Digitization Proposal For Tesla

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Executive Summary

Tesla is a fast-growing company, and in this digital age, it needs to adopt these digital changes so that it can grow its business more efficiently. (Tesla, Inc., 2025) The company must keep up with the current times so that it can stay on top of the competition. Tesla has maintained a unique advantage over its competitors for a long time, and going digital will preserve this advantage for even longer. (Tesla, 2024) This paper will propose a digitized butcher model that will help the company seamlessly transfer and expand its presence online. This proposal will devise business strategies, business models, and their implementation so that the company can make a seamless transition to a digitized business model. (Reuters, 2024)

Digitization Proposal

Business Overview

Tesla Inc. is a world-renowned energy and automotive company owned by Elon Musk. The company is responsible for designing, developing, manufacturing, and selling fully electronic vehicles. (Abdullah et al., 2024) It also produces storage systems and energy generation systems. Tesla has come a long way from its initial product, the electric car, and has broadened its vision to produce sustainable and environment-friendly energy systems and transportation. The biggest concern that the engineers of the company had when they embarked on this journey was the use of fossil fuels in vehicles and the way it contributed to extreme air pollution. They knew that this was not an option in present society, so they introduced the Roadster in 2008, their first electric car. Later models of Tesla cars included Model S, Model 3, Model X, Model Y, Tesla Semi, and Cybertruck.

Musk knows that these products are extremely eco-friendly, so he and his company are looking into making them more accessible and cost-effective for everyone. Research is being conducted for this purpose, and if this can be implemented, then there will be no need for fossil fuels to be used in vehicles. This would be the biggest technological leap of this century as it will allow Planet Earth to recover from centuries of damage done to it. Tesla also provides storage and power generation systems, including a power wall, power pack, and megapack. There is also an attempt to make all residential and commercial areas solar, which will allow people to reduce their cost of living and carbon footprint. All of these efforts will help reverse damages that were done to the earth; however, some challenges are faced by the company, which need to be addressed before their vision can be fully realized (GD, 2021). These challenges are discussed in detail below.

Challenges

Tesla is becoming a global sensation due to its state-of-the-art inventions; this is the reason that the challenges that the company faces are mostly political. Other challenges faced by the company can be identified through PESTEL analysis, which is used to identify the macro-environment factors. These challenges include economic, social, political, legal, environmental, and technological factors. These factors can impact the profitability and competitive advantage of the company in the market. The industrial sector is hugely affected by political influence as there are certain laws and policies that the companies must adhere to to carry out their business processes. If these laws and policies are not implemented, then the company has to face legal repercussions; however, if the company is highly profitable, then the government provides some benefits and leverage to the company, which can create an optimal functioning environment for it. Similarly, many political influences have negative and positive effects on Tesla as well. Tesla's electronic cars have created pressure on many governments, holding them accountable for allowing the use of fossil fuels. This led President Joe Biden to announce in August 2021 that by 2030, the government's goal is to reduce carbon emissions by making half of the vehicles used for public transportation electric. He also stated that the companies that have labour unions would be able to provide 4,500 dollars' worth of customer incentives on every car sold. This will benefit companies like General Motors, Ford, and Stellantis but not Tesla, as they do not have labour unions (Shepardson and Mason, 2021).

This is good news for the environment; however, Tesla is affected negatively by it as this raises the possibility of a new competitor that will design the public vehicle using the same technology. If this is achieved, then the fares will be very low. Another political blow comes from the Chinese government, which has imposed some policies that have encouraged the citizens of China to purchase plug-in electric vehicles (Stauffer, 2021). The government also encouraged the manufacturing of an affordable electric car, and the manufacturer named "Changli" managed to produce it at an incredibly cheap price of 900 dollars (Electrek, 2021). This is a fraction of the price of Tesla cars, whose cheapest cars are 44,990 dollars. People who want electric cars would go for cheaper alternatives, and with China succeeding in making this cheap option, it has become a major player in the electronic vehicle market. This can significantly decrease the demand for Tesla vehicles in the future.

China's entrance into the electric vehicle market will have a significant economic impact on Tesla's market standing; however, another economic impact is that Tesla stocks suffered from inflation that occurred due to the COVID-19 pandemic. Musk also received criticism for not declaring carbon emission percentage in any of the reports. This raised many questions about the company's claims of being sustainable and eco-friendly. The German government also imposed a heavy fine on the company for not having a proper battery disposal procedure. This brought extreme scrutiny by the consumers as everyone became socially aware, and their trust was shaken because they believed that they were investing in an environment-friendly product. Fortunately, Tesla has been working towards rectifying these mistakes and overcoming other challenges so that it can accomplish its vision. As far as digital challenges are concerned, Tesla has already devised some strategies to

overcome these by keeping their software and other digital interfaces up-to-date. However, the biggest challenge they will face in the process of digitalization will be carbon emissions, as they will increase immensely.

Business Strategies

Tesla's mission is to make the world replace fossil fuels and other damaging energy consumption habits by opting for sustainable energy options. This has led them to create revolutionary and innovative designs in vehicles and work towards making the world completely solar-powered, which they are trying to achieve through their project, "SolarCity". To achieve these goals, Tesla had to devise strong strategies that would allow it to position itself in a way that would support the world's vision.

Strategy One

The first strategy will be to make the business customer-centred for this "Direct-to-Customer" business model will be employed. Then, steps will be taken to bring the best customer experience to their potential consumers. The customers will be given access to a digital ecosystem, which only Tesla car owners will have access to. This will create a premium experience that, in turn, will create customer loyalty. The digitalization of different processes like ordering the car online, mobile applications, in-built user interfaces, etc., will further help in creating customer loyalty. The customers will become aware that the car that they have invested in is not only cost-effective in terms of fuel consumption but also sustainable and environmentally friendly. Through this strategy, Tesla will secure the trust of its consumers, which will allow it to achieve its mission.

Strategy Two

The second strategy will be the in-house manufacturing of all the products. All the Tesla cars, solar panels, batteries, etc., will be made in-house, which will reduce their carbon footprint. The benefit of having the production in-house is that the cost of shipping and storage is saved, which reduces the cost of the product. The cars will be made-to-order, so storage after manufacturing the car will not be needed as the product will be instantly shipped to the customer. Tesla will also save costs on advertising as their business marketing will be done through a "word-of-mouth" strategy using social media platforms. All of these cost reductions would help Tesla to provide the car at the current price, which, even though still on the expensive side, could have been a lot more expensive if Tesla had not put in place strategies for it.

Strategy Three

The third strategy is to place themselves among the consumers in a way that their vision and mission are supported by their consumers. Due to Tesla, people have become more aware of the destructive nature of fossil fuel and electricity consumption, as not only are these destroying the environment, but they are also cost-heavy on the pocket. This will help Tesla to introduce more products like solar panels, sustainable energy sources, and storage systems. All of these strategies will give Tesla a unique advantage over its competitors, and as long as Tesla brings this unique value to its consumers, other competitors will not be able to overthrow them (Furrier, 2022).

Business Model

Different aspects are taken into consideration when a business model is being defined. To understand it, one can look at how a company operates and connects with its consumers. Studying the financial architecture of the company can provide insight into its revenue streams, profits, and costs, which are beneficial for the stakeholders. The multifaceted operations of the company can be defined by its business model. The customer and finances are closely dependent on each other because if the customer is interested in buying the product, then the company's finances will grow immensely. Similarly, if the finances of the company grow, then the customers will be able to enjoy newer and better products as the revenue is invested back in bringing value to the customer.

Tesla's business model will be focused on its customers, and when the model is customer-centred, it is called "Direct-to-Customer" (D2C). This will allow them to create value for their customer by taking out the middle man and dealing with the customers directly. The customers can experience premium treatment and benefits due to this. Tesla's new business model will be completely digitized, so most of its aspects that deal with the customers, like purchasing a product, asking for a repair, filing a complaint, etc., will be done without having to deal with the hassle of getting in line. The digital ecosystem that the company will create will bring the company closer to its stakeholders. A mobile application would be developed for the customers so that they can give product-related feedback to the company. The built-in interface of the Tesla cars will be regularly updated so that there is no possibility of bugs or viruses, and these updates will also ensure that software is never hacked, as most of Tesla's processes will be digitized. Regular research and investment are being placed to make the digital ecosystem more efficient and safe. The customers will be given automatic access to new updates and features, which will be great as many companies tend to keep these behind a paywall to milk more money from the customers. Tesla will innovatively digitize and revolutionize the whole experience in regard to uniqueness, performance, and value. Tesla will provide support to the customers through Elon Musk's Twitter account, remote support, website, and mobile application. Furthermore, customer data will be studied extensively to observe the customers' interaction with the digital ecosystem. Then, based on this data, the interface will be designed to be more user-friendly.

The D2C model allows Tesla to take out the possibility of retail stores as it is believed that the

salesperson mentality cannot do justice to Tesla cars as they are trying to get their commission and do not care much about the customer experience. For this reason, the customers will have the option to make a purchase completely online, or if they decide to buy from the Tesla store, then they can be assured that they will have the best customer experience as the salesperson at Tesla stores does not earn sales commission, making their opinion genuine. They will not force the customers to buy the car. Rather, they will make the experience relaxing and enjoyable so that even if the customers did not buy the car on the spot, they would still get some value for their time. When people are treated right, then they are willing to purchase the product even if it is expensive, as they know that they are getting value for their money, and this is the biggest advantage that Tesla has against its competitors (Zucchi, 2021).

The D2C model will allow the company to create deep relations with its customers, creating strong customer loyalty. The digital experience will allow people to enjoy the perks of having a Tesla car, so when the company introduces more products, the customers will not hesitate to purchase them as they have already had a good experience with the existing product. This was exactly the case when Tesla introduced the concept of SolarCity; people started to install solar panels in their houses. Musk stated that with the solar panels made by the company, consumers would be able to charge their cars at home. This meant further cost reduction in their expenses, so many opted for this option immediately. The D2C model gives the company a unique advantage in terms of revenue flow.

Digitized Business Comparison

This newly digitized model will be more successful as it will allow consumers to order the car completely online without the need to go to the store. This is a good option as people lead hectic lives and most of them cannot make time for going out to buy things anymore, so the more options are provided to them to make their lives better, the more interested they would be in purchasing the product. The new digital ecosystem will provide them with security from online attacks as the Tesla software will be updated regularly to avoid any potential threat of hacking. People will have access to mobile applications to overview the performance of their cars, and in the case of damage, they will be able to schedule repairs directly.

If they have any complaints, they will be able to use the application to immediately contact an executive who will listen to them and resolve their problems effectively. Initially, after ordering the Tesla car it almost a month to deliver the car to the consumer, now the customers will be able to speed up the process by requesting it in the online purchase process. This will make the customer experience even better. Other than that, the customers will be able to customize the environment of their car even more as they will have access to more features in their car's interface. These features include controlled temperature at all times, pet mode in case of leaving the pet in the car, and auto-driving mode if the person is not able to drive at the moment. This model is much better than the previous business model as it will allow the customers more ease of comfort (Li et al., 2021).

Implementation Challenges

The challenge of going fully digital will be that it will take some time and a lot of testing before completely transitioning to an online presence; however, Tesla has highly experienced engineers who will be able to make it possible in record time. The biggest challenge, however, comes from being fully online, and that is the company's carbon emissions will increase immensely. This will be a problem as the company has positioned itself as a sustainable and environment-friendly company. There will be a need to overcome this problem before digitization can be achieved (Musk, 2020). Another challenge will be in predicting unforeseeable situations. For instance, in case of internet loss, there will be a need to provide manual features that would allow seamless transition so that the customers' safety is not compromised while in the car. Loss of connection seems like a highly unlikely scenario, but it is not an impossible one, so it would be wise to have precautions in place.

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