

Tesla Is a Little Bit Apple, a Little Bit Google, and About to Be Huge

By Farhad Manjoo | Posted Friday, May 10, 2013, at 5:30 AM
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The Genius of Tesla

The electric car company is a little bit Apple, a little bit Google, and about to be huge.



A Tesla Model S after winning the 2013 World Green Car of the Year award at the New York Auto Show Photo by John Moore/Getty Images

Tech writers love to compare Tesla to Apple. As Steven Johnson [pointed out](#) earlier this year—and as many other writers have as well—Elon Musk’s electric-car company seems to be following the master plan Steve Jobs drew up when he brought Apple back from the brink in the late 1990s.

Both companies sell high-end products that inspire evangelical fervor in their supporters and incredulous, irrational hatred in their opponents. Both are adored by critics. Consumer Reports just gave [Tesla’s Model S sedan a near-perfect score](#), one of the best in the magazine’s history. (On the other hand, a New York Times reviewer did [\(controversially\) have to call a tow truck](#).) Both Apple and Tesla strive for excellent

customer service. When your Tesla breaks down, the firm will [deliver a loaner vehicle to your location](#) and pick up your old one for free, which is even better than when the guy at the Genius Bar gives you a new phone to replace the one you dropped in the toilet. And Musk, like Steve Jobs, is a fascinating figure—charismatic, pugilistic, unpredictable.

The most important comparison involves the two firms’ business models. When he came back to Apple, Jobs set out to do something unheard of in tech: sell luxury products at mainstream prices. The iPod, iPhone, and iPad weren’t just the most desirable gadgets in their categories. They were also [very competitive on price](#): The first iPad was the cheapest tablet you could buy, the iPhone sells at the same price as other top-tier phones (when you include a service contract), and the iPod was available at every price point. But even though its prices were competitive, Apple was able to keep its profits high, thanks to amazing manufacturing efficiencies.

Now Tesla seems to be following the same path. At \$70,000 the Model S, its family sedan, is still a very expensive car, but it’s far cheaper than the \$109,000 Roadster that Tesla launched in 2009. This week, the company announced that in the first quarter of 2013, it earned its first-ever corporate profit. It sold 5,000 cars in Q1, and its list of orders is growing by 20,000 per year. Part of the reason Tesla has turned profitable, Musk explained in a shareholder letter, is by making its production processes more efficient. Among other things, the company reduced the amount of time it takes to build a car by 40 percent. Over the long run, Musk aims to keep lowering the price of its cars—he’s hoping to release a [\\$30,000 car in the next three or four years](#)—while keeping the company’s gross profit margin at 25 percent, which is very high for the car industry.

So, there you go: Tesla wants to be just like Apple. That’s not a bad goal—Apple has done quite well for itself. But what few in the tech press have noticed is that Musk seems to have another tech titan in mind: Google. Musk knows that there’s a single, towering problem in the electric car business: a lack of infrastructure. Batteries aren’t good enough, charging stations are too far apart, and there aren’t enough mechanics and dealers. Tesla is trying to create this infrastructure by itself, which means everything’s moving more slowly than it could. If the entire car business worked together to improve this stuff, batteries and charging infrastructure would improve at a faster pace.

So how can Tesla persuade General Motors, Ford, Toyota, Mercedes, BMW, and other car giants—not to mention other car startups that are similar in size to Tesla—to all work together to improve the world’s electric vehicle

infrastructure? By licensing its tech to its competitors, in the same way that Google gives Android away to every phone-maker in the world.

That's exactly what Tesla has started doing. Next year, Mercedes will launch the [B-Class Electric Drive](#), a tiny electric hatchback with a range of 115 miles between charges. That's more than many other electric cars, including the Nissan Leaf, which tops out at around 80 miles. The B-Class achieves this range thanks to Tesla: Musk's [company helped create the B-Class's electric motors](#), electronics systems, and, crucially, its batteries. That follows Tesla's recent collaboration with Toyota, which produced the RAV4 EV, an SUV that also achieves a range of more than 100 miles between charges. (By comparison, in its cheapest configuration, Tesla's Model S has a [range of 208 miles](#).)

Tesla's willingness to sell its battery know-how to competitors shows that Musk understands that the electric vehicle industry will benefit from a common platform. Batteries are the semiconductors of the electric car business—the one component that determines the performance of the rest of the product. In the same way that your smartphone is only as good as its processor, your electric car's range is determined by the energy density of its batteries. Tesla's batteries are the best in the business. Per kilogram, they can hold [20 to 30 percent more energy than the nearest rival](#).

But that's not good enough. At the moment, with vehicles going only 100 to 250 miles between charges, electric cars are too limited for most people to consider ditching their traditional vehicles. To change that, these cars will need to achieve much longer range, and we'll have to be able to charge them up very quickly on the go. Tesla has built a [small network of "supercharging" stations](#), which will give you 150 miles of power in a 30-minute charge. But each of these stations can service only a handful of cars at a time.

That's why Tesla needs lots of other companies to have a stake in electric cars. Neither company has confirmed it, but there [are reports](#) that the Mercedes B-Class may be the first non-Tesla vehicle to be allowed at Tesla's supercharging stations. If that's true, it would be an indication that Musk sees his charging network as a kind of common tech platform. If Tesla's technology helps Mercedes sell a lot of electric cars, the deep-pocketed luxury car company will have an incentive to build its own charging stations, too—places where Tesla owners could charge up. The more charging stations there are, the more attractive both firms' vehicles would become. And then, as its battery production scales up to meet that demand, Tesla's batteries will likely improve as well, as many in the industry see increased production as one of the main ways to [lower the cost of electric-car batteries](#).

None of this means that Tesla should abandon its goal of building the world's best electric cars. By competing on service, style, and the dependability of its vehicles, it can sell a lot of cars while also letting rivals use its core technology. But to be a great tech company, it's no longer enough to just make great products. You've also got to let others build stuff on top of your technology—you've got to build a platform. Elon Musk gets this, and that's why his company isn't emulating just one tech behemoth. Tesla is Apple on the outside, but it's Google at its core.

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