

BUS 400 Milestone Two

# Business Model Canvas

**Company: Tesla, Inc.**  
**Date Updated: 26/04/2024**

# Unique Value Proposition

- Tesla's use of the Blue Ocean Strategy focuses on creating demand in the electric vehicle market, effectively avoiding competition against traditional automakers.
- Tesla's innovative use of battery technology and software integration creates a unique product that shifts consumer focus from gasoline to electric, reducing direct competition (Lancaster University, 2016).
- This approach not only taps into environmental concerns but also appeals to tech-savvy consumers, securing a strategic market advantage by pioneering and dominating the electric vehicle niche.

# Key Business Model Questions: The Customer

- How do you acquire customers? Utilize targeted online advertising and partnerships with sustainable brands to reach eco-conscious consumers. Implement referral incentives to boost word-of-mouth promotions (Bredenfeld et al., 2020).
- How do you deliver the product/service to the customer? Direct sales through Tesla's stores and website ensure control over the customer experience, complemented by a network of charging stations for convenience (Watson & Pitt, 2022).
- After you have landed a new customer, how do you plan to relate to that customer and manage the relationship (if at all)? Maintain relationships through exceptional after-sales support, including software updates and a responsive customer service team, emphasizing long-term customer engagement and satisfaction (Bredenfeld et al., 2020).

# a) Key Business Model Questions: The Customer

- How will you charge your customers? What is your revenue model? Generate revenue through direct sales of vehicles, leasing options, and a subscription model for enhanced vehicle features like autopilot and battery upgrades (Schueler, 2020).
- How much will you charge your customers? Can you calculate your revenues for the next month, quarter, and year? Set competitive pricing based on the premium market segment, adjusted according to regional market research and competitor pricing strategies (Schueler, 2020).
- What key activities do you need to engage in to deliver your value proposition? Focus on continuous innovation in electric vehicle technology, maintaining high-quality production standards, and expanding the global charging infrastructure to enhance customer convenience and satisfaction (Bredenfeld et al., 2020).

# Key Business Model Questions: Assets, Partners, and Cost

- What assets are available to you or under your control? Critical assets include advanced manufacturing facilities (Gigafactories), proprietary battery technology, and an extensive network of Superchargers (Kristensen & Kristensen, 2022).
- Who are your key partners? Strategic partnerships with Panasonic for battery supplies and collaborations with governments for infrastructure development. Partnerships in AI and technology firms for continuous software improvements (Qiao, 2023).
- What are your cost structures? What will you need to pay for in order to create the product/service? Significant costs involve R&D for technological innovation, manufacturing and operational expenses, marketing, and global logistics for vehicle delivery. Additional investments in customer service and charging infrastructure are also significant (Bredenfeld et al., 2020).

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<p><b>Key Partners</b></p> <ul style="list-style-type: none"> <li>• Collaboration with Panasonic and other suppliers for battery production materials.</li> <li>• Strategic alliances with charging network providers to expand infrastructure.</li> <li>• Partnerships with governments and municipalities to facilitate regulatory approvals and incentives.</li> </ul>	<p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>• Design and development of high-performance electric vehicles and battery technology.</li> <li>• Manufacturing and assembly processes, including quality control and testing.</li> <li>• Marketing and brand management, particularly focusing on digital and social media platforms.</li> </ul>	<p><b>Value Proposition</b></p> <ul style="list-style-type: none"> <li>• Addresses the demand for sustainable transportation with electric vehicles that reduce reliance on non-renewable energy and emissions.</li> <li>• Features extended ranges, high performance, and advanced autopilot capabilities.</li> <li>• Supported by a global network of fast-charging Superchargers, enhancing convenience and practicality.</li> <li>• A combination of environmental sustainability, cutting-edge technology, and convenience distinguishes Tesla in the automotive industry.</li> </ul>	<p><b>Customer Relationship</b></p> <ul style="list-style-type: none"> <li>• Establishes direct relationships through personalized service in Tesla stores and proactive online support.</li> <li>• Maintains ongoing engagement through software updates and Tesla mobile app interactions.</li> <li>• Provides self-service options via the website and app, allowing customers to manage purchases, service appointments, and vehicle updates independently.</li> </ul>	<p><b>Customer Segments</b></p> <ul style="list-style-type: none"> <li>• Targets environmentally conscious consumers seeking sustainable transportation options.</li> <li>• Serves luxury and technology-savvy individuals interested in high-performance and advanced features.</li> <li>• Aims at commercial entities looking for energy-efficient fleet vehicles</li> </ul>
	<p><b>Key Resources</b></p> <ul style="list-style-type: none"> <li>• State-of-the-art manufacturing facilities such as the Gigafactories.</li> <li>• In-house developed battery technology and proprietary software for vehicle automation.</li> <li>• Skilled workforce including engineers, designers, and IT specialists.</li> </ul>		<p><b>Channels</b></p> <ul style="list-style-type: none"> <li>• Utilizes direct sales through company-owned stores and online platforms to maintain control over the customer experience.</li> <li>• Offers test drives and showcases at Tesla showrooms and pop-up events in high foot traffic areas.</li> <li>• Deploys a comprehensive online platform for sales, customer service, and software updates</li> </ul>	
<p><b>Cost Structure</b></p> <ul style="list-style-type: none"> <li>• High initial investment in research and development for cutting-edge technologies.</li> <li>• Significant manufacturing and operational costs, including expenses related to Gigafactories.</li> <li>• Marketing and sales expenses, particularly for maintaining high visibility and brand prestige.</li> </ul>		<p><b>Revenue Streams</b></p> <ul style="list-style-type: none"> <li>• Sales of electric vehicles contribute the majority of revenue.</li> <li>• Additional revenue from selling battery products and solar panels.</li> <li>• Subscription services for enhanced autopilot and software updates, providing ongoing revenue post-purchase.</li> </ul>		

# Consider Your Business Model

- Based on the BMC chart, why does it make sense to proceed with this new product/service? The new product leverages market trends toward sustainability, offering unique technological advancements that promise differentiation and strong market penetration in the eco-conscious consumer segment (WU et al., 2020).
- What are the risks to your business model? Supply chain vulnerability from limited suppliers, potential profitability impacts from high R&D costs, and unpredictable regulatory environments pose significant risks (Daylan, 2023).
- Are there things that can or should be changed to strengthen the business model to reduce its risk? Diversifying suppliers and enhancing customer engagement strategies can mitigate risks, alongside proactive investments in compliance and market research to adapt to regulatory shifts (Bredenfeld et al., 2020).

# Clarify Your Business Model Assumptions

<b>BMC Chart Item in Question</b>	<b>This is a Fact. Here is Evidence</b>	<b>This is an Assumption</b>
Tesla cars are more expensive than other electric vehicles.	Tesla models typically have higher starting prices compared to many other EVs due to advanced technology and performance features	
Tesla only makes electric cars.		X
Tesla vehicles are the safest cars on the road.	Many Tesla models have received high safety ratings from various organizations, supported by advanced safety features and robust structural designs.	
Tesla's cars are significantly better for the environment than gasoline cars.	Electric vehicles, including Tesla's, have a lower overall carbon footprint over their lifespan compared to internal combustion engine vehicles, contributing significantly less to air pollution.	
Tesla's Autopilot means the car is fully autonomous.		X



# Preparing to Meet Customers: Materials and Sales Process

- Website
  - Customer Presentation
  - Marketing Plan
  - Sales Process Description
  - Acquisition of Customers
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- The Sales Process (Website Sales)
  - Pricing Options

# Update Your Documentation

- Targeted Segment: Eco-conscious consumers and technology enthusiasts seeking sustainable and innovative transportation solutions.
- Type of Value Delivered: Offers high-performance electric vehicles with advanced automation features, contributing to environmental sustainability and cutting-edge user experience.
- Product Uniqueness
  - Superior range and battery efficiency compared to competitors.
  - Integration of solar technology for auxiliary power.
  - Exclusive access to a comprehensive network of high-speed charging stations.

# Updated Business Model Canvas

<p><b>Key Partners</b></p> <ul style="list-style-type: none"> <li>• Collaboration with battery suppliers like Panasonic.</li> <li>• Partnerships with renewable energy companies and tech firms.</li> <li>• Strategic alliances with charging network providers.</li> </ul>	<p><b>Key Activities</b></p> <ul style="list-style-type: none"> <li>• Continuous research and development in EV technology.</li> <li>• Manufacturing and assembly of vehicles.</li> <li>• Marketing and brand management.</li> </ul>	<p><b>Value Proposition</b></p> <ul style="list-style-type: none"> <li>• High-performance electric vehicles with exceptional range and battery efficiency.</li> <li>• Integration of cutting-edge technology such as autopilot and renewable energy features like solar charging.</li> </ul>	<p><b>Customer Relationship</b></p> <ul style="list-style-type: none"> <li>• Personalized customer service and support both online and in-store.</li> <li>• Regular software updates and information sharing through a dedicated app.</li> <li>• Customer loyalty programs with benefits like exclusive access to new models and features.</li> </ul>	<p><b>Customer Segments</b></p> <ul style="list-style-type: none"> <li>• Eco-conscious consumers looking for sustainable transportation solutions.</li> <li>• Technology enthusiasts attracted to innovative features and performance.</li> </ul>
	<p><b>Key Resources</b></p> <ul style="list-style-type: none"> <li>• Advanced manufacturing facilities (Gigafactories).</li> <li>• Proprietary technology in batteries and software.</li> <li>• Expertise in engineering and design.</li> </ul>		<p><b>Channels</b></p> <ul style="list-style-type: none"> <li>• Direct sales through company-owned stores and website.</li> <li>• Engagement through digital marketing and social media platforms.</li> <li>• Interactive experiences in showrooms and at technology expos.</li> </ul>	
<p><b>Cost Structure</b></p> <ul style="list-style-type: none"> <li>• Significant investment in R&amp;D for technology advancement.</li> <li>• Manufacturing and operational costs of Gigafactories.</li> <li>• Marketing and sales expenses to maintain brand presence and attract customers.</li> </ul>		<p><b>Revenue Streams</b></p> <ul style="list-style-type: none"> <li>• Sales of electric vehicles and solar products.</li> <li>• Subscription services for enhanced autopilot and entertainment features.</li> <li>• Revenue from charging stations and battery services.</li> </ul>		

# References

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