

Research on Tesla Automobile Marketing Strategy - Taking the Chinese Market as an Example

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Abstract: The global automotive industry has been rapidly evolving, driven by environmental concerns and technological advancements, with the new energy vehicle market witnessing significant growth. Tesla, renowned for its innovative technology and high-performance electric vehicles, entered the Chinese market on January 7, 2020. This study provides an overview of Tesla's marketing strategies for entry and development in the Chinese electric vehicle market. Entering in January 2020, Tesla was attracted by lower production costs and government subsidies. Despite intense competition from domestic brands and data protection issues, it has achieved remarkable success through strong sales and a significant market share. Tesla's market strategies include a product strategy emphasizing technology edge and a wide product range, a price strategy following a high-to-low pricing model, and a direct sales-based marketing channels strategy. Although challenges persist, this combination has enabled Tesla to thrive in the competitive Chinese EV market. Through trends and reputation, Tesla's brand building in China has emphasized the unique value of its electric vehicles, leveraging both online and offline channels for promotion.

Keywords: Tesla, entrant, Chinese market, electric vehicles, brand building.

1. Introduction

As the market for new energy vehicles has developed, the global automotive industry has quickly adjusted. Environmental concerns, technology developments, and shifting consumer preferences are some of the elements driving this trend. A major force in the electric vehicle market, Tesla is well-known throughout the globe for its cutting-edge technology and high-performance automobiles. The demand for EVs has been gradually increasing in China, one of the major vehicle markets in the world. In addition to its business growth, Tesla's introduction into the Chinese market has been noteworthy for its impact on the regional auto industry. The company's brand image, consumer behavior, and the growth of the entire EV ecosystem are all significantly influenced by its marketing initiatives in China. With policies like the Notice on the Pilot Subsidies for Private Purchase of New Energy Vehicles and the 14th Five-Year Plan to offer tax incentives for the development of electric vehicles as well as financial and policy support for businesses to carry out pertinent infrastructure construction, China is firmly in favor of the growth of the electric vehicle industry. The price strategy of skimming pricing was used by Tesla, which was established in 2003 as the standard and representative of high-end electric vehicle companies, to develop various price strategies in three

stages. From the initial 734000 yuan in China to the numerous price adjustments made by Tesla, the price of new products has been as low as 271000 yuan [1].

Analyzing Tesla's marketing tactics in the Chinese market is the goal of this essay. We aim to comprehend the vital elements that have contributed to Tesla's success in China by looking at these tactics. Finding the challenges it encounters in this fiercely competitive sector is another goal. By conducting thorough research, we intend to provide insight into how Tesla's marketing strategy may be modified to better suit the specific requirements of the Chinese market and support the long-term expansion of the company and sector.

2. The Development of Tesla Joining the Chinese EV Market.

Tesla, a pioneering force in the United States electric vehicle (EV) market, entered the Chinese market on January 7, 2020, a market already characterized by a diverse landscape of private companies, joint ventures, and state-owned manufacturers. Elon Musk's incentive for entering the Chinese market stemmed from the potential for lower production costs. Similar to the U.S. market, Tesla benefited from Chinese government subsidies for both manufacturers and consumers, aiming to promote EV adoption to reduce the dependence on fossil fuels and air pollution. By 2020, China had emerged as Tesla's fastest-growing market, driven by the establishment of its Gigafactory in Shanghai, which significantly enhanced the competitiveness of its vehicles [2].

Tesla China achieved record sales of over 63,000 vehicles in August 2024, a 37% increase from July, making it the strongest sales month 2024 despite the intense competition from domestic EV brands. With China aiming to achieve 40% of EV in its overall vehicle sales by 2030, Tesla's prospects appear promising [3]. However, challenges remain due to competition from domestic rivals and a less-than-supportive Chinese media environment, which often prioritizes the promotion of domestically produced EVs [4]. Tesla demonstrated impressive progress in April 2021, achieving record monthly domestic sales of 35,478 units, as reported by China's official Global Times newspaper. To meet the growing demand from its expanding customer base, Tesla constructed a supercharger factory in Shanghai, and its supercharger network was officially launched in February. Furthermore, the company has been actively expanding its charging infrastructure, including the installation of charging stations along major roadways connecting the rural northwest Xinjiang region to key urban centers. By setting such infrastructure, it enhances the customer experience of driving. By producing more superchargers, Tesla would also generate extra revenue.

Competition from domestic EV manufacturers, such as Zhejiang Geely and Xpeng Motors, remains a significant issue for Tesla. However, Tesla has consistently outperformed its competitors in terms of sales volume. Production volume continues to be a challenge for many Chinese EV startups. One of the producers, Nio, only sold 7,200 vehicles in January and had yet to achieve profitability by February. In contrast, Tesla's sales in 2020 accounted for a substantial 13% of China's total domestic EV production, which reached 1.02 million units in the preceding year.

In China, BYD is a market leader in the electric vehicle market and one of Tesla's main competitors. The product positioning of BYD and Tesla is one of the main differences between the two companies; in China, Tesla is seen as a high-end brand that offers both reasonably priced models like the Model 3 and Model Y in addition to more costly versions like the Model S and Model X. But BYD offers a greater selection, ranging from low-cost to high-end devices. In China, for instance, the BYD E series and BYD Qin are extensively used for e-hiring automobiles. Additionally, there is a differential in output as a result of the marketing channel techniques used by both manufacturers. Tesla sells directly to customers via their website and physical locations.

Elon Musk's influence and powerful brand image are provided by Tesla. BYD, on the other hand, emphasizes the technology and usefulness of its products through a combination of classic sales techniques, including media influence, advertising, and auto shows [5].

One of the primary concerns regarding the impact of Tesla products in China revolves around data protection, which has presented challenges for both the company's manufacturing operations and its customer base within the Chinese market. In March 2021, Tesla's factories in Henan province experienced a security breach, with a Swiss developer hacking into the factory's camera data system. Although the Shanghai factory remained unaffected, the incident led to the modification of new security policies, including restrictions on the parking of Tesla vehicles on certain premises. Subsequently, in May 2021, Tesla announced its intention to establish local data storage centers for vehicle data within China.

Despite encountering some initial challenges in the first quarter of 2021, Tesla's overall performance in the Chinese market has been successful. The idea to own a premium, American-made vehicle may have contributed significantly to the company's strong sales figures, further confirming its position as a firm competitor to domestically produced EV models. Since it entered into the Chinese market in 2019, Tesla has achieved remarkable progress, obtaining a significant market share within a relatively short time. Despite the occasional negative press coverage in the Chinese media, Tesla's operations in China have proven to be a successful overseas investment for Elon Musk [6].

Tesla's technology innovation, product strategy, and direct sales approach have all contributed to the company's success since entering the Chinese market. In addition to effectively navigating competition and obstacles like data security and an unfavorable media climate, it has profited from government subsidies. Going forward, Tesla's capacity to innovate more, increase its market share, and adapt to the changing demands of the Chinese market will determine how successful it remains.

3. Market Strategy Analysis

3.1. Product Strategy

Tesla continues to emphasize its technology edge, incorporating features such as advanced driver-assistance system (ADAS) and over-the-air software updates, with these updates, Tesla maintains their products at the forefront of automotive innovation. Tesla pioneered the development of Autopilot and as it develops and evolves significantly, it prioritizes a system that guarantees driver and pedestrian safety as its reputation of successful cases of emergency autopilot saves countless lives. Tesla cars adapt their vehicle to preferences that attract Chinese customers, such as backseat entertainment systems and air purification systems, which are highly valued.

Tesla also offers a wide range of products that satisfy customers with different needs. Tesla produces high-end EVs such as the Roadster sports EV, offering 0-100kph in 2.1s, with a top speed of 400kph max, starting from ¥1, 059, 990, which is the price comparable to luxury cars such as Mercedes S class or a Porsche 911 in China. Mid to low-end EVs such as Model 3, with price ranging from ¥200, 000 to ¥300, 000, are also an option for customers who seek for cost-effective and more affordable models [7].

3.2. Price Strategy

At the beginning of its establishment, Tesla introduced a three-step strategy that divides its vehicles into three different grades. Initially, to develop high-end models such as high-performance sport EVs that demonstrate the viability of EVs and being attractive enough to generate good impressions to targeted consumers. Celebrities could be one of the targeted consumers as they pay attention to public image, or wealthy individuals who are environmentally conscious. Tesla then introduced EVs that are priced near luxury cars such as BBA (Benz-BMW-Audi). Finally, more affordable and cost-effective EVs join the scale, which illustrates a crucial component as it can be promoted on a larger scale [8]. Philip Kotler and Gary Armstrong's notion of skimming pricing is consistent with this progress of going from a high to a low price.

3.3. Marketing Channels

Unlike automakers who sell through franchise dealerships, Tesla uses direct sales, a global network of company-owned showrooms and galleries being established in well-known urban regions. Consequently, as part of their recently expanded retail model called "Service Plus," they have incorporated service centers into their direct sales strategy. Compared to other conventional automakers, Tesla functions differently. It does not sell franchises to investors. They have created sales centers that provide both customer service and sales at the same time. Franchise owners receive fewer performance-based incentives because Tesla oversees these locations. Sometimes, these franchise owners put in more effort for the benefits than the brand. This direct sales model has been particularly significant in the Chinese market, where government regulations often restrict foreign automakers from operating independently. By maintaining control over its sales and service network, Tesla can ensure consistent brand experience, customer satisfaction, and rapid market penetration [9].

4. Conclusion

The performance and marketing strategies of Tesla, as well as its launch and expansion in the Chinese EV market, were all carefully investigated in this study. Due to lower production costs and government subsidies, Tesla entered the Chinese market in January 2020. Despite competition from domestic firms and worries about data protection, it has been able to stride due to strong sales and a substantial market share. Tesla's market strategies, which consist of a product strategy that emphasizes technology and a wide variety of products, a price strategy that employs a high-to-low model, and a direct sales-based marketing channels approach, have strengthened the company's competitiveness. However, there are still challenges, such as domestic rivalry and data security concerns.

To further develop and succeed in the Chinese market, Tesla should consider increasing its localization efforts, strengthening data security procedures, and continuing to innovate its products and services. To better navigate the Chinese media environment, it should also focus on improving its public relations. To maintain its market position and support the long-term development of the company and industry, Tesla needs to adjust and enhance its strategies as the Chinese EV market continues to grow and evolve. Future research could look closely at how new technology and changing consumer preferences affect Tesla's performance in the Chinese market.

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