



The Motley Fool Industrials

5 Reasons Why Tesla Motors Can't Lose in China





1. Support from the Chinese government

Chinese officials fully support Tesla's plans in China.

- Tesla driver's are entitled to free license plates in Shanghai, thereby sidestepping the usual auction price of \$10,000 to \$15,000 per plate.



Press passes at Tesla's launch in China. Source: Tesla Motors.





Why the Chinese government is pro Tesla

Tesla is in the early stages of investing hundreds of millions of dollars in electric vehicle infrastructure in the Asian country. In addition to installing its Supercharger stations across the region, Tesla also plans to open a manufacturing facility in China in the next few years. There's also the environmental aspect... as a Tesla is an ideal substitute for gas-powered cars because of the dangerous smog conditions in China today.





2. Superior pricing strategy

Tesla's pricing strategy in Asian markets could electrify sales.

- Tesla is undercutting rival luxury automakers in China by offering its Model S at a price that is not marked-up beyond what Tesla must pay in import fees.



Opening of a new Tesla store. Source: Tesla Motors.





Competitive pricing at its best

Tesla is selling its 85-kilowatt battery Model S for 734,000 yuan, which translates into \$118,000. That may seem expensive to someone living in the U.S., but in China where most foreign automakers charge double for luxury sedans, this is a relatively reasonable price. Moreover, at 734,000 yuan the price simply reflects what Tesla must pay in Chinese taxes, duties, and shipping costs.





3. Hundreds of millions in EV infrastructure

Tesla will install dozens of Supercharger Stations across Greater China.

- Building out its Supercharger Network in China should incentivize more Chinese consumers to buy Tesla cars.
- Tesla currently has three stations open in China, with future locations shown in the picture on the right.



Planned Tesla Superchargers in China.
Source: Tesla Motors.





The importance of Tesla's Supercharging stations

Tesla's [Superchargers](#) are not only the fastest electric-charging stations on the planet today, but they also are free to use for Tesla drivers. This creates a competitive advantage for Tesla in various markets around the world because it incentivizes consumers to buy Tesla cars. For now, the company's goal in China is to enable Model S drivers to travel gas free between major cities such as Beijing and Shanghai.





4. Sheer size of the Chinese auto market

China could account for as much as 35% of the world's new car sales by 2020.

- Not only is China the world's largest auto market, but it's also the largest *luxury* auto market on the planet today – a perfect fit for Tesla's premium-priced EVs.



Red carpet at Tesla's debut in China.
Source: Tesla Motors.





Electrifying the Chinese auto market

The opportunity in China is so big, in fact, that Tesla's chief executive, Elon Musk, has said it could quickly become Tesla's biggest global market in a few years. Additionally, if the California-based company follows through with its plan to build a manufacturing plant in China, it would create substantial cost savings for Tesla and potentially Chinese Model S driver's too, because Tesla would no longer be required to pay import taxes.





5. The ad-free approach to selling cars

Who needs an ad budget? Tesla's cars sell themselves.

- The EV maker's entry into China caused a media frenzy.
- Tesla hopes to sell 8,000 Model S cars in China this year.



Press frenzy at Tesla's launch in Beijing.
Source: Tesla Motors.





Why Tesla's ad-free approach works

Tesla doesn't hire advertising agencies or run ads. In fact, the EV maker's in-house marketing team had only seven staffers last year. This is in sharp contrast to traditional automakers such as Ford and GM, which spend tens of millions of dollars each year on ads. Tesla's grassroots approach works because it has a winning product.





What it all means...

From its competitive pricing strategy to the support it receives from Chinese authorities, Tesla should be a huge success in China.



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