

Analyzing the Reasons on Decreasing in Sales for Tesla

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Abstract: Since the end of the epidemic, people's travel demand has gradually recovered, and the demand for transportation has greatly increased; however, in this context, Tesla Motors has experienced a decline in sales. The aim of this study was to examine the reasons that contributed to the decrease in Tesla's sales in the first quarter of 2024. This article examines the variables that have contributed to the decline in Tesla's sales by reviewing sales statistics from previous years in Europe, the United States, and China. This study subsequently outlines the three main variables that are responsible for the decrease in sales for Tesla. The reasons include several variables, such as production challenges, increased competition, and a negative shift in client preferences. This article proposes three ideas to tackle the problem of decreasing sales: diversifying the product range, establishing strategic alliances, and enhancing the charging infrastructure. Moreover, this post has greatly advanced the electric vehicle market by clarifying the reasons for its decline and providing helpful suggestions.

Keywords: Tesla, Decreasing in Sales, Suggestions

1. Introduction

As the world approaches the conclusion of a global epidemic, several markets throughout the world begin to see light as the economy returns to normal. However, the market for electric vehicles appears to be the most significant. According to the IEA website, EV consumers increased by around 25% between the first quarter of 2023 and the same time in 2024 [1]. This indicates that when we consider 2022, the year-on-year growth percentages are relatively close. All of this means that consumer demand for electric vehicles grows year after year. Although this may be true, Tesla is an American vehicle manufacturing firm created in 2003 that was once recognized as the most popular plug-in electric car and market leader [2]. Regardless of their stated status, they appeared to follow opposing tendencies. According to CNBC News, Tesla saw an "8.5% year-over-year decline in vehicle deliveries for the first quarter" [3].

Discussions about Tesla have been consistently prevalent in recent years. For example, Palmie, et al. sought to determine how Tesla successfully altered the public's perspective of sustainable technologies [4]. Zhang's objective is to discover Tesla's influence on the growth of new energy vehicle brands in China [5]. He seeks to determine the repercussions of the Russia-Ukraine conflict on Tesla [6].

As a result, the purpose of this study is to analyze the causes of the sales decline in the first quarter of 2024 and determine if it will continue. Furthermore, the purpose is to establish the core causes of Tesla's sales decline in the first quarter of 2024 using both quantitative and qualitative analysis of the

available data, as well as the primary concerns confronting Tesla that may jeopardize its leadership position in the electric vehicle sector. Furthermore, sharing this inquiry's findings is critical. This is because Tesla is a highly competitive market leader, and a decline in sales from those leaders will have a big impact on future market outcomes. To elaborate, there will be noticeable changes in industry trends, standards, and laws that have the potential to transform and shape the market in a variety of ways.

To fill the gap, case studies and data analysis will be used to determine why Tesla's sales fell in the first quarter of 2024 and to provide evidence to support those conclusions. First, this study will identify the causes of Tesla's Q1 downturn, supported by facts and proof. Next, the study will propose three research-backed recommendations that could potentially boost Tesla's sales. This study intends to shed light on the factors impacting Tesla's market success by thoroughly reviewing pertinent data. This article aims to provide significant insights into Tesla's future growth and success by making practical recommendations based on reliable research. This report attempts to provide comprehensive knowledge of Tesla's sales obstacles and specific tactics for efficiently navigating them, ensuring the company's long-term market success.

2. Case Description

Tesla Motors is an EV-based car company that manufactures and sells its product. Compared to its competitors, Tesla Motors is a highly regarded company. Tesla's cars also demonstrate a high level of secrecy. Statistics indicate that the company expects to sell 1,091,000 electric vehicles [7]. Furthermore, Tesla has the Model 3, which holds the record for being the first electric car to reach 1 million sales.

Tesla's own model Y has emerged to set a record for the best-selling car in 2023, not just in Europe, with over 250,000 registrations. To be more specific, Tesla's sales are shown to grow by 57% in 2023 and are set to be a very popular brand on the continent of Europe. All of this is due to Tesla's commitment to lowering prices in Europe. Tesla reduced prices by about 8000 pounds in the UK and up to 9100 pounds in Germany. Tesla's experience in its home country has also appeared to be very positive. For example, Tesla's twelve-month (ending March 31, 2024) revenue spans approximately 95 billion dollars, with a year-over-year increase of 10.12 percent. Tesla also fully sells and introduces its best innovation, full self-driving, to the country first. This technology has drawn a lot of attention around the world, indicating that the company has been very successful in recent years. Finally, the company's recent achievements in China are noteworthy. Tesla faced a decline in market share in the fourth quarter of 2023. To be more specific, Tesla experienced a drop from 10.5% in the first quarter all the way back to 6.7 in the fourth quarter. This means that the fall in Tesla's sales might be connected to the market in China, as sales in the market in China experienced a decline at earlier times compared to the first quarter of 2024.

Undoubtedly, Tesla's global sales witnessed a significant fall in the first quarter of 2024. The loss is emphasized by statistics that not only show a decrease in sales compared to the previous year but also a substantial drop of 55% compared to the fourth quarter of 2023, as reported by TechCrunch. The decline in sales prompts inquiries regarding the circumstances influencing this drop, especially considering the general surge in market demand for electric vehicles.

3. Analysis

Production issues are one of the factors contributing to Tesla Motors' sales decline. Tesla, the American electric vehicle maker, has ceased operations at a factory located near Berlin. The result is a decrease in total production as well as revenues. Articles also corroborate the assertion that heightened competition does, in fact, augment the sales of a specific corporation.

Enhanced competitiveness also leads to reduced sales for a specific company. CNN News provides evidence that Tesla encountered intense rivalry from domestic electric vehicle manufacturers, including BYD and emerging players like the phone firm Xiaomi [3]. Utterback and his colleagues argue that organizations established during times of severe competition will consistently experience higher mortality rates at specific ages compared to those started during periods with fewer competitors [8]. Iman Ahmadi investigates the impact of market competition on many factors, contending that increased competition might result in reduced market efficiency and unethical behavior among sellers [9]. It indicates that engaging in unethical practices might result in increased pricing, decreased quality, diminished services, and fewer product choices for consumers [9]. The adverse outcomes ultimately lead to a decline in firm sales, demonstrating a correlation between heightened competition and unfavorable financial outcomes for enterprises [9].

Finally, this paper holds that the negative change in consumer preference will also affect and change enterprise sales in a negative way. To prove the point, Caliber's "consideration score" for Tesla dropped to 31 percent in February 2024, less than half its high of 70 percent in November 2021, indicating a decline in consumer interest in the brand. This serves as evidence that shifts in consumer preferences can significantly impact a company's sales. Many papers have pointed out that changes in consumer purchasing behavior have had a significant impact on the design of business models for consumer service companies, with consumers becoming more inclined to purchase certain products during COVID-19, leading to a relative increase in sales to these specific companies, respectively. This suggests that as consumer preferences evolve, businesses must adapt to new influences and changing sales needs.

4. Suggestion

This article suggests diversifying Tesla's product lineup to encompass both high-end and affordable alternatives, supported by an examination of the primary rationale. The justification for this proposal is two-pronged: it seeks to maintain the quality of the product while simultaneously strengthening the brand's reputation. Studies have also demonstrated the significance of diversifying the assortment of products. Keller and Lehmann's 2006 study revealed that broadening a company's product portfolio can broaden its market reach, leading to increased sales and a larger share of the market [10]. According to the experts, providing a diverse range of products allows organizations to not only retain revenues from current brand-loyal customers but also attract new customers [10]. Furthermore, another study demonstrates a direct relationship between brand equity and product quality across various price ranges within a brand's collection [11]. Put simply, ensuring that products of excellent quality are available at different price points improves the overall standing of the brand [11]. In conclusion, the research highlights that modifications to the product range can have an influence on both sales and brand value [11].

Based on the second reason mentioned above, this paper suggests that Tesla should engage in additional partnerships to bolster its sales. This is not only beneficial for Tesla's innovation standpoint, but collaborations within companies from other fields would definitely bring some more eyeballs to consumers who were not interested in the field of electric vehicles before. Some researchers have underscored those corporate collaborations with universities, initially focused on research or talent acquisition, can extend into areas such as marketing, sales, public policy, economic development, and philanthropy [12]. For instance, one of the articles asserts that companies involved in technology projects can experience improved sales growth by forming partnerships during their research and development phase [13]. To conclude, through strategic alliances with both academic and industry partners, Tesla can unlock a myriad of opportunities for market expansion, technological advancement, and societal impact, thereby charting a course towards sustained growth.

In essence, the strategic imperative for Tesla to engage in additional partnerships emerges as a pivotal driver for catalyzing sales performance and securing a formidable foothold in the dynamic landscape of technology and innovation. Embracing collaborative initiatives not only fosters a culture of innovation but also amplifies the brand's visibility and relevance in key spheres of influence. Through strategic alliances with both academic and industry partners, Tesla can unlock a myriad of opportunities for market expansion, technological advancement, and societal impact, thereby charting a course towards sustained growth and prosperity.

The study further recommends that Tesla should augment its investment in charging infrastructure. Several studies have already shown that consumers are willing to accept electric vehicles, highlighting the importance of having charging stations available. One of the studies demonstrates a direct relationship between charging infrastructure growth (measured by the number of charging stations) and increased electric vehicle sales in China [14].

In summary, this proposal asserts that Tesla can successfully overcome obstacles to acceptance, build trust among consumers, and facilitate the widespread adoption of electric vehicles by forming strategic alliances with various companies and organizations. This will enable Tesla to fulfill its goal of transforming the automotive sector and ushering in an era of sustainable energy.

5. Conclusion

This study evaluated Tesla Motors' business in the first quarter of 2024. The inquiry was conducted during the anticipated final years of a global epidemic. As the economy improved, many markets began to see light, and in the electric market, sales increased by almost 25% each year beginning in 2022. This means that not only is the demand for electric vehicles increasing year after year, but so should the sales of electric automobiles. However, in such a demanding industry, Tesla Motors, one of the most popular companies and competitors, appears to be witnessing a dip in sales. This research especially seeks to analyze the causes of the decline. The article concluded that manufacturing constraints, increased competitiveness, and changes in customer preferences were the cause. The study also makes three recommendations, including expanding the product lineup, forming alliances, and implementing charging infrastructure. In summary, the numbers show that Tesla's sales have decreased due to production issues, rising competition, and changes in consumer preferences. On the other side, the study suggests that Tesla expand its product portfolio, alliances, and charging infrastructure to boost sales.

Furthermore, this paper is highly valuable for companies looking to expand or introduce themselves in the event market. Other companies have the resources to learn and avoid similar mistakes, thanks to evidence and useful suggestions. Despite stating this, the paper falls short in certain areas and has room for improvement. For example, the paper could improve by providing more information to support the points made. This not only further justifies the paper's point, but consumers using this product would have more confidence doing so. To achieve this goal, this paper could use even more valuable and true data from major organizations as evidence to support its point. This would be an obvious boost to consumers' confidence.

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