



## A LETTER TO ELON MUSK: PARTNER WITH DEALERS TO TAKE TESLA INTO "LUDICROUS MODE"

Dear Elon,

Many of us have watched in amazement as you built Tesla into one of the most dominant companies in our industry. Your products are leaders in their segments, and Tesla has the highest customer loyalty. Toyota shares similar strengths. But there is a major difference. Toyota believes it has achieved market leadership because of the partnership that it has built with its dealers.

Tesla has grown without dealers, but this strategy may have reached its limit. Sales are falling even after big price cuts, and inventory is building. You are operating at a disadvantage to your competitors. Their energy is focused on making a better vehicle. Tesla has to make and sell the vehicle. Perhaps you need a new "surge" that can transform Tesla. By partnering with dealers, Tesla can achieve higher profits while massively reducing the amount of capital required for further growth.

**1. Better Buying Experience.** Early adopters of EVs have largely purchased their Teslas. New buyers, however, prefer to physically interact with the vehicle, receive in-person explanations of features, and test drive before purchase. Many also need help with trade-ins, financing, and insurance. Financing online is challenging for customers with less than perfect credit, which includes a significant portion of buyers. Dealers can provide this personalized service and will spend hundreds of millions of dollars on advertising to help Tesla sell more vehicles.

**2. Improved Service Experience.** Some Tesla customers complain about distant service centers and long waits. You have just 200 centers. Brands that sell a similar number of vehicles have over 1,000 centers located closer to consumers. Some buyers won't consider a Tesla because service is inconvenient. Better service means more sales. And more profits from parts sales.

**3. Higher Margins for Tesla.** Carl Sewell is a legend in our industry partly because he proved that price is not the top criteria for most buyers. He provides other benefits that create highly loyal customers. Tesla might be able to charge a higher price for its vehicles since dealers could still make a fair margin by providing other benefits that customers value. And you can eliminate the costs of your sales and service centers.

**4. Less Invested Capital.** Tesla could quickly establish a dealer network of hundreds of locations with \$0 investment. Also, you could bill dealers as soon as you ship vehicles. No need to have cash tied up in inventory. Tesla has almost 160,000 units on its books. Imagine if you could put that \$8B+ to work on designing new products.

**5. Dealers Pave the Path for Full Self Driving and Robo Taxis.** Tesla has invested billions to perfect its automated driving capabilities so that robo taxis can function across the US, not just in a few cities. For these robo taxis to thrive in every market, they will need to be serviced in every market. A franchised dealer network can provide this capability to you.

**Proposed Dealer Partnership Terms.** Tesla could set a suggested retail price that is 10% above what you charge, offer a 35% markup on parts for warranty repairs, and pay average market labor rate for warranty repairs. Embrace state franchise laws instead of fighting them. Dealers pay for all facilities, labor, advertising, etc.

**Dealers are Ready to Collaborate.** Many dealers would be willing to transition to become Tesla dealers. They have attractive, well-located facilities that are staffed by hardworking people who are accustomed to selling and servicing vehicles that retail for \$35,000 to \$100,000. Dealers could adhere to Tesla's one-price sales model if preferred. They could quickly offer you a network of 500-1,000 facilities that could significantly increase your sales and profits.

Elon, you have become one of the most successful entrepreneurs in history. You've taken us over the roads, under the roads, out to space, and other places few could have ever imagined. Dealers have been adding value to the auto industry for over 100 years. Partnering with these entrepreneurs could enhance Tesla's customer experience and provide Tesla with massive benefits. We can be reached at (954) 646-8921. We will connect you with our friends.

Thank you,

The Team at Haig Partners