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Tesla's Sales Drop, a Sign That Its Grip on the E.V. Market Is Slipping

Sales of the company's electric cars dropped in the first three months of the year, even as other automakers sold more battery-powered vehicles.



Tesla's relatively flat sales are the latest sign that the company's dominance of the market for electric cars is slipping. Credit... Philip Cheung for The New York Times



By [Jack Ewing](#) and [Neal E. Boudette](#)

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Tesla appeared to be losing command of the market it effectively created after it reported a stunning drop in quarterly sales on Tuesday, raising fresh questions about Elon Musk's leadership of the company.

The sales decline caught investors off guard as rivals like BYD of China and Kia and Hyundai of South Korea reported increases in electric vehicle sales, suggesting that slower overall demand for battery-powered models was not the only explanation for Tesla's problems.

Tesla pioneered the market for electric vehicles with its Model 3 sedan and Model Y sport utility vehicle, which proved that battery-powered cars could be appealing, practical and profitable. The cars revolutionized the auto industry and forced established carmakers to develop their own electric models.

But the market is evolving in ways that may not favor Tesla. In contrast to the early adopters who fueled Tesla's rise, mainstream buyers may be put off by the vehicles' unconventional design, including minimalist interiors and lack of buttons and switches. Almost all functions in Tesla vehicles are controlled from a large screen on the dashboard.

The system "makes it thoroughly distracting to adjust almost anything within the vehicle while motoring down the road," Consumer Reports wrote in a review on Tuesday of a new version of the Model 3.

Tesla, which sells cars online and does not have many showrooms, is often the target of complaints about poor service. That may provide an advantage to established carmakers, like Ford Motor and General Motors, that have extensive dealer networks and are ramping up production of electric vehicles.

Tesla seems [at a loss](#) to respond to those challenges. It has been slow to follow up its initial success with new models, and Mr. Musk appears disengaged. He did not react Tuesday to the sales figures on X, the social media platform that he owns and posts on prolifically. Instead, he threw barbs at Walt Disney Company executives whom he accuses of being "woke." Such remarks have made him a hero to conservatives but may be pushing liberals, who are more likely to buy electric cars, away from Tesla.

Tesla [said](#) it delivered 387,000 cars worldwide in the first quarter, down 8.5 percent from 423,000 in the same period last year. This was the first time Tesla's quarterly sales have fallen on a year over year basis since a modest drop at the start of the pandemic in 2020. The sales figures were also significantly lower than the estimates of Wall Street analysts who had expected a modest increase.

"Tesla can't stand still," Ben Rose, president of Battle Road Research, said in an email. "Chinese E.V.s are already gaining a foothold in Europe, and it is unclear how long they will be forbidden from entering the U.S."

More affordable cars would help Tesla appeal to a broader spectrum of buyers, Mr. Rose said.

To be sure, some of the sales decline may have reflected production problems beyond the company's control, including a [fire](#) at a Tesla factory near Berlin that was the result of an arson attack.

And the company's cars still have many fans. While panning the Model 3's controls, Consumer Reports said the latest version provided a better ride than its predecessor and had improved handling.

But investors are clearly alarmed. Tesla's shares have fallen more than 30 percent this year — including a 5 percent drop on Tuesday — because of concern that the company has lost momentum.

In China, Tesla faces BYD and dozens of other rivals with ambitions to expand worldwide. In Europe, established carmakers like [Volkswagen](#) and [BMW](#) have introduced more compelling battery-powered models. And in the United States, sales of electric cars are not growing as fast as they were a year ago, and many buyers are opting instead for hybrid models that pair a gasoline engine with batteries and electric motors.

Tesla rivals have continued to report sales increases. BYD said on Tuesday that it sold about 300,000 electric vehicles, up 13 percent from a year earlier. The company also sold 324,000 plug-in hybrid vehicles in the first quarter, up 15 percent.

BYD and other Chinese automakers have introduced new models rapidly, often undercutting Tesla on price. Those companies are also increasingly exporting cars to Europe, Southeast Asia and Latin America.

Kia, based in South Korea, said Tuesday that its sales of electric vehicles in the United States more than doubled in the first three months of the year compared with a year earlier after it introduced a new large sport utility vehicle, the EV9. Kia's sister company, Hyundai, said it sold more than 10,000 electric vehicles in the first quarter in the United States, up 75 percent.

Toyota, the world's largest automaker, doesn't sell many fully electric vehicles. But the company said U.S. sales of electrified vehicles, a category largely made up of hybrids, under the Toyota and Lexus brands was up 74 percent in the first quarter.

Tesla pioneered mass-market electric cars, but its lineup is aging. The company's only new model since 2020 is the [Cybertruck](#), a futuristic pickup that went on sale in limited numbers last year. The least expensive version that Tesla says it can deliver this year starts at around \$80,000, which makes it unaffordable to most car buyers.

Rivian, whose R1 pickup competes with the Cybertruck, said its sales, including of the truck and its two other models, rose 70 percent in the quarter, to 13,600 vehicles.

Tesla is working on an electric car that would cost around \$25,000, but the model is not expected to go on sale in large numbers until 2026. In the meantime, Tesla remains dependent on the Model Y and the Model 3 for most of its sales.

The company has repeatedly cut prices, but analysts say the strategy has lowered its profits without doing enough to stimulate sales. The company has recently modestly raised the prices of some cars in the United States and China. The Model Y starts at nearly \$45,000 before federal and state tax breaks, after an increase of \$1,000 announced this week.

The quarterly sales figure shows Tesla managers “they need a real sales strategy and can’t rely on cutting price alone,” Gary Black, managing partner of the Future Fund, an investment firm, posted on X.

Mr. Musk, Tesla’s chief executive, has not given a clear indication of how the company plans to regain momentum. At the same time, his polarizing statements and endorsement of right-wing conspiracy theories have alienated many of the [left-leaning customers](#) who are most likely to buy electric cars.

Raphaelle Cassens, a Los Angeles resident, gave up her leased Tesla Model Y last year and replaced it with a leased electric BMW i4. Mr. Musk was one reason she switched, she said.

“Honestly, I don’t like him as an individual at all,” said Ms. Cassens, who is a registered Democrat but described herself as nonpartisan. She also said she received poor service from the company. “The attitude from the company definitely reflects the owner,” Ms. Cassens added.

At least one other large automaker is also struggling with electric vehicle sales. G.M. reported on Tuesday that its U.S. sales for the first quarter fell 1.5 percent, in large part because deliveries of battery-powered cars were down by about a fifth to around 16,000 vehicles.

The drop in battery-powered vehicle sales was the result of a sharp decline in sales of the Chevrolet Bolt, which G.M. stopped making at the end of 2023. Sales of other electric models that use G.M.’s newest battery technology rose but not enough to make up for the loss of the Bolt, which was one of the most affordable electric cars in the United States.

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A stake of less than 15 percent of the company, Mr. Musk said, “makes a takeover by dubious interests too easy.”

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