

Tesla Motors on the Danish Car Market

– Opportunities for Growth –



Master's Thesis MA in International Business Communication – Intercultural Market Studies
Copenhagen Business School, 2017

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Number of pages: 79

Number of characters (including spaces): 180,174

Hand-in date: 15 June, 2017

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Resumé

Tesla Motors (TM) er en af de førende elbil producenter. TM har haft stor succes i Danmark især i 2015, hvor salget af dens model S eksploderede.

Desværre er salget af TMs biler gået drastisk ned i 2016 og tendensen fortsætter. Dette skyldes højst sandsynligt primært indfasning af registrering afgift på elbiler startende i 2016. Elbiler har været undtaget for registreringsafgift siden efteråret 2012.

Målet med denne opgave har været at undersøge TMs position på det danske bilmarked samt undersøge hvad TM kunne gøre for at styrke sin position på markedet.

Ovenstående er blevet undersøgt gennem en strategisk markedsanalyse samt en strategisk branding analyse.

Det første kapitel indeholder en omverdens analyse i form af PESTLE samt in analyse af interne forhold i form af en værdikæde analyse. Kapitlet af sammenfattet gennem en SWOT analyse som viser virksomhedens styrker, svagheder, muligheder og trusler.

Det næste kapitel omhandler branding med primær fokus på TMs brand identitet samt TMs brand awareness og brand image.

Opgavens har et interpretivistisk teoretisk perspektiv, metodologien er eksplorativ. Primær data var indsamlet gennem et spørgeskema (kvantitativ metode). Der er i opgaven desuden anvendt en stor del sekundære data.

Ud fra undersøgelserne i de to kapitler og på baggrund af de indsamlede data både primære og sekundære er det konkluderet at TM får det meget svært ved at sælge sine biler primært grundet den gradvise indførsel af registreringsafgiften.

Opgaven viser dog at TM har en stærk brand identitet og umiddelbart også et solidt brand image. Til gengæld viser spørgeskemaet at de danske forbruger har en begrænset viden om TM generelt,

hvilket blandt andet understreges ved at største delen af respondenterne i spørgeskemaet ikke er klar over at TM også producerer batterier til energiopbevaring (Powerwalls).

Grundet udfordring med prisstigning skal TM fokusere på yderligere at styrke dens brand, så virksomheden er bedre stillet i fremtiden når virksomhedens priser bliver mere konkurrencedygtige.

1) Introduction

Presentation Tesla Motors

Tesla Motors (TM) was founded in 2003 by Martin Eberhard and Marc Tarpenning. Not long after, Elon Musk, JB Straubel and Ian Wright joined the company and are today considered co-founders of TM.

TM is an automaker, energy storage company, and solar panel manufacturer whose name was inspired by the late Serbian-American inventor Nikola Tesla, who in 1888 patented the AC induction motor TM builds its powertrains around¹.

In 2008, Musk assumed the role of CEO and product architect at TM. The same year, the company launched its first battery electric vehicle (BEV), a sports car, the Tesla Roadster². TM managed to sell over 2,400 Roadsters before the company ceased producing it in 2012. Later that year TM launched its second slightly more affordable car, the Model S.

Already back in August 2006, prior to his role of CEO and product architect, Musk announced what he called the Master Plan (see appendix 3) on the blog of the company's website, in order to clarify what TM wanted to achieve in the long term³, which at the time was:

- Build sports car
- Use that money to build an affordable car
- Use *that* money to build an even more affordable car
- While doing above, also provide zero emission electric power generation options
- Don't tell anyone

¹ https://www.tesla.com/da_DK/about

² https://www.tesla.com/en_EU/about?redirect=no

³ https://www.tesla.com/en_EU/blog/secret-tesla-motors-master-plan-just-between-you-and-me?redirect=no

According to planned, TM launched its second and slightly more affordable car, the Model S. However, it did not go exactly as planned for TM, given that the third step (i.e. use that money to build an even more affordable car) has been preceded by the launch of the Model X, which is more expensive than the Model S. Nonetheless, the Master Plan was an efficient way for TM to make its surroundings aware of its overarching purpose: “To help expedite the move from a mine-and-burn hydrocarbon economy towards a solar electric economy”⁴.

Tesla in Denmark

The sales of TM’s first car, the Roadster, began on the Danish market in July 2009 where it was presented in Kolding, before the company had a Danish division⁵. Its price was DKK 950.000 and had a range of 396 km per charge. 20 cars were to be delivered to Danish costumers that had reserved it⁶.

Since then a lot has happened with the sale of TM’s cars in DK. In the years 2009-2012 Tesla sold 42 cars. Already in 2012 the number of sold cars had tripled, reaching 460 sold cars in 2014. In 2015 TM experienced a huge increase in sales, reaching a total of 2736 sold cars in 2015⁷. This huge increase must be seen in relation to the governmental decision, in October 2015, of introducing the phasing in of taxes on EVs⁸ (prior to that EVs were exempt of taxes since September 2012⁹, more about this in the Market Analysis). The phasing in of taxes started in 2016 and seems to have had a big impact on TM’s sales. TM only sold 177 of their cars in 2016¹⁰.

The decreasing sales trend is likely to continue. However, around 1200 Danes have reserved the new Model 3¹¹, by putting down a 10.000 DKK deposit for the car, which is expected to arrive on the Danish market in 2018. The new conditions for EVs and thus also TM on the Danish market will be discussed and further developed in the market analysis.

Problem statement

As mentioned in the introduction, TM is facing a decrease in sales in DK, which seems to be primarily caused by the phasing in of the registration taxes on EVs. However, also the huge sale of

⁴ https://www.tesla.com/en_EU/blog/secret-tesla-motors-master-plan-just-between-you-and-me?redirect=no

⁵ http://www.danskelbilalliance.dk/Statistik/Salgstal_Aar.aspx

⁶ <http://bilmagasinet.dk/bil-nyheder/tesla-som-leasing-bil>

⁷ http://www.danskelbilalliance.dk/Statistik/Salgstal_Aar.aspx

⁸ <https://www.dr.dk/nyheder/indland/salget-eksploderede-i-december-vi-brugte-op-mod-en-milliard-paa-de-dyre-tesla-biler>

⁹ http://www.danskelbilkomite.dk/elbiler_og_lovgivningen.htm

¹⁰ http://www.danskelbilalliance.dk/Statistik/Salgstal_Aar.aspx

¹¹ <http://www.bilpriser.dk/news.do?newsid=3128>

TM's cars in 2015, has and most likely will have an effect on the sale of Tesla cars in the years following 2015. TM's two current models in DK, Model S (starting price: 909.000) and Model X (starting price: 1.196.000), are premium cars in a high price range targeting the upper class consumer¹². This fact on top of the phasing in of taxes decreases the possible total number of buyers.

However, as previously mentioned TM is introducing a cheaper car, the Model 3. This new car might give TM possibilities to expand on the Danish market, even though the price of this model is still relatively high, expected to cost somewhere around 550.000 DKK when entering the Danish market.

There are also ongoing political discussions regarding reinstating some type of incentive(s) for buying EVs. This could open up for new kinds of possibilities in the near future.

Regardless of the possible positive trends stated above, TM must rethink how to secure its position on the Danish market. Because, while EV sales were growing overall in Europe and globally in 2016 compared to 2015¹³, the opposite occurred on the Danish market.

Based on the above the problem statement can be summarized to the following question:

- What characterizes TM's current position on the Danish car market and what can TM do to consolidate its position in the coming years?

In order to be able to address the above I will conduct a strategic market analysis and I will look closer at TM from a strategic brand management more specifically by looking at TM's brand identity and brand image/brand awareness.

Limitations

Even though the focus of this paper is on TM's opportunities to increase sales of its car, when relevant it is important to take into account its other products. The time span I have focused on is from approx. 2015 until approx. 2020.

¹² <http://www.business.dk/ledelse/luksus-el-bil-er-ti-topchefer-nye-foretrukne-bil>

¹³ <http://electriccarsreport.com/2016/08/global-plug-sales-2016-h1/>

2) Theory & Methodology

Theory

Introduction

As theoretical background for this thesis, I have chosen different theories and theoretical models within branding and marketing. In the first chapter (market analysis) I have included three different models that were used to conduct a strategic market analysis. The analysis tools included in the first chapter are: PESTLE, VCA and SWOT.

In the second chapter on branding, I have focused on brand identity, brand image and brand touch points. Within brand identity I have included Kapferer's Brand Identity Prism.

Each of the above models and theories will be shortly introduced in the beginning of each section in both chapters.

Theoretical perspective

In this section I will make an overall presentation of different theoretical perspectives followed by arguments on which theoretical perspective I have chosen for this assignment and why I have chosen that perspective.

According to Crotty 1998¹⁴, four elements must be taken under consideration when developing research proposals. These four elements are (Source: Crotty 1998):

- *Methods*: the techniques or procedures used to gather and analyze data related to some research question or hypothesis.
- *Methodology*: the strategy, plan of action, process or design lying behind the choice and use of particular methods and linking the choice and use of methods to the desired outcomes.
- *Theoretical perspective*: the philosophical stance informing the methodology and thus providing a context for the process and grounding its logic and criteria.
- *Epistemology*: the theory of knowledge embedded in the theoretical perspective and thereby in the methodology.

¹⁴ Crotty Michael, "The foundations on Social Research", Meaning and perspective in the research process, SAGE Publications, 1998

Previously I have described the chosen methods for this assignment as well as the methodology used. In the following I will describe the theoretical perspective on which I have based my thesis.

Positivism & Interpretivism

As examples, Crotty states the following types of theoretical perspectives: positivism, interpretivism, critical inquiry, feminism, postmodernism etc.

Crotty mentions different theoretical perspectives, however positivism and interpretivism are considered to be the two basic approaches especially in sociological research¹⁵

Positivism has been the dominant epistemological paradigm in social science from the 1930s through to the 1960s, with the argument that the social world exists externally to the researcher, and that its properties can be measured directly through observation (Gray 2004)¹⁶.

Positivism argues that (Source: Gray 2004):

- Reality consists of what is available to the senses – that is, what can be seen, smelt, touched, etc.
- Inquiry should be based upon scientific observation (as opposed to philosophical speculation), and therefore on empirical inquiry.
- The natural and human sciences share common logical and methodological principles, dealing with facts and not with values

In positivism ideas can only be incorporated into knowledge if they can be put to the test of empirical experience. According to positivists, natural sciences progress through patient accumulation of facts about the world in order to produce generalizations known as scientific laws. For positivists the act of scientific inquiry was the accumulation of ‘brute data’ such as shape, size, motion, etc. Crotty (1998) has stated that positivism implies that the results of research will tend to be presented as objective facts and established truths.

¹⁵ <https://revisesociology.com/2015/05/18/positivism-interpretivism-sociology/>

¹⁶ Gray D, Doing Research in the Real World, SAGE Publications, 2004 https://www.sagepub.com/sites/default/files/upm-binaries/58626_Gray_Doing_Research_in_the_Real_World.pdf#page=6

Many researchers have criticized the positivistic approach. May and Williams (1996)¹⁷, describing it to be ‘one of the heroic failures of modern philosophy’ (Gray 2004)¹⁸.

On the opposite side of positivism we have interpretivism. Crotty describes it as ‘culturally derived and historically situated interpretations of the social life-world’ (Crotty, 1998). In interpretivism there is no direct, one-to-one relationship between ourselves (subjects) and the world (object). Interpretivism is closely linked to the epistemological paradigm constructivism (Gray 2007).

Opposite to the positivists, interpretivists avoid rigid structural frameworks adopting a more personal and flexible research structure (Edirisingha, 2014)¹⁹. Interpretivists start their research with some prior insight of the research context, but do not think that this is enough knowledge to develop a fixed research design due to complex, multiple and unpredictable nature of what is perceived as reality. One other fact that characterizes interpretivism, is that throughout the study the researcher remains open to new knowledge and lets it develop with the help of informants (Edirisingha, 2014)²⁰.

According to interpretivists humans are adaptable. The goal of interpretivist research is to understand and interpret the meanings in human behavior rather than to generalize and predict causes and effects (Edirisingha, 2014)²¹.

When looking at the characteristics of the two paradigms briefly described above, the theoretical perspective that characterizes this thesis is interpretivism. Below I will argue why this perspective is dominant, however with some reservations.

I will this section by presenting the reservations towards the interpretivist paradigm. It is obvious that one of the differences between the above paradigms is the method used. It is the qualitative methods that characterize the interpretivist paradigm, and since my primary data is quantitative, this is the main issue in my theoretical approach. However I have argued in the previous sections on data that I my assignment would have been stronger if I had chosen to include qualitative data as well. My secondary data is mostly qualitative which helps supporting the chosen paradigm.

¹⁷ William, M. & May, T. (1996). Introduction to the philosophy of social research. London: UCL Press Limited

¹⁸ Gray D, Doint Research in the Real World, SAGE Publications, 2004

¹⁹ <https://prabash78.wordpress.com/2012/03/14/interpretivism-and-postivism-ontological-and-epistemological-perspectives/>

²⁰ <https://prabash78.wordpress.com/2012/03/14/interpretivism-and-postivism-ontological-and-epistemological-perspectives/>

²¹ <https://prabash78.wordpress.com/2012/03/14/interpretivism-and-postivism-ontological-and-epistemological-perspectives/>

On the other hand my thesis is based on the exploratory approach which indicates flexibility in my work and avoiding fixed structures. As previously mentioned I only had limited insight on the subject when I started the work, and this also characterizes interpretivism since I have stayed open to new knowledge throughout the whole period of work. My goal with this thesis have been to understand and interpret the meanings in regard to TM's market position and not to end up with generalizations and predictions of causes and effects. This last argument also supports the interpretivist paradigm.

Methodology

According to C. R. Kothari (2004)²² research methodology is a way to systematically solve a research problem. It may be understood as a science of studying how research is done scientifically.

Research methodology has many dimensions and research methods do constitute a part of the research methodology. The scope of research methodology is wider than that of research methods. This means that methodology is more than the research methods. Methodology is also the logic behind the methods used in the context of the research study through explanation of why the particular method or technique is used and why others are not used (Kiatyar8n, 2004).

In the following chapter I will present the research approach on which this thesis is based. First, I will present The Marketing Research Design Process. Thereafter, I will discuss and argue why I have chosen the following approach.

Lastly I will take a critical view on my methodological approach as well as the collected data.

The Marketing Research Design Process

According to Aaker, Kumar and Day (2000), a research design is the detailed blueprint that one uses in order to guide a research study towards its objectives. The most important decision when conducting a study is which research approach to choose, which depends on the type of research conducted.

²² C. R. Kothari (2004) Research Methodology, Methods and Techniques (Second revised edition) Copyright © 2004, 1990, 1985, New Age International (P) Ltd., Publishers Published by New Age International (P) Ltd., Publishers

There are three overall categories of research approaches: exploratory, descriptive and causal. Which approach to choose depends on the research purpose, research questions, the precision of hypotheses that are formed and the data collection methods used (Aaker, Kumar and Day 2000).

In short the three above mentioned approaches can be described as follows: (Aaker, Kumar and Day 2000 – see also appendix 2):

- Exploratory approach: When one is looking for knowledge into the general nature of a problem, which alternatives are possible and what needs to be considered
- Descriptive approach: The purpose is to give an accurate snapshot of some aspect of the market environment.
- Causal approach: This approach is used when it is necessary to show that one variable causes or determines the values of other variables.

The Exploratory Approach

The methodological approach used in this assignment is the exploratory approach. What I seek to explore based on my problem statement, is what the position of TM is on the Danish Market, thus coming up with suggestions for improvements based on the analysis.

In exploratory research, the starting point of knowledge for the problem is low, which was also the case for me in relation to TM. I knew about the company's existence and the cars produced. However I did not have in depth knowledge on neither TM's strategic marketing nor their branding. Through primarily secondary data, as well as my primary data, I have gathered a lot of interesting information that has given me insight on TM and the Danish market, which helped me work towards a suggestion for how TM can improve its position on the Danish market.

A characteristic of the exploratory approach is that it is often used when little knowledge exists on the subject. This is however only partially correct in regard to this assignment. I have been very dependent on the secondary data on TM, which indicates the contrary of the above. There is a lot of relevant secondary data on TM, however what was new in this case is the fact that I have not been able to find that much information about TM and the company's position in DK. My primary data gave me some insight, but also the lack of information opened up for me coming up with input for

TM. In the section on data critique, I will elaborate the weaknesses in my choice and lack of more methods to support my ideas and give me even more thorough insight on TM in DK.

One other thing that characterizes this research approach is that the hypotheses are either vague and ill defined, or they do not exist at all. Also this fact supports the exploratory approach that I have chosen for my thesis. I could have included a hypothesis (there in fact could be more than one hypothesis), but they would have been rather generic. One such generic hypothesis could have been that the phasing in of taxes will have a negative impact on TM. This is a quite generic hypothesis, since this is not a problem necessarily unique for this company, but for all companies selling EVs. However, the phasing in of taxes will most likely have a stronger effect on TM than other EVs, since the company only produces EVs, and that price of its models will increase significantly compared to cheaper models.

In this research approach the choice of methods is very flexible. This also suited my assignment, since I could choose between different methods, such as surveys, focus groups and interviews, of course supported by the existing secondary data. All the above methods would have given me the necessary information about the Danish consumer, but a mix of at least two of the methods would have been preferable. Aaker, Kumar and Day state that the flexibility and lack of structure in the choice of research methods give the possibility of a thorough pursuit of interesting ideas and clues about the problem situation.

Methods

Primary data

As primary data for this assignment I have chosen the quantitative approach by doing a survey. The survey is a questionnaire composed of 30 questions. This is as above mentioned a quantitative methods, however one of the questions is mostly qualitative (i.e. question All of the questions haThe questions are divided in 3 sections. First part are question on cars and car owing in general, following with questions about TM and ending with demographic questions.

The intention with the survey was to get an overview of knowledge and opinion about TM in DK amongst people that are not TM costumers. In relation to that, I thought it would be useful to see the impact of demographic factors.

The survey was diffused through my personal network. Firstly I posted the survey on Facebook (FB) and my post was shared by some of my friends. After a couple of days, I shared it on a couple of student groups, to increase the number of respondents. Given that I still lacked responses, I decided to target my FB friends directly by sending them a private message. Lastly, I also asked friends and family to diffuse the survey with their networks.

The first issue in regard to representativeness is the issue of the way the survey was diffused. It would have been more ideal, if I had the possibility to reach out to more people also outside my network, e.g. through different FB pages and forums on the internet, as well as through friends of friends. These two diffusion methods would most likely have given a more diverse group of respondents and thus a more representative group of potential consumers on the Danish market.

The analysis of the conducted survey will be presented after the market analysis. Some of the data will refer to and support the market analysis, while other data will be directly used in the chapter regarding branding. Since it is now clear that some of the data is redundant in terms of a direct link to my focus areas (market analysis and branding), it will only be analyzed and presented as an overall support to get an overview of TM's positioning and the understanding of TM in DK.

Critique of data

In the following, I will look critically at the chosen methodology, including considerations about how the survey could be improved and which other methods could have been included, in order to have a more solid foundation in terms of primary data, for both the market analysis as well as the branding analysis.

In the previous section I have touched upon the first issue of representativeness (the diffusion of the survey).

The second issue in the survey is the representativeness of the respondents. Firstly there is the issue of number of respondents. It would have ideal to have at least 250 respondents. The other problematic aspect is the sample of the respondents. Most of the respondents were young people 18-34 years old, and they are not really representative of consumers that are more likely to buy a Tesla,

not even the Model 3. TM's cars are quite expensive and majority of people in the mentioned age span can most likely not afford a Tesla. They are either getting an education (44,2 % of the respondents have answered that they are students under question 25 "Occupation") or they have probably recently entered the job market, which indicate a lower income.

To support the survey on market analysis it would have been fruitful to include qualitative data as well. This could have been done by conducting semi structural interviews with 5-10 of my respondents. It would have given me the possibility to gain a deeper understanding of their knowledge and opinion about TM, thus giving me more ideas on how TM should proceed in their effort on the Danish market, and what they should work on to get a better hold of the market in DK. Even if I had added more questions in the survey, I would in all likelihood, not have gained a more thorough insight compared to conducting interviews. Moreover, the survey would have ended up being too long.

Overall inclusion and more focus on qualitative data would have been a better fit with the methodology and the theoretical perspective chosen (see section on methodology and theoretical perspective).

Validity & reliability

This section will focus on the validity reliability and generalizability of the conducted survey. When quantitative data is used it is important to check whether and to which extent the data collected is valid, reliable and generalizable.

All three factors should be present in a survey, however to achieve both can be quite difficult. Several things must be taken in consideration when conducting surveys (e.g. data collection method, question wording, order of questions etc. Validity and reliability is mostly discussed in the field of psychometrics and not so much in market research which is the case in this assignment, however the presence of both factors is expected²³.

Validity is discussed in regard to sample representativeness but also in terms of the design of the questions²⁴ in other words are you measuring what you intend to measure²⁵. Reliability is the

²³ <https://www.relevantinsights.com/validity-and-reliability/>

²⁴ <https://www.relevantinsights.com/validity-and-reliability/>

consistency of the measurement meaning whether questions used in a survey trigger the same type of information when used under same conditions²⁶, or would one get the same answer if applying the same questions twice on the same object²⁷.

When applying the above definitions of validity and reliability on the survey conducted for this assignment, it is obvious that there are lacks in order for the data to be considered both sufficiently valid and reliable.

As mentioned above the survey is separated in three parts: 1) overall questions regarding cars/car ownership, 2) specific questions regarding TM and 3) demographic questions.

Starting with reliability, 1&2. The questions asked would mostly be answered equally when asked again. However, if the questions were asked again several months later, there may be changes in answers, since it would increase likelihood of people changing their opinion (e.g. what they think about purchasing a car online). There are also other questions that may elicit another answer when asked at some more distant point in time (e.g. having a car? what you are doing for a living? where do you live?). However, if the survey is conducted soon after to check for reliability, the answers will most likely not differ. That being said, some of the questions in part 2 on TM, will most likely result in the same answers when asked again (e.g. how have you heard about TM), but other questions such as the willingness to buy a Tesla could also change in a short time span. One could have learned more about TM and what kind of company it is, and thus become more prone to buy one of their cars (this also goes vice versa).

In terms of validity there are also a number of problems. After analyzing the data, it has become clear that some of the questions in the survey are redundant, meaning that they do not give any further insight to the assignment. Questions in part 2 are very relevant and thus useful for both the strategic analysis and the analysis of TM's branding (i.e. high validity). Some of the demographic questions are very relevant, such as type of education, age, income and occupation since this gives relevant information for the market analysis (see chapter on market analysis). However other questions such as where the respondents live, which kind of dwelling they have or how many

²⁵ http://www.ssc.wisc.edu/~jpiliavi/357/357reli_valid.pdf

²⁶ <https://www.relevantinsights.com/validity-and-reliability/>

²⁷ http://www.ssc.wisc.edu/~jpiliavi/357/357reli_valid.pdf

people there are in their household are redundant questions that have not been directly useful for the analysis in this assignment. Question sex has also shown redundant since it has not been used to support the analysis.

Also questions in the first part about cars in general have not all been useful (e.g. do you have a car, do you intend to buy a car). These are also questions that have not been used in the analysis.

Besides the previously mentioned problem regarding the number of respondents, this survey would have been more useful if some of the redundant questions have been replaced with questions that I could have used in my chapter on branding. This would have raised the validity of the questions in the survey.

Overall it can be concluded that (if one does not take in consideration the number of respondents) the reliability of most of the conducted questions is quite high, while the validity unfortunately for some of the questions is very low, and only satisfying for some of the questions.

The relatively small amount of respondents make it hard to generalize the findings. Furthermore, the sample is not representative enough of the Danish population, for several reasons. First of all, there are 10% more male respondents than female respondents. There is also a overrepresentation of people aged 18-34, and people living in cities.

There were also numerous issues, making it harder to analyze the data. For instance, for questions 2 and 3, which were supposed to be answered by respondents who said they do not own a car, where answered by more than 20 respondents who have a car. This was, to a lesser extent, also the case for questions 4, 5, 6 and 7, where respondents who do not own a car answered even though it was meant for those who do own a car. Looking back, I should probably have made it more clear which questions were meant for some respondents and not for others. Finally, some respondents did not answer all the questions, such as one respondent who did not at all answer the demographic questions.

Secondary data

According to Aaker, Kumar and Day (2000) secondary data is the cheapest and easiest means of access to information and therefore when conducting research, it is important to start by checking which relevant secondary information already exists. In marketing research, some problems that are being investigated can even be solved only by using secondary data. Secondary data can also be an important source to be explored later using primary data. Last but not least it is a precondition to start by getting an overview of what relevant secondary data exists already before deciding on what primary data to collect.

Naturally there are many different sources for secondary data (e.g. already published data, internet, standardized sourced of marketing data (Aaker, Kumar and Day 2000)).

Secondary data however also have some limitations. One of the limitations is that one does not necessarily know how the data was collected and therefore it is questionable how reliable the source is. Another problem with secondary data is that it can be outdated.

Since I have only conducted a survey for my primary data collection, I have relied significantly on secondary data. Luckily nowadays, a lot of various data is at ones disposal on the internet.

The secondary data used in this thesis is both quantitative and qualitative. Some data was statistical information while other data was qualitative information. All secondary data have been found online and when used I have made a footnote stating where the information have been found. The secondary data used consists of different type of information. I have used secondary information on TM, the Danish car market, for the PESTLE and VCA analysis, in the chapter on branding and as overall background knowledge necessary to support the analysis.

Among the used sources for secondary data are: TM's social media, TM's website, TM's annual reports, Danish and international governmental internet pages, newspaper articles, blogs, skat.dk, fdm.dk, dr.dk, McKinsey etc. The secondary data was retrieved from the internet in the period from September 2016 until June 2017, which is the period in which I have been working on my thesis. Most of the internet pages were visited several times during the above period. In the beginning the internet search was a mean to obtain enough background knowledge to find a scope for the thesis

and later on it was an ongoing source of information to support the facts and my analysis in the thesis.

3) Chapter One – Marketing analysis of Tesla Motors

Marketing analysis introduction

In this chapter I will analyze TM's market position in DK. I will start by presenting the situation of the Danish car market in general. Then I will conduct a PESLE analysis, followed by Value Chain Analysis. The market analysis will be summed up in a SWOT.

The Danish car market

Several factors characterize the Danish car market. The traditional market where consumers bought cars, has changed, and is indeed expected to change even more in the future. Now the car market is characterized by more flexible view of what it means to have a car at your disposal. Besides having the traditional (and still the most spread solution) car owners, we have leasing, ridesharing/ carsharing, short-time car renting through memberships (GoMore, LetsGo, DriveNow)²⁸ etc. Below I will present the current Danish car market.

Leasing

The number of newly registered passenger cars has been on a rise for several years from 2011 to 2016. In 2011 169,386²⁹ new passenger cars were registered compared to 222.924³⁰ in 2016. In that period, the total number of cars in DK grew by 250.000 passenger cars. One of the major factors behind this increase is the growing leasing market, which in June 2016 were 46% of new passenger car registrations, compared to 35% in June 2015³¹. This development is primarily due to the growth in private leasing. In 2016, over 25.000 newly registered passenger cars were privately leased. As a result, 2016 is the first year ever where private purchases of passenger cars constitute less than 50 % of the total passenger cars sales³². The tendency of leasing becoming increasingly popular could be a challenge for TM given that it does not include leasing in its offering on the Danish market. That being said, it can also be seen as an opportunity. A larger number of consumers can afford to lease a Tesla compared to buying one. There are other potential advantages for TM when it comes

²⁸ <https://gomore.dk/> & <https://letsgo.dk/en/> & <https://www.drive-now.com/>

²⁹ <http://bilmagasinet.dk/bil-nyheder/rekordsalg-af-nye-biler-i-2011>

³⁰ <http://bilmagasinet.dk/nyheder/bilsalget-i-2016-slog-alle-rekorder-her-er-de-mest-populaere-modeller>

³¹ <https://www.information.dk/telegram/2016/07/leasing-dominerer-ny-rekord-bilsalget>

³² <https://www.information.dk/telegram/2016/07/leasing-dominerer-ny-rekord-bilsalget>

to leasing. Consumers could have some reservations about the potential to resell a use models S or X. The electric car market is relatively new, resulting in many consumers being unaware of what they can get from their used EV. One way to avoid this situation is to lease instead of buying. It could also be that they want to stay up to date and therefore change cars more often (e.g. after 3 years). Even though TM offers upgrades through software updates³³, there are still many elements that cannot be added, making it necessary to acquire a newer model if one wants the newest technology. Seen as TM's two current models are expensive, there are not many individuals that can or would be able to afford substituting one of TM's models with a new one after a couple of years. Leasing would offer this type of consumer the chance to have one of TM's models and upgrade when a new one arrives. The flexibility leasing offers to certain consumers, could open the door for TM to gain some more ground on the Danish market. After leasing one of TM's models, costumers might be very delighted with the car and TM in general, which could result in he/she deciding to purchase it.

SUV market in Denmark

2016 has also been a particularly good year for bigger vehicles, especially the SUV segment that went up 50 % from 2015. The changes concerning registration taxes did not only concern EVs. The government also modified the registration tax, so that passenger cars would be taxed at 105 % of the first 81.700 DKK of the cars price, while the amount above that which used to be taxed at 180 % has been reduced to 150 %. This alteration has resulted in a significant price reduction for the bigger and more expensive cars. A car such as the Volvo V70 D4 Eco that used to cost 675.000 DKK, is now approximately 55.000 DKK cheaper³⁴. This year the registration tax has become even more favorable for new car buyers. Now the 105 % tax will cover the first 106.600 DKK of a passenger cars price³⁵. Even though there has been a general increase in sales of bigger and more expensive cars, as we have seen earlier TM's sales have been very low last year. TM's share in the premium segment went from 40 % in 2015 to just 2 % in 2016.

Car Sharing

Another growing trend in DK, albeit not as big as leasing, is car sharing. Car sharing which is also known as carpooling has been around for decades, but is now becoming increasingly popular in the U.S.A and many European countries thanks to technological advances. The automotive industry is

³³ https://www.tesla.com/en_EU/blog/tesla-provides-customers-upgraded-charging-software-and-adapter?redirect=no

³⁴ <http://www.fdm.dk/biler/biloekonomi/faq-om-registreringsafgiften>

³⁵ <http://www.skat.dk/SKAT.aspx?oId=2236741>). (<http://www.fdm.dk/nyheder/fuld-gang-det-danske-luksussalg>

in a process of transformation. In a report from 2016, global management consulting firm McKinsey & Company³⁶ highlighted four disruptive trends (i.e. diverse mobility, autonomous driving, electrification and connectivity) that will transform the auto industry and made predictions on how much influence each of them would have by 2030. All of these trends have already caught the automakers attention and as a result, car sharing has gained popularity.

In DK there are already several car sharing options in both the C2C (Customer-to-Customer) and B2C (Business to Customer) and markets. The latter has 4 main providers of car sharing. On the one hand, there are Hertz and LetsGo who offer a variety of cars including EVs. LetsGo even has TM's model S on its roster. On the other hand, we have DriveNow and GreenMobility³⁷ who have only one car model each and which in both cases are EVs (DriveNow: BMWi3, GreenMobility: Renault Zoe). DriveNow, which operates on several other markets besides DK, was founded by BMW and SIXT. However, in DK Arriva Danmark (Arriva) who is a part of the Arriva Group operates it³⁸. Arriva is DK's leading bus operator and the second biggest train operator. It is also one of the partners behind Rejsekortet (Travel Card), which is an electronic ticket system for public transport in DK. As a result of that, DriveNow has incorporated the use of Rejsekortet for its services, facilitating the combined use of car sharing and public transportation. As mentioned previously, BMW is the co-founder of DriveNow. It is also one of TM's competitors. BMW is one of the first big car manufacturers getting into the car sharing market and thereby focusing increasingly on mobility. Daimler has done so as well, with its car2go concept. However, due to a lack of success, its venture on the Danish market ended last year. The Volkswagen group amongst others has also entered into car sharing, with the aim of becoming one of the world's leading mobility providers by 2025. It has done so through a strategic partnership with the ride sharing company Gett³⁹.

The C2C market, which in the context of car sharing is referred to as "peer-to-peer" can be divided in two categories (i.e. carpooling and car renting) and includes the following companies who serve as intermediaries between the consumers: Pendlernet, Ants, MinbilDinbil and GoMore. The two first ones focus solely on carpooling, SnappCar only deals with car renting, while GoMore does

³⁶ <http://www.mckinsey.com/industries/high-tech/our-insights/disruptive-trends-that-will-transform-the-auto-industry>

³⁷ <http://greenmobility.com>

³⁸ <https://arriva.dk/drivenow>

³⁹ <http://blog.caranddriver.com/everybodys-doing-it-volkswagen-invests-300-million-in-ride-sharing-service/> <https://gett.com/wp-content/uploads/2015/11/GETTRAISE300MFROMVOLKSWAGENGROUP.pdf>

both as well as leasing. With 554.157 users and 66.629 shared, GoMore⁴⁰ is the largest platform for carpooling and private car renting in DK.

Car sharing will likely have an increasingly important role in the automotive industry in the coming years. This will probably also be the case in DK⁴¹. According to (Nielsen et. al study from 2015)⁴² 10% of the Danish population fit the profile of individuals who could potentially use car sharing. The emphasis should be on potential, given that there is ultimately no way of knowing how many individuals will chose to become users of car sharing, as this depends on a number of factors. One of those factors is definitely the automakers' level of eagerness to enter this market. Either way, car sharing is a growing trend and will continue to be so.

This new trend definitely presents an opportunity for TM who has already announced the intention of extending its business by incorporating sharing. It is the fourth step of TM's second Master plan (Master plan, Part Deux (see appendix 3))⁴³. However, this step depends on the third step in the plan, which is autonomy. TM's plans to have its own fleet, to which its customers can easily add their cars via TM's phone app and generate income from them. TM claims that if this plan comes to life, essentially almost anyone could own its cars. Even though TM is working intensively on making its cars fully autonomous, it depends on more than just its own abilities to do so. Full autonomous driving, needs to be approve by regulators, which could take some time. Consequently, car sharing may be more of a threat to TM in the coming years, since other players may enter the car sharing market by other means and capitalize on it.

PESTLE

In the next section I will analyze TM's environmental situation using PESTLE).

Introduction

PESTLE is an macro eternal environmental analysis developed in the 1960s. The first time it was introduced was by Francis J. Aguilar in 1965 in his dissertation entitled "Formulating Company Strategy: Scanning the Environment). The first acronym for this analysis was ETPS (economic, technical, political, and social). Some years later Arnold Brown changed the analysis to Strategic

⁴⁰ <https://dk.trustpilot.com/review/www.gomore.dk> + <https://gomore.dk/>

⁴¹ <http://www.jubii.dk/nyheder/forside/derfor-er-delebilen-blevet-et-hit/0e0ca238241c4cfc90d305c233591401>

⁴² Hausteijn, Sonja; Nielsen, Thomas Alexander Sick Deleøkonomi i transport: udvikling, trends og potentiale, 2015 (orbit.dtu.dk on: May 22, 2017)

⁴³ https://www.tesla.com/en_EU/blog/master-plan-part-deux?redirect=no

trend evaluation process (STEP Supermanaging: How to Harness Change for Personal and Organizational Success 1984)⁴⁴. The next modification of the model was the introduction of one more E, this time the E meaning Environment (e.g. Davenport 1997). In some studies the E has also been introduced as Education (Morrison & Mecca 1989)⁴⁵.

The latest change of the analysis was the introduction of the L for legislative or legal concerns. The last one has often been seen as redundant or duplicative of the P (political), but still useful in some contexts⁴⁶.

In the analysis of TM the L and the E will be incorporated in the P.

Political factors

For TM and EVs in general, a favorable political environment is important to its success, especially on matters pertaining to the climate/environment and renewable energy. The political agenda in DK is influenced by the country's membership in the EU as well as international agreements it has committed itself to, especially the aforementioned areas (i.e. Climate and renewable energy). Global warming is a global concern that countries around the world work on resolving together.

International political agenda on environment

Since its introduction in 1995 Climate Change Conferences, also known as the conference of the parties (COP), have taken place on a yearly basis⁴⁷. The latest significant agreement between the participating nations, took place during the COP21 in Paris. The 195 countries adopted the first-ever universal, legally binding global climate deal. The governments agreed on the following in order to reducing emissions⁴⁸:

1. a long-term goal of keeping the increase in global average temperature to well below 2°C above pre-industrial levels;
2. to aim to limit the increase to 1.5°C, since this would significantly reduce risks and the impacts of climate change;
3. on the need for global emissions to peak as soon as possible, recognizing that this will take longer for developing countries;

⁴⁴ <http://polaris.gseis.ucla.edu/jrichardson/STEPE.htm>

⁴⁵ <http://polaris.gseis.ucla.edu/jrichardson/STEPE.htm>

⁴⁶ <http://polaris.gseis.ucla.edu/jrichardson/STEPE.htm>

⁴⁷ https://en.wikipedia.org/wiki/United_Nations_Climate_Change_UN

⁴⁸ https://ec.europa.eu/clima/policies/international/negotiations/paris_da

4. to undertake rapid reductions thereafter in accordance with the best available science.

In addition to the above mentioned, the governments agreed on a number of other important elements in achieving the desired result, including⁴⁹:

- to set more ambitious targets every 5 years
- report to each other and the public
- support for adaptation to developing countries

As a follow up to the COP21, The Climate Action 2016 multi-stakeholder summit took place from May 5-6 last year in Washington D.C.⁵⁰ The goal of the summit was to translate commitments into actions, focusing on effective implementation in a new climate regime through collaboration between a multitude of stakeholders from different areas (e.g. government, business, finance, academia etc...). During the summit, Six core areas were covered (i.e. cities, transport, resilience, climate-smart land use, energy and analysis and tools)⁵¹.

Transport and energy are directly relevant to TM. When it comes to transport, the focus during Climate Action 2016 was on a holistic vision for transport: Sustainable Mobility for ALL. More specifically reducing its environmental footprint, improving its efficiency and ensuring its safety while making it accessible to all⁵².

In many ways this vision matches TM is planning to do according to its vision and mission statement (see appendix 4, TM's Master Plans).

European Union's (EU) Environmental Agenda

Besides its international commitments, as an EU member state, DK has to follow EU policies regarding climate change, including the energy sector and transport sector. These two sectors are the two most emitting ones⁵³.

⁴⁹ http://ec.europa.eu/clima/policies/international/negotiations/paris_en

⁵⁰ <http://www.climateaction2016.org/assets/summaryreportclimateaction2016.pdf> & http://ec.europa.eu/transport/sites/transport/files/themes/strategies/doc/2001_white_paper/lb_com_2001_0370_en.pdf

⁵¹ <http://www.climateaction2016.org/assets/summaryreportclimateaction2016.pdf> & http://ec.europa.eu/transport/sites/transport/files/themes/strategies/doc/2001_white_paper/lb_com_2001_0370_en.pdf

⁵² https://www.tesla.com/da_DK/blog/secret-tesla-motors-master-plan-just-between-you-and-me?redirect=no

⁵³ https://ec.europa.eu/clima/policies/strategies/progress_en

Approximately a quarter of the EU's Greenhouse gas (GHG) emissions are due to the transport sector. In addition to that, from 1990 to 2007, the other sectors emissions have decreased by 15%, whereas the transport sector has increased its emission by 33% over the same period. The biggest culprit within this sector is road transport. Therefore, further legislation has been put in place to reduce CO2 emissions from new cars (40% decrease in emissions in 2021 compared to 2005) and vans (19% decrease in 2020 compared to 2012). The EU expects that the new legislation will result in greater fuel efficiency of new vehicles, in drivers saving money, as well as encouraging the roll-out of alternative powertrains (e.g. hybrid and electric vehicles)⁵⁴.

In terms of TM's mission and vision, the above efforts of the EU are positive. TM wants the EV market to grow. That been said, intensified competition will inevitably be a challenge for TM. TM's existing models already face competition, from companies such as BMW, Mercedes and Audi. So far, TM has been able to stay competitive by creating its own niche market segment of luxurious EVs, thereby avoiding direct competition. However, the previously mentioned big competitors all have plans to produce EVs able to compete with TM's existing models⁵⁵. Therefore, TM will not, to the same extent, be able to differentiate its products on tangible/product related benefits (e.g. design, battery capacity, autonomous driving etc.). Consequently, it needs to focus on other ways it can stand out and convince consumers that they should chose its products over the competitors' (e.g. intangible benefits: TM's brand), as well as relying on successfully "conquering" a new broader segment with its upcoming model 3.

The EU also puts great emphasis on the necessity of alternative fuels to brake the sectors dependence on oil (94% of transport in Europe is dependent on oil), but the adaption of cleaner fuels is being inhibited by three main barriers (i.e. the high cost of vehicles, a low level of consumer acceptance, and the lack of recharging and refueling stations). In order to break down these barriers, the EU has put forward a package of binding targets (The Clean Power for Transport package⁵⁶). What is meant to be achieved through this is that member states should have a minimum level of infrastructure for clean fuels (e.g. charging stations) and that there should be common EU-wide standards for the equipment needed.

⁵⁴ https://ec.europa.eu/clima/policies/international/paris_protocol/transport_en

⁵⁵ <http://www.thedrive.com/opinion/8019/tesla-is-screwed-once-luxury-carmakers-start-building-real-electric-cars>

⁵⁶ http://ec.europa.eu/transport/themes/urban/cpt_en

Even though TM has done a lot on its own to deal with the main barriers to EV adaption, it has a long way to go. In order for EVs to gain ground in Europe and more specifically in DK, the initiatives taken by the EU are indispensable. TM's supercharger network is extensively available in Western Europe, facilitating long distance travelling for its customers. In DK, there are 7 supercharging stations⁵⁷, making it easy for TM's clients to travel throughout the country, while possibly also attracting new clients. That been said, TM will not be able to solve the barrier of the lack of recharging and refueling stations by itself. Therefore, the EU's efforts in developing infrastructure in all member states, is very important and a reassurance to TM.

When it comes to energy⁵⁸, the most polluting sector, the EU is committed to reducing its emissions by 80-95% below 1990 level by 2050⁵⁹. In order to achieve this, the EU has also set targets along the way, since this will allow continued progress instead of having to reduce emission drastically later on. By 2030, emission should be 40% below 1990 levels and by 2040 they should be at 60%⁶⁰. The 2020 climate and energy package, is the first short-term step towards achieving the desired emission level by 2050, and the most relevant for this assignment, given that the focus is on TM's opportunities in shorter term. Through this legally binding package, the EU member states have committed themselves to reducing EU GHG emission by 20% from 1990 levels; increasing the share of EU energy consumption produced from renewable resource by 20%; and improving the EU's energy efficiency by 20%⁶¹.

As previously mentioned, DK's energy and climate policy is based on both international climate goals as well as those of the EU. DK has to, as a minimum, set its target according to those of the EU⁶².

The most negatively impacting factor of all for TM on the Danish market is believed to be the governments' decision to phase out tax breaks on EVs. The law came into force January 1st 2016, with the aim of gradually introducing taxes on EVs (20% in 2016; 40% in 2017; 65% in 2018; 90% in 2019 and ultimately 100% in 2020⁶³). The prices of EVs will rise significantly over the next 4 years, especially those of TM's cars. That alone will very likely discourage a large number of

⁵⁷ https://www.tesla.com/en_EU/supercharger & https://www.tesla.com/en_EU/findus#/bounds/65,55,34,-11,d?search=supercharger&name=Europe & <http://teslafactory.wufoo.com/forms/european-supercharging/>

⁵⁸ https://ec.europa.eu/clima/policies/international/paris_protocol/energy_en

⁵⁹ https://ec.europa.eu/clima/policies/strategies/2050_en

⁶⁰ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:en0009>

⁶¹ https://ec.europa.eu/clima/policies/international/paris_protocol/energy_en

⁶² <http://efkm.dk/klima-og-vejtr/klimainsatsen-i-danmark/>

⁶³ <http://www.danskelbilkomite.dk/regafgift.html>

consumers from purchasing one of its models. TM acknowledged this fact on several occasions. In their annual report 2015⁶⁴, TM mentions the reduced incentives in DK and that it could affect its sales. Likewise, in an interview with DR, Musk voiced his concern of the direction DK is taking when it comes to sustainable transport, pointing it out that it is a loss for TM, EVs in general and for DKs green image⁶⁵.

As mentioned earlier, the first indication of the detrimental effect the phasing in of taxes on EVs would have on TM, came last year, resulting in a major decrease in TM's sales compared to 2015. It is important to point out, that the announcement of the new law encouraged many consumers to buy an EV before the price increase, causing the sales in 2015 to be exceptionally high. That been said, even in comparison to 2014, the number of TM cars sold in 2016 is a lot lower (see Introduction). It is even more troubling that the company sold 283 less cars last year compared to 2014, given that TM introduced its model X to the Danish market in the summer of 2016. The gradual implementation of taxes has obviously already had great consequences on TM's sales. In 2017, TM will most likely have even more difficulties selling its two existing models with an additional 20% price increase. Even the model 3 may not be a "savior" for TM. TM has a tendency to be behind schedule with introducing its cars. A delay in production of the model 3 would have a negative impact on TM's sales, especially if it drags out till 2019. By then its price will be even higher, possibly making potential buyers cancel their reservations. There are estimated to be around 1250 reservations in DK⁶⁶ a number that was originally approx. 1400. If the deliveries only start in 2019, TM is probably going to lose even more prospects. In addition to that, the model 3 reservations have already reached the limit of how much TM will be able to produce⁶⁷. While this is good news overall for TM, it is not in the Danish context. Even if the Danish government decides to create a more favorable environment for EVs, Danes who may be interested in ordering a model 3 if incentives end up increasing will not even be able to do so without having to wait a while.

That does not mean there is no hope. If the model 3 becomes a success overall, this will be good publicity possibly convincing Danish consumers that it is a car worth buying. However, for now the model 3 is out of the picture until TM delivers on the orders it has gotten so far, except if the production capacity grows significantly enough in the mean while.

⁶⁴ <http://ir.tesla.com/secfiling.cfm?filingid=1564590-15-1031&cik=1318605>

⁶⁵ <https://www.dr.dk/nyheder/politik/video-tesla-chef-kritiserer-danmark-regering-sender-negativt-signal-om-el-biler>

⁶⁶ <http://model3.ocasual.com>

⁶⁷ <https://electrek.co/2016/10/27/tesla-model-3-700-million-customer-deposits/>

There may be hope though. In December last year, Lærke Flader, the branch manager of The Danish Electric Vehicle Alliance (Dansk Elbil Alliance), urged the government to take action in order to bring EV sales back on the right track.⁶⁸ According to her, the phasing in of taxes on EVs should be postponed. In addition to that, EVs should be given grants and electricity used for EVs should be exempt from taxes until 2019. Even though The Social Democrat Party and the Danish Social Liberal Party are in favor of postponing the phasing in of taxes on EVs, the government has decided to stick with it, so it is now at 40%.

The Federation of Danish Motorists (FDM)⁶⁹, together with The Danish Car Importers Association, Bilbranchen and Confederation of Danish Industry (DI), propose another solution that could benefit TM a little more. Despite their satisfaction with the reduction of the registration taxes, they believe that the tax system needs to change. What they suggest, is a focus on promoting more environmentally friendly and safer cars, which will ultimately result in Danes generally owning better cars. According to them, the taxes should indeed be lower and should be based on the cars technical characteristics/properties, as opposed to the value of the car. Finally, taxes should be paid gradually during the cars lifespan, instead of paying practically all when the car is bought. Given that most politicians agree with the fact that the current tax system is far from efficient enough, there is maybe light at the end of the tunnel for TM.

Economics

The financial situation in Denmark

According to the OECD Economic forecast, the Danish economy is expected to gradually strengthen, reaching 1,9 % growth in 2018⁷⁰.

Consumer confidence is high and it is highly reflected in consumer spending. In 2015 and 2016, the economic growth in DK has relied almost solely on private consumption. It is expected that household consumption expenditure will continue to increase in 2017, given that real wages are getting higher due to low price increases. In addition to that, many consumers have gained a foothold on the labor market, thereby increasing their income. The growth in private consumption may have a positive effect on TM's sales, seen as some consumers may end up affording the

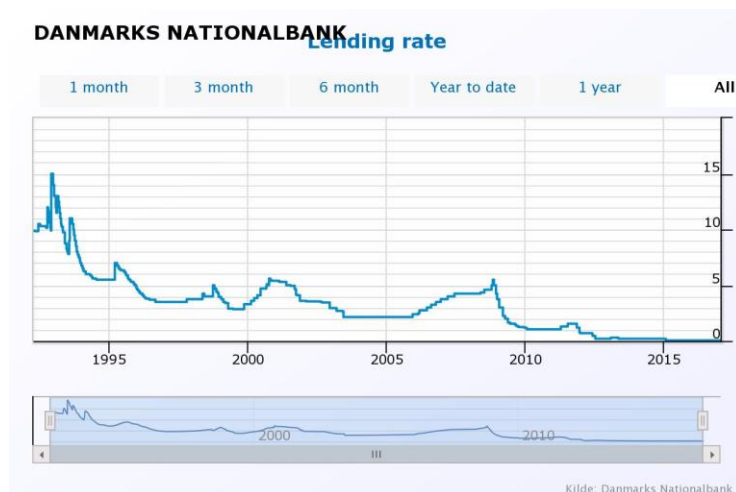
⁶⁸ <http://www.altinget.dk/energi/artikel/153063>

⁶⁹ <http://www.fdm.dk/om-fdm/fdm-mener-smartere-afgifter-giver-bedre-biler>

⁷⁰ <http://publikationer.di.dk/dikataloger/721/> p.5

companies' cars. However, given the increased price tags of TM's cars the above will probably have a very limited positive effect on TM's sales.

The level of employment is another important factor to take into account. Since 2013, employment has been increasing, resulting in 120.000 people obtaining a job due to a growth in the private sector (124.000 new employees). The public sector on the other hand, witnessed a decrease by 5000 employees. That been said, it will likely not change much for TM in the near future. At best, it will contribute to a small sales increase.



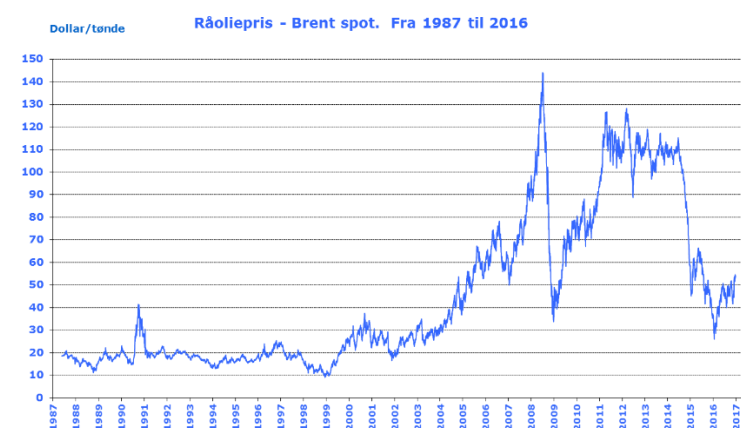
Source: <http://www.economicshelp.org/blog/3417/interest-rates/effect-of-lower-interest-rates/>

Another point worth mentioning, is that the interest rate (lending rate) is still very low and decreasing (see graph above). This could present an opportunity for TM. Given that lower interest rates result in a smaller return from saving, consumers will likely be encouraged to spend instead of holding on to their money. In addition to that, lower interest rates lead to lower mortgage interest payments, meaning reduction of the monthly cost of mortgage repayments. Consequently, householders will have more disposable income, which may result in a rise in consumer spending. Consumers affected by the above conditions, who have the means as well as a strong desire to buy one of TM's models, could be more incited to actually take the step and acquire their dream car. However, TM's cars are still in a price range, where only a select number of people can afford them. Therefore, if the above factors are going to have any effect on TM's car sales, it will most likely be a rather insignificant one.

Lower interest rates also makes cost of borrowing cheaper, which could encourage consumers to take out loans to finance greater spending and investment. Consumers that strongly consider buying one of TM's models, but who do not have the financial means to do so without taking a cheap loan, may decide to actually go ahead and take a loan in order to purchase the car they want. Compared to reduced incentives to save and lower mortgage interest payments, cheaper borrowing could help TM to attract a more important number of potential customers. That been said, even though it is a positive factor which may lead to marginally increased sales, it is not a factor TM should rely on in order to really boost its car sales the coming years.

Given all the above, lower interest rates could have a positive effect on TM's car sales, albeit a minor one.

Oil prices



Kilde: U.S. Energy Information Administration og energi- og olleforum

Source: <http://www.eof.dk/~media/grafer/Gitte/2017-01-04/1987%20og%20frem.ashx>

The prices of petrol and diesel are closely linked to crude oil prices. The price of oil has a big impact on the economy and its growth, and low prices are good for everyone, except those producing and selling it⁷¹. For the sustainable agenda the price of oil has a huge impact. The lower the price the harder it is to choose other form of energy sources and vice versa. Thus the oil prices also have impact on the decision-making when buying a car, especially if the buyer does not have a sustainable and green agenda in mind.

⁷¹ <http://www.dors.dk/oevrige-publikationer/kronikker-artikler/hvordan-paavirker-olieprisen-oekonomiske-vaekst-offentlige>
<http://www.fdm.dk/biler/biloekonomi/derfor-stiger-falder-prisen-paa-benzin-diesel>

As the graph above shows, oil prices have varied a lot over the years. Oil is a finite and rapidly depleting fossil resource, therefore there will be a tendency for increasing oil prices in the future⁷². That been said, from 2014-2015 oil prices drastically decreased from about 115 US\$ per gallon to around 45 US\$ per gallon. Since then, it has not surpassed 60 US\$ per gallon. Even though experts predict that the oil prices will rise in 2017 (the most optimistic ones, believe it will reach 75 US\$ per gallon⁷³, it is significantly lower than the average price in the period 2011-2014. The prices of petrol⁷⁴ and diesel⁷⁵ have also changed in that period, since they depend on oil prices. Even though their prices are not as volatile as oil prices, it means a lot for consumers to even save 1 DKK per liter petrol or diesel. Every year since 2010, passenger car sales in DK have been growing, despite petrol and diesel prices being relatively high. On top of that, the increase in sales is not a result of EVs gaining ground, even though they were exempt from taxes until 2016. In the coming years, the sales of internal combustion engine (ICE) vehicles will most likely continue to increase, given that oil prices will be lower and that EVs are becoming increasingly expensive.

For TM, the lower oil prices are definitely going to be a challenge. Individuals who are not that environmental conscious, will most likely be even more reluctant to acquire and EV. Even consumers who to a certain extent want to “go green” and who have thought about purchasing an EV will probably be less encouraged to do so, due to the increased prices of EVs and the decreasing prices of fossil fuels. TM’s models are the most expensive EVs on the market, which makes them available only to a very small percentage of Danish consumers. When taking into consideration increasing price tags, as well as lower petrol and diesel prices, most consumers will in all likelihood not chose one of TM’s models.

Electricity prices

The Danish government has decided to gradually cancel the Public service obligation (PSO) tariff, between 2017 and 2022⁷⁶. As a result thereof, Danish households will on an average save 10 % on their electricity bills, without compromising the financing of DK’s green transition⁷⁷. While the gradual implementation of taxes on EVs is a massive roadblock for TM, the governments’ decision

⁷² <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3866387/>

⁷³ <http://www.euroinvestor.dk/nyheder/2016/12/27/eksperter-ser-olieprisen-stige-i-2017-citat/13505459>

⁷⁴ <http://www.ok.dk/privat/priser/prisudvikling#>

⁷⁵ <http://www.ok.dk/privat/priser/prisudvikling#>

⁷⁶ <http://efkm.dk/aktuelt/nyheder/nyheder-2016/november/psol>

⁷⁷ <http://efkm.dk/aktuelt/nyheder/nyheder-2016/november/psol>

to phase out the PSO-tariff could help TM increase its car sales. With lower electricity prices, consumers may see more of a benefit in owning an EV. Especially “greener” consumers who besides saving money also will be able to consume electricity that is increasingly derived from renewable energy sources, such as solar and wind. When used, EVs do not pollute, but they do so when charging if the energy sources are not renewable. Environmentally conscious consumers will probably be more devoted to go greener (e.g. purchase an EV), if they feel that the government is making an effort as well. Even though it will probably not affect TM’s car sales significantly, it is still good news.

Sociocultural

A report by Danmarks Statistik, shows that over the last 30 years the Danish population has grown by 12 %. In addition to that, it is composed of fewer young individuals and more elders, resulting in the population getting increasingly older. In 2016 the average age of the Danish population was 41,2 compared to 38,0 in 1986. This development is expected to continue over the next decades. Projections suggest that by 2060 there will be 6,5 million Danish citizens and that the average age will be 44,0. Furthermore, it is estimated that the majority of the population growth will occur around bigger cities before 2026⁷⁸.

In terms of level of education, Danes get increasingly educated. This development goes for both women and men. The level of education has gone up overall, though mostly amongst younger age groups. In 2016, 13-17 % of women between the ages of 30 and 40 have a higher education, while it was only the case for about 4-7 % in 2000. The same can be observed amongst men in the same age group, where 12-13 % have completed higher education compared to 7-8 % in 2000. Even though this has resulted in a rise in inequalities, it is undeniably a positive sign for the country. When individuals get higher degrees, it increases their chances of more favorable job opportunities and in turn higher income, this could favor TM. The more money consumers have at their disposal, the likelier it is that they can afford cars in TM’s price range.

Another positive sign for TM is that Danes appear not to be happy with the government’s current way of handling climate change⁷⁹. The majority believes the government needs to be more

⁷⁸ <http://www.dst.dk/Site/Dst/Udgivelser/GetPubFile.aspx?id=21498&sid=dk2016> p10

⁷⁹ <https://www.information.dk/udland/2016/10/danskerne-dumper-regeringens-groenne-realisme>

proactive even if it costs in the short term. According to the survey conducted by Epinion⁸⁰, Danes are not satisfied with what the government does. They want more support to help them change their consumption patterns. Their personal efforts need to be backed up by initiatives such as: increased incentives to install solar panels as well as for adopting EVs. For now, the government may not be willing to increase incentives for EVs, but given the decrease in EV sales last year and the likelihood that this retrogression will continue, the government will probably have to act in some way, especially if consumers keep on applying pressure.

Consumers may be environmentally conscious in general, but cars are a big expense. The average consumer does not simply go ahead and buy a car, especially not one at TM's price range. The transition to green consumption started with the richer and more educated part of the population before spreading. In order for it to widen transport wise it needs to start somewhere. In accordance with that TM has a logical approach, starting with high-end luxury vehicles. It is the segment most likely to be pro-environmental according to several studies given level of education playing a big role. Since the more educated people are usually also get wealthier.

Technology

Hydrogen⁸¹

So far, only 68 hydrogen cars have been registered in DK. The prices for existing models⁸² are all in the half a million DKK price range. That been said, there are currently 10 hydrogen refueling stations in DK, making it the country with the best coverage in the world⁸³. For a couple of decades already, the Danish government has provided a lot of support for hydrogen and fuel cell research. On top of that, while the Danish government has introduce taxes for EVs, it has decided that hydrogen cars will be exempt from taxes for another 3 years, starting in 2016⁸⁴. Despite the decrease in EV sales in DK, hydrogen cars are still far behind. Therefore, it is not in terms of sales that TM needs to worry about hydrogen cars in the near future. For TM, the threat lies in the fact that the Danish government is increasingly focusing on hydrogen, while downgrading EVs. If the government continues to do so, there will most likely not be any significant changes in the coming years when it comes to the incentives given to EVs. Furthermore, the government's actions will to a certain extent, influence how consumers view the transition to sustainable transport. If the

⁸⁰ <https://www.information.dk/udland/2016/10/danskerne-dumper-regeringens-groenne-realisme>

⁸¹ <https://fuelcellworks.com/news/air-liquide-is-leading-the-largest-power-to-hydrogen-project-in-europe>

⁸² <http://brintbiler.dk/underside/>

⁸³ <http://www.hydrogenlink.net/network.asp>

⁸⁴ <http://hybalance.eu/hybalance/short-presentation/why-denmark/>

government chooses to focus on hydrogen it will send a signal to consumers, that it is the right choice. As a result, consumers may be more inclined to choose hydrogen cars over EVs, or at least they will be more reluctant to buy EVs. TM does not have the means to educate or inform a large number of consumers about the benefits of going electric. Not only does TM need financial support in the shape of increased incentives on EVs, it also needs the government to do more in terms of informing and educating the public on the matter of EVs. Several studies show that individuals do not have an adequate knowledge about EVs, which is yet another important barrier to EV adoption⁸⁵. If consumers have the wrong idea about EVs, or if they simply do not know enough they will mostly likely be more unwilling to buy one.

Environment

As we have seen environmental factors are important for TM. TM's "raison d'être" (purpose) is to make the world a better place, by accelerating the world's transition to sustainable energy. Initially its mission was to accelerate the world's transition to sustainable transport. As we have seen, DK is a country very dedicated to combat climate change. Thanks to its green image, it became an obvious target market for TM. DK is still determined to be a frontrunner when it comes to combating climate change. There is a strong willingness amongst politicians and the Danish population, to make the country transitioning towards sustainable energy and transportation⁸⁶.

Value chain analysis for TM

Introduction

In 1985, Porter introduced his Value Chain tool. In order to be able to determine a company's competitive advantage it is necessary to explain and analyze the various activities that a company performs and that supports the company's product. Those activities can be design, production, marketing, sales, service etc. (Porter 1995).

Porter's value chain disaggregates a company in strategically relevant activities to be able to better define potential sources of differentiation (Porter 1985).

In the following I will present and analyze TM's Value Chain.

⁸⁵ <http://www-935.ibm.com/services/us/gbs/thoughtleadership/ibv-electric-vehicle.html>

⁸⁶ <https://ens.dk/en/our-responsibilities/energy-climate-politics/green-growth-denmark>

Primary activities

According to Porter (1985), the primary activities are inbound logistics, operations, outbound logistics, marketing & Sales and Service. All these 5 activities can be very important for a company's competitive advantage.

Inbound logistics

Inbound logistics covers the part of a company's supply chain involving receiving, storing and distributing the raw materials used in the production⁸⁷.

Receiving

According to TM's annual report 2015⁸⁸, TM manufactures the basic electric components of the car: electric motor, the battery pack and the charger, however the company also receives more than 3000 components which they purchase from over 350 suppliers around the globe. TM has developed a close relationship with their suppliers. Like many other car manufacturers TM also obtains its parts from multiple sources, however TM also purchases many components for its vehicles from one single source⁸⁹.

Storage & Distribution

When it comes to storage and distribution, TM has a Parts and Service Warehouse in Newark, CA⁹⁰. It is situated in close proximity to its production facility in Fremont, also known as the Tesla Factory⁹¹. Besides this warehouse, TM also has warehouses it uses for storage at Livermore⁹² ca. 20 miles from the Fremont factory. Both warehouses are in the vicinity of the Fremont Factory, which gives TM a better control over the distribution of components to the Factory.

Operations

Tesla Factory

TM's vehicle production takes place in the Tesla factory. General Motors and Toyota previously jointly owned the facility, before TM purchased it in 2010, and it was capable of producing 500.000

⁸⁷ <http://www.businessnewsdaily.com/5678-value-chain-analysis.html>

⁸⁸ <http://ir.tesla.com/secfiling.cfm?filingid=1564590-15-1031&cik=1318605>

⁸⁹ <http://ir.tesla.com/secfiling.cfm?filingid=1564590-15-1031&cik=1318605>

⁹⁰ <https://chj.tbtealeo.net/chj05/ats/careers/requisition.jsp?org=TESLA&cws=1&rid=16887&source=Indeed>

⁹¹ https://www.tesla.com/en_EU/factory?redirect=no

⁹² <http://www.bizjournals.com/sanjose/news/2016/05/02/tesla-snaps-up-huge-warehouse-lease-in-livermore.html>

cars per year, which is what TM plans to be able to produce by 2020⁹³. TM currently has a production rate of approx. 104,000 cars annually⁹⁴. It contains several manufacturing operations, (e.g. stamping, machining, casting and seat assembly). TM also has a manufacturing facility in Lathrop, supporting the production at the Tesla factory, serving amongst other things as a site for building chassis and motor components for both TM models⁹⁵.

Tesla Gigafactory

The Gigafactory (GF) outside of Reno, Nevada, is a very important factor in TM's plans for future success. As mentioned above, TM aims to produce 500,000 by the end of the decade. A central element in achieving that is the mass production of the Model 3, for which TM needs to get the GF up and running. The GF is meant to supply the batteries for the model 3, as well as for TM's energy products. The production at the GF is taking place in cooperation with Panasonic and other strategic partners. TM expects that the GF will produce the batteries at a lower cost through economies of scale⁹⁶, counting on being able to reduce the per kilowatt hour (kWh) cost of its battery pack by more than 30 %. This should significantly lower the cost TM's vehicles, seen as the battery is the most expensive element in its cars and give TM possibility to differentiate themselves on the EV market.

In the beginning of this year, battery cell production began at the factory with the production of TM's Powerpack 2 and Powerwall 2, with cell production for the Model 3 following in Q2⁹⁷. TM claims, that by 2018, the GF will be able to produce almost as many lithium-ion battery cells as the world's battery production combined⁹⁸. Even though, battery production has started, the construction of the factory is far from done, with less than 30% completed so far. It is being built in phases, so that TM and its partners can learn along the way, thereby continuously improving their construction and operational techniques.

Furthermore, TM has a goal of making the GF a net-zero energy building (NZEB). In order to achieve that, it will be powered by renewable energy sources, mainly solar⁹⁹. Additionally, the factory will be supplied with heat through waste heat from the production process. It will also

⁹³ <https://electrek.co/2016/05/05/teslas-fremont-factory-1-million-vehicles-per-year-musk/>

⁹⁴ <https://electrek.co/2016/06/13/tesla-production-rate-2000-cars-week/>

⁹⁵ <http://insideevs.com/tesla-acquires-431000-square-foot-facility-lathrop-california-begins-manufacturing-modifications-site/>

⁹⁶ https://www.tesla.com/en_EU/gigafactory

⁹⁷ https://www.tesla.com/en_EU/blog/battery-cell-production-begins-gigafactory?redirect=no

⁹⁸ https://www.tesla.com/en_EU/blog/battery-cell-production-begins-gigafactory?redirect=no

⁹⁹ <http://www.digitaltrends.com/cars/tesla-gigafactory-will-use-massive-solar-array/>

include a water-recirculation system, which will allegedly cut fresh water usage by 80 %. Last but not least, TM is constructing an on-site battery recycling center¹⁰⁰.

TM's efforts to turn the GF into a zero-energy building go hand-in-hand with the company's mission to accelerate the world's transition to sustainable energy. In the end, a self-sufficient factory will most likely benefit TM financially¹⁰¹ or at least strengthen TM's "green" image, primarily amongst its customers and fans and as a result increase brand loyalty.

TM also intends to open a GF in Europe in the nearest future. This GF will produce both batteries and cars and thus vertically integrating the entire production in one plant¹⁰².

Factory in Tilburg, Netherlands

TM acquired its Tilburg Assembly Plant in order to facilitate its operations in Europe. The facility serves as the final assembly and distribution point for TM's vehicles sold in Europe. It is also TM's European service and parts headquarters¹⁰³. More details regarding the Tilburg factory will come in the following section.

Outbound logistics

The Tilburg facility plays a big part in TM's outbound logistics as it facilitates the delivery of its cars to customers in Europe and more specifically DK. Once the cars destined for the EU are built at the Fremont factory, they are tested and then partially disassembled, removing elements such as the battery pack and the drivetrain, before shipping. For safety reasons, the parts are placed in separate containers. Afterwards, they are transported by train to a port on the east coast and therefrom they cross the Atlantic arriving to a port in Rotterdam (NL). Thereafter, they are transported to Tilburg where they are reassembled¹⁰⁴. Once assembled, testing and quality control takes place before delivery to owners, who pick them up in one of TM's stores. Aside from safety reasons, TM could also be saving money on taxes by importing its cars only partially put together¹⁰⁵. That being said, in the long run TM will be best served having actual production taking place in Europe, hence TM's plans to open a GF in Europe. However, for now, the facility in Tilburg helps operations in Europe¹⁰⁶.

¹⁰⁰ <http://www.digitaltrends.com/cars/tesla-gigafactory-will-use-massive-solar-array>

¹⁰¹ <https://www.treehugger.com/renewable-energy/teslas-gigafactory-will-produce-much-renewable-energy-it-uses-net-zero-energy.html>

¹⁰² <https://electrek.co/2016/11/08/tesla-location-gigafactory-2-europe-2017-both-batteries-and-cars/>

¹⁰³ <http://ir.tesla.com/secfiling.cfm?filingid=1193125-11-54847&cik=>

¹⁰⁴ <https://teslamotorsclub.com/tmc/threads/shipment-of-a-tesla-to-europe.44250/>

¹⁰⁵ <http://insideevs.com/tesla-triples-assembly-space-europe-2nd-tilburg-location/>

¹⁰⁶ <http://www.carmagazine.co.uk/car-news/industry-news/tesla/teslas-dutch-factory-doubles-production-for-model-s-and-model-x-crossover/>

Being close to Rotterdam Tilburg is an ideal location for TM in Europe. It is centrally located, so parts can be distributed anywhere on the continent within 12 hours and it has a good connection to all major markets due to an excellent rail and motorway network.

Marketing and sales

Order & Reservations

The process of purchasing one of TM's cars begins online. The vast majority of TM's customers place a custom order through the "design studio" on the companies' website¹⁰⁷. There, they can customize the model they wish to buy, by selecting things such as paint, roof, wheels, interior and the battery capacity. Customers can also choose to purchase additional features that include, full self-driving capability, smart air suspension and subzero weather package. In order to make a reservation, the customer is required to enter into a purchase agreement and pay a deposit. TM collects the remaining payment upon delivery to the customer. The cars are delivered to one of TM's company-owned stores and galleries, which will be discussed in the following. Besides placing a custom order as described above, Danish consumers are also given the option to purchase a display model or a used model¹⁰⁸.

Company owned stores and galleries

Unlike its competitors and the industry as a whole, TM does not use dealerships. TM has self-owned stores and galleries. The reason for TM's approach is simple. TM has chosen to cut out the intermediary (dealers), because they have a fundamental conflict of interest between selling ICEs and EVs. In a blog post¹⁰⁹ Musk explained the above by writing the following: *"It is impossible for them to explain the advantages of going electric without simultaneously undermining their traditional business. This would leave the electric car without a fair opportunity to make its case to an unfamiliar public."* In addition to that¹¹⁰, he underlined the fact that when most people go to a dealer they have already decided what car they want to buy, which yet again puts TM at a disadvantage.

Actually, TM's stores and galleries function primarily as galleries or showrooms as they are often referred to as. The stores and galleries are more a means for TM to advertise its cars and in general

¹⁰⁷ www.tesla.com

¹⁰⁸ https://www.tesla.com/da_DK/models

¹⁰⁹ https://www.tesla.com/en_EU/blog/tesla-approach-distributing-and-servicing-cars?redirect=no

generate awareness around its brand. Through them TM is looking for visibility, which is why they are located at places people regularly visit, such as malls and shopping streets. Thereby, TM is more likely to interact with potential customers and have them learn about its cars from Tesla Product Specialists¹¹¹.

“To date, media coverage and word of mouth have been the primary drivers of our sales leads and have helped us achieve sales without traditional advertising and at relatively low marketing costs”¹¹².

TM has managed to make a name for itself and compete with well-established premium car brand, primarily through earned media and word of mouth (WOM), while its competitors still heavily rely on traditional paid media (e.g. ads on the TV, billboards etc.). The fact that TM is still a relatively small car manufacturer has undoubtedly played a role when it comes to how much the company invests in marketing. Compared to its competitors and the majority of the industry, TM has a small budget. Therefore, it has to prioritize the aspect of its operations in which it is going to invest the most. So far, it has not made any sense for TM to attempt to further increase demand for its cars by devoting more of its budget to marketing, given its limited production capability.

Word of mouth (WOM)

TM has benefited a lot from WOM¹¹³. People talk about TM, spreading the word of its existence as well as what it is that makes it special, especially Tesla owners and fans/enthusiasts who are very brand loyal. Most of them are true brand evangelists, who express the love they have for TM amongst each other, as well as with family, friends, colleagues etc. They form a strong community, with a significant online presence. In addition to their desire to share their passion for TM, they are also very protective of the company, defending it when it is under criticism. TM’s customers and fans is a big reason behind TM’s success. WOM is a very important means for companies to strengthen their brand(s) and generate sales. In the case of TM, it is even more important. It is more or less a necessity, given TM’s limited marketing budget. TM depends on WOM and other free or low cost ways to advertise its products.

¹¹¹ https://www.tesla.com/en_EU/blog/tesla-approach-distributing-and-servicing-cars?redirect=no

¹¹² https://www.sec.gov/Archives/edgar/data/1318605/000156459015001031/tsla-10k_20141231.htm

¹¹³ <https://www.aol.com/article/2013/12/14/teslas-word-of-mouth-advantage/20788628/?gen=1>

Early on, TM has realized the benefits of WOM and has learned to use it in its advantage. WOM advertising is a central part of TM's marketing strategy. One thing TM is known for in terms of WOM marketing, is its referral programs¹¹⁴. TM initiated its first referral program in 2015¹¹⁵, which ran from late June until the end of October that year. Back then, anyone using a referral link of a current owner, when ordering a Model S, received a 1000 US\$ discount. The owners were incentivized by receiving 1000 US\$ credit towards the purchase of Tesla parts, accessories, and service center visits. There were also grand prizes for owners who managed to get the most referrals. Bjørn Nyland, a vlogger (video blogger) from Norway whose YouTube channel¹¹⁶ is primarily dedicated to videos about the Model X, was one of the regional winners¹¹⁷. He was the first in his region to reach 10 referrals and for that he was awarded a fully loaded founder series model X, a free tesla Powerwall including installation, as well as two tickets to attend the GF grand opening party. He was also the regional winner of the second referral program; this time winning a Ludicrous enabled Model S P90D¹¹⁸. Recently TM ran another referral program, which lasted until the 15th of March, which was based on the same principle as the previous ones.¹¹⁹.

Another way TM makes use of WOM marketing is through customer stories and videos. On its website under "updates", TM has six sections, two of which are "videos" and "customer stories". Under "customer stories" TM posts stories written by its customers, accompanied with the customers' names and the date, as well as photos of them in most cases¹²⁰. In the customer stories Tesla owners talk about their experiences of owning a Tesla (e.g. safety, supercharging and much more). Under "videos", TM posts a variety of videos, including customer stories, product launches, update demonstrations, challenges etc.¹²¹. The videos are also available on TM's social media pages, thereby increasing the visibility of the videos. The majority of people visiting TM's website are people who are already interested in TM. Arguably, this is also to a certain extent the case on TM's social media pages. The people who follow TM on FB do so because they are interested in TM. However, there are significant differences between TM's social media pages and its website. First of all, on social media platforms like FB and Instagram users who follow TM's page do not necessarily have to actively look for updates from TM. For instance, when scrolling down the "news feed" on FB, you may come across an update from TM that sparks your interest. Another

¹¹⁴ https://www.tesla.com/en_EU/support/referral-program?redirect=no

¹¹⁵ <http://www.teslarati.com/tesla-confirms-bjorn-nyland-winner-referral-program/>

¹¹⁶ Teslabjorn <https://www.youtube.com/user/bjornnyland/about>

¹¹⁷ <http://www.teslarati.com/tesla-confirms-bjorn-nyland-winner-referral-program/>

¹¹⁸ <http://www.teslarati.com/bjorn-nyland-wins-second-tesla-referral-contest/>

¹¹⁹ https://www.tesla.com/en_EU/support/referral-program?redirect=no

¹²⁰ https://www.tesla.com/en_EU/customer-stories

¹²¹ https://www.tesla.com/en_EU/videos

advantage of posting the videos on social media is that friends of people who follow TM e.g. on FB are also more likely to see them. Finally, it is also easier to share the videos directly through social media, even though TM also has a share option on its website. By using both written and visual customer stories, TM has managed to find a way to further incorporate WOM in its marketing strategy.

TM has also recently launched a “drive to believe” challenge¹²², inviting car owners in Europe to participate, with the opportunity to swap their cars for a Model S for a week. TM selected over 40 winners. TM decided to launch this challenge because the company believes that it takes driving the Model S and experiencing its superior performance, safety and technology to be convinced of how good it is¹²³. While people can try a Model S or X by ordering a test drive, this challenge takes experiencing driving a Tesla to another level. Having the chance to drive the Model S for a week, gives the winners the opportunity to have an in-depth experience of what it means to own such a car. Assuming that the winners are genuinely interested in actually owning a Tesla, the experience may convince them to actually go ahead and buy it. Furthermore, the winners will attract attention from their surroundings. They will probably want to share their experience of owning the Model S with people around them perhaps even allow them to take a ride in it, increasing the likelihood of others wanting to buy it. TM has also made the challenge into a WOM marketing campaign, by making videos of the winners’ experiences¹²⁴. Thereby TM is able to make more customer story like videos. However, by using people who try the Model S for a week instead of existing owners, TM is adding a new and perhaps more credible perspective of what it feels like to own one of its cars. Overall, the challenge is a great way for TM to achieve more brand awareness, and maybe increase sales or at least get closer to convincing a group of people that it is worth buying a Model S.

TM also holds many events. One of them took place in Tesla Kastrup, DK, earlier this year. TM made a small batch of cars from 2015 available without taxes for immediate delivery, in order to increase its sales. During the event, the participants could have a 20 minutes test drives¹²⁵. Even though there is no information available regarding the amount of sales TM managed to generate, it is still positive to see the company take initiative in order to solve the problems it is facing in DK.

¹²² https://www.tesla.com/en_EU/campaign/drive-to-believe

¹²³ <https://electrek.co/2016/11/20/tesla-drive-to-believe-challenge-swap-model-s/>

¹²⁴ https://www.tesla.com/en_EU/videos/drive-believe-germany

¹²⁵ https://www.tesla.com/da_DK/event/nyt%C3%A5rskur-hos-tesla

Media coverage

TM has managed to earn a lot of media coverage, due to the fact that it is truly a newsworthy company. TM has largely been able to rely on earned media. TM has been talked about a lot on a multitude of TV channels worldwide, including in DK. There are also countless articles about TM in a variety of newspapers/magazines, also in DK. Like with WOM, earned media coverage increases credibility. TM has used the positive media attention to its advantage as much as possible. On its website under “press”, TM refers to positive articles about the company¹²⁶.

Elon Musk

A part of TM’s media coverage, is due to Elson Musk, who in many ways is very valuable for TM, including when it comes to marketing. As a serial entrepreneur, he has accomplished a lot from an early age. He has created a number of successful companies (e.g. Zip2, X.com (PayPal) and SpaceX)¹²⁷. Musk has been as being genius, inventor, futurist and visionary among other things. He is a very talked about public figure, attracting a lot of attention and admired by many. As TM, Musk is truly newsworthy he is arguably even more popular than TM. All the attention he receives, TM receives as well. He appears in many interviews, which is free publicity for TM, whether it is about TM or not. Musk also uses his social media, primarily twitter (Musk: 9.25 million followers, TM: 1.46 million)¹²⁸¹²⁹. At times, he even communicates with TM owners/fans directly, such as when the earlier mentioned challenge winner B. Nyland wrote to Musk on twitter to ask if he won the challenge, to which Musk answered “@BjornNyland Provided all ten take delivery, you have indeed!”¹³⁰.

While TM gets a lot of media coverage, not all of it is positive. There are many examples of negative articles/reviews about TM. In those cases, Musk is ready to defend TM. He makes it a top priority to react to attacks on TM if he feels they are not accurately representing the company. There are several examples of him addressing negative media coverage (e.g.¹³¹). Musk is far from a typical CEO, especially in the automotive industry. He is a crucial part of TM’s success, without him the company most likely would not be where it is today.

¹²⁶ https://www.tesla.com/da_DK/press

¹²⁷ <https://www.biography.com/people/elon-musk-20837159>

¹²⁸ <https://twitter.com/elonmusk>

¹²⁹ <https://twitter.com/teslamotors>

¹³⁰ <https://twitter.com/elonmusk/status/630006872049737728>.

¹³¹ https://www.tesla.com/da_DK/blog/most-peculiar-test-drive?redirect=no and https://www.tesla.com/da_DK/blog/mission-tesla?redirect=no

Service

TM provides service for its vehicles at its company-owned service centers and its Service Plus locations, as well as through its mobile technicians called Tesla Rangers in cases that do not require a vehicle lift¹³². However, the latter is only available in certain areas and for an additional charge. As of December 31, 2015, TM owned and operated 118 service locations worldwide and continues to build more of them. In DK, TM has two service centers, one in Aarhus and one in Kastrup. Despite the existence of the above-mentioned service options, TM can solve many problems remotely, given that its vehicles have the ability to wirelessly upload data about the issues at hand, via an on-board system with cellular connectivity¹³³.

TM's ability to remedy many problems without physical service is great for the company and its customers. Tesla owners can in many cases, receive the service they need from the comfort of their own home.

TM's Supercharger Network

The Supercharger Network is considered to be a great asset for TM¹³⁴. Through its network of superchargers, TM facilitates long-distance travel by providing fast charging. Thereby, it also helps breaking down a significant barrier to the broader adoption of EVs, caused by the perception of their limited range. It allows Tesla owners to charge their vehicles in minutes instead of hours (270 km in just 30 min.). Generally, Supercharger stations have four to ten supercharges. There are over 805 Stations with 5,159 Superchargers throughout North America, Europe and Asia, which are mainly placed along well-traveled highways, in a way that minimizes stops during long distance travel. Additionally, they are conveniently located near restaurants, shopping centers and Wi-Fi spots. In DK, there are 7 supercharger stations, with more to come, making it easy for Danish Tesla owners to travel around the country and through Europe all the way to Spain or Italy¹³⁵.

Destination Charging

TM also provides destination charging. It collaborates with a variety of hospitality locations, including hotels, restaurants, shopping centers and resorts who install Tesla wall connectors. As of

¹³² <http://ir.tesla.com/secfiling.cfm?filingid=1564590-15-1031&cik=1318605>

¹³³ <http://ir.tesla.com/secfiling.cfm?filingid=1564590-15-1031&cik=1318605>

¹³⁴ <https://electrek.co/2017/04/24/tesla-new-supercharger-stations-chargers-model-3-launch/>

¹³⁵ https://www.tesla.com/en_EU/supercharger?redirect=no

December 31st 2016, TM had 4,148 destination charging sites and 7,110 destination charging connections¹³⁶. In DK, TM is offering 32 destination charging locations¹³⁷, thus making sure that its costumers have less to worry about when it comes to travelling. Even though only 32 locations in DK offer destination charging, it is a good supplement to public chargers and the superchargers, making it more convenient to own one of TM's vehicles.

Service prices

TM holds an advantage over its competitors when it comes to service prices. A study in which FDM participated in last year, shows that it is significantly cheaper to service a Tesla Model S (0,24 DKK/Km) than an Audi A7 3,0 (0,49 DKK/Km), 104 % less to be exact¹³⁸. In addition to that, the study shows that EVs require less maintenance overall.

That been said, while Danish Tesla owners seem content with their cars, they do not appear to be satisfied with the service offered by TM. On the Danish Tesla forum, called Teslaforum.dk¹³⁹, many owners have voiced their dissatisfaction. Amongst other things, there have been complaints about the prices for servicing, as well as the service packages not living up customers' expectations.

Furthermore, TM has been under heavy criticism, due to a lack of service¹⁴⁰. The huge amount of Models S sold in 2015, especially the big and sudden increase in sales at the end of the year, has resulted in TM having a hard time keeping up with servicing, given that it only operates two service centers in DK¹⁴¹. Many customers had to wait 2 to 3 months before being able to get their car serviced. In its 2015 annual report¹⁴², TM actually mentioned this as a potential risk factor, stating: "If we fail to manage future growth effectively as we rapidly grow our company, especially internationally, we may not be able to produce, market, sell and service our vehicles successfully¹⁴³".

In an interview with DR¹⁴⁴, TM's Regional Service Manager, Marius Iversen, admitted that the company has had some backlog. However, he underlined that the biggest issue had been that customers could not reach TM. Therefore, the division in Copenhagen, which used to have two

¹³⁶ http://files.shareholder.com/downloads/ABEA-4CW8X0/3094159325x0x929284/22C29259-6C19-41AC-9CAB-899D148F323D/TSLA_Update_Letter_2016_4Q.pdf

¹³⁷ https://www.tesla.com/en_EU/destination-charging?redirect=no

¹³⁸ <http://www.fdm.dk/biler/test-teknik/el-biler/udgifter-til-servicering-af-en-elbil>

¹³⁹ <http://www.teslaforum.dk/forum/topic/3592?&page=2>

¹⁴⁰ <http://www.dr.dk/nyheder/viden/tech/tesla-ejere-raser-over-manglende-service>

¹⁴¹ <https://electrek.co/2016/08/10/tesla-denmark-2-3-months-wait-service-owners-furious/>

¹⁴² <http://ir.tesla.com/secfiling.cfm?filingid=1564590-15-1031&cik=1318605>

¹⁴³ <https://www.sec.gov/Archives/edgar/data/1318605/000119312512402293/d413621dex991.htm>

¹⁴⁴ <https://www.dr.dk/nyheder/viden/tech/tesla-danmark-vi-var-langsomme>

receptionists, was upgraded to having nine instead, with plans of expanding the staff even further. TM has also expanded its headquarters in both Aarhus and Copenhagen and hired additional mechanics/service technicians.

Research and development (R&D)

R&D has been key factor to TM's success so far. It is a source of competitive advantage for the company. TM allocates only a small amount of its budget for marketing its products, focusing instead on staying innovative by investing a lot in R&D. In 2015, TM's R&D intensity was 17.7 %¹⁴⁵. R&D intensity is the ratio of R&D investments to revenues, generally used as an indicator of how innovative a company is. In comparison to TM, its competitors' R&D intensity is much lower; BMW's R&D intensity was 6.0%, while Daimler AG's, Mercedes parent company, was only 4.4%. That been said, the amount allocated to R&D by both BMW and Mercedes remain superior to that of TM. In 2015 BMW spent 5,169 billion euros on R&D¹⁴⁶, while Mercedes' expenses on R&D reached 4,7 billion¹⁴⁷. With 718 million US\$¹⁴⁸, TM is still far behind its competitors. However, it is important to take into account that BMW and Mercedes are traditional, well-established car manufactures, who have far bigger product ranges, hence the need for higher R&D expenses.

TM's continuous and increasing investment in R&D, has really paid off so far. Ultimately, TM would not have produced exceptional newsworthy cars and be the company it is today without its relentless focus on R&D.

TM's investment in R&D has given the company a first mover advantage in the luxury EV market. Thanks to these investments, TM has been able to create award-winning vehicles, which also score very high on owner satisfaction¹⁴⁹. In order to sustain its first mover advantage, TM needs to keep on investing in R&D.

Human resources (HR)

Human resources are also of importance for TM's success. TM's emphasis is on hiring high-quality talent. However, due to the fact that TM is not yet profitable, its HR budget is very limited. In order to work around this constraint, TM has been making use of a referral program, through which found

¹⁴⁵ <https://evannex.com/blogs/news/innovation-culture-tesla-r-d-spending-versus-other-automakers>

¹⁴⁶ https://www.bmwgroup.com/content/dam/bmw-group-websites/bmwgroup_com/ir/downloads/en/2016/BMW_Factbook_June_2016.pdf

¹⁴⁷ <https://www.statista.com/statistics/346985/research-and-development-expenses-of-mercedes-benz-cars/>

¹⁴⁸ <https://www.statista.com/statistics/314863/research-and-development-expenses-of-tesla/>

¹⁴⁹ http://files.shareholder.com/downloads/ABEA-4CW8X0/3094159325x0x929284/22C29259-6C19-41AC-9CAB-899D148F323D/TSLA_Update_Letter_2016_4Q.pdf

that being referred or being the referrer influences a persons' decision to stay at a job. As previously mentioned, the goal is to attract high-quality talent, which is why TM's focus has been to ask its top-rated talent to refer¹⁵⁰. Another way TM attracts as well as retains the best employees is engagement, incorporating employee engagement into its core business strategy. Amongst other things, the company has found that engagement results in 15% more profitability, 30% productivity and 12% higher customer engagement¹⁵¹. So far, it seems that TM has been able to recruit a great number of talented people. In the context of HR, it is also important to mention Musk, who as we have seen earlier, is undoubtedly a very big asset to TM, which is also the case in terms of recruiting talent.

Procurement

Procurement is concerned with the acquisition of goods, services or works from an outside external source. It supports inbound logistics. Even though TM does a lot to reduce dependency on suppliers by vertically integrating its supply chain, it has numerous suppliers of which the majority is single source. If any of those suppliers fail to deliver on time or if the parts they supply do not perform as expected, TM could have trouble delivering its vehicles on time. TM has experienced delays in launching both the Model S and X. While TM may be able to establish alternate supply relationships and thereby secure components in case single source suppliers fail to deliver, it may be both costly and time-consuming¹⁵². TM has also had problems with its vehicles, resulting in recalls. One such incident occurred in April 2016 when TM had to recall 2,700 Model X, due to the risk of third-row seats folding over in a crash¹⁵³. However, TM handled this setback relatively well, showing that it is proactive about recalls. TM resolved the issue together with its supplier. It could therefore inform the affected customers about the problem, while being able to reassure them that a fix was already in place and to give them a time frame for the completion of the recall and replacement¹⁵⁴.

Since it is for now impossible for TM to build everything in-house, it has to find a way to be less vulnerable to logistics. One way in which TM has done so is through the Tesla Motors Supplier Portal¹⁵⁵, which is a platform enabling communication between TM and its suppliers. It is

¹⁵⁰ <http://www.hci.org/blog/tesla-motors-growing-rapidly-and-strategically>

¹⁵¹ <https://www.geteverwise.com/human-resources/how-tesla-engages-its-employees-to-drive-business-results/>

¹⁵² https://www.sec.gov/Archives/edgar/data/1318605/000156459016013195/tsla-10k_20151231.htm (TM's report 2016, p 15)

¹⁵³ <http://www.theverge.com/2016/4/11/11408522/tesla-model-x-recall-third-row-seat>

¹⁵⁴ <https://www.cebglobal.com/blogs/corporate-procurement-why-good-supplier-relationships-make-product-recalls-easier/>

¹⁵⁵ https://suppliers.teslamotors.com/_layouts/15/Tesla.supplier.sp/login.aspx?ReturnUrl=%2f_layouts%2f15%2fAuthenticate.aspx%3fSource%3d%252F&Source=%2F

accessible through TM's website on a secure internet connection, thus allowing them to share key business and product information with each other safely and efficiently¹⁵⁶.

In an interview with My Purchasing Center, former Supply Chain Vice President at TM, Peter Carlsson said "the goal is to get them closer to Fremont and reduce logistics and inventory costs, reduce the carbon footprint from our supply chain and increase flexibility to be able to do modifications even faster because the supply chain is shorter"¹⁵⁷. As a result several suppliers have already moved to the "Bay Area", in order to be closer to TM. Amongst those are, Eclipse Automation, Inc. and Futuris Automotive Group. The former opened a service shop and engineering offices in Fremont, while the latter moved into a facility in Newark¹⁵⁸.

Infrastructure

The organizational structure at TM takes a traditional form. Like its competitors¹⁵⁹, TM has a functional organizational structure, which is one of the most common structures, characterized by global hierarchy, global centralization and minimal regional divisions. Global Hierarchy is perhaps the most important characteristic in TM's case. The aim is to maintain strict control of operations, through functional teams or offices. Their role is to oversee domestic and international operations. Global centralization supports the former. The decision making primarily takes place at TM's headquarters, from where the heads of the above-mentioned teams/offices control operations, thus limiting the autonomy of its regional or overseas offices. In continuation of that, TM has minimal regional divisions¹⁶⁰.

That been said, despite limited autonomy TM's overseas offices are not completely depending on headquarters in their decision-making. Aside from the earlier mentioned operations in Tilburg, TM also has its European headquarters in The Netherlands, located in Amsterdam. Together they hold the right to manufacture and distribute all of TM's products to customers in all markets outside the US, as well as provide corporate oversight for European sales, service and administrative functions¹⁶¹. Additionally TM also has regional managers (e.g. regional Nordic marketing manager or communications manager Scandinavia). From various job descriptions, it seems as though these

¹⁵⁶ <https://smbp.uwaterloo.ca/2016/07/tesla-using-social-media-to-maximize-their-supply-chain-communication/>

¹⁵⁷ <http://www.mypurchasingcenter.com/logistics/articles/tesla-motors-extends-innovation-its-supply-chain>

¹⁵⁸ https://www.energy.gov/sites/prod/files/2016/02/f29/DOE-LPO_Mini-Reports_004_ATVM-Driving-Economic-Growth_FINAL_Jan-2016.pdf

¹⁵⁹ <https://prezi.com/gfvri-4shn03/organizational-analysis-design/>

¹⁶⁰ <http://panmore.com/tesla-motors-inc-organizational-structure-characteristics-analysis> <http://ir.tesla.com/management.cfm> <https://www.inverse.com/article/8955-careers-at-tesla-the-ups-and-downs-of-making-sexy-zero-emission-cars>

¹⁶¹ https://www.sec.gov/Archives/edgar/data/1318605/000156459017003118/tsla-10k_20161231.htm (TM's report, p 9)

managers have a lot different responsibilities and that they need to be able to handle them independently, suggesting that in spite of TM's global hierarchy, overseas offices do have a certain amount of freedom to act on their own¹⁶². This freedom is important for TM's operations in DK, especially given the previous mentioned service problem it experienced in DK. The problem took a while to solve, indicating that TM's overseas offices are still constrained in their ability to readily respond to issues.

SWOT analysis of TM

SWOT is an acronym for a strategic analysis which purpose is to identify the strengths and weaknesses of an organisation and the opportunities and threats in the environment. SWOT analysis has its origins in the 1960s¹⁶³.

Based on the factors identified through the SWOT analysis a company can develop strategies that can build on the strengths, eliminate the weaknesses, exploit opportunities and resist threats. The strengths and weaknesses are identified by an internal evaluation (e.g personnel, facilities, location, products and services) of the organization and the opportunities and threats by an external evaluation (e.g. political, economic, social, technological and competitive environment) in the organization¹⁶⁴.

In the following I will do a SWOT analysis for TM based on the findings in my PESTLE and VCA analyses.

Strengths:	Weaknesses:
<ul style="list-style-type: none"> • First mover advantage on the luxury EV market • High focus on/investment in R&D • Superchargers and destination chargers • Gigafactory (basis for differentiation) • Earned media/WOM • Charismatic and extrovert CEO (Musk) • New model 3 	<ul style="list-style-type: none"> • No investment in Marketing • Not enough service centers (DK) • Limited budget compared to competitors • No production facility in Europe • Price • Limited production capacity • Delays in production

¹⁶² <https://m.finn.no/job/fulltime/ad.html?finnkode=80506190>

¹⁶³ Dyson, Robert G: Strategic development and SWOT analysis at the University of Warwick, European Journal of Operational Research 152 631–640, 2004

¹⁶⁴ Dyson, Robert G: Strategic development and SWOT analysis at the University of Warwick, European Journal of Operational Research 152 631–640, 2004

<ul style="list-style-type: none"> • Distribution and servicing (company owned stores and service centers) • Best performing EV on the market (range, speed, safety etc.) • Autonomous driving • Strategically well placed Tilburg factory 	<ul style="list-style-type: none"> • Supplier dependence (single source suppliers)
Opportunities: <ul style="list-style-type: none"> • Carsharing • Focus on green transportation (less CO emission) • Consumer pressure on government (wanting more incentives for EVs) • Pressure from FDM and Dansk EL Alliance to revise the current model registration taxes – taxes on EVs • Economic growth/low interest rates • Increasingly educated population/increase in income 	Threats: <ul style="list-style-type: none"> • Competitive EVs • Fazing in of taxes on EVs • Growing leasing market • Carsharing • Low oil prices • Tax reduction for high priced cars • Government prioritizing hydrogen technology

Conclusion on TM's market analysis

Based on my VCA and PESTLE analyses that are summed up in the above SWOT, TM overall situation seems quite positive. On the internal part of the analysis TM has more strengths than weaknesses. Some of the weaknesses TM is already addressing (e.g. increasing production capacity through new Gigafactory, opening of Gigafactory in Europe, reducing suppliers dependence by vertical integrating the supply chain). TM is also addressing the price issue, by introducing a cheaper model 3.

Even if TM manages to take advantage of the above opportunities it may not lead to a significant increase in sales.

However the threats may have a strong negative impact on TM, in particular the increase of taxes, which seems to be the main reason for current and future reduction in sales.

In the following I will analyze the primary data in order to see whether some of the above finding are supported by the survey.

4) Analysis of primary data

Demographic

120 people responded to the survey. Out of them 44,5% were women and 55,5 % men, making it a clear majority of male respondents.

In terms of age, the age group 18-34 is overrepresented (76,5 %), while there are just 16 % of respondents belonging to the age group 35-51 and 7,6% in the age group 52-69. There are no respondent at all above the age of 70.

When it comes to occupation, the majority are either full-time employees (41,2%) or students (44,5%). There is only one respondent that is retired, 3 who are independent, 6 who are unemployed, and 7 who are part-time employees.

As to respondents' level of education, most have a master degree or Ph.D. (37%), closely followed by those holding a Bachelor degree (33,6%). 17,6% of respondents have high school as their highest completed education. For 9,2% vocational education and training is their highest completed education. Finally, for 2,5% of respondents, their highest completed education is primary school education.

With regard to the annual income of the respondents' households, 32,2% earn a maximum of 199.000 DKK before taxes. Almost equal is the percentage of households earning between 400.000 and 699.000 DKK (22,9%) and those earning between 200.000 and 399.000 DKK (23,7%). The amount of households earning between 700.000 and 1.000.000 is 17 (14,4%) and 6,8% earn a million DKK or more.

Concerning the number of people per household, the majority of households (37,8%) are composed of 2 people. In second, are single-person households (22,7%). 17,6% of the households are made up of 4 people, 16,8% of 3 people and 5% of 5 or more people.

As with age, regarding the respondents' type of dwelling, those living in apartments are overrepresented (80,5%), while 13,6% live in a house, and 5,9% live in a townhouse.

Finally, when it comes to where the respondents live, 76,5% live in a city, 23,5% live in a town, and 0 live in the countryside. Once again, there is a case of overrepresentation, this time of respondents living in cities.

Car related questions

Out of the 120 respondent, a large majority (63,3%) does not have a car (owned or leased). The respondents who do not have a car, were asked to answer two questions (how likely is it, that you will buy a car in the near future (3 years)? And how likely is it, that you will buy an electric car within the next 3 years? The options presented for both questions were: Very unlikely, likely, very likely. For the first question, most of the respondents (48,5%) answered that it is very unlikely they will purchase a car. 41,2% answered that it is likely they will buy a car, and only 10,3% answered that it is very likely. When it comes to how likely it is, that they will buy an EV within the next 3 years, a mere 2% said that they would very likely buy one. 25,5% answered that it is likely. While, the majority (72,4%) does not plan to buy an EV in the near future.

Thus most respondents who do not have a car, do not plan on purchasing one in the foreseeable future, and even less expect to buy an EV.

Even though, a few of the respondents who said they have a car did not answer what type of car it is, it was clear to see that most had a diesel/petrol car. Only 4 answered that they have a hybrid and 2 that they have an EV. This was as expected, given the number of owners of EVs/Hybrids in DK. For questions 5, 64,6 % answered they would consider switching to an EV.

When asked about which factors are the most important to them when they consider buying a car, price was the most important factor, chosen by 37 respondents. The second most important factor is safety. How environmentally friendly a car turned out to be the third most important factor. Brand/model came in fourth, design fifth, and finally size came in last.

The above data supports the fact, that increase in taxes on EVs have a huge effect on TM's possibility to sell their cars in DK. Most respondents answered that the price is the important factor when buying a car and thus the increase in prices of TM's EVs will have a negative impact on sale. Also the fact that only 25 % answered that they are likely to buy an EV reflects a challenge that TM could face on the Danish market.

Tesla specific questions

92,5% of respondents have heard of TM. When asked when they first heard about TM an equal amount of respondents (30,6%), chose “I have seen a Tesla on the street” and “other media (TV, newspapers, magazines, radio etc...)”, making those the two most chosen answers. Word-of-mouth came in second (22,5%) and online third (16,2%). While it was expected that “I have seen a tesla on the street” came in first place, it was unexpected that there was not a higher percentage of respondents choosing WOM as answer.

Only 13,5% of respondents believe they have high knowledge about TM. The majority (48,6%) consider themselves to have medium knowledge about TM. 37,8% think they have low knowledge about TM. This correlates well with the fact that most of the respondents (60%), said that they did not know that TM also produces/sells batteries for energy storage. None of the respondents own a Tesla or have owned one. 20,2% would consider buying a Model S; 13,9% would consider buying a Model X; and 41,3% would consider buying the upcoming Model 3.

The fact that twice as many would consider buying Model 3, also supports the fact that prices is a huge obstacle when considering buying a car. However this also opens up towards a new possibility for TM on the Danish market.

For those who answered “NO” to considering buying one of TM’s Models, 78,6% stated price as the main reason why they would not purchase one. With 9,5% limited range came in second, followed by “other” 7,1% and finally 4,8% chose “it is an EV”. This answer also confirms that TM’s main challenge is that its cars are very expensive. Most of the respondents can simply not afford the Model S and X, given their household incomes. Even the majority of respondents, with a household annual income that gives them the means to buy a Tesla, stated that price is the main reason they would not buy one.

Data from the survey confirms what the PESTLE analysis also showed, which is the fact that price indeed seems to be the biggest obstacle TM is currently facing and will be facing in the coming years in DK.

When the respondents were asked to rate how likely it is they would buy a car online if it was possible (on a scale from 0-10, 0=very unlikely and 10=very likely) 26,6% said it is very unlikely.

Only 6,4% said that it is very likely. 37,6% of respondents are on the more positive end of the scale, leaving the majority (54,1%) below 5. It is surprising that there is not more interest for online purchasing which TM has become known for.

However, when it comes to TM's autopilot feature, the majority of respondents (47,3%) believe they could to a larger extent benefit from it. Thus, it seems that the autopilot is actually mostly perceived as a good feature in TM's vehicles. The same goes for the fact that a customer can customize a car they buy from TM. The large majority of respondents, consider the opportunity to customize a car as quite an important factor, given that 60% rated the option to customize a car between 6 and 10 (10=very important).

The majority of respondents (78,9%) have not seen one of TM's showrooms in DK. While TM has a high brand awareness, it is definitely a disadvantage that its stores are not more visible.

The data suggest that the two showrooms are not located ideally to serve their purpose, which is something TM should take into consideration.

When asked to say which words (maximum three) they primarily associate with TM, the respondents answered a lot of different things. However some words came up several times. The most recurrent word is environmentally friendly and related words (e.g. sustainable, climate friendly, and green), which were mentioned over 30 times. Electric vehicle(s) (on a few occasions electricity) was used second most after environmentally friendly. Future and a couple of related words (foresighted and progressive) were used about 10 times to describe TM. The same goes for innovative/innovation, as well as luxury/exclusive, and some related words (e.g. prestige, high class, high-end and wealth). A few respondents used the word "expensive". Some other more pejorative words were used, including publicity stunt, repair problems, dangerous, and unpractical. Other words used to describe TM include the following: Stylish, beautiful, modern, daring, challenging, speed, cool, silent, efficient, evolution, genius, self-driving, elegant, and design.

The above statements that respondents relate to Tesla's EVs will be used in the analysis of TM's brand image in the next chapter.

5) Chapter two – Branding

Introduction

I will start this chapter with an introduction on why TM should keep on working on their branding strategies.

I will then discuss the relevant theoretical approaches in regard to brand identity and brand image. Then I will analyze TM's brand identity using the brand identity prism (Kapferer, 2012) following with a brand image analysis of TM. I will base the analysis primarily on secondary data supported by the relevant primary data from my questionnaire.

As expected, the strategic market analysis, together with some of the data from the survey, showed that the biggest threat to TM's success on the Danish market is the phasing in of taxes. Very few consumers are willing to buy TM's cars with the current price tags, and they will most likely be even more reluctant as the taxes increase. Even though TM is working hard reducing the cost of producing its cars, TM is still years away from being competitive price wise, without significant financial incentives. However, when and if TM manages to make its cars as affordable as those of its competitors without incentives, it needs to establish itself as a strong brand in the minds of the Danish consumers. Therefore, over the next few years, TM needs to find way to build a brand with significant equity, so that consumers would strongly consider buying a Tesla.

There are numerous ways, in which brands can make themselves attractive to consumers. That is also one of the reasons, why brand management can be quite complicated. The American Marketing Association (AMA), defines a brand as a "name, term, sign, symbol, or design, or combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competition" (Kotler 1997)¹⁶⁵. This definition, oversimplifies what a brand is. The problem lies in reducing a brand to the above-mentioned elements. Indeed, a brand is meant to distinguish the goods and services of one seller or group of sellers from those of others (competitors). However, it does not do so simply through elements such as a "name, sign or design". These are important factors, but a brand is more than that and that is why brands have the potential to be very powerful. The perception of brands and the discipline of brand management

¹⁶⁵ Kotler, Philip (1997), Marketing Management, 7th ed. Englewood Cliffs, NJ: Prentice Hall

have evolved over time. Initially in brand management research and literature, the focus was on the sender (i.e. company). The brand is “owned” and communicated by the company. The 4P’s (marketing mix) are used by the company to affect consumer brand choice. As a result, consumers are basically “passive recipients” of messages communicated by the company. They base their consumption decisions on rational considerations, which gave rise to the notion of the “economic man”¹⁶⁶. The focus on the sender was further emphasized by linking the brand with corporate identity, emphasizing the importance of integrating the brand on all organizational levels, thus marking the transition from product branding to corporate branding and giving rise to the concept of “brand identity”, which will be one of the focus areas of the next part of the assignment. In 1993, Kevin Lane Keller introduced the customer-based brand equity model, which to this day is considered a central model within brand management. Thereby, he also marked a shift in the field, towards focusing on the receiver (i.e. consumer)¹⁶⁷.

Brand Identity

In this section I will discuss the various academic views on brand identity.

The importance of brand identity

“A brand is not the name of a product. It is the vision that drives the creation of products and services under that name. That vision, the key belief of the brand and its core values is called identity. It drives vibrant brands able to create advocates, a real cult and loyalty.”¹⁶⁸

Defining a brand's identity is a crucial element in building a strong brand. It was first introduced by Kapferer in 1986¹⁶⁹. Today it is considered a very important concept within the discipline of strategic brand management. However, it took some time for it to gain that recognition. While Kapferer introduced the concept 30 years ago, it was barely used by other renowned authors such as Keller and Aaker during the 1990's. When introducing what has become one of the leading brand equity models, customer based brand equity (CBBE)¹⁷⁰, Keller did not mention the concept of brand identity. However, in his paper on CBBE from 2001, “identity” is the first of four steps necessary to build a strong brand, thus acknowledging the importance of the concept.

¹⁶⁶ Heding T, Knudtzen C, Bjerre M: “Brand Management”, - Research, Theory and Practice, Routledge (2009)

¹⁶⁷ Keller, Kevin Lane, “Building Customer-Based Brand Equity: A Blueprint for Creating Strong Brands”, Working Paper, Report no. 01-107, 2001

¹⁶⁸ Kapferer, Jean-Noël, “The New Strategic Brand Management – Advanced Insights and Strategic Thinking”, Kogan Page Limited 5th edition, 2012 (Chap 7)

¹⁶⁹ Kapferer, Jean-Noël, “The New Strategic Brand Management – Advanced Insights and Strategic Thinking”, Kogan Page Limited 5th edition, 2012 (Chap 7)

¹⁷⁰ Keller, Kevin Lane, “Building Customer-Based Brand Equity: A Blueprint for Creating Strong Brands”, Working Paper, Report no. 01-107, 2001

According to David Aaker, there are twelve categories of brand identity elements organized around four perspectives¹⁷¹ (Aaker D. 2002). Furthermore, he states that the brand identity structure includes a core identity, an extended identity, and a brand essence. In order for a brand to describe its aspiration, it should generally encompass between 6 and 12 dimensions.

Aaker specifies the importance of the core identity by saying that over time when a brand goes through changes (e.g. entering new markets and creating/endorsing new products), the core identity is the most likely to remain constant and that brands will be successful, if consumers perceive them according to the core identity. He qualifies it as being “the most important elements of brand identity”, that help create a focus for both the customer and the organization, thus facilitating both internal and external communication (Aaker D. 2002).

The extended identity is also of importance, given that it helps provide texture and completeness, as well that it includes elements such as the brand personality and a specification of what the brand is not.

Finally, there is brand essence, which Aaker describes as “a single thought that captures the soul of the brand”. It is thus even narrower than the core identity, which usually has two to four dimensions compactly summarizing the brand vision. While it is in some cases not possible or useful to develop a brand essence, it can be a powerful tool (Aaker D. 2002).

“A brand essence that is based on emotional and self-expressive benefits provides a higher-order basis for relationships. It can also be less vulnerable to product-related changes and more easily applied to new contexts” (Aaker D. 2002)¹⁷².

“A brand is therefore more than a product, because it can have dimensions that differentiate it in some way from other products designed to satisfy the same need” (these differences can be rational and tangible (i.e. related to product performance of the brand) or symbolic, emotional and intangible (i.e. related to what the brand represents) (Keller 2013)¹⁷³.

¹⁷¹ Aaker, D “Building strong brands. New York. Free Press, 2002

¹⁷² Aaker, D “Building strong brands. New York. Free Press, 2002

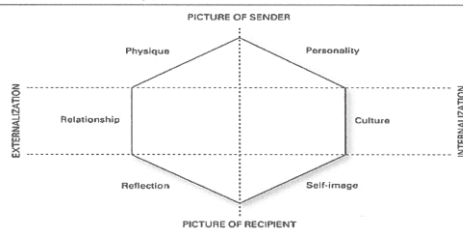
¹⁷³ Keller KL, “Strategic Brand Management Building, Measuring, and Managing Brand Equity”, Pearson 2013

TM's Brand Identity Prism

In this section I will analyze TM's brand identity using Kapferer's Brand Identity Prism. Kapferer states: "that when one communicates, one builds representation of who speaks (source, re-presentation), of who is the addressee (recipient, re-presentation), and what specific relationship the communication builds between them"¹⁷⁴. As a result The Brand Identity Prism has six facets, (physique, personality, culture, relationship, reflection and Self-image).

The Prism is divided vertically in to two half: externalization and internalization. Externalization focuses on attributes that are clearly visible and internalization focuses on attributes that are not easily perceptible (Ponnam 2007). The Prism is further divided by 3 horizontal lines. On the top we have the picture of the sender, in the bottom we have the picture of the recipient and the middle part link the two (Kapferer, 2012).

FIGURE 7.4 Brand identity prism



Source: Kapferer, 2012

For TM's Brand Identity Prism see appendix 4.

Physique

While a brand is more than that, the physical aspect of it is still its backbone.

Given below are some of the features that can be taken into consideration in the process of developing physique for the brand (Poonam, 2007)¹⁷⁵:

- Look and feel of the product(s)/service(s) of the brand;
 - Specific characteristics that remain common in the entire product portfolio;
- and

¹⁷⁴ Kapferer, Jean-Noël, "The New Strategic Brand Management – Advanced Insights and Strategic Thinking", Kogan Page Limited 5th edition, 2012 (Chap 7)

¹⁷⁵ Ponnam Abhilash, "63 Comprehending the Strategic Brand Building Framework of Kingfisher in the Context of Brand Identity Prism...", 2007

- Specific traits/characteristics of the product without which brand is reduced to a mere name

The fact that TM's cars are purely EVs is a key physical element of its brand identity. TM could never dream of making a vehicle that is not electric. The success of TM's Mission to accelerate the world's transition to sustainable energy, is contingent on building EVs. Additionally and as importantly, to accomplish its mission, TM's cars are not just electric, they are without compromise¹⁷⁶. Musk himself pointed this out in the first Master Plan (appendix 3)¹⁷⁷ stating that, in order for TM to fulfil its overarching purpose (i.e. its mission), it is critical to create an electric car without compromises. As a result, TM initially created the Tesla Roadster. Since then, the company has created the Model S and X. Both are electric and they are exceptional cars on so many levels. They can accelerate like supercars. They have an incredible amount of storage space. The driving experience in both cars is amazing, and they are both amongst the safest cars on earth. Given these points, it is clear that TM does not simply make EVs, it makes EVs without compromises. Hence, TM's tagline: "Zero emissions. Zero compromises", that encapsulates TM's values of sustainability and innovation, which will be discussed in the "culture" facet. According to Kapferer (2008, p.190) "The brand actually injects its values in the production and distribution process as well as in the corollary services offered at the point of sale. The brand's values must therefore be embodied in the brand's most highly symbolic products". He also wrote that "A brand's values only convey meaning if they are the core of the product. Brand intangible and tangible realities go hand in hand: values drive reality, and reality manifests these values." (Kapferer 2008, p.191). TM has indeed managed to make the Model S and X embodies the brand's values, which are at the core of the two models.

Besides making EVs without compromises, TM makes cars that share a unique design. While the design of the Model S and X are also an aspect supporting TM's "zero compromises" claim, it deserves to have a place for itself as an aspect defining TM's identity. The design alone, makes it clear that TM produces both the Model S and X. Design wise, the Model 3 is expected to follow in the footsteps of the two existing models. This consistency in terms of design is very important. Equally important is the fact that design is the first indicator of the cars being luxurious. How the cars look on the outside is the first thing people see. All of the other Model S and X features mentioned previously (e.g. cargo space, acceleration and safety) are benefits one can pretty much

¹⁷⁶ https://www.tesla.com/en_EU/about?redirect=no

¹⁷⁷ https://www.tesla.com/en_EU/blog/secret-tesla-motors-master-plan-just-between-you-and-me?redirect=no

only experience by using the product. The fact that TM makes unique and visually appealing cars is one way in which TM is able to make consumers intrigued by the brand, thereby creating awareness.

"What I really wanted to achieve was this moth-to-the-flame (result). You don't really realize what you are looking at or why you are attracted to it, but you are." and *"That engagement is what sparks curiosity."* said TM's chief designer Franz Von Holzhausen¹⁷⁸.

The survey showed that 30,6% of the respondent first became aware of TM by seeing one of its cars on the streets. Furthermore, when respondents were asked to say which words they associate with TM, several used the word design, as well as words referring to the design (e.g. sexy, cool, stylish and elegant), which underlines the importance design plays when it comes to TM. Both the Model S and X are cars that make heads turn. Just as importantly, once you know how a Tesla looks it rarely drives by you unnoticed. Given all the above, the unique and consistent design of TM's cars is a central part of the "physique" facet of TM's brand identity.

TM's physique can be summarized to: EVs without compromises , premium, and distinctive and consistent design /unique design.

Personality

According to Kapferer Branding Personality has been a part of brand advertising since 1970, however academic research has focused on brand personality since 1996 (following the creation of J. Aaker's brand personality scale in 1995).

Ponnam (2007) states the following factors which are often taken into consideration in deriving brand personality consistent with its audience¹⁷⁹

- Personality of brand ambassador or any other person who ideally represents corporate face of the brand. (e.g., most often in IT Companies, CEO serves as face of brand in lieu of brand ambassador); and
- Events with which brand is associated

¹⁷⁸ <https://www.forbes.com/sites/uciliawang/2013/11/06/lets-hear-from-the-man-behind-tesla-motors-beautiful-designs/#4673adfl25ef>
+https://www.tesla.com/en_EU/blog/building-model-s-perfectionist-defines-teslas-design-language?redirect=no

¹⁷⁹ Ponnam Abhilash, "63 Comprehending the Strategic Brand Building Framework of Kingfisher in the Context of Brand Identity Prism...", 2007

There are many words that could describe TM's personality. However, I have chosen to stick with those TM itself feels defines its personality. In the tesla brand manual 2010, TM states that "The tesla voice is confident and spirited. It believes in the future of transportation, as made possible by Tesla's innovation. Each sentence should exude our sense of mission beyond selling cars." In doing so, TM also indicates what its brand personality is comprised of. (Kapferer 2007) says "A brand has a personality. By communicating, it gradually builds up character. The way in which it speaks of its products or services shows what kind of person it would be if it were human." Thus, a brand's personality traits are revealed through the way the brand communicates. As a result, if TM's voice is supposed to be confident and spirited these adjectives could describe TM's brand personality.

Confident: From a variety of TM's communication efforts, it is clear that the brand exudes confidence. In a recent post, titled "Creating the safest car factory in the world", it is evident that TM believes it is able to create the safest car factory in the world. In the article, it is stated that "Tesla's safety record is much better than the industry average, but it is not enough. Our goal is to have as close to zero injuries as humanly possible and to become the safest factory in the auto industry. We will get there by continuing to ask our employees to raise safety concerns and to keep proposing ideas that make things even better". "We will get there..."¹⁸⁰.

The brand's confidence is evident in several other instances, including in the description of the upcoming model 3: "Model 3 combines real world range, performance, safety and spaciousness into a premium sedan **that only Tesla can build**"¹⁸¹. This shows that TM has great confidence in its abilities to innovation. In a previously cited (see Elon Musk, Marketing) blog spot, written by Musk, in which he defends TM, TM's confidence is also evident. In it, he responds to what he believes is unfounded critique of the Model S safety. Towards the end of the post, there are two instances showing TM's confidence. First, Musk announced that TM is making a change to its warranty policy to cover damage due to a fire, even if due to driver error. He wrote, that the reason TM has decided to do so, is to reinforce how strongly it feels about the low risk of fire in its cars. At the very end of the post, Musk explicitly states that TM is confident: "All of these actions are taken

¹⁸⁰ https://www.tesla.com/en_EU/blog/creating-the-safest-car-factory-in-the-world

¹⁸¹ https://www.tesla.com/en_EU/model3?redirect=no

in order to make clear the confidence we have in our product and to eliminate any misconceptions regarding the integrity of our technology and the safety of our cars”¹⁸².

TM’s confidence also comes across in the second Master Plan (appendix 3)¹⁸³, where Musk amongst other things justifies the deployment of TM’s autopilot system. He underlines the importance of the safety autonomy provides compared to a person driving alone. A couple of months before the post, TM came under heavy criticism for its autopilot, because of a fatal accident involving a Model S while the feature was on. However, that did not keep TM from pursuing the development of its autopilot system, proving yet again that the company is confident when it comes to what it does.

Spirited: TM is also spirited. It is full of passion and determination. TM is working intensively on realizing its overarching purpose. In less than 15 years, TM has managed to establish itself as a serious player within a highly competitive industry. This is greatly due to how spirited TM is. TM is determined “to accelerate the world’s transition to sustainable energy”. Like with confidence, there are many examples showing how spirited TM is. On 24 April 2017, TM made a post on its blog titled “Charging Is Our Priority”, in which it announced its intentions to double its charging network and why it is important: “It is extremely important to us and our mission that charging is convenient, abundant, and reliable for all owners, current and future. In 2017, we’ll be doubling the Tesla charging network, expanding existing sites so drivers never wait to charge, and broadening our charging locations within city centers”¹⁸⁴ This proves that TM is determined to take the necessary steps in developing a larger charging network. In another blog post ¹⁸⁵, regarding the Model X winning one of world’s most prestigious automotive awards, the Golden Steering Wheel (Das Goldene Lenkrad), the spirited nature of TM is also visible. TM worked hard on making the Model X a worthy winner. While it faced some obstacles along the way, including an earlier mentioned recall (see VCA), TM was determined to make the necessary improvements to the Model X as soon as possible, so that it would live up to TM’s commitment to best-in-class safety, performance, comfort and reliability in all its vehicles.

¹⁸² <http://sfscitizen.com/blog/tag/elon-musk/>

¹⁸³ https://www.tesla.com/en_EU/blog/master-plan-part-deux?redirect=no

¹⁸⁴ https://www.tesla.com/da_DK/blog/charging-our-priority

¹⁸⁵ https://www.tesla.com/en_EU/blog/model-x-wins-golden-steering-wheel

What is truly a benefit for TM when it comes to personality is the fact that it shares the above personality traits with Musk. Musk is the face of the company. The importance of having a person representing a brand is something several experts on brand management have pointed out including Kapferer and D. Aaker. Kapferer (2008, p.184) explained that “The easiest way of creating instant personality is to give a brand a spokesperson or a figurehead, whether real or symbolic.” Aaker (2002), demonstrated how meaningful it can be to have someone represent what a brand stands for, through the importance of Richard Branson for the Virgin brand. Musk is the face of TM. His importance for TM has already been described in the VCA under “marketing and sales”. He is innovative, which is evident through his multiple successful ventures. However, it is not his ability to innovate alone, that has led to his success. As it is the case with TM, he is also spirited and confident, always striving to achieve his goals. Musk is known for working up to 80 hours a week, emphasizing the importance of hard work in order to succeed (source). His relentless drive even resulted in him running out of money bankrolling TM. The fact that he is so driven also stems from his confidence. He is confident that the projects he works on, including TM are very important for the future of planet and mankind. He has managed to captivate a lot of people, who in turn have also been allured by TM, or whose interest in TM has been reinforced. Tesla owners believe in TM’s mission because of the company’s ability to create amazing cars through innovation, but also because of their faith in the company’s charismatic CEO. Musk’s confidence and drive are big factors when it comes to persuading TM’s costumers, that what the company is determined to achieve (i.e. its mission) is feasible. While most of TM’s competitors or any other automobile manufacturer would probably be able to change CEOs without any adverse effects, TM would not be where it is today if it were not for Musk and the company would suffer without if it were to lose him as CEO. He is a crucial part of TM for many reasons, including the similarity in personality traits. He is an embodiment of what TM stands for.

In his book, Kapferer also writes about the power of brand names. To a certain extent TM’s brand name is actually an important part of its identity. In the introduction, it was explained that TM chose to name itself after Nikola Tesla, because as it says on TM’s website “Tesla’s engineers first designed a powertrain for a sports car built around an AC induction motor, patented in 1888 by Nikola Tesla, the inventor who inspired the company’s name”¹⁸⁶. Beyond that, there is no explanation as to why the company went for the name Tesla. Nevertheless, there is also to a certain

¹⁸⁶ https://www.tesla.com/en_EU/about?redirect=no

extent a fit in terms of TM's and Nikola Tesla's personalities. Like TM, Nikola Tesla was both innovative and driven amongst other things. Even though, it's not known whether or not TM actually thought of this when choosing its name, it is a significant factor to take into account. People that know who Nikola Tesla was will surely draw parallels between him and TM. The survey actually showed that, when asked to say which words they associate with TM, three respondents associated it with Nikola Tesla. The first wrote "Nikola Tesla", the second one answered wrote "legendary Serbian inventor", and the third one simply wrote "Nikola".

In addition to brand name, in the context of personality, visual identity (e.g. Logo and color) can also be very important. In the case of TM, the logo, which in the Tesla Brand Manual is referred to as the "Tesla T", is also important to TM's identity. Earlier this year, Musk explained that the "T" is like a cross section of an electric motor¹⁸⁷. Thus, it is clearly closely linked to a central part what TM is (i.e. an all-electric car company). That being said, as its name indicates, "The Tesla T" above all looks like a fancy "T". When people see the logo, it is doubtful that anyone will think of it representing a cross section of an electric motor, which is also why Musk had to clarify that. Ultimately, people see it as a "T" standing for Tesla. It is relatively simple, but modern looking, like the Tesla Wordmark. TM also has what it calls the Tesla flag, which includes both the wordmark and the "Tesla T". Color can also be a very important element of a brand's visual identity, which tells something about the brand's personality. Tesla stick to 4 colors (Tesla red, black, grey, and white). The most significant color in relation to TM's personality and identity is red. According to the Brand Manual, when it comes to the Tesla flag, the "Tesla red" is the preferred color. The mere fact that it is called "Tesla red" instead of simply red, proves that it is a color that is central in defining the brand's identity. While colors have different meanings for people, several studies have shown that every color invokes certain feeling. One of the main things associated with red is excitement¹⁸⁸. According to J. Aaker's Brand Personality Framework (1997, ¹⁸⁹), excitement is linked to spirited, which is a central element of TM's brand personality, thus making red an appropriate color to visually communicate a part of TM's identity.

Summed up TM's personality could be described as: Confident and spirited.

¹⁸⁷ <https://electrek.co/2017/01/24/tesla-logo-cross-section-electric-motor/>

¹⁸⁸ <https://www.entrepreneur.com/article/233843>

¹⁸⁹ <https://www.haas.berkeley.edu/groups/finance/Papers/Dimensions%20of%20BP%20JMR%201997.pdf>

Culture

Culture is the next factor in Kapferer's Brand Identity Prism. According to Kapferer (2012) a brand is a culture. Kapferer also states that major brands are not only driven by a culture but convey their own culture¹⁹⁰. He also states that culture is the most important facet of brand identity. He says "Strong brands are a vision of the world. They are much more than product benefits or a personality; they are an ideology to"¹⁹¹.

In the book chapter "Rethinking Blue Oceans" by D. Holt and D. Cameron¹⁹², the importance of Culture is made even clearer. "Champion a *better ideology* and the world will take notice as well."

Factors which can formulate Brand Culture can for instance be¹⁹³:

- Significance of name, slogan or logo type and how are they attributable to deep roots of branding;
- Company Public Relations approach (PR); and
- Corporate Social Responsibility

"It is the set of values feeding the brand's inspiration"¹⁹⁴.

TM is definitely a brand that has mastered that, probably the only one in the automobile industry. So far, TM's success is largely due to what the company stands for (i.e. its purpose and values). It is probably one of the main reasons behind its loyal following and success. Kapferer wrote "People tend to gather around causes, ideas, ideals and values". One of TM's core values is sustainability. In a time, where global warming is a major issue due to GHGs for which transportation is one of the major culprits, especially road transport, TM has taken upon itself, made it its cause, to contribute to solving this major problem:

Musk: "[...] the overarching purpose of Tesla Motors (and the reason I am funding the company) is to help expedite the move from a mine-and-burn hydrocarbon economy towards a solar electric economy, which I believe to be the primary, but no exclusive, sustainable solution" (Master Plan, Part One appendix 3).

¹⁹⁰ Kapferer, Jean-Noël, "The New Strategic Brand Management – Advanced Insights and Strategic Thinking", Kogan Page Limited 5th edition, 2012

¹⁹¹ Kapferer, Jean-Noël, "The New Strategic Brand Management – Advanced Insights and Strategic Thinking", Kogan Page Limited 5th edition, 2012

¹⁹² Holt, D & Cameron, D: "Cultural Strategy: Using Innovative Ideologies to Build Breakthrough Brands", Oxford University Press, 2010

¹⁹³ Ponnambalam Abhilash, "63 Comprehending the Strategic Brand Building Framework of Kingfisher in the Context of Brand Identity Prism...", 2007

¹⁹⁴ Kapoor & Kulshrestha, "Brand culture is based on the culture, values and aims of an enterprise", 2012(p 194, 14)

The fact that sustainability is a core value for TM is evident through the company's very powerful mission and vision statements. Its vision being "to create the most compelling car company of the 21st century by driving the world's transition to electric vehicles" and its mission "to accelerate the world's transition to sustainable energy." TM's mission and vision are its *raison d'être*, they are what drives TM. The company's products are means to an end. They are produced in order to achieve the aims and goals set forth by the company's mission and vision statements, which is why the second core value of TM is innovation. It is the key to creating products that make it possible for TM to make its vision and mission come true. From the very beginning, TM realized that most consumers needed to be convinced that EVs could indeed be as good as ICE vehicles, or even better. TM knew it had to produce innovative cars that would convince consumers that EVs can be an alternative to ICEs. Several automakers have produced EVs, but only TM has managed to create EVs that have changed people's perception of them. TM's mission and vision statements are only captivating because TM has managed to produce incredible cars that amaze its customers and fans. TM's ability to innovate makes costumers and other fans/enthusiasts believe that TM is actually able to fulfill its mission and vision. Thanks to TM they believe that future of transportation is electric¹⁹⁵. Had TM created a Nissan Leaf, the company would most likely not be around anymore. Together, sustainability and innovation are what drives TM and attracts a loyal following who wants TM to succeed, and believes it can. As a result, TM owners want to take part in realizing TM's mission and vision.

Another central part of TM's identity within the "culture" facet, is the fact that TM is a company from Silicon Valley. "Some brands draw their identity and uniqueness from their geographical roots." Kapferer (2008, p.196). Besides being an automaker, TM is also a technology company, and nothing says technology like Silicon Valley. The first sentence in the "about" section on TM's website points to TM's geographical roots: "Tesla was founded in 2003 by a group of engineers in Silicon Valley [...]". By making its Silicon Valley roots an essential aspect of its identity, TM emphasizes the crucial role technology plays for the brand. Furthermore, it also symbolizes TM's opposition to the Big Three (i.e. General Motors, Ford, and Fiat Chrysler), based in Detroit which is nicknamed the world's automotive center¹⁹⁶. Given that the Silicon Valley and Detroit are situated on opposite sides of the U.S. further accentuates the rivalry between the two sides. That being said,

¹⁹⁵ https://www.tesla.com/en_EU/videos/clean-future and https://www.tesla.com/en_EU/videos/future-transportation

¹⁹⁶ <https://en.wikipedia.org/wiki/Detroit#Nicknames>

it is first and foremost the association between Silicon Valley and technology that matters. TM wishes to be seen as a tech company, hence the significance of its Silicon Valley roots as a defining element of its brand identity. “Just as important, cultural innovation often serves to turbo-charge better-mousetraps innovation” (Hold & Cameron p.5)¹⁹⁷.

In words TM’s culture can be described with the following: sustainability, Technology and innovation.

Relationship

According to Kapferer a brand is a relationship, and this aspect is especially relevant for companies in the service sector¹⁹⁸.

Ponnam¹⁹⁹ lists the following as possible relationship factors:

- Conduct of personnel at service points;
- Steps taken towards maximizing customer satisfaction; and
- Customer Relationship Management (CRM) approach

For TM the relationship aspect is very important since they go beyond for their consumers. It is not only selling an EV and services related, but they are working towards the same goal – sustainable environment. The sale of EVs is a mean to an end.

As it has been pointed out several times, TM’s customers are very loyal. Loyalty is what most brands strive for, which is also evident in the CBBE model. In Consumer Reports’ Annual Owner Satisfaction Survey, TM was ranked number 1, with 91% of owners stating they would buy their car again, followed by Porsche (84%) and Audi (77%)²⁰⁰. But, what factors result in this level of loyalty? According to Fournier (1998), there are six factors (Love and Passion, self-connection, interdependence, commitment, intimacy, and brand partner quality), which together provide strength and durability to consumer-brand relationships over time. Love and passion is definitely an important factor that makes the relationship between TM and its customers strong. Fournier (1998, p. 364) explains, that strong brand relationships can be characterized as irreplaceable and unique to

¹⁹⁷ Holt, D & Cameron, D: “Cultural Strategy: Using Innovative Ideologies to Build Breakthrough Brands”, Oxford University Press, 2010

¹⁹⁸ Kapferer, Jean-Noël, “The New Strategic Brand Management – Advanced Insights and Strategic Thinking”, Kogan Page Limited 5th edition, 2012

¹⁹⁹ Ponnam Abhilash, “63 Comprehending the Strategic Brand Building Framework of Kingfisher in the Context of Brand Identity Prism...”, 2007

²⁰⁰ <http://www.consumerreports.org/car-reliability-owner-satisfaction/car-brands-ranked-by-satisfaction/>

the point where separation anxiety can be anticipated upon withdrawal. She also underlines the fact that love also encourages a biased, positive perception of the partner. This is also characteristic of the relationship Tesla owners have with TM. A recent report made by J.D. Power titled “Tesla: Beyond the Hype”²⁰¹, revealed that despite acknowledging numerous quality issues, Tesla owners love their cars. In addition to that, a few of the customer shows that some Tesla owners have borderline separation anxiety when they do not use their Tesla (show example, link). According to Fournier (1998) self-connection “reflects the degree to which the brand delivers on important identity concerns, task, or themes, thereby expressing a significant aspect of self.” This facet is thus related to consumers’ self-image, which is important in the case of TM. As the section on “self-image” shows, many TM owners see themselves as environmentally conscious and owning a Tesla increases that perception of themselves. Lastly, commitment is important when it comes to the relationship between TM and its customers. Through her findings, Fournier came up with 15 consumer-brand relationship forms. Two of these forms (Committed partnerships and Best friendships) seem to adequately describe the type of relationships Tesla owners have with TM. She describes committed partnerships, as being “long-term, voluntarily imposed, socially supported union high in love, intimacy and trust, and a commitment to stay together despite adverse circumstances. Adherence to exclusivity rules expected.” While, best friendship is defined as “Voluntary union based on reciprocity principle, the endurance of which is ensured through continued provision of positive rewards. Characterized by revelation of true self, honesty and intimacy. Congruity in partner images and personal interests common. These two relationship forms are the ones resulting in the highest levels of loyalty. Under “culture”, it was shown that Tesla owners believe in TM’s ability to realize its vision and mission, and they want to be a part of it. Tesla owners want TM to succeed because of what the company stands for, its overarching purpose. They want the world to be a better place, and they trust that TM can significantly contribute to that end. Therefore, there is “congruity in partner images and personal interest in common” which characterizes best friendships. The reason why committed partnership also defines the type of relationship TM has with its consumers is “the commitment to stay together despite adverse circumstances”. As we have seen above, Tesla owners love their cars even though they are aware of numerous quality issues. As a result, they stick to their Tesla. Many owners have gone all the way, to only owning a Tesla or Teslas (appendix 5 – Customer Stories). They simply do not want

²⁰¹ <http://www.jdpower.com/press-releases/tesla-beyond-hype>

any other cars (i.e. adherence to exclusivity rules), which is further evidence of why their relationship with TM can be defined as a committed partnership.

In order to know that it is important to establish what characterizes the relationship between TM and its customers Kapferer underlines that “relationship” concept is especially relevant for brands in the service sector. Even though TM is not strictly a company in the service sector, service is an important element to TM. It is a way for TM to establish a closer relationship with its clients and make them even more satisfied being Tesla owners, but it can also result in dissatisfied customers. Under “service” in the VCA, we saw that TM was facing a major problem servicing the many cars that were sold in late 2015. Although, TM has faced some issues in providing its customers with satisfactory service, TM really makes an effort in making its customers happy beyond offering them great cars. The relationship TM forms with its clients is closely linked to its personality. The fact that TM is confident, reassures its customers. They feel that they can trust TM. Likewise, TM’s spirited nature pushes TM to do everything in its power to establish a better relationship with its clients. In the VCA it was shown that, TM is making constant efforts in expanding the number of service centers, stores/galleries, as well as its supercharger network and destination chargers. Another thing TM the VCA showed, was that TM has been good at rectifying errors in its cars, largely thanks to its ability to repair its cars over-the-air through software updates, which is very convenient for Tesla owners. Overall, the above contributes a lot to Tesla owners’ satisfaction

Words describing TM’s relationship are: Common goal, trust, love /passion.

Customer reflection

According to Kapferer customer reflection is the target’s outward mirror. The customer reflection is built by the brand. Through its communication and products brands build a reflection or image of the buyer or user which it seems to be addressing. The goal is to reflect the customer as he/she wishes to be seen as a result of using the brand. For some brands, such as Dove, it is very explicit. Dove’s customer reflection is a radiant woman who is comfortable with herself. It is clear through several of the brands’ publicities, where this type of woman is clearly portrayed. However, in the case of TM the customer reflection is not as evident. That being said, TM’s products and the manner in which TM communicates do build a reflection of the user TM seems to be addressing. Even though TM does practically not say anything explicitly about who it is addressing, it does state one

thing about its audience in the earlier mentioned Tesla brand manual. In it, it is clearly stated that TM's audience is intelligent and busy. This coupled with the fact, that TM produces premium cars, suggest that TM addresses, wealthy and highly educated individuals. In addition to that, on TM's website in the section for its newest product, solar roofs, the first thing you see is dynamic banner showing 3 images of houses equipped with TM's solar roofs and a Tesla car in the driveway/garage²⁰². Thereby TM portrays the audience it addresses, which corresponds well with the above mentioned (i.e. wealthy and highly educated). Based on that, one can deduce that individuals TM is addressing are successful/accomplished. Another characteristic of the consumer TM addresses is that it is someone who is into technology. In many ways, TM is as much a technology company as an automotive company. In TM's 2010 brand manual, technology is mentioned several times. For instance, it says: "The Tesla Flag is more than a badge or a logo: it stands for who we are. It represents our commitment to the best of the automotive and technology worlds [...]", thus underlining the important part technology plays for TM. Through technologically advanced cars, TM is undoubtedly attempting to appeal to individuals with a high appreciation/interest for technology. Therefore, the buyer TM seems to be addressing is a person who is enthusiastic about new technology (i.e. technophile). So far, we have established that TM is addressing, successful technophiles. However, there is one aspect left to complete the customer reflection. Earlier, under "culture", we saw that sustainability is a central part of TM's identity. However, TM does not frequently use the words sustainable or sustainability, or other related words such as "environmentally friendly" and "green". In the earlier referred to Tesla brand manual, it is stated that the word "green" should not be used unless it is to describe the color of a car, adding: "Green" is infused in the Tesla mission – there's no need to dilute it with the "greenwashing" other companies must employ."

Instead, TM relies principally on its mission statement to communicate its sustainable agenda. On a few other occasions, such as the two master plans and major events (i.e. the Model 3 unveiling) TM asserts its commitment to sustainability. Even though TM is not overemphasizing its sustainable agenda, it is central part of its identity. Therefore, in addition to being successful and technophile, the buyer TM seems to be addressing is to a certain extent environmentally conscious. Despite all the above, TM tries to appeal to as many consumers as possible, which is why it attempts to project a more diverse image of its audience through its customer stories and videos. As we have seen earlier

²⁰² https://www.tesla.com/en_EU/solarroof

in the “marketing and sales” part of the VCA, customer stories and Videos an important part of TM’s WOM strategy. Through the stories and videos, readers/viewers get to know what existing owners like about their Tesla, but it also gives them a variety of people to relate to. TM carefully chooses the stories/videos it posts, representing different type of owners, thereby projecting as diverse an image as possible of its audience, which ultimately would increase the likelihood of people interested in TM identifying with existing owners. All things considered, the audience TM seems to be addressing, are successful individuals, who are both technophiles and environmentally conscious. Although it is by no means a negative reflection, TM’s clients are a more diverse group of people, which is something TM tries to convey through its customer stories and videos, allowing readers/viewers to relate even more with the “typical” Tesla owner.

Summed up reflection is: Successful, environmentally conscious, and technophile.

Self-image

While reflection is the target’s outwards mirror (they are...), self-image is the target’s own internal mirror (I feel, I am...). It is the clients’ perception of self, in relation to a given brand, how he/she sees himself/herself or think of himself/herself, as result of consuming the brand. It is important for brands to insure that there are no significant gaps between “customer reflection” and “self-image”.

In the case of TM, like any other brand, costumers’ self-image can vary a lot. Without more in depth qualitative data, it is impossible to unveil all the aspects of Tesla owners’ self-image. However, some key recurrent aspects of TM’s’ clients’ self-image will be analyzed in the following. Through some of the customer stories, it is clear that the feeling of belonging to a community and experiencing/building the future, is an important aspect of some of TM’s customers’ self-image. For instance, one customer said the following: “Tesla is really about being part of a community of people who believe in, and who are willing to take steps towards building a brighter, cleaner, more inspiring future”²⁰³, and another stated that “Being a Tesla owner is less like belonging to a club or anything so shallow; instead, it’s being it’s being part of an aspirational future that is today. The instant bond comes from the fact that we have each experienced the future, together”²⁰⁴. There are undoubtedly thousands of other Tesla owners, perhaps even the majority, who feel that they belong to a community and who probably also feel that they are helping build a

²⁰³ https://www.tesla.com/en_EU/customer-stories/tesla-model-x-where-we%E2%80%99re-going-we-don%E2%80%99t-need-roads

²⁰⁴ https://www.tesla.com/en_EU/customer-stories/nyc-to-sf-owning-a-tesla-in-the-city

cleaner future. Tesla owners tend to be very passionate about their cars, and in many cases about TM's mission. As a result, Tesla owners have a shared passion uniting them, making them feel members of a community.

Tesla owners do not only see themselves as members of a community, but also as people who are helping “build a cleaner better, cleaner, more inspiring future”. In other words, a future where climate change is less of a problem and the environment is less threatened. Many Tesla owners see themselves as environmentally conscious. By owning a Tesla, they believe they are contributing to fighting climate change. This is evident through some of the customer stories, as well as some forum posts, including on the Danish Tesla forum. In one of the threads on the Tesla forum²⁰⁵ a few Model S owners wrote about the motives behind their purchase. Some of the information was useful in determining how they see themselves through owning a Model S, which includes the belief that they are doing their part in making the world a better place, by fighting climate change. One of the Model S owners wrote that it is important for him to contribute towards the reduction of our societies' dependence on oil, and to avoid polluting his immediate environment. Another owner also pointed out that concern for the environment was an important factor behind his choice for buying the Model S. He wrote that he wants to contribute to improving our already threatened environment, and that he has solar panels. A few other owners' expressed that concern for the environment was the most important factor determining their purchasing decision, indicating that they believe they are making a real difference in protecting the environment by owning a model S. One of them stated that, while he would have preferred buying simple car, there was no EV at a lower price and same range as the Model S. He strongly believes that demand is crucial, if EVs are to become truly competitive, so he decided to go for the Model S.

The self-image can be described with words such as: member of a community, green consumer and feeling of being part of the future.

Brand Image/Brand awareness

Kapferer decided to focus on brand identity because he believed that the discipline of brand management had become overly concentrated on the consumers²⁰⁶. It was a way to bring attention to the fact that, even though the importance of consumers within brand management is indisputable,

²⁰⁵ <http://www.teslaforum.dk/forum/topic/3110>

²⁰⁶ Kapferer, Jean-Noël, “The New Strategic Brand Management – Advanced Insights and Strategic Thinking”, Kogan Page Limited 5th edition, 2012

Brands still need internal management. He was attempting to bring back balance to the discipline. In an article from 2009 on branding by Hatch and Schultz²⁰⁷, balance was also a central element. The authors introduced the concept of enterprise branding, and in relation to that, they emphasized the importance of balancing between image and identity. They base their definition of identity, on the concept of “I” and “me” developed by George Herbert Mead (20th century social psychologist), according to who, the identity of an individual is a conversation between the “I” (who am I?) and the “me” (what do they think about me?). Hatch and Schultz believe that this concept is applicable to organizations, pointing out how crucial it is to maintain a balance between the “I” or “we” and the “me” or “us”. Organizations have to make sure to not to be overly focused on either side, as it may lead extreme problems of narcissism and hyper-adaption. Contrary to Kapferer, Hatch and Schultz, insist on the fact that brand managers are not in control of their brands. However, unlike many other authors, they do not focus completely on the consumer instead, thus seeing them as the “owners” of the brand. Hatch and Schultz state that the ones owning the brand are internal and external stakeholders. Thus, they stress the importance of listening to all stakeholders, thereby taking into account stakeholder images. These images, include brand image, which is the brand as defined by the consumer. Overall, it is important to keep “balance” in mind. Companies need to take into account what all stakeholders think and have to say about their brands. The following part will look at how TM’s brand image in DK. Gaining some insight into how TM is perceived by Danish consumers, will indicate whether or not TM has managed to communicate its identity resulting in the desired image and will help to come up with recommendations for TM.

The survey data showed that, “environmentally friendly”, along with related words (e.g. sustainable, climate friendly, green), were the words respondents used the most to describe TM. This suggest that TM is perceived as a brand that cares about the environment, that is sustainable and green. In addition to these findings, TM was the second most sustainable brand according to this years’ Sustainable Brand Index, which was based on interviews with 8000 Danish consumers²⁰⁸. It is definitely positive that Danish consumers associate sustainability with TM.

Many respondents in the survey (appendix 1) also associated TM with electric vehicle(s) and in a few cases electricity. Five of those respondents did not mention other words, which could indicate a

²⁰⁷ Hatch, Mary Jo; Schultz Majken: Of Bricks and Brands : From Corporate to Enterprise Branding. / Hatch, Mary Jo; I: Organizational Dynamics, Vol. 38, Nr. 2, 2009, s. 117-130.

²⁰⁸ <http://csr.dk/sustainable-brands-index-2017>

lack of knowledge about TM. Three of them stated they have a medium knowledge about TM and the remaining two said they have low knowledge. When it comes to the other respondents, the answers vary a lot. A few mentioned expensive in addition to electric vehicle. One said upper-class. Another one used the words future and legendary. EV or EVs alone does not have a negative connotation, but as mentioned above it may indicate a limited knowledge about TM. Given that it is TM's goal to appeal to the mass market with the Model 3, it is important to make sure consumers know as much as possible about the brand. People need to have an as accurate as possible image of the brand in order to make an informed decision as to whether or not to buy the Model 3.

The future or simply future was used by 9 respondents, including related words such as futuristic, progressive and foresighted. Even though it is a relatively small amount of respondents, it is positive to see that even 10 out of 118 respondents associate TM with future and progress.

Innovation/innovative was used by 10 respondents. Previously, we saw that innovation is one of TM's core values thus it is definitely a good sign that people, albeit a small amount, consider TM to be innovative.

Despite the above positive association to TM, a few respondents also have negative perception of TM.

Even though the majority of respondents have heard about Tesla, the majority (60) didn't know that TM also sells energy storage units. This corresponds well with the fact that only 13,5 % of respondents stated that they have a high knowledge about TM. So while the Danish consumer seems to recognize the brand, they do not have enough knowledge to form a more valid opinion of the brand. Ultimately they need as much knowledge as possible in order to determine if they actually want to buy a Tesla.

Conclusion

Overall TM has managed to create a strong identity, which if price is disregarded could potentially appeal to the masses. Danish consumers seem to have an overall positive image of TM associating the brand with different elements that characterize brand identity. Thus TM has to a certain extent managed to convey their identity. However there are also some negative perceptions about TM, and

even more importantly consumers seem to lack knowledge about TM. While most recognized a TM's cars they do not have in depth knowledge about the company including that it is more than a car manufacturer.

Recommendations

Regardless of the fact that TM will face a decrease in sales due to the fading in of taxes on EVs, and that the decrease will continue, on the longer run TM will likely reduce its costs to a point it can be competitive in terms of prices, due to improvement in production of technology lowering the prices of batteries.

In the meanwhile my suggestion is that it would be good for TM to focus on building an even stronger brand in DK to maintain the focus on TM while struggling with sales. TM has a strong fan base ²⁰⁹(reference) and even though the prices of Tesla cars is a purchase barrier for many, and therefore it is important for TM to increase the fan base in DK and the number of TM enthusiasts so that they have increasing buyer potential when the technology improvements and perhaps regained governmental incentives makes it possible for a larger number of potential consumers to buy one of their cars.

TM should continue to take advantage of word-of mouth, which so far, has helped create brand awareness. TM should continue to make awareness especially the kind where experiences also are a part of it (experimental marketing²¹⁰, Schmitt 1999). The more people get close to a Tesla the more they will be convinced of the cars quality and be more prone to buy it in the future.

A way that TM could use experimental marketing aspect is to make easier to people to test drive a Tesla. The more a potential consumer gets to know the car, all other things being equal, the bigger is the probability for the potential consumer to consider buying the car.

First of all TM should also reconsider the placement of its showrooms and perhaps the amount of showrooms. The survey showed that 78,9% of respondents have not seen a Tesla showroom. This is definitely a problem, given that the company owned stores and showrooms are meant to attract attention to TM. Even though, the store on Bredgade is indeed in the heart of Copenhagen, it has its limitations. The stores in the area are for wealthier individuals excluding a portion of potential

²⁰⁹ http://www.dr.dk/nyheder/viden/tech/fans-staar-i-koe-komme-paa-tesla-venteliste?utm_source=news.dk&utm_campaign=jubii&utm_medium=link

²¹⁰ Schmitt Bernd, "Experiential Marketing, Journal of Marketing Management", 1999 (15:1-3, 53-67)

buyers from noticing it. Additionally, people mostly come there in passing, thus they will be less prone to stop and enter the store. Since TM's goal by producing the Model 3 is to reach a broader group of consumers, TM should choose a location that people frequent a lot, and where they are more likely to take their time to visit a store unplanned. Consequently, a mall (e.g. Field's) or Strøget in Copenhagen could be good locations. TM could also consider opening up a third store in Odense, thereby covering Funen on top of Zealand and Jutland. Given that the above-mentioned options may be too costly, TM should maybe consider pop-up stores instead to supplement the existing stores, thereby allowing TM to create awareness around its brand throughout the country.

Another thing TM should probably revise, is how much it invests in marketing. TM cannot keep on relying on WOM and earned media, particularly due to its intention of reaching more consumers with the Model 3. Therefore, TM should maybe consider making a TV advertisement.

Last but not least, TM could consider taking a financial risk through sales promotions, even though it has been sticking to not offering discounts. TM could go as far as reducing the price of its cars by 20%, thus eliminating the effects of the taxes. As a result, its cars would be more affordable, but it would also show how devoted TM actually is, to fulfill its mission, especially if it's accompanied by a strong advertisement campaign. If Danish consumers realize that TM is doing more to accelerate the advent of sustainable transport than the government, it may result in more direct or indirect pressure on the government, who may decide to bring back more favorable incentives.

6) Conclusion

This thesis has sought to answer the following problem statement:

- What characterizes TM's current position on the Danish car market and what can TM do to consolidate its position?

In order to do so, the thesis was divided into main chapters on strategic marketing analysis and strategic brand management. The first chapter was concluded by a SWOT analysis recapping the market analysis and thereby the position on the Danish car market.

As seen in the first chapter TM has many strengths and opportunities, however it also has quite a weaknesses and threats. The main threat is the fazing in of taxes on EVs in DK, which so far has already had a negative impact on TM's sales and is expected to continue to have a negative impact.

However there is a lot of pressure on the Danish government to revise the decision on fazing in of taxes and even to reconsider the model for taxes on EV's. This is a positive aspect for TM.

But ultimately despite of TM's strengths and opportunities the fazing in of taxes seems to be the factor that will have the biggest impact on TM's sale. This is also confirmed by the data in the survey, where most respondents considers price to be the main factor determining their car purchasing. Furthermore the price is also why most respondents would not consider buying a Tesla.

Chapter two which focused on TM's brand identity and brand image/brand awareness reviled that TM has a strong identity that could potentially appeal to many consumers. In general it seems that people have a positive image of TM, percept it as a sustainable, innovative EV manufacturer /see appendix 1). However the awareness and knowledge of the brand is limited. The survey shows that the majority of consumers have a low or medium knowledge of TM, which is also confirmed by the fact that TM is more than a car manufacturer.

Based on the overall finding, it is clear that TM could work on several things in order to strengthen its brand, in terms of improving the Danish consumer perception of the brand and their level of awareness and the knowledge of the brand. Thereby TM would be more prepared to increase its car sales when they become more competitive pricewise (when introducing their new model and with reduction of battery prices).

7) Perspective

The findings of the thesis shows that ultimately there is little that TM can do to circumvent the negative impact of the fazing in of taxes, which is why it should focus on building an even stronger brand.

Instead of focusing only on its car sales, TM could increase its focus on other part of its business (i.e. Powerwalls and solar roofs). As seen previously, TM has a strong brand identity which is also

the basis for successful brand extension. Thus there is reason to believe that there are opportunities for TM selling their other products covered by its brand.

It could be interesting to analyze to which extent the Danish market is ready for Powerwalls and solar roofs, since these products could improve its sales and help TM to stay relevant until able to make its cars more competitive in terms of price.

Additionally more in depth research could be conducted to get a better understanding of the Danish consumers' perception of TM.

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