

ANALYSING TESLA'S \$0 MARKETING STRATEGY

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ABSTRACT

Tesla, an American automobile company founded in 2003, has made serious efforts to create an altogether new driving experience and make electric cars the new normal. Despite being one of the first companies in the EV space, Tesla has been against advertising since its inception and hence is popularly recognised for its "\$0 marketing strategy". The research involves identifying the reason why Tesla adopts this unique marketing strategy and the potential impacts it may have in the future. Using a survey questionnaire and a deep Market Share analysis, the study identifies that the company has been able to create brand awareness to a great extent and holds a prominent position in the market. In conclusion, the investigation reflects how the marketing strategy has been one of the most crucial decisions in contributing to their growth and success. However, it may also be the reason for a future downfall considering the vast majority of entrants are looking towards scraping off Tesla's throne to become the market leader.

KEYWORDS:

Marketing strategy, market share analysis, brand recognition and reputation, market leader, social media platforms

INTRODUCTION

The United States automobile industry is overflowed with dozens of well-established companies like Ford, Chevrolet, and Cadillac, that have all indented their presence and superiority for several years in the market. However, in 2003, two Silicon Valley engineers, Martin Eberhard and Marc Tarpenning founded an electric vehicle company, Tesla Motors, which in today's world is a top multinational enterprise, based in Austin, United States led by the billionaire Elon Musk. The company has developed an overwhelming image today and is known profoundly for being one of the top electric vehicle manufacturers in the world. Furthermore, the company is ranked 6th in the world in terms of market cap, with a whopping worth of about \$600 Billion. (*Companies Ranked by Market Cap - CompaniesMarketCap.com*, n.d.) Despite achieving such astonishing feats, Tesla has not spent any finance on advertisements, which is also popularly recognized as Tesla's \$0 marketing strategy.

The company's mission is "to accelerate the advent of sustainable energy" (Cuofano, 2022). Tesla's mission statement depicts the shift towards business approaches that are more revolutionary and cutting edge. The emphasis on sustainability shows the compliance of the organization with worldwide demands of business methods that line up with calls for green energy.

Tesla's vision is to "create the most compelling car company of the 21st century by driving the world's transition to electric vehicles," The business' accentuation on sustainable power is underscored in its business goal. The organization explicitly tackles the electric vehicle market as an essential channel for helping the overall renewable energy market growth.

RESEARCH PURPOSE

The research aims to analyse and comprehend the reasons for Tesla choosing to avoid any form of advertisement and the effect the company experienced from the same. Moreover, the research would also determine the consumers' perspective on Tesla's marketing strategy and the degree of influence. This shall be done by carrying out a survey that would help comprehend the viewpoint of the general audience regarding the marketing strategies adopted by Tesla, and its degree of influence.

REVIEW OF LITERATURE

Analysis of Tesla's Marketing Strategy in China (Du & Li, 2021) – This research investigated the strategy of Tesla's development and marketing on the basis of a case study. The research discovered that Tesla has augmented the product offering to make it suitable for the attributes of the China market and embraced a development-oriented strategy to upgrade from the supply side. The paper also carried out a comparative study between BYD and Tesla to identify the core components of both brands and identified their strengths and weaknesses.

Unveiling the Success Behind Tesla's Digital Marketing Strategy (Pathak et al., 2022) – The study examines Tesla's promotional strategies on various social media platforms like Facebook, Twitter, Instagram and YouTube. This paper presents a point-by-point investigation of the remarkable and creative marketing techniques of Tesla for making its presence in the market.

The globalization of Tesla Motors: a strategic marketing plan analysis (Mangram, 2012b) – The case investigates the new perspective of Tesla's 'new technology'-based approach to automobile marketing and relates it to the successful marketing model of Apple Computer. It analysis the strategic marketing plan of the electric vehicle manufacturer, Tesla Motors, and involves a conclusion by predicting explosive growth in the electric vehicle industry, wherein Tesla shall be able to capitalize.

Research on the Marketing Communication Strategy of Tesla Motors in China under the Background of New Media (Shen & Zeng, 2022a) – Using quantitative research, case analysis and survey, the paper identifies key problems in the current marketing strategies of Tesla that include frequent price adjustment, and excessive pursuit of sales.

What Does the Success of Tesla Mean for the Future Dynamics in the Global Automobile Sector? (Perkins & Murmann, 2018b) – The study explores the potential effects of the success of Tesla, on the automobile industry. The report discusses how the barriers to entry have been reduced resulting in new entrants in the market. Thus, competition in the auto market is increasing, allowing IT companies to take advantage and enter the sector directly or develop standards and platforms so they can become kingpins and control the emerging ecosystem.

METHODOLOGY

Primary research shall be conducted in this quantitative study, wherein an online questionnaire, on google forms, will be sent out to over 30 potential customers of Tesla. The sample shall involve potential customers from Mumbai, India, who would specifically be asked questions involving their perspective on Tesla's current marketing approach. Moreover, the degree of influence of the current marketing strategies shall be gathered and analysed, along with an effective Market Share Analysis which in the end shall help in making a sound recommendation on “**Should Tesla Inc. continue with its \$0 marketing strategy**” or should the company start to shell out additional bucks for brand expansion and engagement?

FINDINGS, ANALYSIS AND DISCUSSIONS

Breakdown of the marketing strategy

Touted as the most valuable car company on the planet, Tesla has procured this position within a minimal span of 17 years, by deposing the long-lasting hero, Toyota. While the rest of the competitors shell out a galactic amount for marketing, Tesla solidly adheres to its \$0 advertising budget. Elon Musk has come out on various social media platforms and expressed his resistance to mainstream advertising by referring it to be a misuse of resources. By 2015, Tesla was not shelling out a single penny on advertisements while GM was exhausting \$5 billion, which accounted for more than half of its annual profit.

Why does Tesla not advertise?

- **Product Oriented**

The automobile industry is extremely competitive and requires firms to bring about revolutionary innovations to survive and create a competitive advantage. Considering this, Tesla Inc. believes in channelising its resources into developing a superior quality product, offering modernized technology, providing regular software updates, and serving customers with an experience like never before. Therefore, the company prioritises customer satisfaction and expects word of mouth to automatically expand the brand's reach and reputation.

- **Elon Musk's charisma**

The billionaire CEO is undoubtedly the company's biggest asset and is fuelling Tesla's growth. Elon Musk topped the list of the biggest influential CEOs by overpowering the CEO of Apple Inc., Tim Cook (Research, 2020). Moreover, he is the second most followed person on Twitter with about 118 Million Followers. (*The 20 Most Followed Accounts on Twitter*, n.d.) Even though Elon Musk does not spend a penny on an advertisement, he may still be the biggest marketer on the planet. His charismatic presence over social media platforms by sharing memes, responding to questions, provoking conversations and at times getting into controversies is nothing but his way of marketing. As opposed to a corporate account managed by a dull PR, Elon himself informs the world regarding any updates in the company or products.

- **Thinking out of the box**

While most legacy automakers were spending millions of dollars in developing ads to exhibit their vehicles, Elon Musk launched his own Tesla Roadster in space with a tiny Starman in the driver's seat. He not only succeeded in the mission of SpaceX, another company founded by Elon Musk,

but he even marketed the Tesla Roadster by encompassing it into a capsule, which burst open in space. Once it successfully made it to space and the capsule opened, the world was treated with an astounding view of Earth and the Tesla Roadster with Starman in the foreground. By doing so, Elon Musk accomplished a feat that no other automaker has even come close to. Not only this, the out of box thinking continues further as Elon, unlike other automakers, organises an in-person experience and event to flaunt his vehicles, instead of launching new models at auto shows. These events do not just represent the unrealistic innovation in Tesla vehicles, but they are also a medium of Elon Musk’s viral marketing strategy.

In addition, Tesla believes that Innovation markets itself, hence a survey has been carried out to evaluate the success of the company’s marketing strategy.

Table 1 – Analysis of the sample size

Category	Classification	No. of respondents	Percentage
Age Group	Under 18	2	6.67
	18-34	18	60
	35-64	7	23.33
	65+	3	10
	Total	30	100
Occupation	Student	17	56.67
	Teacher	4	13.33
	Doctor	1	3.33
	Businessman	2	6.67
	Engineer	3	10
	Employee	3	10
	Total	30	100
prefer electric vehicles over gasoline vehicles, disregarding the cost	Yes	14	46.67
	No	9	30
	Don’t Mind	7	23.33
	Total	30	100
	5	7	23.3

Source – Primary research

Table 1 represents an analysis of the sample size. It involves respondents from all age groups and a variety of occupations which increases the accuracy of the research. The results from the survey indicate that 46.67% of the respondents prefer electric cars over gasoline cars if the cost of purchasing is disregarded. This defines the increasing opportunity in the market for Tesla, as consumer behaviour is changing and is inclining towards preferring electric cars.

Figure 1 –

To what extent do advertisements affect your purchasing decision
31 responses

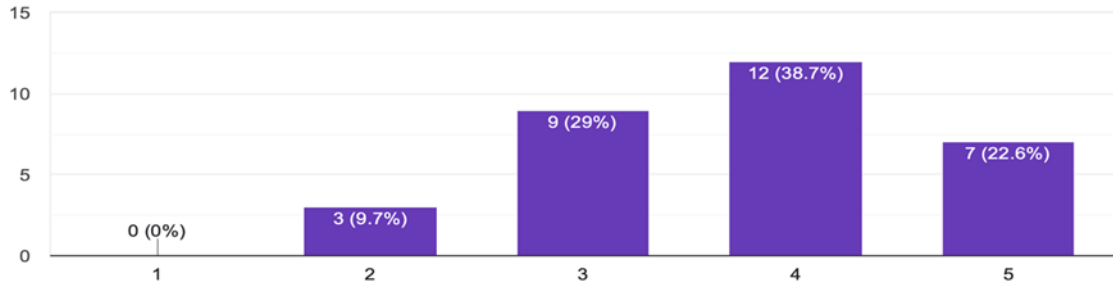


Figure 1 reflects on the extent to which advertisements affect the purchasing decision of consumers on a scale of 1 – 5 with 1 being the least influential. Evidently, purchasing decisions of the respondents are heavily dependent on advertisements as a combined 19 respondents (61.3%) voted their degree of influence to be 4 or above. However, Tesla is not involved in any form of advertisements and hence it can be deemed that the company is missing out on influencing and persuading potential customers to avail its services.

Figure 2 –

Since Tesla does not advertise its products, do you still believe that the company has a successful marketing strategy?
31 responses

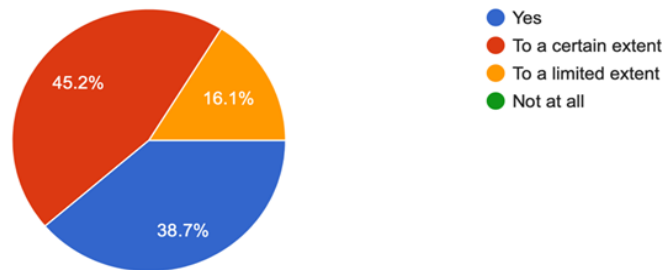
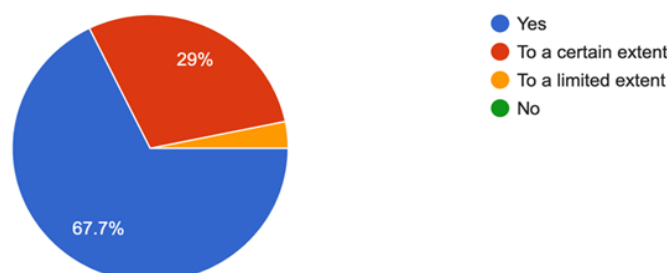


Figure 3 -

Do you believe Elon Musk has been successful in marketing Tesla through his presence and activity over social media platforms?
31 responses



Source – Primary research

Figure 1 shows the extent to which Tesla has been successful in marketing its products, and figure 2 reflects Elon Musk’s social media activity to influence the same. Even though the company does not physically advertise on platforms like magazines and television, 38.7% believe that the company has been successful and 45.2% believe the company has been successful to a certain extent. Moreover, none of the respondents believes that the company is not at all successful in its marketing strategy. In addition, a whopping 67.7% of respondents agreed with the statement that “Elon Musk has been successful in marketing Tesla through his presence and activity over social media platforms”. Statistics from figure 1 in comparison to 2 and 3, give contrasting results and thus are classic examples to explain the key difference between the terms “advertising and marketing”. Advertising is a business practice where a company pays to place its messaging or branding in a particular location. On the other hand, Marketing is a business practice that involves identifying, predicting and meeting customer needs. In simpler terms, advertising can be defined as a subset of marketing. Overall, the above figures validate that Tesla is developing a presence and is able to reach out to the audience despite incurring no advertising expenses, a situation that most multinational firms would want to be in.

Market Share Analysis

Table 2 – Sales of EV Vehicles in 2021

Automaker	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Total	Market Share (%)
Tesla	69,300	76,230	75,509	1,15,248	3,36,287	71.33
Ford	6,614	6,361	5,880	8,285	27,140	5.76
General Motors	9,025	11,263	4,515	26	24,829	5.27
Nissan	2,925	4,804	2,345	4,165	14,239	3.02
Volkswagen Group	6,805	11,675	8,357	9,081	35,918	7.62
Hyundai-Kia	2,829	4,401	5,921	5,246	18,397	3.90
Mercedes-Benz	0	0	0	443	443	0.09
BMW	340	511	426	199	1,476	0.31
Stellantis	0	0	0	0	0	0.00
Volvo/Polestar	435	2,153	2,430	2,986	8,004	1.70
Rivian	0	0	0	920	920	0.20
Lucid	0	0	0	125	125	0.03
TOTAL US EV sales	98,832	1,18,233	1,06,562	1,47,799	4,71,426	99.23

Source – Secondary Research

Table 2 illustrates the quarterly sales of EV vehicles in the United States, by each brand in 2021. As the year came to an end, the worsening chip shortage dominated automotive headlines, causing inventory to be close to none. In addition, dealer markups were complicating the market for buyers.

In total, 471,426 fully-electric vehicles were sold to American car buyers in 2021. The total represents an 83% increase in fully-electric vehicle sales since 2020. Tesla swooped away 71.33% of the EV Market Share by selling 3,36,287 vehicles out of the 4,71,426 sold in the entire year. Furthermore, it can be identified that the sales increased marginally in every quarter beginning from 69300 units in Q1 of 2021, eventually concluding the year with an enormous 3,36,287 sales in the final quarter.

Despite a chip crisis around the world, Tesla has been able to secure its position as a market leader, indicating that the company does not need to forcefully spend on advertising and promoting the brand. However, it is also evident that new entrants have started to gain a position in the market and are also growing at a rapid pace. Companies like, Volkswagen Group, General Motors, Hyundai-Kia, Mercedes-Benz, and BMW have tons of experience and knowledge about the market as they have been manufacturing and selling gasoline vehicles for years, and it may be only a matter of time before they completely penetrate into the EV market. The threats from these cash-rich giants can be enormous and there may be a situation in the future where Tesla is forced to allocate its resources towards promotion in order to retain its market power in the industry.

CONCLUSION

Throughout this report, the research question “**Should Tesla Inc. continue with its \$0 marketing strategy?**” has been answered by means of extended research and a detailed study of the EV industry. Even though the complete success of the company’s marketing strategy cannot be justified as there is still a long way to go, it can however be accepted that it has done wonders for the firm until now. The ultimate goal of every marketing department is to increase brand recognition and reputation. While most firms achieve this by exhausting their bank balance, Tesla just utilises its creativity and the influential power of Elon Musk. Sending a Tesla Roadster into space to drive into the unknown was another stunt that required no investment as it was in conjunction with their founder’s other business – SpaceX. It is not a sight that was seen before and hence the firm believes that potential customers are the biggest marketers due to the positive word of mouth all around.

The survey showcased results in favour of Tesla’s marketing strategy by reflecting that respondents were influenced by the company’s marketing, especially by the social media presence of the CEO, Elon Musk. The market share analysis also depicted the company in a remarkable position as the company has been dominating the market share with over 70%. However, the report also highlighted the growth of competitors and the likely threats they may bring across.

Overall, Tesla Motors’ \$0 marketing strategy has been allowing the business to thrive, however, due to the intensifying competition from popular brands like General Motors, BMW, and Mercedes-Benz, the organisation eventually may not be able to restrain from investing in advertising for a long time.

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