

# Tesla Increases Words of Mouth By Taking Advantage of Social Currency

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**Abstract:** Social Currency acts as an invisible guide to people's purchasing behavior. People would share thoughts, facts, and stories that make them look smart, interesting, or in the know. Tesla created a unique online shopping service and Tesla has originality and Internet spreading capacity. Therefore, Tesla increases words of mouth by taking advantage of social currency.

## 1. Introduction

It is common opinion that in order for a company to become known by the consumers, it needs to put a lot of effort into promoting advertisements. Most companies utilize a mix of paid media, owned media and earned media. While all three are ways to increase brand awareness, companies usually spend a higher portion of their attention on paid media. In the auto industry, vehicle brands spend anywhere from a few hundred millions to several billions on advertisements. However, Tesla, Inc, a company selling electric cars, demonstrated a different route a company can take to have successful marketing. Even though Tesla has a marketing budget of zero, it still managed to grow to a point where it dominates the electric vehicle market. How can a company gain brand awareness without investing money into marketing? Tesla has social currency which encourages word of mouth that will, as a result, increase brand awareness.

## 2. The importance of providing social currency

Tesla provides social currency in multiple ways. To begin with, we will take a look at what social currency is and why people can't stop themselves from talking about a topic that provides social currency. Jonah Bereger and Keith Nobbs explain in the book *Contagious: Why Things Catch On* that people "use social currency to achieve desired positive impressions among their families, friends, and colleagues" <sup>[1]</sup>.

Different types of experiences are shared for a varying amount of times depending on if it can bring positive impressions about the sharer. People would share thoughts, facts, and stories that make them look smart, interesting, or in the know. Contagious states, "people prefer sharing things that make them seem entertaining rather than boring, clever rather than dumb, and hip rather than dull" <sup>[1]</sup>. This is because when we tell a friend about an engaging topic, we will also be seen as engaging. In order to get people to talk about a company, it has to be a topic that can start an interesting conversation. Products and services that fulfill this natural need people have to brag to others, usually have something remarkable about them. The remarkable part is what brings the company more word of mouth. Tesla is successful at word of mouth marketing because it includes social currency in several ways, so customers feel excited talking about the company with their friends.

## 3. Unique online vehicle purchase experience

Elon Musk, Tesla's CEO, believes that providing excellent customer experience by simplifying the

car purchasing process is important since it would improve customer's loyalty and encourage them to spread good reviews. Its car buying process is completely different from the rest of the auto industries. Cars are ordered online with a clear price while other companies have salespersons trying to negotiate for the highest price with the consumer in a car dealership<sup>[2]</sup>. When you contrast these two customer experiences, you can see that Tesla's way of selling is more clear and pleasant to consumers. As a result of its pleasant customer service, the brand has an overall satisfaction rate of 90% and has the highest customer loyalty among the auto industries<sup>[2]</sup>.

The online shopping experience is a story customers can share and get social currency. The idea to purchase cars online is new in the auto market, so it gives the buyers social currency if the audience whom they shared the information with thinks it is interesting. Moreover, Tesla's loyal customers will enthusiastically talk about the brand with their friends and family. Truthful suggestions from people you know are significantly more convincing than advertisements. People do not believe what is portrayed in ads because they know the companies are only showing the positives just to earn higher revenues. Because paid marketing is not believable, a huge sum of money goes to waste.

In conclusion, it is wise for Tesla to focus on facilitating words of mouth instead of dumping money into promoting ads. However, consumers have the freedom to say good stuff or bad stuff about a company. On one hand, when a brand has outstanding reviews about their customer service, people who hear the reviews will be impressed. On the other hand, if a user was angry with a company's customer service, they would spread negative reviews about the company. Since Tesla has a satisfaction rate of 90%, the brand will get the benefits in terms of good words of mouth marketing. From this, we can see why Musk thinks it is important to have good customer service.

#### **4. Tesla's Originality and Internet Spreading Capacity**

Many you-tube creators make entertaining content about Tesla's electric cars since these videos have the ability to earn them social currency. The topic of electric cars is new and remarkable. People who do not have an electric car themselves are eager to hear the opinion of a Tesla owner. For instance, Graham Stephan is a finance you-tuber with 3.31 million subscribers, but his most viewed video about his Tesla has 7.5million views. An even more extreme example is Ryan Trahan who has 3.63 million subscribers, but the most viral one, which is on Tesla's autopilot, accumulated 18 million views. From these data, one can conclude that electric cars are a topic that can easily become viral because of the social currency the topic contains. It is certain that the content raised brand awareness for Tesla, and it had also significantly influenced people's opinion about the vehicle.

Ben Sullins referred a total of 12 million dollars in sales to Tesla<sup>[3]</sup>. The you-tube channel had a great deal of influence. This is because they can get the words out to a large number of viewers, and, to the audience, things suggested by famous people will be seen as cool and trendy. Therefore, the audience will be more interested in buying an electric car. Even if someone does not have the money to buy the car, he can still spread the words to others. After an individual learns some cool facts, such as autopilot, and falcon-wings, about the electric car they will show off their knowledge to their friends. This is a natural behavior caused by the want to have social currency. People try to demonstrate that they are in the know by telling others about interesting features of the electric car. The listener will gather information and gain interests in the brand, so they might become potential customers of the product or services. In the year of 2019, there were so many participants referring to others, that the company had to give away 80 free Roadsters<sup>[3]</sup>. This paragraph shows a chain of events that creates more and more promotion. Because of the fact that talking about Tesla gives the speaker social currency, sales increased and the company became more well known.

#### **5. Conclusion**

Tesla dominates the market not by paying for advertisements, but by gaining earned media, both in the form of people talking to their friends, and creators making viral videos. Word of mouth is free and convincing, but people have to be willing to discuss your brand in their everyday conversations.

Social currency plays a large part in Tesla's success at getting people to talk about their cars. Customers recommended the company because of its pleasant customer service. The online shop is a talking point that can be easily added into an interesting conversation between friends. Creators made videos about Tesla's cars because its social currency meant that the creators can attract a lot of viewers. All in all, having social currency resulted in more words of mouth promotion.

## **References**

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