

TESLA Motors Case Study



Question One

Tesla is a renowned Car manufacturer established in 2003 by a team of visionary businessmen. During its inception, Tesla Motors had a major aim of delivering high-performance electric cars (EV). True to the founders' vision, Tesla has had a successful business so far. On August 2, 2006, CEO Elon Musk made his first ever post published on a blog. In a post titled "The Secret Tesla Motors Master Plan (Just you and me), Elon Musk, made a significant revelation about the future of the company. Although critics can term it as an ex-post rationalization, the Tesla's secret plan has not only acted as plan but also as the driving force and motivation behind the current status of the company.

The secret plan was a real plan because even before the secret plan Elon Musk had big dreams for the company. Out of the four main points or objectives identifiable or raised in a secret plan by Musk, the company has achieved three objectives. In the secret plan, Tesla aimed at:

- Building sporting cars
- Using the money gathered to build more inexpensive or affordable cars
- Use the money gotten to manufacture even more affordable cars
- While still aiming to achieve the above three objectives, deliver or manufacture zero-emission electric power generation options for the client.

The above four points can be identified in the secret plan and for real, the company has made significant steps since the secret plan was made public. For a car loving customer, one does not have to go back to the 2006 secret plan to understand what Tesla is all about and what it has achieved so far. A critic who read the secret plan would have termed Elon Musk as a rich and very unrealistic man. However, less than seven years later this is the made considerable achievements.

True to the secret plan, (building sporting cars)-Tesla under the leadership of Elon Musk has delivered the Tesla Roadster. In an attempt to act according to the secret plan, Tesla has used the money from the sporting car to build an affordable car-Tesla Model S. For the third identifiable point in the secret plan, (use the money generated to build even more affordable cars), plans are underway to manufacture electric BMW 3series rival or competitor. On the last point on delivering zero-emission electric power, Tesla has come up with a SolarCity and in the recent past there Sun-powered Tesla Supercharger Stations across America. Therefore, looking at the progress that the company has made, the secret plan was indeed a plan. As the competition in the auto industry continues to intensify, Tesla secret plan matters because going forward, it is very unlikely that the public will ever doubt the company's ability to deliver on its claims.

Question Two

Although the auto industry has registered a decline in the last few years as a result of the 2008 in the global recession, it remains a profitable business. The industry remains at its maturity stage with high barriers of new entrants. It is thus expected that the current firms will continue with innovations especially in the electric car productions.

Maybe because it is a new technology, Electric Vehicles have generated a series of diverse opinions among experts and the general public. Commenting on how the EV industry will evolve, Bob Lutz-former GM chairman, said that by 2039, private transportation will mostly involve EV vehicles. According to Kevin Ridell-manager of Powertrain, gas-powered vehicles will still have a place of between 50-75% in the market. Commenting on the future of EV, Tom Kloza-oil analyst at GasBuddy.com reported that the gasoline will remain dominant for the next 10-15 years after which it will be hard to say anything. Therefore, looking the comments by these experts in the auto industry, there is much that remains to be seen. However, it is highly expected that EV will evolve and take over in the future. Tesla Motors is already in the EV business, and some challenges will significantly impact its present and future endeavors.

- Battery Packs are Expensive-This is a challenge that has the potential to affect the sales of Tesla EV. Although the company has shown and indicated abilities to produce batteries for \$150/kw-hr, this is still way too much expensive for ordinary Americans.
- Battery packs take time to get charged-This is a challenge that Tesla will have to deal with or face rejection from customer in taking up the technology. Considering that the charging stations are inadequate customers will avoid EV.
- Tesla could be wasting time with its Tesla Roadster and Tesla Model S-In 2014; over 50% of vehicles sold far are Trucks and SUVs. Investing in four family carrying cars may not prove very futile. In addition, making batteries for these kinds of vehicles will be very challenging.
- Opposition from Department of Oil Executives-Manufacturing EV is not expected to be received well by bodies such DOE because EV will be a threat to fuel business.

Looking at the above challenges Tesla should:

- Look very innovative technology to make the Battery Packs cheap
- Increase the charging stations available for customers to charge their EV
- Closely study consumer buying habits to produce cars that are meeting their needs
- Finally, Tesla should approach EV business with a more cautious move because of fuels regulating bodies. Currently, the company has attempted to do this by opening its patents-an attempt to invite other manufacturers so as to have a bargaining voice in the industry.