Business Model Canvas Generation of Tesla Inc

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Introduction

Founded in 2003, Tesla Inc. operates on the Direct-to-Consumer model in the energy, automotive, and lifestyle sector (Mangram, 2012). The first product of the company was the high-performing electric car named Tesla Roadster, designed for luxury purposes targeting the elite class of society (Bohnsack, Pinkse, and Kolk, 2014). Elon Musk, the CEO of the company, explained that the primary reason for such an expensive model was the high cost of the most advanced equipment being used in the car. However, since the launch of its first product, the company has been heavily investing in research and development to invent more sophisticated technologies that can potentially reduce the cost of its products. Hence, the middle class can also purchase them (Mangram, 2012). This is also the only way the company can reach out to more customers (Liu and Meng, 2017).

However, the company already shares the highest position as a manufacturer of electric vehicles in the market because they are considered to be the most reliable among its competitors. In the previous report, while discussing the business model canvas of the company, it was highlighted that the company has many novel practices, such as controlling the whole supply chain, which strengthens its position in the market. Moreover, since the company is highly investing in research and development, every new model is more reliable and advanced than the previous one, which shows its commitment to innovation and growth (Gali, 2020). This is also the fundamental reason for the company's huge success in the electric vehicles market. However, as shown in the BMC of the company, to capture the foreign market and become a global brand, Tesla needs to reduce the prices of its products significantly by investing in product innovation and reducing the risks of the supply chain. This way, the company can sustain its competitive position in the market.

Moreover, as Kamkoum (2018) observed, Tesla's primary mission is to accelerate the transition to sustainable energy by building zero-emission electric sports cars. Therefore, once the company has made significant profits by selling these sports cars, it aims to manufacture affordable family cars for the middle class, which is the largest fraction of society. Kamkoum (2018) also analyzed the fact that this price-skimming strategy is an integral component of the company's master business plan. For instance, the Tesla Roadster was an expensive model, while the profit generated from this model was used to offer a less expensive model, the Tesla Model S. And similarly, the profit made from the Model S was used to lower the prices of the Tesla Model X which was targeted at a broader market.

However, the company is still unable to offer cheaper products; therefore, many consumers prefer fuel-based cars because they are primarily cheaper. For example, as noted by Kamkoum (2018), Europeans paid an average of US$ 30,700 for new fuel-using cars, but the cost of Tesla cars was US$80,000 in 2016. Thus, this relative expensiveness of the Tesla cars is one of the major reasons why consumers still prefer to purchase fuel-using cars despite knowing their climate effects.

The second problem is the successful entry and expansion of Tesla in the foreign market. The expansion of the company started initially in 2009 when it opened its first showroom in London and subsequently established its store in Munich a few months later. According to Kamkoum (2018), the company sold over 186000 electric cars worldwide and had around 17782 employees and 272 stores in 26 different countries in 2016. But to increase its market share in other countries, the company can utilize various acquisitions and joint venture options, which are considered to be effective ways for rapid market entry, and gain immediate access to distribution systems and customers, which collectively provide the company with a unique recognition in the foreign market.

BMC Elements

Value Propositions

Acquisitions are the main source of reducing the cost of establishing the new infrastructure, while joint ventures can help the company utilize the success of the local company for its own benefit. However, this is the main factor that Tesla lacks in its strategy to expand the business to the foreign market. Therefore, Rexaline (2016) mentioned that the company's only acquisitions are with SolarCity and Riviera Tool, both of which are US-based companies. The limited number of stores in foreign markets is also a hindering factor for the company's competitive position globally. As of 2015, the company has only 164 stores outside the United States, which is far less than its main competitors, such as Ford, which has around 8733 foreign stores (Kamkoum, 2018).

Therefore, the company needs to open several new stores in foreign markets to strengthen its position as a global brand. The greater number of stores in other countries can also help the company increase the number of charging stations so that customers do not have to travel long distances to charge their cars. Thus, the value proposition of Tesla according to Martins, Rindova, and Greenbaum (2015) and Chen and Perez (2018) is its highly efficient design of electric vehicles. However, with the new methods implemented, the company can also market its products based on their comparatively lower prices.

Tesla's value integration also involves a very high level of vertical integration with the battery and recharging network. This is primarily very helpful in reducing the cost between manufacturers and suppliers and also minimising the risks that are often associated with the lack of supporting infrastructure. However, as noted by Movsesyan and Anokhina (2020), the high vertical integration strategy also involves many investment risks because the EV industry is very uncertain. Therefore,

trade-offs and transaction costs must be valued by the manufacturers to organize their processes more effectively.

Customer Segments

It can be easily assessed that Tesla operates only in the high-end segment, in competition with many other established companies. This high-end market is very profitable for the incumbent firms, as observed by (Thomas and Maine, 2019). However, Tesla has successfully challenged the incumbent firms by using the Attackers' Advantage strategy and establishing itself as a technological leader in the market. Therefore, the complementary assets of the company have become a novel value proposition for the company.

So, Tesla mainly covers the elite segment of the market for its electric vehicles (Yun et al., 2019). But in general, considering all the products of the company, the following are the specified customer segments of the company:

- Luxury
- Mid-price range
- Autopilot
- Commercial Vehicles
- Green Community
- Fast sports car enthusiast

However, since the EVs are the company's main product, by lowering their prices and entering the new market, the company can easily target the high-segment and low segment of the market.

Key Partners

One of the efforts to reduce the cost of EVs, as Elon Musk has mentioned, is to recycle battery cells at Tesla's Nevada factory (Movsesyan and Anokhina, 2020). Similarly, by reducing the content of cobalt, which is the most expensive material in the batteries, the cost will be reduced significantly. Moreover, to offer cars even at cheaper rates, the company plans to manufacture its battery cells at different factories around the world, which will be completely automated to optimize the processes (Movsesyan and Anokhina, 2020). Currently, as Yilei (2020) has stated, the company manufactures battery cells in partnership with Panasonic, a Japanese company. Two other companies, i.e., LG Chem from South Korea and CATL from China, also supply cells to the company's Shanghai factory.

Thus, Tesla's key partners are its suppliers, governments, alliances, and charging points. However, with more acquisitions and joint ventures proposed for successful market entry, many new companies across the world will share the business in partnership.

Key Activities

The activities of the company will remain unchanged even after implementing the proposed strategies and these according to Stringham, Miller, and Clark (2015), include manufacturing and production of batteries and solar panel, research, and development, designing, building and maintenance, software development, and sales and marketing.

Customer Relationships

The direct-to-consumer model of the company is very efficient in building a strong relationship with its customers. Also, the free or low-cost charging station network provides great assistance to customers. However, with acquisitions and joint ventures, the company can easily earn the trust of its foreign customers.

Key Resources

According to Krommes and Schmidt (2017), the company's resources, which include advanced technology, design, engineering, software, and long-life battery systems, will now be shared with many other companies with which the company will partner to capture the foreign markets.

Channels

Tesla uses stores, websites, conferences, and sales events to reach out to its potential customers, and this will remain intact in future growth strategies.

Cost Structure

The cost structure of Tesla will considerably change after joint ventures and acquisitions as more partners will now invest in the companies' core activities and, consequently, will share the revenue. However, the total cost of materials, selling cost, restricting cost, cost of R&D, and taxes will account for 81%, 13%, 1%, 7%, and 3% of the revenue.

Revenue Streams

The two primary segments of Tesla's revenue streams will remain automotive, which includes direct sales from EVs, software updates and retail merchandise, and energy generation and storage, which consists of sales from solar roof panels, etc. Yang et al. (2017).

Implementation Considerations

As mentioned by Nieuwenhuis (2018), the implementation strategy of the company can include supporting local entrepreneurs in combining the EVs technologies with the existing IC technologies in rural areas around many regions of the world, which, in fact, contain a very large proportion of the world's population. He further stated that some materials that are the integral components of the current EV technologies will run short in a few years. So, constant research and development are needed to sustain the development and adoption of EVs on a large scale.

Another significant barrier that a company can face in achieving its goals is the unchangeable behaviour of the EV owners with regard to charging their vehicles (Schmidt, Staudt, and Weinhardt, 2020). Currently, most EV owners are charging their vehicles at home, but this needs to be changed. In this regard, the company needs to focus on more charging stations not only at the destinations but also along the way. Charging stations have also been a platform to offer many other services as well. In this regard, the company needs to implement different strategies, such as discounts on fuel, etc., to improve the stay of the EV owners at the charging stations. This will increase the company's overall revenue (Schmidt, Staudt, and Weinhardt, 2020).

Similarly, with regard to establishing more and more charging stations, Elma (2020) highlighted the increased load on the local grid stations. However, using the local energy sources to provide the necessary electricity support to the charging stations is an effective way to minimize the load on grid stations and thus improve the supply of electricity by preventing different voltage fluctuations, losses, and system faults (Elma, 2020).

Moreover, as highlighted by Lee et al. (2020), since home charging stations are now widely used by EV owners, supporting the development of home location charging can be an effective strategy for the company. This becomes even more important where street parking is not readily available. Although this can be a challenging factor for the company, it is equally important for successful growth (Lee et al., 2020).

Conclusion And Recommendations

There are a number of factors that have contributed to the huge success of the company as an electric car manufacturing company. These include but are not limited to the direct selling model of Tesla, the significant support from the government to promote sustainable energy and transportation solutions, and the weak competition (Kamkoum, 2018). The company's direct selling model has been extremely successful in maintaining the quality of services and improving customers' confidence.

However, the company needs to establish more factories, especially outside the United States, and open new stores and showrooms in a large quantity in foreign markets. Moreover, the company needs to devise new strategies driven by cost optimization to mark its success in developing countries

because people in such countries already have a very low income compared to the developed nations. This way, the company can successfully achieve its mission of accelerating the transition of words towards renewable and green energy by operating in all parts of the world on an extensively large scale.

Furthermore, Noel et al. (2020) noted that the prices of EVs are likely to decrease in the future; what is more difficult is to change consumers' preferences with regard to transportation. The main factor is that they are not only interested in the capital cost of the vehicle but also in its maintenance cost as well (Noel et al., 2020). Therefore, the company needs to use proper strategies to educate the people and build their necessary technical awareness to build their confidence in EVs. This is the only way that Tesla can achieve the most competitive position in the market by addressing all the problems simultaneously towards its future growth.

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