

# ***Research on Tesla's Marketing Strategy Based on Consumer Psychology***

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**Abstract:** Recently, new energy vehicles have become more and more popular, and the new energy market has received unprecedented popularity. With the world's environmental problems becoming more and more serious, people have also begun to realize that the reduction of carbon emissions is an important thing. As a representative brand of the new energy vehicle industry, Tesla has many places to learn from other brands. The research mainly focuses on the analysis of Tesla's marketing strategies in China and international markets and also combines online and offline sales analysis. The method of this paper is literature analysis. This paper summarized Tesla's problems as the current situation of the industry, consumer psychology and marketing strategies. In addition, this paper also provided solutions to the existing problems. There are significant problems with car safety, insufficient understanding of consumer psychology, and problems with offline marketing models. Tesla has encountered unprecedented development challenges and opportunities. Tesla should increase communication with customers to raise awareness of the brand. Tesla should also improve the quality of its products to enhance the reputation of its brand.

**Keywords:** Tesla, consumer psychology, marketing management

## **1. Introduction**

In the 1970s or so, because of the outbreak of the oil crisis, new energy vehicles represented by electric vehicles were strongly advocated. According to recent data, the global market share of new energy vehicles is continuously increasing. According to the International Energy Agency (IEA), in 2021, new energy vehicles accounted for about 5% of global vehicle sales, including electric vehicles and hybrid vehicles. In addition, as an emerging market, new energy has a high development space [1]. For example, in the environment of unstable oil prices, the global lithium resources are abundant, but many have not been exploited; The IT industry also provides guarantee for the development of new energy vehicles, so many countries aim at this opportunity so that new energy vehicles can develop rapidly. It is expected that in the next few years, with the continuous improvement of electric vehicle technology and the promotion of the government, this proportion will continue to increase. Until now, new energy vehicles in Japan, China and the United States have gradually entered people's vision, and new energy vehicles such as hydrogen energy in Japan and electric energy in China have been subsidized by the government. China subsidizes buyers when buying cars, and the construction of charging facilities and the recovery of power batteries [2]. Promoting the popularization of electric

vehicles as much as possible. At the same time, government vehicles will also be replaced by new energy vehicles. Research on new energy vehicles has many necessities and commercial advantages. The electric vehicles can reduce air pollution and greenhouse gas emissions, while also improving energy efficiency, thereby reducing oil dependence. From a commercial perspective, the new energy vehicle industry has many advantages from the perspective of consumers, subsidies, insurance, and other benefits when purchasing cars that are not available for ordinary fuel vehicles. From the perspective of brands, with the continuous progress and improvement of new energy vehicle technologies such as batteries, motors, and charging technology. The development and application of these technologies can lead to higher vehicle performance and lower operating costs. In addition, the global demand for environmental protection and energy transformation has made the market potential of new energy vehicles very large. It is expected that the sales of new energy vehicles will maintain growth in the next few years. Thirdly, these brands are considered synonymous with technology, high-end, and green, which will steadily attract more consumers, while also improving brand value and influence.

## **2. Tesla's Situation**

### **2.1. Tesla's Target Market**

Tesla is an American electric vehicle and energy company. Tesla's vision is "Accelerating the global transition to sustainable energy." It was founded in 2003, but the first sports car began to appear in 2008. On October 20, 22, the latest financial report released by Tesla showed that the total revenue of Tesla Motors in the third quarter was 21.454 billion US dollars, an increase of 56% year on year, 13.757 billion US dollars in the same period last year, compared with 16.934 billion US dollars in the previous quarter. From the data, it is not difficult to find that Tesla has developed rapidly since its establishment, and its development prospects are relatively. It is worth mentioning that Tesla's investors include Google founder Larry Page, Sergey Brin and others. They also learned a lot from the experience of traditional cars such as Toyota, subsidiaries of Daimler-Benz and Panasonic. Part of the design of Tesla Motors also benefited from the inspiration of Benz. Tesla mainly sells electric cars, and their endurance is not as long as the fuel type for the time being. Therefore, it belongs to urban cars and needs to be ready to charge at any time. Therefore, most economically developed cities will see such cars more frequently. In recent years, the post-80s and post-90s have become the main force in the auto consumption market. Tesla has met the young people's pursuit of new technology, and at the same time, in the car design, the appearance also refers to the design of many sports cars. However, due to the current pricing of Tesla, the overall consumption ability is not high. In addition, most families who buy Tesla have purchased fuel cars before. Because Tesla is priced at the high price of the same type of tramcar, Most of the families that buy are above middle class families. Of course, there is also a person who is an environmentalist who loves luxury cars or technology [3].

### **2.2. Tesla's Safety Accidents**

For cars, in addition to performance, appearance and other conditions, safety is also a very important consideration. As a tram sales brand, battery has become one of the main parts. Since 2018, Tesla has had battery incidents. In addition, handbrake problems, brake failure, the danger of auxiliary driving system, and the car is out of control, Automatic driving and other problems have forced Tesla to recall products with potential safety hazards. This has led many people who want to know or buy Tesla to consider buying and selling, and greatly reduced Tesla's reputation [2]. In response, Tesla has taken various measures, such as adding vehicle safety monitoring equipment and establishing a 24-hour safety center to monitor and respond to any safety incidents. Tesla also continuously updates and

upgrades the vehicle's safety systems and features, such as autonomous driving features, collision avoidance systems. Tesla will also conduct recalls and repairs to ensure vehicle safety after problems occur.

### **2.3. Tesla's Global Sales**

In the global sales, Tesla has been committed to reducing the cost of electric vehicles, and battery cost is a very important aspect. Tesla has taken many methods. First, vertically integrating the production chain. A vertically oriented industrial chain refers to all product components and all core technologies that are firmly controlled by a single company from top to bottom, which can be more guaranteed in terms of safety and quality. Generally, a large part of the sales of electric vehicles depends on batteries. As the most expensive part of cars, other brands divide batteries into different components and produce them in different factories, while Tesla's factory will cover all links. Second, researching and developing new technologies, Tesla continues to research and develop new technologies, such as using new chemical materials, and improving battery assembly processes, to reduce battery costs and improve battery performance. Third, Tesla has reduced battery costs by expanding its production scale, such as producing batteries at a "Gigafactory" in Nevada, the United States, while also establishing a battery factory in Shanghai to meet global market demand. Finally, Tesla also uses robotics, AI, and other technologies in its production process to reduce costs and improve efficiency [4]. Now that luxury accessories are becoming more popular, Tesla also pays more attention to the construction of one-on-one service and high-quality refined products. Besides Tesla, famous car brands, such as BMW and Porsche, have plans to produce new energy vehicles, which undoubtedly pose a great threat to Tesla [5]. However, at present, Tesla's sales worldwide have been excellent. In 2021, Tesla sold 791000 electric vehicles worldwide, an increase of 50% year-on-year. Tesla is the most popular electric vehicle brand in the US market, with sales of approximately 334000 vehicles in 2021, and a market share of over 70%. Tesla has also achieved rapid growth in the Chinese market. In 2021, Tesla sold more than 300000 electric vehicles in China, occupying a certain share of the new energy vehicle market in China.

## **3. Consumer Psychology Analysis**

### **3.1. Identity Symbol and Psychological Satisfaction**

Psychological factors account for a large proportion of factors in purchasing Tesla. Tesla's most popular imported model 3 is priced between 360000 and 510000, almost the same as Audi Q3 series, and even Tesla's high-end model series has reached the level of millions. At least in the Chinese market, people who buy Tesla are likely to be the same type of people who buy BBA (Benz, BMW, and Audi) [6]. From a psychological point of view, people buy high-end luxury brand cars, Satisfaction is the most important factor. Many people, especially men, think that cars are a kind of status symbol, so they will give priority to these brands when choosing car brands.

### **3.2. Social Support**

Society also provides a lot of support and guarantees for Tesla, a new energy vehicle. In recent years, the world's electric vehicle market has begun to develop rapidly. In China, it will account for 53% of global sales in 2021. It can be said that it is the largest electric vehicle market in the world. From the perspective of consumers, electric vehicles are more cost-effective than ordinary fuel vehicles. In order to promote electric vehicles, the government has also established many subsidy policies. Take China as an example, the purchase of new energy vehicles is exempted from vehicle purchase tax, including pure electric vehicles, plugin (including added program) hybrid electric vehicles, and fuel

cell vehicles. There are also local financial subsidies, such as the establishment of new energy vehicle purchase subsidies and onetime charging subsidies in Shenzhen, as well as charging facility construction subsidies, and power battery recovery subsidies [7]. In addition, the green license plates representing new energy vehicles are not subject to various restrictions, for example, they can still be weatherproof in haze weather, second, many production centers of electric vehicles are also located in China. Since 2013, with the economic development in China, the air quality has been plummeting. Protecting the environment and reducing exhaust emissions have become the primary task. This is also the main reason for China to actively promote the development of new energy vehicles. Therefore, new energy vehicles have become the first choice for many people to buy cars, whether public opinion or government support.

#### **4. Marketing Strategies for Consumer Psychology**

##### **4.1. Accurate Marketing Channel Selection and Design**

For Tesla, one of its successful points is that he has a good understanding of the target customers and his own situation. First of all, he has guaranteed the product quality, that is, the supplier of new energy vehicles, that is, electric energy, so needs to convert solar energy into electric energy. Tesla has done a good job in deep mining products. Second, Tesla's pricing and scarcity give many people a psychological feeling that they can show their identity and status. Just like people buy luxury jewelry, many people buy not the product itself, but the sense of superiority brought by the brand effect. Thirdly, Tesla also has its own characteristics in the contact point with customers. In addition to the most common car stores, Tesla will also display them in high-end consumer places such as brand hotels, shopping malls, member clubs, etc. The decoration style in the store is also very exquisite, and fully captures the target consumers. Fourth, Tesla often uses the sales method of hunger marketing, like Hermes, to create a feeling that money is not necessarily able to buy. Therefore, this has a great relationship with the distribution. First, consolidate its target customers and spread it among the group [8].

##### **4.2. Distribution Strategy**

Tesla's special marketing strategy, scarcity, promotes consumers to purchase products and creates a psychological sense of superiority. Unlike other auto brands, people who have bought Tesla will find that Tesla's cars are basically out of stock and need to make an appointment in advance. This is a marketing strategy of Tesla. The store is also different from the ordinary car brand. For the Chinese market, Tesla's high price positioning is not necessarily suitable for the development direction of China's new energy vehicles, but Tesla's brand awareness and recognition in the world are very high. That is why Tesla chooses to attract attention first in brand personalization, then use Model 3 to let the market adopt it on a large scale. In 2018, Musk said that their goal is to become the best manufacturer in the automobile industry, rather than simply copy what was built before. To sum up, Tesla should take the high-end route to open the market and then expand the volume of low-end models.

#### **5. Suggestions**

##### **5.1. Tesla's Safety Factor and Product Quality**

The competition in the automobile industry is very fierce, especially in the new energy vehicle market, such as BYD in China, which is low in price and suitable for ordinary consumers, which is not very competitive with Tesla [9]. However, high-end automobile brands such as Porsche and BMW have similar prices and target customers, and these brands are mature in the fuel vehicle

market and may be more trusted by consumers. Therefore, Tesla must try to reduce the number of accident vehicles and ensure product quality. For most consumers, personalization and brand effect are bonus items. The excellent product quality can highlight the advantage of the bonus item.

## 5.2. Marketing Methods

As an electric vehicle and energy company, in terms of supply channels, Tesla currently adopts the mode of foreign production and domestic import, which greatly prolongs the delivery time of Tesla, increases the costs of taxes, freight and other costs, and increases the market price of Tesla vehicles. At present, Tesla's products are supplied from the United States to the world, extending the entire sales time, so it will be more convenient if Tesla can supply independently from other countries. In addition, Tesla can also cooperate with other car brands apps, which will greatly increase the number of potential customers of Tesla. Second, Tesla has always been a direct seller, without middlemen, which makes people feel that the price will be cheaper. Unlike traditional cars, other brands are the distribution model of 4S stores, and brands and 4S stores will restrict each other. But the direct sales authorized by Tesla are reflected in that all production of Tesla is controlled by the brand itself, which is equivalent to putting the sales service and car manufacturing of 4S stores in their own hands, Tesla's pricing will be higher than its own value [10].

## 6. Conclusion

Tesla is an electric vehicle and new energy company in the United States. Tesla's vision is to accelerate the global transformation to sustainable energy. The main service groups are high-end consumers and those who have a demand for service quality, personalization and environmental protection. The following conclusions are obtained through the research. Tesla's current problems are: (1) there are many costs and prices that could have been saved. (2) Product quality cannot be guaranteed. There are many problems that have to be recalled, which will affect consumers' impression of the brand. (3) The depth of mining for some potential customers is not enough. After discussion, there is a more reasonable solution. First, increase communication with more consumers. Tesla can choose to cooperate with some automotive applications to increase its exposure to the public and make more people more directly exposed. In addition to the most obvious increase in sales, it will also increase the brand's popularity in the hearts of customers, making people feel that ordinary people have the opportunity to buy, not just the stereotype of high prices. Second, Tesla, as a world-renowned brand of new energy vehicles, should improve its product quality. Thirdly, reducing the cost of Tesla's direct stores. Tesla does not use ordinary 4S stores for sales, which in essence will reduce store costs. However, the cost of Tesla's direct stores and 4S stores is not significantly different in terms of cost. With the progress of technology, the main profit point of smart electric vehicles in the future will be software rather than hardware, and hardware profits will decrease as technology advances and the popularity of electric vehicles, And software hardly requires physical sales channels, so sales channels are important. By studying this topic, the loopholes can be found in the Tesla brand today and find solutions to existing problems. Therefore, this is also the key to promoting the development of the new energy industry. This paper fills the gap in marketing strategies for Tesla's brand and uses psychology to provide suggestions for Tesla. It is conducive to making analysis and suggestions for other new energy brands in the field of marketing and marketing. As the new energy industry is an emerging industry, many data and materials are not complete. It is hoped that in future research fields, new energy vehicle brands will have more brand comparisons and prominent changes.

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