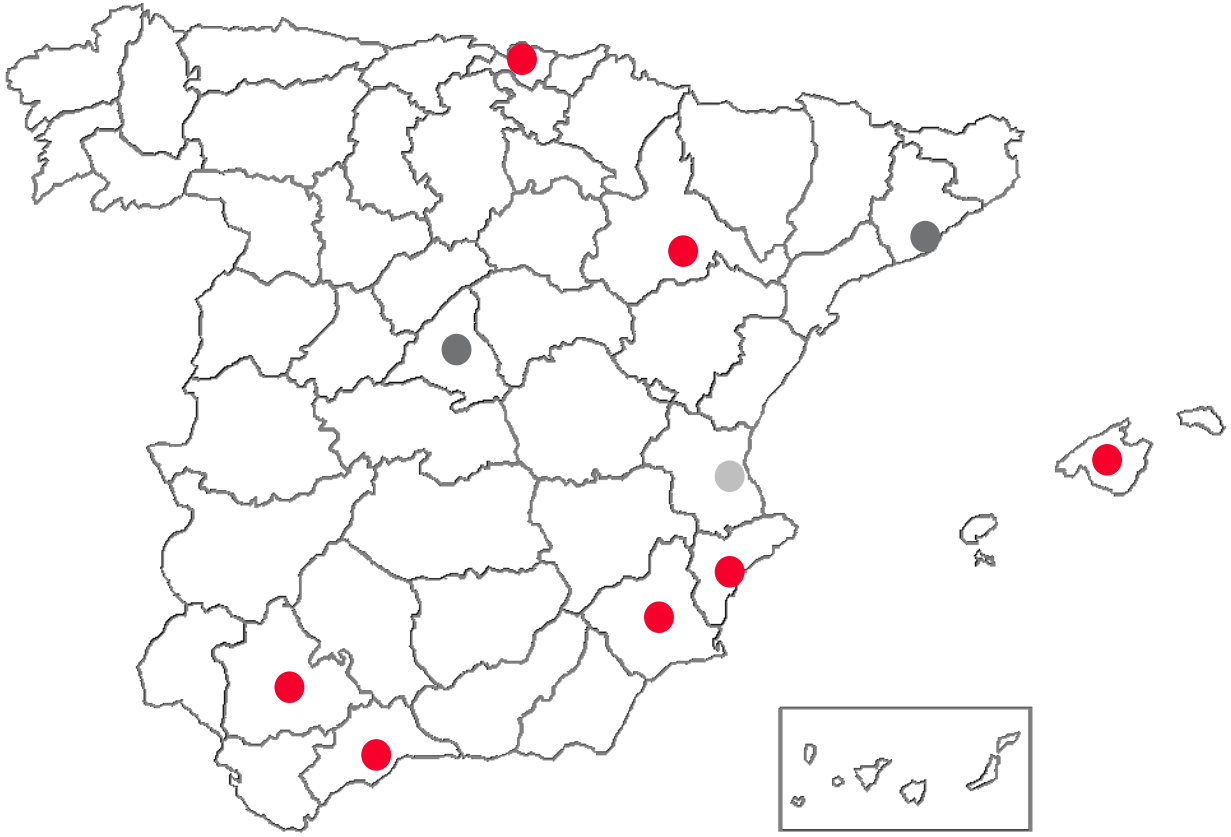
Banks could also be an interesting option to place the pop-up store, to show and allow people to get closer to a Tesla car. Most banks in Spain have reduced the number of counters due to technology improvements, and have therefore extra space. For this reason, a Tesla car could be displayed within the bank (the model of the car would depend on the typical profile of the bank's customers). Tesla would place a sales representative in the bank to solve any doubts, or issues concerning the car. Having a connection to Tesla could be beneficial for banks, as it shows that they care about the future, which is a key aspect of a bank's business. In addition, banks could cross-sell, as they could offer special loans for buying the cars. We recommend to partner with BBVA and Caixabank, as they already have agreements with Tesla in terms of special loans

How to win

Where to pop-up? Top regions for locating a Tesla point of sale

BUILD THE CATEGORY

The graph below shows the most interesting regions for Tesla to set-up pop-stores



Tesla actual stores

- Barcelona
- Madrid

Tesla actual sales representatives

- Valencia

Pop-up stores proposals

- Bilbao
- Palma de Mallorca
- Zaragoza
- Alicante
- Murcia
- Málaga
- Sevilla

Source: Instituto Nacional de estadística

How to win

Where to pop up? Malls and banks

Pop-up store

The **pop-up store** would be used in **different type of environments,** i.e. banks, and inside and outside malls. Therefore, we recommend coming up with a **modular design** that can be changed according to the different environments. The pop-up store would consist out of 2 models, a fake wall to show interior options and desk with tablets so that customer can configure different cars in the Tesla too. The layout would **mimic the store's layout**

Malls

In the past, Tesla experimented with pop-up stores in malls around Spain. Malls are ideal places to locate pop-up stores with two car models (depending on the target of the mall). Tesla should have a open layout in the aisles or the atrium of the mall. Outdoor pop-up stores could also be used. Here the pop-up store would be expanded with a refurbished container where the sales desk and the tablets would be located

Banks

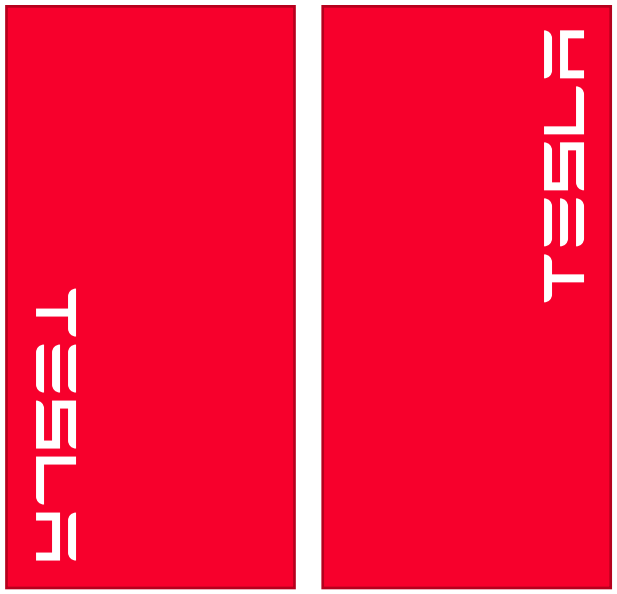
Tesla should also install a pop-up store in big offices of banks that provide advantageous loans to purchase a Tesla car (e.g. BBVA and CaixaBank). The pop-up stores should be placed in a central room. Given space limitations inside offices, Tesla should display only one car and a small booth with tablets

Modular pop-up store components

Display component

FLOORING

A high-end matting that is branded with the Tesla logo would be used to indicate the boundaries of the pop-up store and to place all the related components, e.g. design studio, cars, and sales desk



DESIGN STUDIO

The design studio is used in all Tesla stores and displays the different interior options and an interactive display that consumers can interact with. This will be transferred to pop-up stores by attaching the design to a movable, yet sturdy, wall. In addition, this wall can be placed strategically to separate the display area from the sales desk, providing potential customers with slightly more privacy when consulting the sales representative

PRODUCT LINE

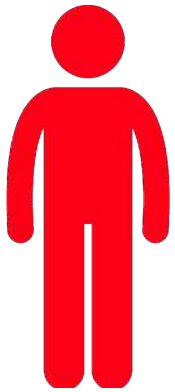
The different Tesla models would be displayed in the pop-up store. Depending on the location, different number and type of models would be selected for displays

Modular pop-up store components

Sales component

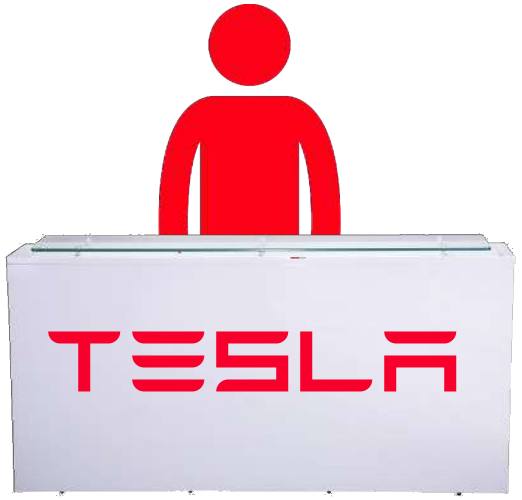
SALESPERSON

Essential to the pop-up store is a Tesla sales representative. He/she will answer customer questions and guide the customer through the sales process



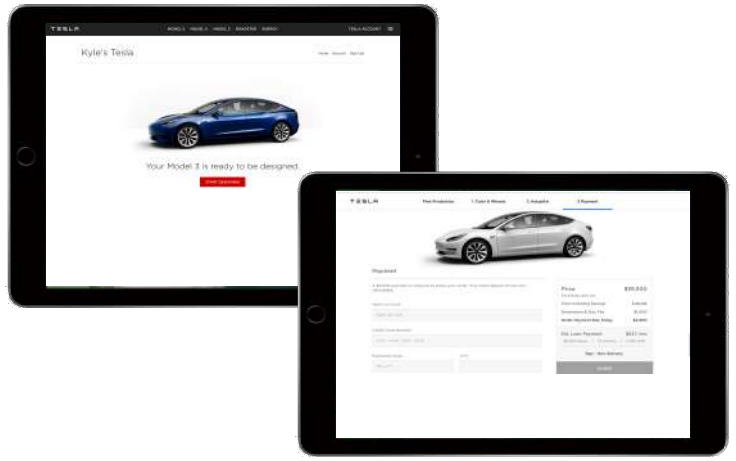
SALES DESK

The sales desk will be used to accommodate the sales representative with their job duties. The sales desk will be equipped with tablets



TABLETS

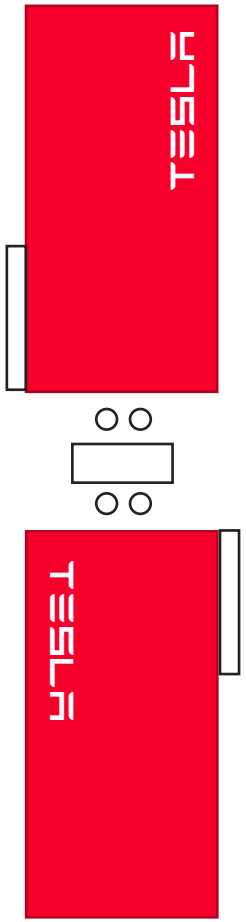
Tablets will be available at the sales desk. These can be used to explore and discover the different Tesla models. In addition, they will be used to configure the customer's car and, if the customer is willing to do so, order the configured model



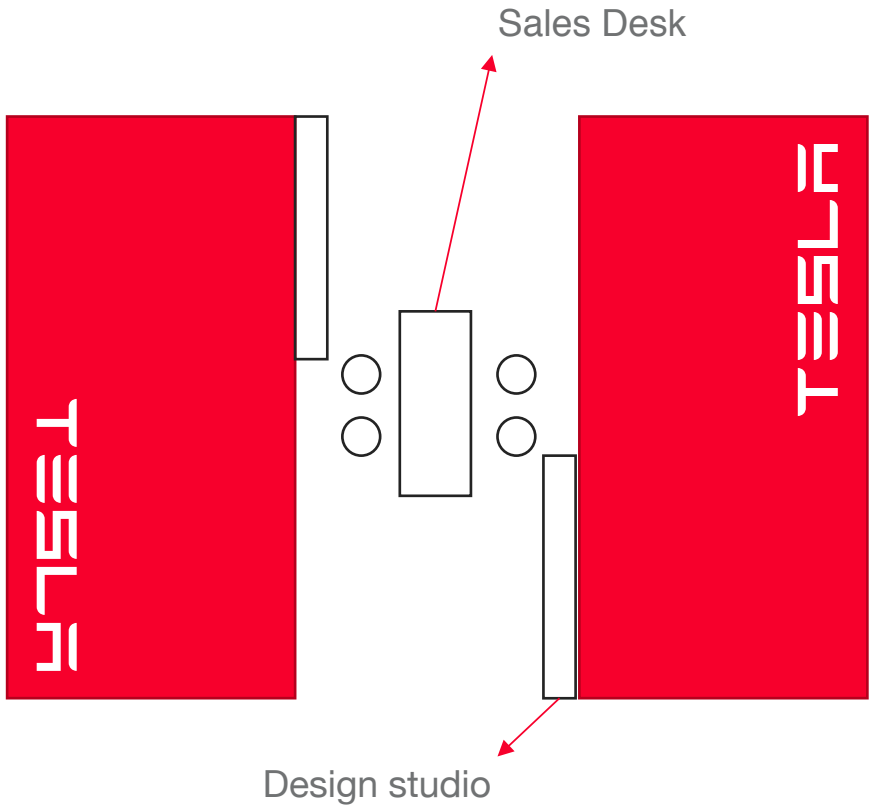
Modular pop-up store

Examples of different layouts

MALL AISLE



MALL ATRIUM



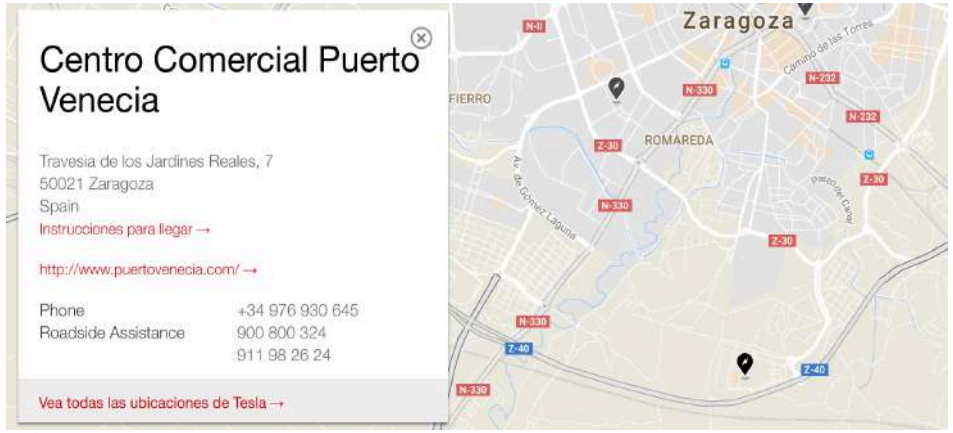
BANK

How to win

Example: Puerto Venecia – Zaragoza

BUILD THE CATEGORY

An example of where a sales point could be located is Puerto Venecia. This mall is located in Zaragoza (one of the top 10 cities in Spain) and has Tesla chargers, so there is already a connection established with the brand. As in this case the mall is an open-space mall, Tesla would also have to make a small investment to build the pop-up store. However, Tesla has already installed pop-up stores in the past, and could easily transfer the acquired knowledge to this location



Exact location of Puerto Venecia, in the outskirts of Zaragoza

Example of a Tesla outdoor pop-up store

Build the category

Strategy #1: overview

BUILD THE CATEGORY

CHALLENGE

How to increase the popularity of the BEV category in Spain

OBJECTIVE

Grow the BEV category: increase the volume of BEVs sold in Spain by increasing the penetration rate of BEVs in the passenger car market

GOAL

Increase market share of BEV in the passenger market to at least 3% (benchmark with Hybrid) within the next 5 years

WHERE TO PLAY

Market

ICE and HEV are highly valuable adjacent categories
Converting one 1% of the ICE or HEV would create significant value in the BEV product category

Competitors landscape

Several large brands in the ICE category have well developed distribution channels, strong marketing capabilities and power to copy innovation

DRIVERS OF GROWTH OF BEV CATEGORY

- Regulation national and supranational level
- Positive consumer attitude towards BEV

HOW TO WIN

Strategy: Strategically expand distribution and focus on distinctive competences to attract ICE and HEV consumers
Timing: Short-term strategy

DISTINCTIVE COMPETENCES

Strong innovation *Great design* *Strong brand*

IMPLEMENTATION

Increase number of points of sale
Short term solution: Implement pop up points of sale strategically in malls and banks to create more brand awareness and availability

Strategy #2

BUILD THE CATEGORY

CLOSE THE GAP

CONQUER THE CITY

DRIVE THE FUTURE

OGSM framework

CLOSE THE GAP

OBJECTIVE

Develop unique value proposition for each sub-brand (Model S, Model, X etc.) and maximize the presence of Model 3 with limited resources

GOALS

Close the gap between consumers' perception and desired brand image before the second half of 2018

STRATEGY

Rebuild brand architecture to create distinctive value propositions for each model. Gather more consumers' demographic and behavioural information to reduce the physical and psychological distance between the brand and consumers by using strategic delivery

MEASURES

Not enough data available

Brand perception

What's consumers' perception for Tesla: Centrality – Distinctiveness Map

CLOSE THE GAP

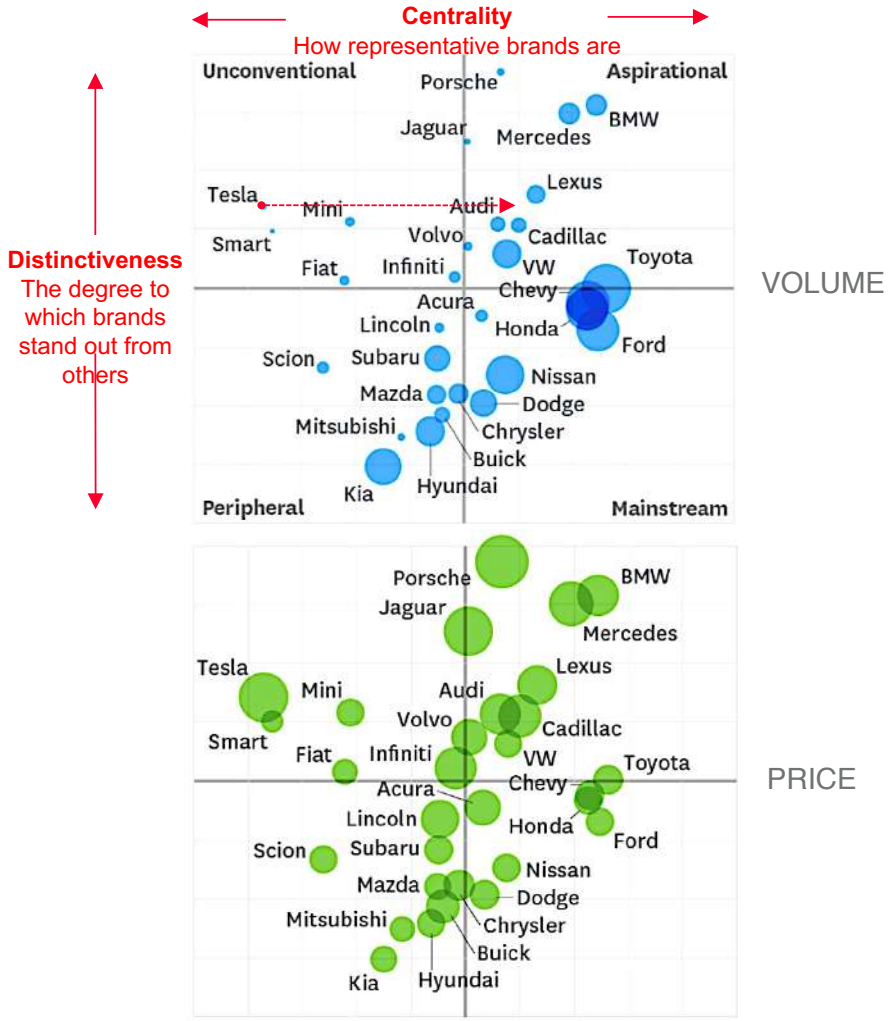
Marketers struggle to meet two seemingly contradictory goals: to build a distinctive brand and to build a more central brand. Brand's centrality refers to how representative brands are, and distinctiveness shows the degree to which brands stand out from others. Mapping brands within one industry according to consumer's perception based on centrality and distinctiveness will help understand Tesla's current position and to evaluate future strategies

As showed in the **D-C Map:**

- Higher prices often result in fewer sales
- Sales volume tend to increase with centrality, while price tend to fall
- The more distinctive the brand, the lower the sales volume and higher the price

Tesla is perceived as a distinctive but not central brand, and the price is relatively high, contributing to its premium image in the eyes of consumers

Tesla needs to market itself to a broader customer base to gain more centrality without loosing its distinctiveness. It will allow Tesla to increase the sales volume, price will fall while growing centrality, higher volume will sustain revenue



Source: Niraj Dawar; Charan K. Bagga, Harvard Business Review, "A Better Way to Map Brand Strategy"

Brand perception

Status quo evaluation

CLOSE THE GAP

	Which elements contribute to Tesla's current brand perception?	What to do to change this perception in line with Tesla's strategies?
Customer base	Current customers are a small percentage of population who can afford the brand	Reach a wider customer base with a wider product range.
Brand positioning	Unclear brand image, undifferentiated sub-brand value propositions, resulting in consumers' confusion	Redefine brand architecture
Price	Tesla's pricing makes Tesla mainly compete with other premium brands such as BMW, Mercedes-Benz etc., contributing to a high-end brand perception. No promotion.	Intensive communication for the existing referral program to build an effect of promotion. Emphasize on lifetime cost to change consumers' price perception.
Distribution	Direct and unified distribution channel, highly selective.	Increase the number of stores.
Communication	No paid-advertising, no mass-communication strategy. The goal is to educate rather than inform.	More actively use and manage Tesla-owned communication means such as website, social media accounts etc.
Product line	Very narrow. Few flagship products and only few variations.	Extend product range with different level of value proposition.
Production	The manufacturing facilities are not relocated to lower cost countries. Slow production process.	Speed up production and achieve economies of scale to lower the production price.
Delivery	The wait of product to be built fully matured contributes to the overall luxury experience.	Use an accessible tone to communicate progress to do not create a luxury brand image.

Brand perception

Timeline

CLOSE THE GAP

Now – 2018 (2nd half)

REDEFINE BRAND ARCHITECTURE

- **Brand**: create a distinctive value proposition for each model. Build up a clear mother brand
- **Distribution**: increase points of sales in major cities in Spain. Start out with pop-up stores to minimize cost
- **Consumer**: gather more information about customers and build up customer profiles

Brand perception

Tesla's current brands' and sub-brands' image

CLOSE THE GAP

Tesla's official website is the most important communication tool to build Tesla's and its three models' current image, however:

- Three models' attributes are not differentiated, however, the models fulfill different customers' different needs, these 3 models' should be different.
- According to the electric car's product category life cycle, introducing too many different attributes to consumers at the same time at this stage will cause consumer's confusion
- The lack of consistency in terms of both content and form makes Tesla's brand image confusing

Hence, Tesla could redesign its brand architecture

Performance and safety refined

Model S is designed from the ground up to be the safest, most exhilarating sedan on the road. With unparalleled performance delivered through Tesla's unique, all-electric powertrain, Model S accelerates from 0 to 60 mph in as little as 2.5 seconds. Model S comes with Autopilot capabilities designed to make your highway driving not only safer, but stress free.

MODEL S

Attributes:

- Safety
- Exhilaration
- High performance
- All-electric
- Rapid acceleration
- Autopilot
- Stress-free

Meet Model X

Model X is the safest, quickest, and most capable sport utility vehicle in history. Designed as a family car without compromise, Model X comes standard with all-wheel drive, ample seating for up to seven adults, standard active safety features, and up to 295 miles of range on a single charge. And it's the quickest SUV in production, capable of accelerating from zero to 60 miles per hour in 2.9 seconds.

MODEL X

Attributes:

- Safety
- Family car
- All-wheel
- Big space
- High battery range
- Rapid acceleration

Model 3

Designed to attain the highest safety ratings in every category, Model 3 achieves 220 miles of range while starting at only $35,000 before incentives.

MODEL 3

Attributes:

- Safety
- Wide battery range
- Affordable

Source: Tesla Website

Brand perception

Redefine brand architecture

CLOSE THE GAP

RATIONAL BENEFITS

- High-end technology
- Safety
- Performance
- Noise-reduction
- Design
- Cost saving over lifetime
- Sustainability

EMOTIONAL BENEFITS

- Progressive mindset
- Being a trend-setters
- Community feeling
- Being part of a positive transition
- “Have the best”

Transfer of meaning

LUXURY	PREMIUM	MASSTIGE	MASS-MARKET
ROADSTER	MODEL S	MODEL 3	?
• Exclusivity • state of the art technology • Superior performance	• Individualism • Enjoyment	• Sophistication • Affordability	• Accessibility • Omnipresence
	MODEL X		
	• Sharing • Adventurous		

Importance of emotional benefits increases with the increase of sub-brands’ level

Brand perception

Tesla's current brands' and sub-brands' image

CLOSE THE GAP

Following to the redefined brand architecture, Tesla's communication strategies should focus on the 3 aspects

01 MOTHER BRAND

Enforce Tesla's (mother brand) values to create an umbrella effect

02 INDIVIDUAL VALUE PROPOSITION

Focus on enhancing clear and distinctive value propositions for each different model, i.e. for each sub-brand

03 RATIONAL VS EMOTIONAL

Whether to put more emphasis on rational or emotional benefits should be decided depending on the stage of the product category's life cycle, as well as on the single sub-brand's positioning (luxury, premium, masstige, mass-market)

Brand perception

New website suggestion

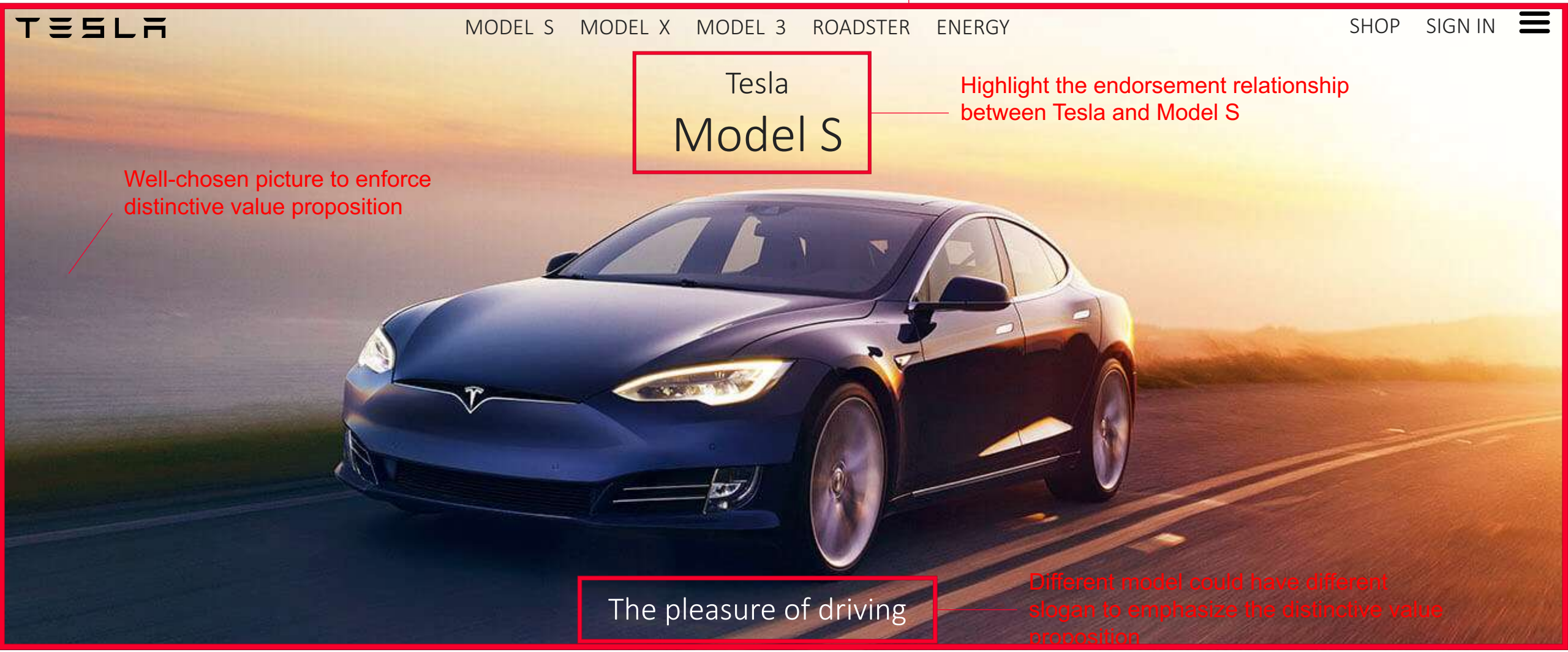
CLOSE THE GAP

Brand perception

New website suggestion explanation

The layout is consistent with Tesla Roadster's new webpage. Consistency in form is also important in brand-building process

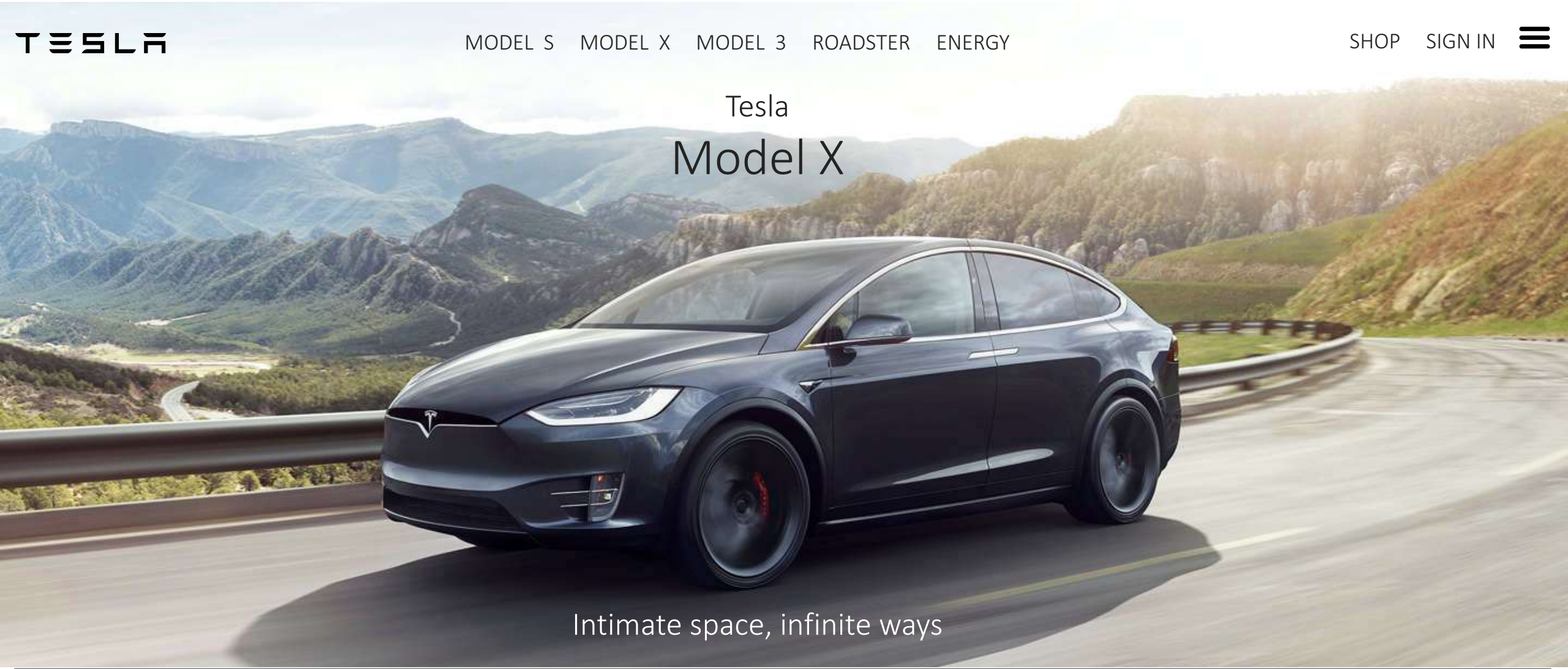
CLOSE THE GAP



Brand perception

New website suggestion

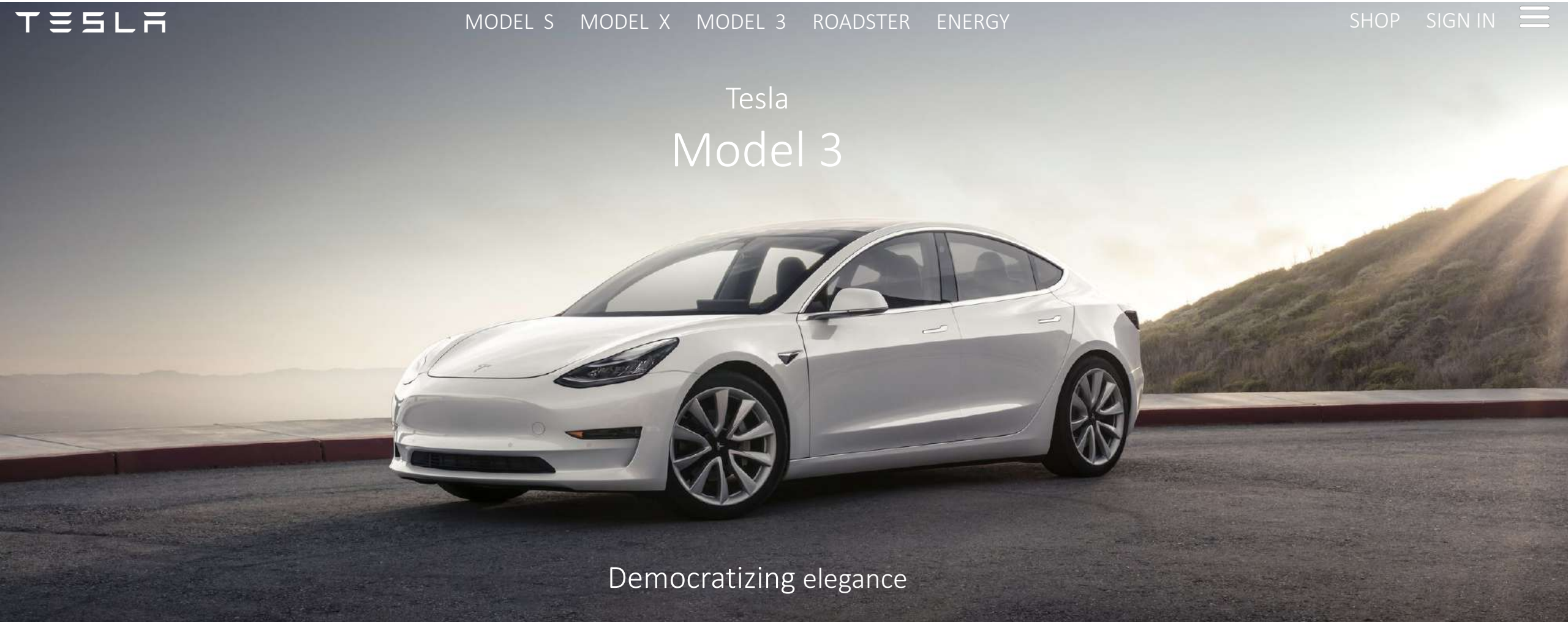
CLOSE THE GAP



Brand perception

New website suggestion

CLOSE THE GAP



Brand perception

Timeline

CLOSE THE GAP

STRATIGIC DELIVERY

- **Distribution**: Strategic delivery in the beginning; once production volume can fulfill the demand, immediate delivery
- **Promotion**: Intensive communication through social media and website to promote referral program

Now – 2018 (2nd half)

2018 (2nd half) - 2021

REDEFINE BRAND ARCHITECTURE

- **Brand**: create a distinctive value proposition for each model. Build up a clear mother brand
- **Distribution**: increase points of sales in major cities in Spain. Start out with pop-up stores to minimize cost
- **Consumer**: gather more information about customers and build up customer profiles

Brand perception

Strategic delivery for Tesla Model 3 in case of production delays

CLOSE THE GAP

While customers order a Tesla Model 3, they should fill in a simple questionnaire mainly focusing on the demographic and behavioral elements. The questionnaire should include questions including:

- *What's the profile of main user?*
  - Name
  - Age
  - Gender
  - ….
- *What's the frequency of use?*
- *Where?*
- *The number of cars in the family?*
- ….

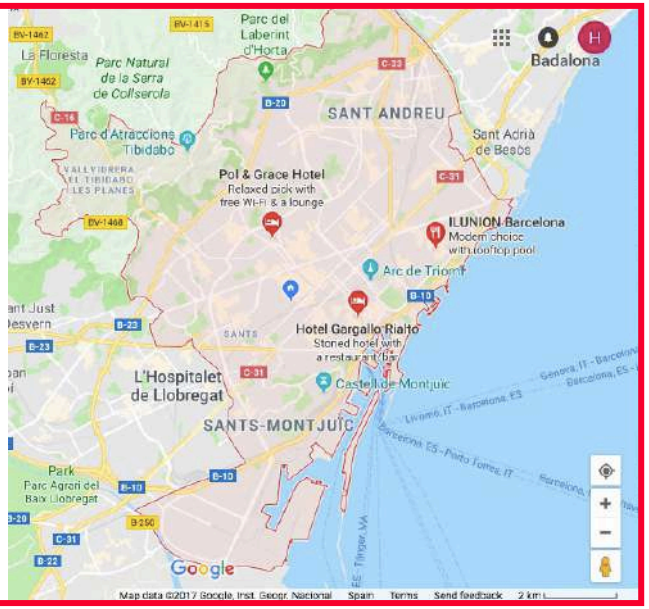
This questionnaire will not only lay a foundation for strategic delivery, but it will also help Tesla to improve technologies such as battery range, build up charging point more efficiently and make Tesla more consumer-centric

Help us improve your Tesla experience!

How many times do you use the car per day:

- More than 6 times per day
- 4-6 times
- 2-4 times
- Once per day
- Less than once per day

Please draw a circle comprising the area where you do most of your daily activities, and indicate the places where you spend most of your time



Brand perception

Strategic delivery for Model 3 when production cannot fulfil orders

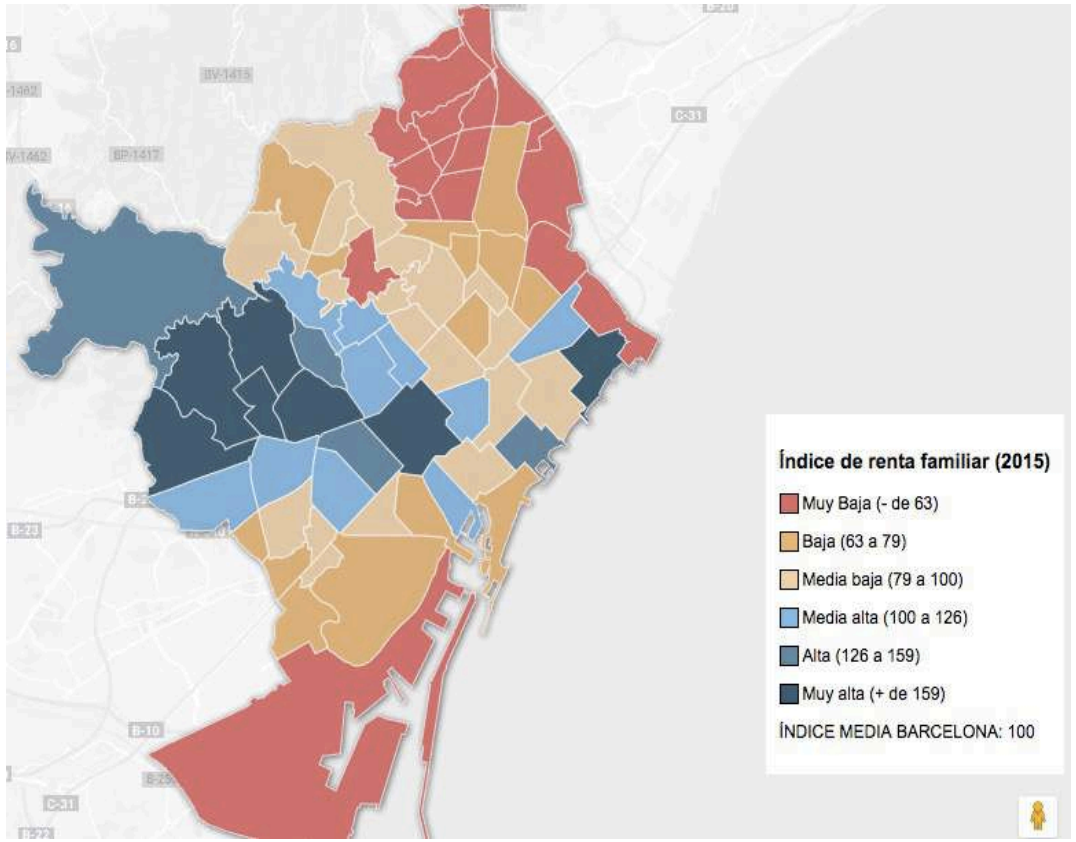
CLOSE THE GAP

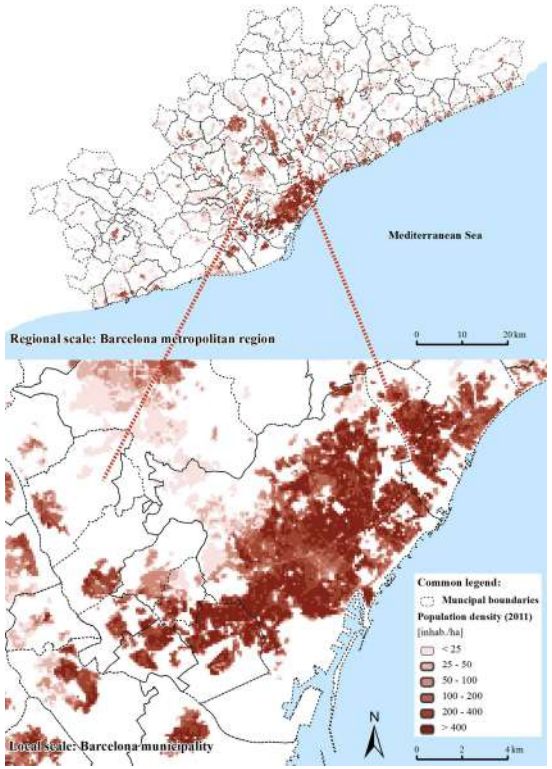
» Strategic delivery as means of changing brand perception

With data collected, Tesla can deliver cars according to customers‘ profile, location, and driving behavior

Taking Barcelona as an example:

- Prioritize the delivery in the areas with the index of family income higher than 100 (e.g. la Villa de Gracia, l‘Antiga Esquerra de l’Eixample etc.)
- Prioritize the delivery in the areas with higher population density
- Prioritize upper middle class customers who drive long distance on daily basis and whose daily activities radiation follows the two points mentioned above
- Use a minimum of Tesla cars to cover the maximum number of zones possible in order to create the impression that Tesla is everywhere, and physically and psychologically close to consumers





Brand perception

Timeline

CLOSE THE GAP

STRATIGIC DELIVERY

- **Distribution**: Strategic delivery in the beginning; once production volume can fulfill the demand, immediate delivery
- **Promotion**: Intensive communication through social media and website to promote referral program

Now – 2018 (2nd half)

2018 (2nd half) - 2021

2021 - …

REDEFINE BRAND ARCHITECTURE

- **Brand**: create a distinctive value proposition for each model. Build up a clear mother brand
- **Distribution**: increase points of sales in major cities in Spain. Start out with pop-up stores to minimize cost
- **Consumer**: gather more information about customers and build up customer profiles

BRAND EXTENSION

- Extend product range

Close the gap

Strategy #2: overview

CLOSE THE GAP

CHALLENGE

How to close the gap between consumer perception and desired brand image

OBJECTIVE

Develop unique value proposition for each sub-brand and maximize the presence of Model 3 with limited resources

GOAL

Close the perception gap between consumers' perception and desired brand image before second half year of 2018

CURRENT PROBLEMS

According to studies, Tesla is perceived as a **distinctive** but **not central** brand, and Tesla's **price is relatively high** compares to its competitors. If Tesla wants to achieve its goal to reach mass-market segment, this niche brand perception will be problematic for the adoption of its more "democratized" models. It is mainly due to an **unclarified brand architecture**, **low physical presence** and **confusing value proposition for each models**

FIRST STAGE

Grow the primary demand and secondary demand by building up more points of sales (cf. Strategy "Build the category")

SECOND STAGE

Rebuild its brand architecture by clarifying the value proposition of Tesla (mother brand) and distinctive value proposition of each model (sub-brand). Once clarification is made, consumers could understand that different model (sub-brand) stand for different portfolios of meaning. This will help Tesla to expend brand's value proposition to reach mass-market segment.

THIRD STAGE

Strategic delivery could create an effect of "psychological presence" of Tesla within consumers. This effect will reduce both physical and psychological distance between potential consumers and Tesla.

SECOND STAGE

Tesla's product range should also be expended to further change Tesla's brand perception (cf. Strategy "Conquer the city").

Strategy #3

BUILD THE CATEGORY

CLOSE THE GAP

CONQUER THE CITY

DRIVE THE FUTURE

OGSM framework

CONQUER THE CITY

OBJECTIVE

Expand into the largest BEV category.
This will allow Tesla to capture more value and position itself as The BEV brand

GOALS

Become the market leader in the BEV sub-product category
Obtain a market share of at least 20% in the BEV hatchback subcategory.
Market leader (Renault has market share between 23% in BEV in 28% in hatchback subcategory)

STRATEGY

Extend into the hatchback market with a new model: Tesla Model U

MEASURES

Not enough data available

Brand extension

Overview

CONQUER THE CITY

BUSINESS

Fit with Strategy
The launch helps Tesla to move closer to its vision (accelerate the transition to sustainable energy) because it makes sustainable cars affordable and compatible for modern cities

Flexibility
will create cash flow and supply volume which can help spread the fixed cost, thereby enabling flexibility of resources

Implementation
Tesla will possibly be able integrate this model into the existing product facilities, therefore the implementation can be evaluated as possible

Financial
High volume will allow Tesla to compensate for a lower margins on the model, which is necessary to maintain competitive pricing

BRAND

Brand Equity
This new venture protects the brand equity and allows for a extension of the portfolio of meaning. In concrete, it will extend the meaning of Tesla to a new subcategory thereby making the brand more accessible for the mass. Further the sub brand Model U will be endorsed by the parent brand Tesla. Therefore there is a transfer of meaning in both directions

Brand Positioning and Associations
This approach helps to clarify Tesla's position as a provider of electric vehicles, which supplies different models or different segments rather than just high end products

Brand Synergies
This new venture creates synergies with other models, as fixed cost can be spread across more models

COSTUMER

Costumer confusion
There is little costumer confusion possible as consumers will experience a smooth transition of the Tesla brand from luxury to eventually mass premium, enhanced by the launch of the Model 3 which can be considered masstige as explained in strategy number 2

Customer Expectations
This model meets costumer needs of a specific market segment. Namely, mass premium seekers who are looking for small cars as a convenient mobility solution in cities

Market Applicability
As described in the consumer analysis this approach is targeting a potentially attractive , large segment of BEV consumers, which show favorable behavior towards small city cars

Source: Petromilli et. Al. (2002) Brand architecture building brand portfolio values in Strategy & Leadership 30,5

Where to play

BEV hatchback: organic growth as a priority

CONQUER THE CITY

ATTRACTIVENESS

Largest sub-product category for BEV's in Spain

Market share per body type

Body type	2017 YTD MS	2016 YTD MS	YTD pp. Change	YTD Growth
Hatchback	83,3%	98,5%	-15,2%	29,6%
Sedan	11,5%	1,5%	10,1%	1092,9%
SUV	5,1%	0,0%	5,1%	

Due to the development of other sub categories, the hatchback sub-category has lost ground in relative terms. However, the category has still grown at an impressive rate over the last couple of years and it clearly representing an attractive market for Tesla

% growth per body type

Sales Year	2016	2015
Hatchback	46,68%	41,27%
Sedan	380,00%	-33,33%
SUV	n/a	n/a

ABILITY TO WIN

- **Brand**
  Tesla has been pulling the bandwagon for BEV. The brand is almost synonymous with stunning BEV both in terms of performance and design
- **Product performance**
  Tesla has the capabilities to produce a BEV that outperforms all BEVs in terms of range and even many ICE cars in terms classical metrics such as acceleration
- **Strong innovation capacity**
  Tesla has strong innovation capacity. It sees it self competing with tech companies instead of the classical automotive giants. This capability allows them deliver cars to the consumer with never seen before or improved features such as: autonomous driving, connectivity, and on board technology
- **Resources:** currently lack of production resources and financial resources**.** Assumption: after the Model 3 establishment in the market, the production capabilities would drastically improve. At this point Tesla would acquire the core competencies to produce a new model and ramp up production

ATTRACTIVENESS: HIGH

ABILITY TO WIN: HIGH

ORGANIC GROWTH IS A PRIORITY

Where to play

Fit with the product portfolio and the market

CONQUER THE CITY

BEV CATEGORY AND SUB-CATEGORIES

Hatchback	Sedan	Coupé	SUV	Vans
Luxury	Luxury	Luxury	Luxury	Luxury
Above average	Above average	Above average	Above average	Above average
Below average	Below average	Below average	Below average	Below average
Economy	Economy	Economy	Economy	Economy

Market share per body type

Body type	2017 YTD MS	2016 YTD MS	YTD pp. change
Hatchback	93,7%	96,3%	-2,7%
Sedan	4,6%	3,7%	0,9%
SUV	1,8%	0,0%	1,8%

Model 3

Model 3

Model 3

Category and sub-category key facts

The hatchback is by far the most popular body type. Almost all BEV models sold in the Spanish market are hatchbacks. The Tesla Model S and Model X are among the few exceptions

What does Tesla bring to the table?

With its current productline, Tesla only competes in the sedan, coupé, and SUV sub-categories. Tesla's social media accounts have hinted towards a potential release of a more affordable SUV (Tesla Model Y). Tesla portfolio currently does not provide a hatchback model

Where to play

Fit with target consumer: What does the consumer want?

CONQUER THE CITY

SEGMENT	LIVING AREA	Importance of… RANGE	TECHNOLOGY	DESIGN	PERFORMANCE	BEV SOLUTION
MASS MOBILITY SEEKERS		M	M	L	M	Low-cost small BEV that is adapted to urban environment. Reduced performance, battery size, and fewer advanced features and technologies
MASS PREMIUM SEEKERS		L	H	H	H	An entry-level EV model from a premium brand with good performance and style, used primarily for short commutes
LOW-COST PERFORMANCE		M	M	L	H	Regular mass-market brand BEV with good driving performance at affordable price

Tesla distinctive competences

Brand: Iconic BEV brand, synonymous with stunning BEV both in terms of performance and design

Product performance: Tesla produces cars that trump competing products in both ICE and Hybrid in term of performance

Strong innovation capacity: deliver cars to the consumers with never-seen-before or improved features (autonomous driving, ground breaking infotainment system, etc.)

Target mass premium seekers

If we compare Tesla's distinctive competences with the different segments of the near term buyers, we can clearly see there is an **allignment** between Tesla's **distintinctive competences** and the **mass premium seekers**. Therefore, Tesla should create a new subbrand that targets this segment. Research indicates that mass premium seekers **entery-level EV with** good performance and style, used primarily for short commutes

How to win

Brand extension: Model U

CONQUER THE CITY

Designed by Benoît Poncin

CAR PROFILE
Hatchback for city environment
2 doors with room for 4 passengers
Range: 200 km
Urban use

Keep true with the **Tesla DNA**

Value proposition: stylish high-performance BEV that can meet everyday urban mobility needs

Target: Mass premium seekers (mass-market)

Pricing: €27.500 (in line with main competitors)

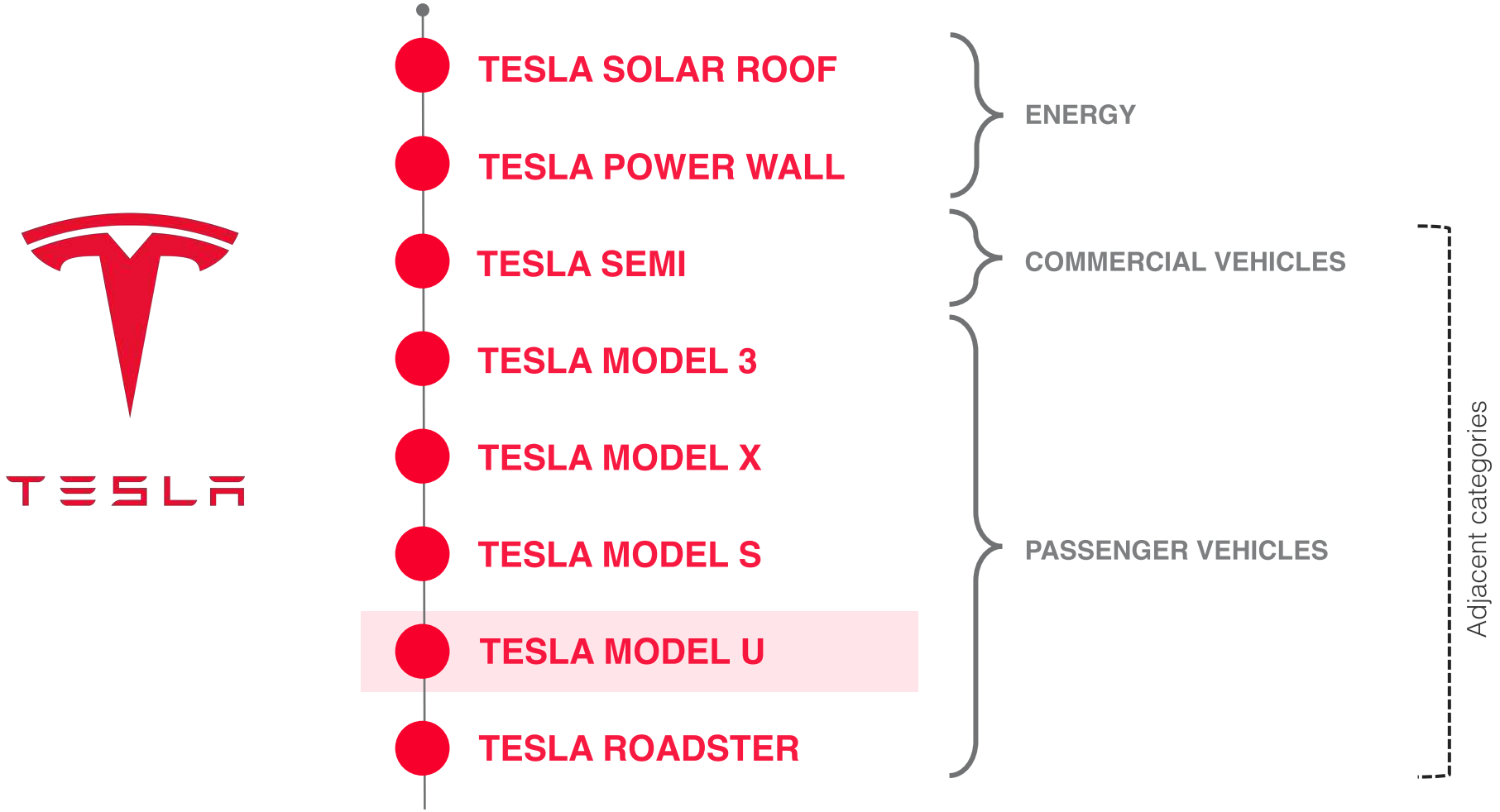
Distribution: in Tesla stores (Next wave of product announcements - Delivery starting from 2021)

Compatible with Tesla features: big central screen, self-driving (in the future), iconic sunroof, great storage capability (thanks to electric motor and battery on the chassis of the car), high-safety rating, fits in the tesla eco-system, super-charger

Endorsed Brand Architecture

After the strategy implementation

CONQUER THE CITY



Source: Tesla Website

Build the category

Strategy #3: overview

CONQUER THE CITY

CHALLENGE

How to dominate a larger part of the BEV category in France and Spain?

OBJECTIVE

Expand into the largest BEV category to capture more value and position the brand as *the BEV* brand

GOAL

Obtain a market share of at least 20% in the BEV hatchback subcategory

WHERE TO PLAY

- With a **market share of +80%**, **Hatchbacks** dominate the BEV product category.
- The hatchback subcategory has **grown +40% YTD.**
- **Increased urbanization** will drive demand for small city cars e.g. hatchbacks

ABILITY TO WIN

- TESLA **posses** the **required distinctive competences** to conquer the hatchback sub-product category
- Clear **fit** between needs of mass **premium mobility seekers** and **Tesla's distinctive competences**

HOW TO WIN

Strategy: launch Model U, a hatchback for urban use (Brand extension)
Timing: medium term, 2021. Aim to launch after the introduction of the Tesla Roadster 2.0

IMPLEMENTATION

Brand extension: Introduce Tesla Model U, extend the meaning of Tesla to a new subcategory hatchbacks.

Car profile: Hatchback for city environment, 2 doors with room for 4 passengers, Range: 200 km's, for urban use, inline with Tesla DNA, stylish high-performance BEV that can meet everyday urban mobility needs

Strategy #4

BUILD THE CATEGORY

CLOSE THE GAP

CONQUER THE CITY

DRIVE THE FUTURE

OGSM framework

DRIVE THE FUTURE

OBJECTIVE

Develop a new strategic business model in line with mega mobility trends

GOALS

Become a market leader in car sharing in Spain

Exceed the main competitor car2go in Madrid and Barcelona with 170.000 community members within first year. In other words reach 20% of target segment within first year. (Barcelona: 83.200 members)

STRATEGY

Become free floating shared cars service provider

Develop branding for target

Connectivity: App with value added services

Develop partnerships

(authorities, commercial)

MEASURES

Not enough data available

Brand extension

Overview

DRIVE THE FUTURE

BUSINESS

Fit with Strategy
The launch helps Tesla to move closer to its vision to accelerate the world's transition to sustainable energy because it makes sustainable cars affordable and city-compatible

Flexibility will create cash flow and supply volume which can be spread over fixed cost, thereby enabling flexibility of resources

Implementation
Tesla will have to create a new organizational structure to support the launch, however the non-hierarchical structure will enhance the synergies between the business units

Financial
Cash flows through high usage will allow Tesla to compensate for low margins on models

BRAND

Brand Equity
This new venture protects the brand equity and allows for a extension of meaning. In concrete it will familiarize with BEV and Tesla's mission

Brand Positioning and Associations
This approach helps to clarify Tesla's position as a provider of electric vehicles, which supplies different models or different segments rather than just high end products

Brand Synergies
This new venture creates the most synergies for model U as this will be the model involved. More usage will lead to a higher volume, which will spread fixed costs. Further costumers might become more familiarized with the model U and BEV in general which can lead to purchase

COSTUMER

Costumer confusion
There will be no costumer confusion, as the service will be properly explained and separated with a different branding

Customer Expectations
As the business model is benchmarked to competitors actions which are already in the market it can be anticipated that consumers' expectations will be met

Market Applicability
As described in the consumer analysis this approach is highly likely to target two potential segments, which show favorable behavior towards connectivity and shared mobility

Source: Petromilli et. Al. (2002) Brand architecture building brand portfolio values in Strategy & Leadership 30,5

Where to play

Attractiveness, Fit and Resources

DRIVE THE FUTURE

ATTRACTIVENESS

Market value globally (China, USA, Europe) €45,5 billion; European market is fragmented and valued at €4,8 billion[5,6]

Investors confidence: Starting from 2011, investments in shared mobility have taken off, and they reached €9,6 billion ($11,3 billion) in 2015[5]

Forecast: Up to 1 out of 10 cars are possibly shared by 2030. Acceleration of regulatory forces will enhance shared mobility[4]

In Spain – Competitors benchmark

Relatively low presence in free floating car sharing. Regulatory forces encourage free floating car sharing.

Success story: car2go owned by Daimler find most attractive market in Madrid. [3]

DRIVERS OF GROWTH OF SHARED MOBILITY

- **A new consumption culture** of sharing
- **Scares resources** are driving up energy prices
- **Digitalization** innovation in communication technology
- **Demographic trends:** urbanization, aging populations in developed countries[1]

FIT OF THE STRATEGY WITH TESLA

Vision: Aligned with vision to accelerate the world's mission to sustainable energy. Shared mobility impersonates the idea of a collaborate sustainable future.

Brand: It helps further expand and familiarize people with BEV and with Tesla. Further it helps to democratize the brand image in line with strategy 1 and 2. Helpful synergies could be created. Consumer confusion does not have to be anticipated as the new category directly relates to the present one.

Resources: the implementation of the service will need initial investment but attractive in the long run as high mileage of shared cars decreases lifespan of the car, which in turn increases sales. The acceleration of the transition to BEV would accelerate battery cost reductions[2]

Sources: [1]Monitor Deloitte (2016): "Carsharing in Europe Business Models, National Variation and Upcoming disruptions"; [2]McKinsey (2017): "Auto 2030 – How disruptive technology-driven trends could transform the auto industry"

Where to play

Existing competitors in shared mobility in Spain

DRIVE THE FUTURE

COMPETITOR LANDSCAPE

Car sharing

- **Car2go:** present only in Madrid with 170.000 members sharing 500 cars. The car sharing is owned by Daimler
- **Zipcar:** present in Barcelona. Offers a fleet of cars with fixed parking spots that can be rented per hour. **Avancar** is also part of Zipcar
- **Emov:** electric car sharing. 100.000 customers signed up within the last 5 months
- **Spaincar**: minimum 2-hour rental (different car types available), an EV costs €10 for 2 hours (50 kms maximum) plus €0,10/extra km
- **Bluemove:** €4/hour for electric option, no extra is charged for mileage (different car types). Service present in Madrid, Barcelona, and Sevilla
- **Respiro Madrid,** per hour/day. The hourly rate is €2 plus €0,26/km
- Other major European competitors have not yet entered the Spanish market

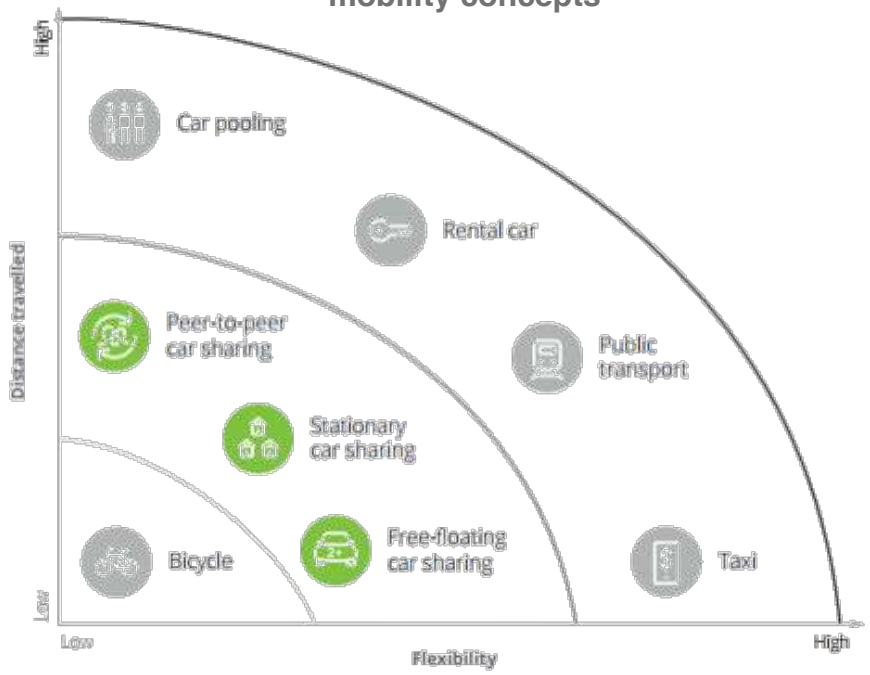
On-demand ride hailing

- **Uber** (only in 1 city), private taxi drivers, which can be hired and payed over app.
- **Cabify** (present in 7 major cities), private people sign up with their vehicles to become drivers. Users can hire a car on demand on an app
- **Taxi Apps**: Mytaxi (Madrid, Barcelona, Seville and Valencia), Hailo (only present in Barcelona and Madrid), PideTaxi, Taxiclick (both widely spread)

Peer-to-peer ride sharing: BlaBlaCar - matches drivers with passengers for intercity drives

Peer-to-peer car sharing: **Drivy** (Spanish platform), **GoMore** (also ride sharing and leasing), **SocialCar**

Classification of car sharing among existing mobility concepts



Source: Monitor Deloitte analysis and expert interviews

Source: Monitor Deloitte (2016): "Carsharing in Europe Business Models, National Variation and Upcoming disruptions"

How to win

Strategy outline

DRIVE THE FUTURE

STRATEGY: build up a new business model which integrates future mobility trend of shared mobility and connectivity

- Become a free floating-car sharing service provider
- No partnerships with fleet managers due to Tesla's direct go-to-market approach. Control over unique experience, reflected on brand
- Maintain a **fleet of free-floating BEVs to provide consumers with access to mobility** for a mileage-based subscription fee
- Creative approaches to shift BEV economies from purchase price to shared usage aids to overcome cost barriers for consumers and improve automaker profitability
- **Timing**: Mid-to-long Term strategy 2022-2027

How to win

Understand consumer landscape

DRIVE THE FUTURE

According to a McKinsey study, there are six types of mobility consumers providing an attractive segment for shared mobility in Europe. Groups were formed in reference to their preference for connectivity as well as shared mobility and use of transport. These psychographic segments can be matched to different demographic segments and thereby its absolute number can be estimated. The demographic factors taken into account are age, income and occupation type

Time optimizers

- Aim to minimize time in transit reflected in lowest time spent in transport
- Lowest importance for connectivity
- Middle-income, aged 40-59

Settled locals

- Mostly retired, low-income people who stay local
- Relatively few car owners, prefer to walk or use public transport
- Low mobility needs and connectivity expectations

Status-oriented

- The choice of the transport mean means to build desired personal image
- High income 18-39 year old
- High mobile connectivity, seek up-to-date technology
- High interest in car sharing

Mobile communicators

- High need for mobile connectivity, 45% use their smartphone while driving
- Highest car usage (32 hours/month)
- High household income
- Generally young people, many students

Convenience oriented

- 70% of mobility is by car for getting things done
- Dislike for planning ahead
- Low need for connectivity
- 25 to 49 year old (58%), middle-income housewives/husbands

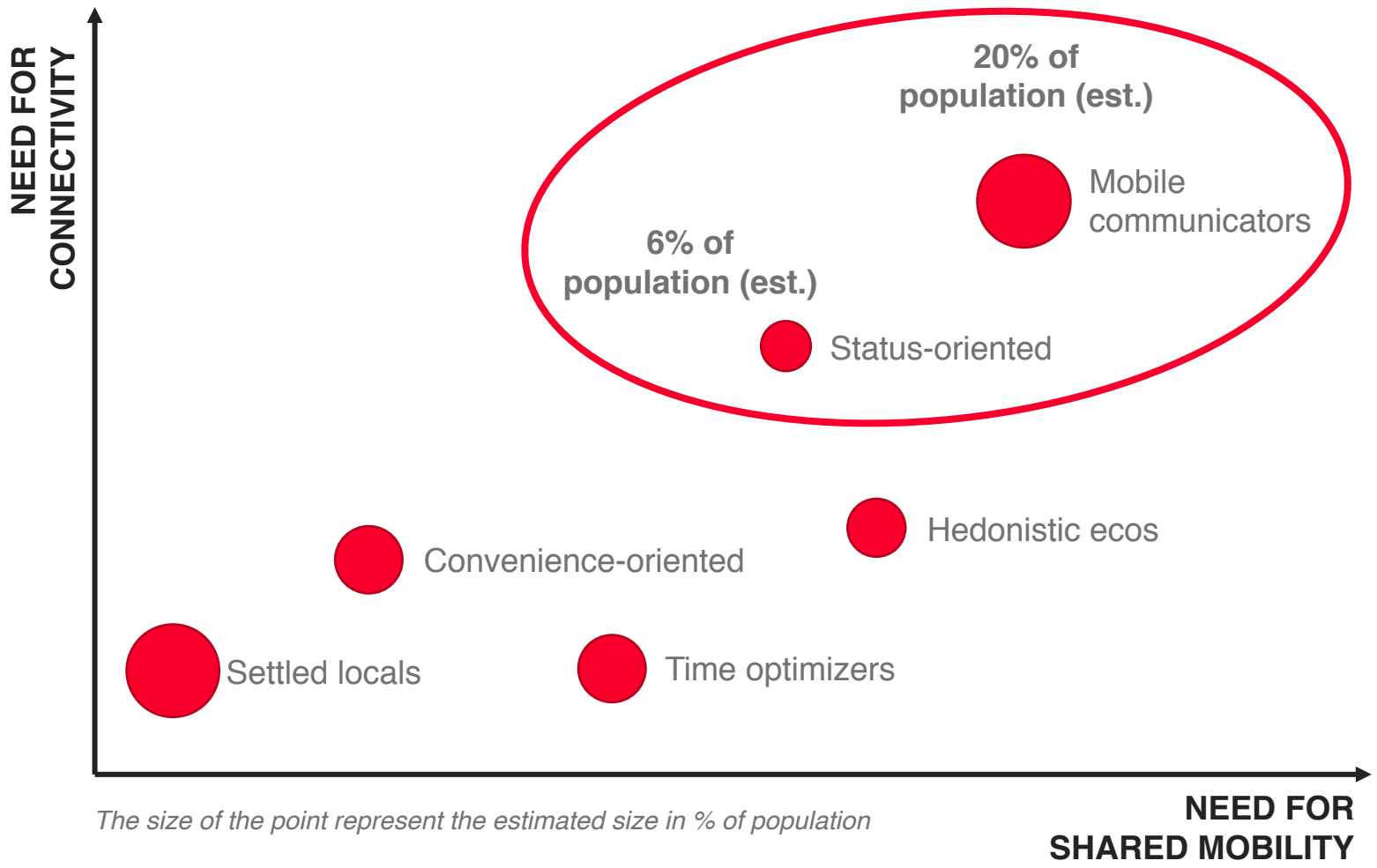
Hedonistic ecos

- Have an environmentally-friendly mobility, value fun and relaxation in transport
- Expected above average use of car sharing in the future
- Many part-time workers and retirees of middle income

Source: McKinsey (2012): "Mobility of the future – Opportunities for automotive OEMs"

How to win

Understand consumer landscape



The size of the point represent the estimated size in % of population

The graph maps the psychographic segments according to their need of connectivity and shared mobility. It can be retrieved that the two most interesting segments are the status-oriented and the mobile communicators. According to a study by McKinsey, it can be expected that this group represents 26% of the population

THE SITUATION IN SPAIN

In Madrid and Barcelona, 816.918 and 416.000 people respectively declare to be potentially interested in a car sharing service

Source: McKinsey (2012): "Mobility of the future – Opportunities for automotive OEMs"

How to win

Strategy definition

DRIVE THE FUTURE

3-STEP STRATEGY

1 Reshape value proposition
Reshape Tesla's value proposition from car manufacturer to smart car manufacturer and convenience provider. Strong differentiation of functions to other competitors in shared mobility

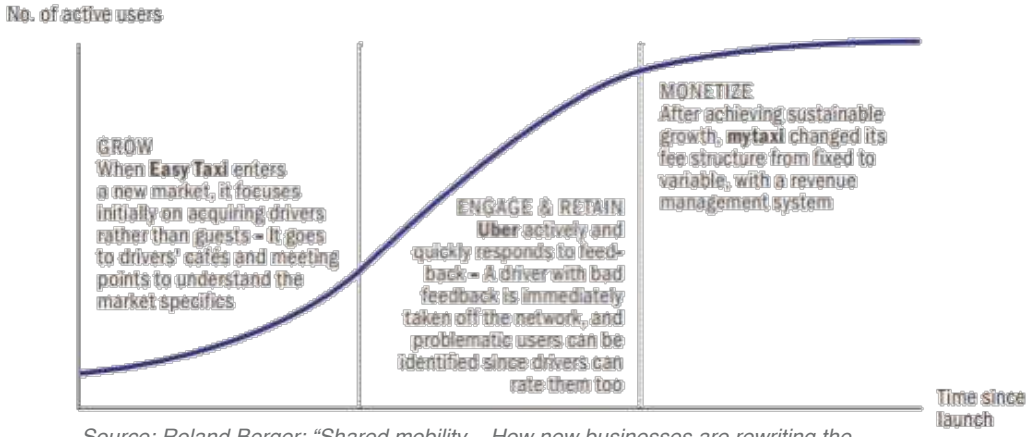
2 Establish partnerships
Focus on the company's distinctive competences, and leverage on partners, through acquisition or agreements, for the performance of other functions

3 Drive transformational change
Adapt organization to facilitate internal collaboration on innovation. Business unit for car sharing, separated from main business unit. Essential in order to draw back from view as producer to integrated mobility platform[1]

THE ROAD TO SUCCESS IN SHARED MOBILITY

- **"Think big, then think profits"** (e.g. after gaining stable growth, MyTaxi switched its fee structure from fixed to variable and adapted the revenue management system)
- **Push supply to pull demand** (e.g. Easy Taxi focused first on acquiring drivers before it went in to gather guest)
- Develop **trust from community** (e.g. Uber actively and quickly responds to feedback, drivers with bad feedback are directly take off the system and problematic users are identified)
- Keep it **simple and convenient,** at every each touchpoint
- Foster ecosystem of **partners**
- Collaborate with **authorities**[2]

The lifecycle scheme of shared mobility



Source: Roland Berger: "Shared mobility – How new businesses are rewriting the rules of the private transportation game"

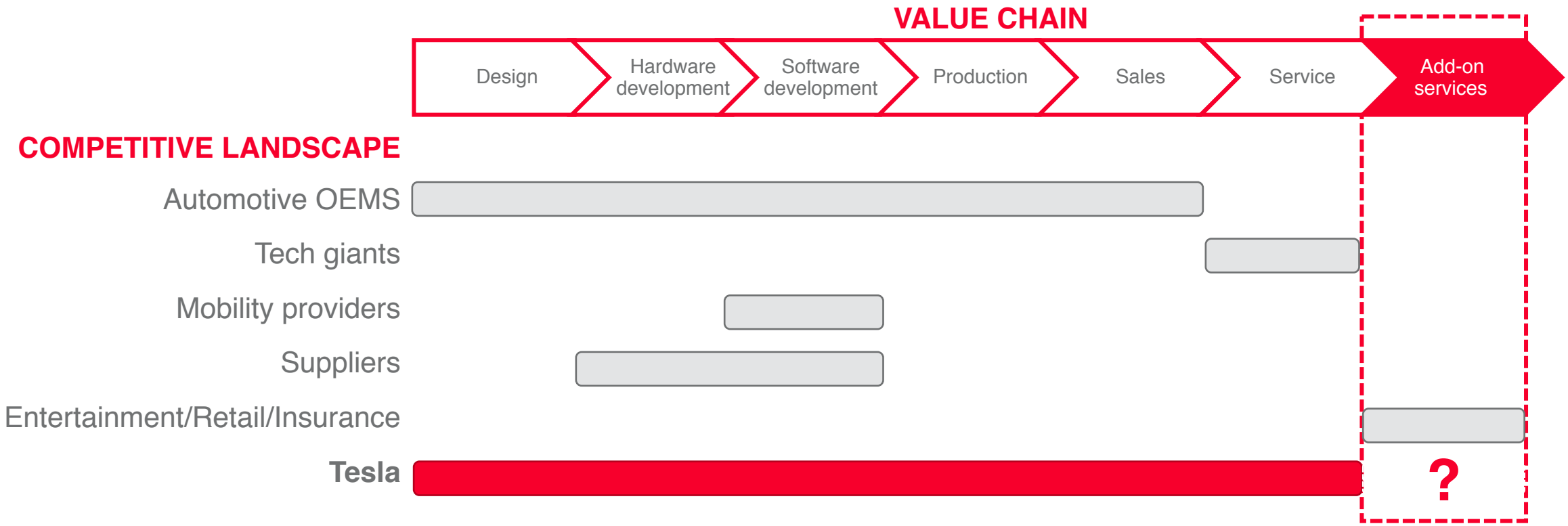
Sources: [1]McKinsey (2017): "Auto 2030 – How disruptive technology-driven trends could transform the auto industry";
[2]Roland Berger: "Shared mobility – How new businesses are rewriting the rules of the private transportation game"

How to win

DRIVE THE FUTURE

Strategy definition - 1st step: Definition of Value Preposition

The visualization above exemplifies the landscape of competitors and functions in shared mobility. In addition it illustrates the value chain of shared mobility. Automotive companies such as BMW and Daimler integrate into the new business model already with ventures such as car2go. Other possible players which could take over functions include, tech giants, mobility providers who focus on service and suppliers. Additionally entertainment/retail and insurance companies play a significant role in the future vision of autonomous shared driving as the value preposition could be widely extended by adding entertainment systems



Source: McKinsey (2017): "Auto 2030 – How disruptive technology-driven trends could transform the auto industry"

How to win

Strategy definition - 2nd step: Partnerships for added value

BECOME A MEDIA GATE KEEPER

Add partnerships with entertainment companies and online retailers for a value-added model.

Assuming that, thanks to the scaling up of the technology, autonomous driving is widely diffused by 2030, 1 minute of driving time in cars all over the world will translate into €5 billion revenue per year[2].

Collaborate with partners to create a unique and value added experience in the shared devices. Improve experience by proposing content according to different times during the day, weather conditions or seasonality. Safe memory of driver or connect to own account. Create possibility to sign up through Tesla

Establish an entertainment system including partners like Amazon, Netflix, Spotify, and Deliveroo, which act as intermediaries

The role of OEMs in media integration market is not yet determined

Potential role of OEMs in media integration value chain

Source: McKinsey (2012): "Mobility of the future – Opportunities for automotive OEMs"

Sources: [1]Deloitte (2014): "Driving through consumers minds: Considerations for car purchasing"; [2]McKinsey (2012): "Mobility of the future – Opportunities for automotive OEMs"

Extension

Shared autonomous mobility

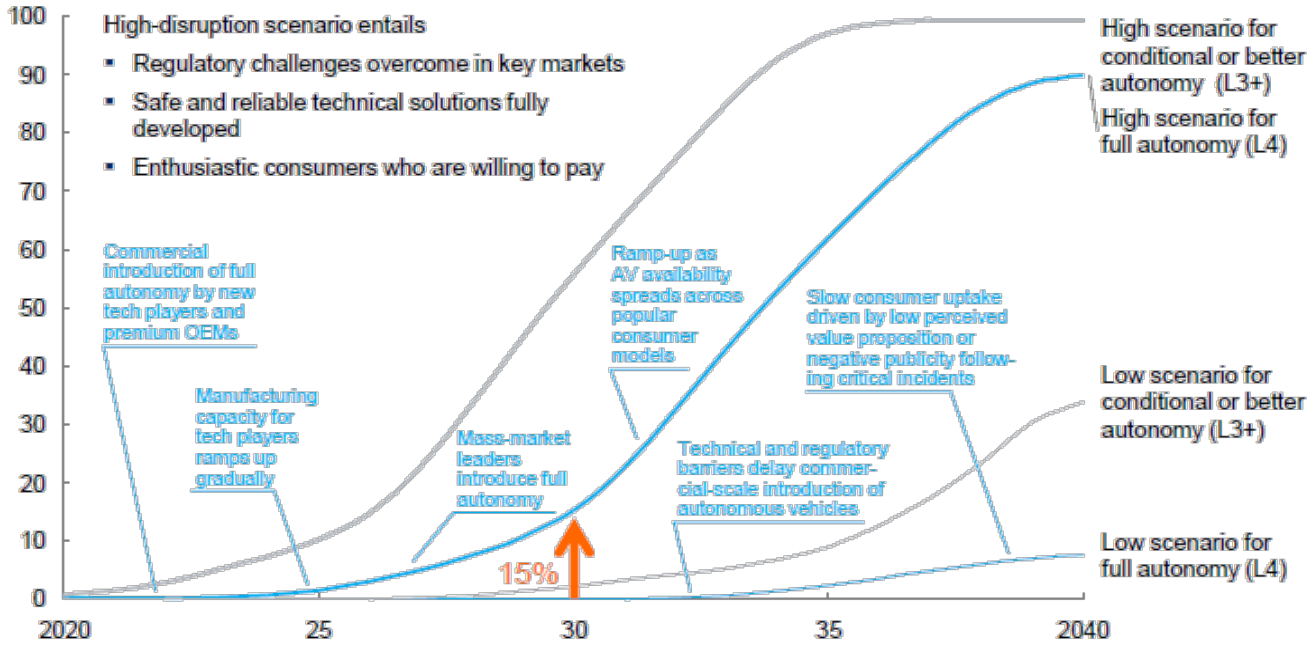
DRIVE THE FUTURE

RELEVANT FACTORS FOR AUTONOMOUS DRIVING'S SUCCESS

- Compliance with country-specific regulations
- Fully developed safe and reliable technical solutions
- Consumers' positive and welcoming attitude towards innovation and their willingness to pay for the feature

HIGH SCENARIO	LOW SCENARIO
15%	5%
2030	2040

Autonomous cars could represent 15% of market in 2030, in the best possible scenario, while, in a low scenario for full autonomy, they would only account for 5% would be in 2040[1]



Source: [1]McKinsey (2017): "Auto 2030 – How disruptive technology-driven trends could transform the auto industry"

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How to win

Marketing Mix – City hall campaign

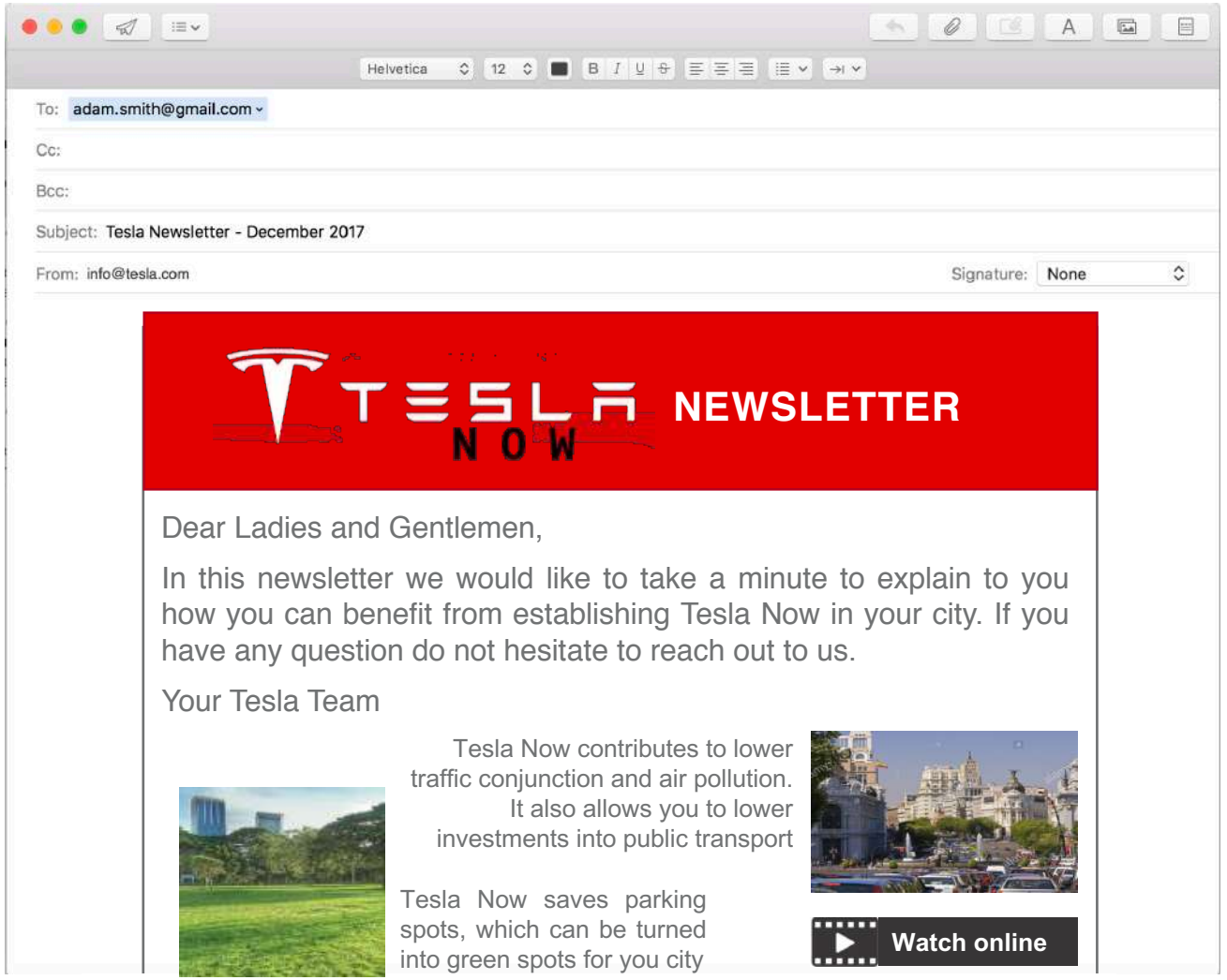
DRIVE THE FUTURE

COMMUNICATED BENEFITS

- Cost for citizens decreases
- Less air pollution
- Decreased usage of land (less parking spaces, space could be used for green spots
- Less investments in public transport because car sharing takes up share of rides. Every shared car replaces up to 3 cars[1]

COMMUNICATION MEDIUM

- Educational video integrated in newsletter
- Representative for city relations in Tesla



Example of invitation sent to the administrative city council

Source: [1]McKinsey&Company (2012): "Mobility of the future – Opportunities for automotive OEMs"

How to win

Communication strategy

DRIVE THE FUTURE

TESLA NOW

“Share the electric feeling”

Key message: emphasize shared convenience and simplicity for everyone

COMMUNICATED BENEFITS

- Convenience
- Cost reduction
- Entertainment
- Connectivity
- Adaptiveness to activities: different models for occasions
- Tone of voice: young, energetic, colloquial but professional, innovative and progressive

COMMUNICATION STRATEGY

- Social media campaign
- Video: “ Share the electric feeling”‘
- Viral Marketing through challenge to find one Tesla in city
- Flash mob: driving fleets of Tesla’s through cities were launched
- Video of Flash mob: fleet of Tesla cars running through city. Video shoot as reality spot not as ad
- Possibly several spots, showing people in different situations seeing Flash mob
- Creation of a Flash mob Video

How to win

Storyboard Social Media Clip

DRIVE THE FUTURE

A young professional is getting dressed in a city apartment. He keeps checking time anxiously

The young professional looks at his watch and realized he is running late

The young professional leaves his house, with a scarf not completely wrapped around his neck

As he leaves the house a whole fleet of only Tesla cars U drives by

The young professional looks surprised and is unsure about what is going on around him

One car suddenly stops in front of him, the person gets out, opens the Tesla Now app, confirms the drop off and leaves. The car closes (clicks)

How to win

Make it simple: The Tesla Now App

DRIVE THE FUTURE

Handy

User-friendly experience

Simple

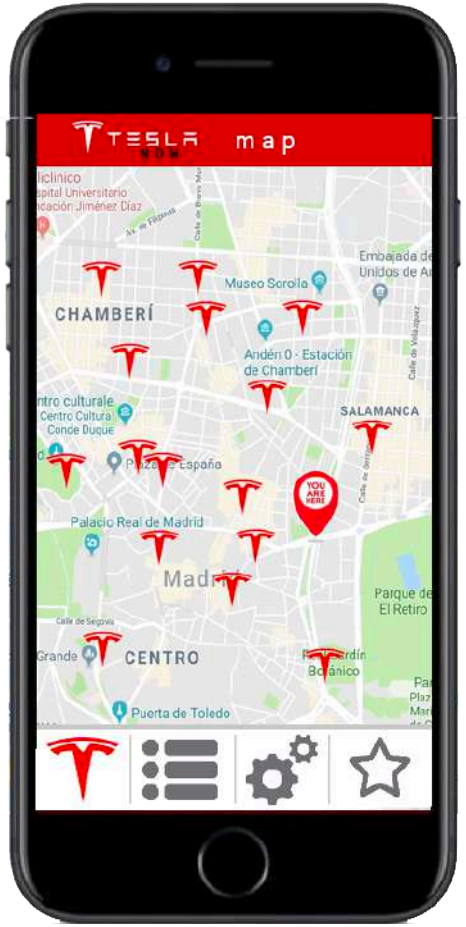
Convenient

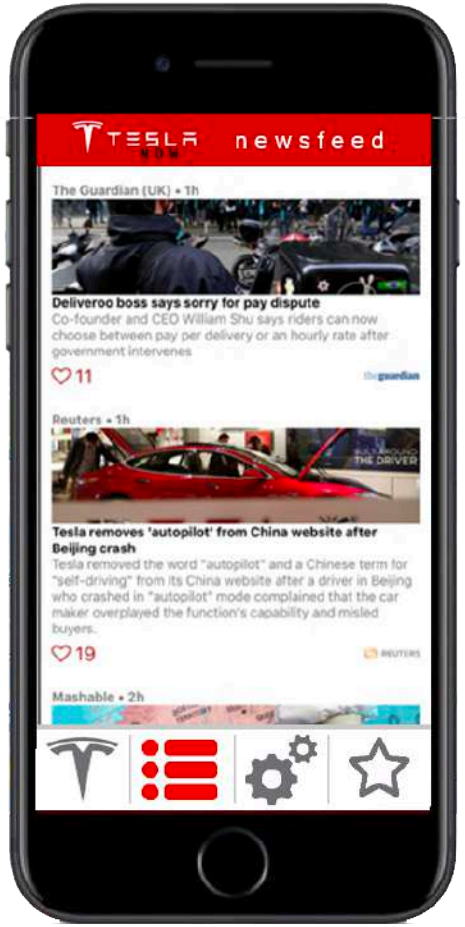
TESLA NOW

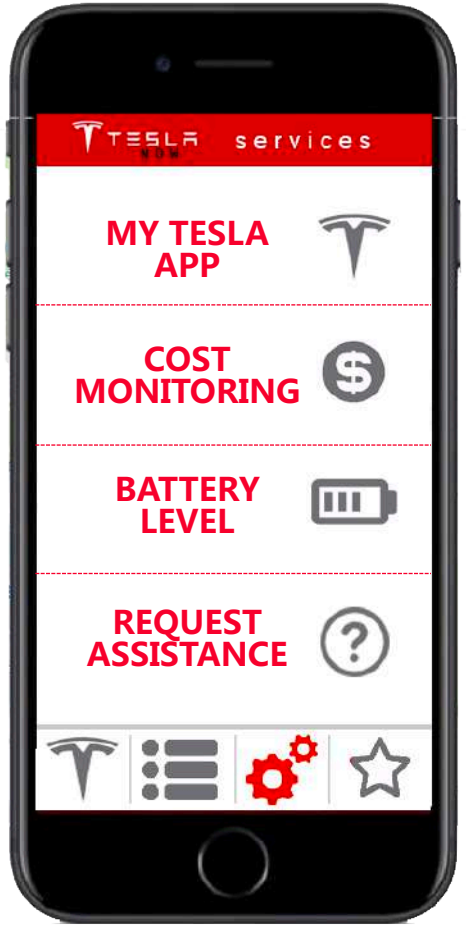
How to win

The TeslaNOW APP

DRIVE THE FUTURE







How to win

Pricing strategy

PRICE

- **No validation fee** (comparative advantage with respect to car2go's 9 euros fee)
- **Drive/park per minute:** €0,25 for the first 50 kms, then €0,29
- **Daily rates** starting from €59

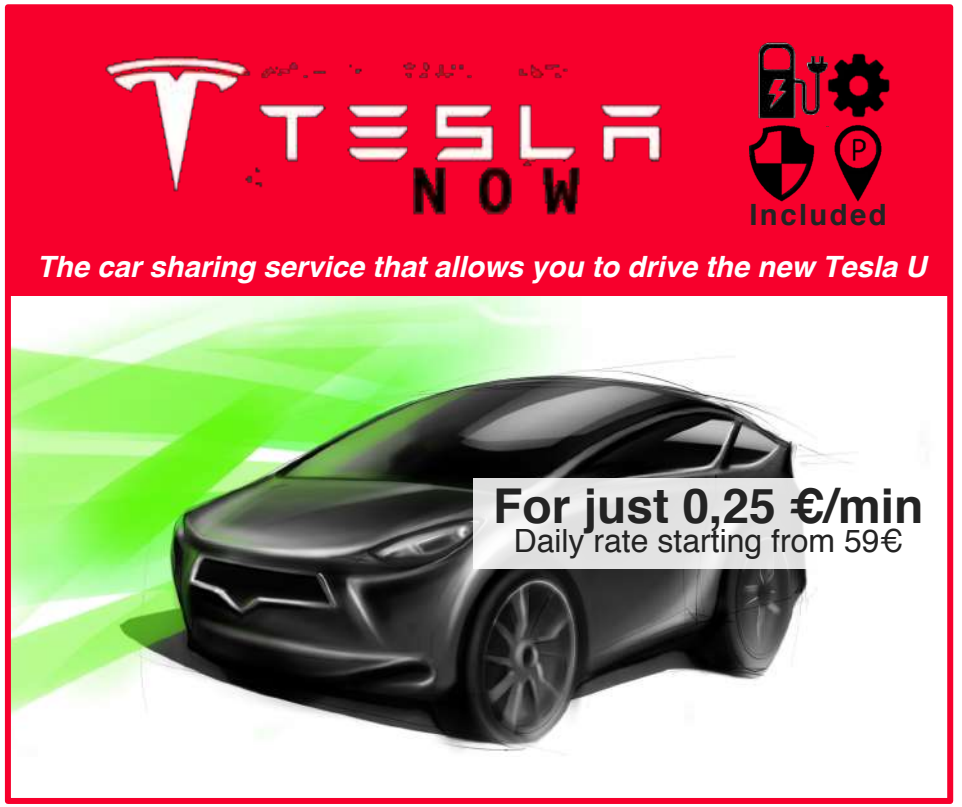
MILEAGE SYSTEM

Two-sided: (a) deals for reduced rates daily offers, (b) more attractive with increasing activity: the more miles, more coupons accessible

SERVICES INCLUDED

- Charging
- Service
- Parking
- Insurance

Charging is offered as an included service, and it is taken care of by Tesla. However, if the user charges the car before he leaves it, he will receive a bonus for future miles (the App will give you the possibility to alter your route to drive by a charging station)



Example of online banner to spread awareness of TeslaNOW

Source: car2go Website

How to win

Implementation

DRIVE THE FUTURE

WHERE

Focus on Spanish cities with **high population density**

- **Madrid:** 3,1 million inhabitants
  Population density: 5.199/km²
  Competitor's presence (benchmarking with car2go): 500 cars
- **Barcelona**: 1,6 million inhabitants
  Population density: 15.926/km²
  Competitor's presence (benchmarking with car2go): 350 cars due to higher population density

IDEA

Offer the service in pre-defined areas of the cities. Strategically place charging points around designated area. Initially start with 500 cars (benchmark with competitors – e.g. car2go)

Limitation: the service will not be offered from/to the airport in order to avoid conflicts with the local government, difficult operations management, and established competitors

The red circle identifies the areas of Madrid where the service would be offered. In particular, it corresponds to: Centro, Moncloa, Retiro, Chamberi, Salamanca, Tetuán, Hortaleza, and San Blas

How to win

Design of cars

DRIVE THE FUTURE

A draft of the Tesla U, the new car model to be used in the TeslaNOW fleet

For this strategy the new city car model proposed in the third strategy, **Tesla U,** is essential, as it serves the needs of city mobility

Cars in the fleet will be visually identifiable while remaining the classic design in representation of the Tesla brand

Drive the future

Strategy #4: overview

DRIVE THE FUTURE

CHALLENGE

Mega trends in mobility are transforming the industry: private ownership will be steadily replace shared options

OBJECTIVE

Develop a new strategic business model in line with mega mobility trends

GOAL

Reach 20 % of target group within first year. Benchmarked to competitor community base

WHERE TO PLAY

Market value globally: €45,5 billion
Market value in Europe: €4,8 billion
Private investments: €11,3 billion in 2015

Competitors landscape

1) Low presence in free floating car sharing
2) Regulatory forces encourage free floating car sharing
3) Car2go owned by Daimler find most attractive market in Madrid

DRIVERS OF GROWTH OF SHARED MOBILITY

- **A new consumption culture** of sharing
- **Scares resources** are driving up energy prices
- **Digitalization** innovation in communication technology
- **Demographic trends** Urbanization, aging populations

HOW TO WIN

Strategy: New Business Model: free floating-car sharing service provider.
Timing: Mid/Long Term strategy 2022-2027

KEY FOR SUCCESS

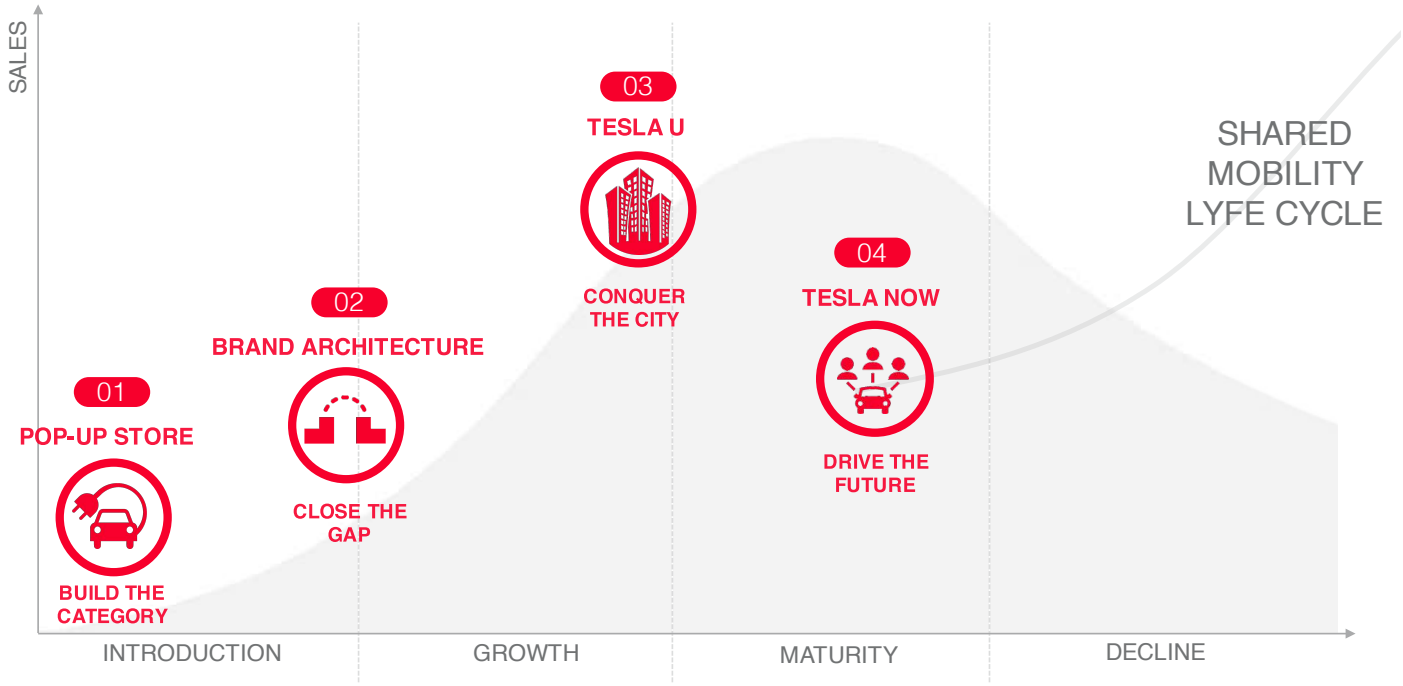
- Think big then think profits
- Push supply to pull demand
- Develop trust from community
- Keep it simple and convenient (each touchpoint – e.g. app)
- Foster ecosystem of partners
- Collaborate with authorities

IMPLEMENTATION

City counsel campaign (newsletter), Consumer campaign for target groups status-oriented and mobile communicators (flash mob social media video), Tesla App

Strategies overview

The role of each strategy in the BEV product category life cycle



As can be seen in the graph, the four suggested strategies should be implemented in different stages of the BEV product category life cycle. In particular, the first strategy ("**Build the category**") is crucial to make BEVs widespread and known the the vast majority of Spanish consumers. Next, the second strategy outlined should be implemented for Tesla to **"Close the gap"** between its current brand image and the desired positioning in consumers' minds. In a more medium-to-long term horizon, the third strategy **"Conquer the city"** comes into play, where Tesla should launch the Model U, a hatchback, in order to tap the market potential of urban consumers and commuters. Lastly, in the long-term, an-all electric shared mobility service should be offered, in order to **"Drive the future"** and accelerate the world's transition to sustainable energy


TESLA