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Tesla's New Speedway Is the Internet; Musk Says He Will Close Most Showrooms

It Only Takes '1 Minute to Buy' a Tesla Online, Tweets Musk. But If You Sell It Online, Will They Come?



Tesla Chief Executive Elon Musk said he is closing most of the Tesla showrooms to free up money to sell the Model 3 cars for \$35,000 each.
Source: iStock

Tesla's going down a new road. Chief Executive Elon Musk said he will close most of the electric carmaker's well-appointed showrooms in favor of an online-only sales model that "takes 1 minute to buy," he said in a Twitter post.

It was a dramatic and largely unexpected shift in strategy aimed at saving money. in a mathematical move that allows him to meet his goal of lowering the pricetag of Tesla's low-end Model 3 to \$35,000.

“We will be closing some stores and that will be some reduction in head count as a result; there’s no question about that,” Musk said on a call with reporters Thursday.

“There’s no other way for us to achieve the savings required to provide this car and be financially sustainable,” he said. “I wish there was another way, but unfortunately, it will entail reduction in workforce on the retail side, no way around it.”

The Model 3 has been roundly lauded as a means of bringing the advanced electronic car to the masses at an affordable rate. But the move to close showrooms was still a shocker because of the uncertainty of whether car-buying has advanced to an online purchase yet.

Will consumers want to make such an expensive and subjective purchase without putting hands to the wheel and wheels to the ground?

“The incremental demand may come in this new distribution model that they’re talking about,” David Whiston, a Morningstar analyst told Bloomberg TV, referring to Musk’s goal of selling more cars.

“But it will be very interesting to see if it succeeds,” he added. “We’re talking about a vehicle here, not a shirt from Amazon.”

Musk noted that it's "excruciatingly difficult" to make the Model 3 at a \$35,000 price point, but added features could up the price to as much as \$60,000 – a more margin-friendly price point for the company.

Musk did not offer details on which showrooms would close, nor how many of the 378 that are open globally would go dark. He did note, however, that some will stay open as a source of information, though all car-buying will be made online.

"Ultimately this will be a very strong competitive strength for Tesla," he said on the call. "This will be a fundamental long-term competitive advantage of Tesla that...only a startup could replicate."
