



COMPETITIVE SHIFT IN THE EV MARKET

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This problem situation was written by Jorge Luis Coronel Fuentes (jcoronel@tec.mx), with the purpose of serving as discussion material in the classroom; it does not intend to illustrate good or bad administrative practices. This document was elaborated from secondary sources.

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The Company

Martin Eberhard and Marc Tarpenning founded Tesla, Inc., in 2003. The partners were the company's first CEO and CFO respectively. Tesla revolutionized the electric vehicle (EV) industry by positioning itself as a high-tech, luxury automaker with an emphasis on sustainability. Led by Elon Musk, Tesla disrupted traditional car manufacturers with its innovative battery technology, direct-to-consumer sales model, and brand loyalty.

The company went public on June 29, 2010, on NASDAQ, and it was the 31st largest firm of the stock exchange, with a total market capitalization of \$51.4B, on May 26, 2017 (Da Silva, 2016). The company's battery-powered vehicles have earned praise for being both environmentally friendly and high-performance. In 2014, Tesla released some of its patents to speed the growth of the electric vehicle (EV) industry, and it soon expanded its product range to include not just vehicles but also solar power technology and batteries. By early 2020s, several Tesla models had set automotive sales records, and the company was one of the most valuable in the world (Biscontin, 2024).

Meanwhile, Musk continued to draw media attention and debate by announcing Tesla would accept Bitcoins as payment for vehicles. It was also known that the company had a major investment in Cryptocurrency. However, Musk temporarily suspended Tesla's acceptance of Bitcoin payments in 2021 over environmental concerns related to the practice of Bitcoin mining due to the high amounts of energy required to run computer servers involved in mining operations (Biscontin, 2024).

Context

Tesla's competitive edge relied on superior battery range, an extensive charging network, and cutting-edge self-driving technology. However, recent developments are threatening this position (Carter, 2025):

- BYD, a Chinese automaker, surpassed Tesla in global EV sales in Q4 2023, offering cheaper yet high-quality alternatives.
- Hyundai and Volkswagen introduced affordable long-range EVs, narrowing Tesla's technological advantage.
- Consumer perception is shifting, as Tesla's lack of major design updates and quality control issues have raised concerns.
- Regulatory policies and government incentives are changing, affecting EV adoption in different regions.

Image. For years, Tesla maintained a first-mover advantage in the EV market.



Source. Craig Adderley in Pexels, 2019.



However, by 2024, competitors like BYD, Rivian, and traditional automakers (e.g., Ford, Volkswagen, and Hyundai) began aggressively expanding their EV lineups. With increased competition and shifting consumer preferences, Tesla faces new strategic challenges that could affect its market dominance.

BYD has grown in recent years to be the greatest threat to Elon Musk's EV dominance. Tesla, which does not sell hybrids, sold around 1.29 million EVs in the first three quarters of 2024. That means that the company needed at least 467,000 sales in the fourth quarter to beat BYD's 1.76 million total for 2024. (Carter, 2025) At the end of 2024, as a strategy, Tesla implemented a spree of discounts and deals to boost sales (Carter, 2025).

SEE HERE: <https://www.youtube.com/watch?v=3yGwbcvDOR0V>

Video. The Chinese brand BYD overtook Tesla (La marca china BYD superó a Tesla).

Source. Bloomberg en Español, 2024.

SEE HERE: https://www.youtube.com/watch?v=gI_DkSP2IZA

Video. Tesla vs BYD. Who will dominate the electric market in 2025? (Quién dominará el mercado eléctrico en 2025?)

Source. Mundo Tesla, 2025.

Alternative Strategies

The company must redefine its competitive positioning to maintain its industry leadership. The question is, should Tesla reinforce its premium market positioning or shift towards affordability and mass-market penetration?

Executives at Tesla are evaluating the following strategic options:

Option 1: Premium Leadership Reinforcement – Strengthening its high-end positioning by launching ultra-luxury EVs, enhancing AI-powered autonomous driving, and increasing exclusive services for Tesla owners.

Option 2: Market Expansion & Affordability – Introducing a low-cost EV model (Tesla Model 2) to compete directly with BYD and attract mass-market consumers.

Option 3: Innovation & Differentiation – Focusing on developing new energy solutions, such as next-generation batteries or solar-integrated vehicles, to differentiate from competitors.

Defining the Future

As the competition intensifies, Tesla's ability to redefine its market position will determine whether it remains an industry leader or loses its edge to emerging players. The wrong strategic choice could result in Tesla being overshadowed in the global EV market.

Now, Tesla's executives must decide: What competitive positioning strategy should they pursue to secure their future dominance?

References

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