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Tesla Looks to Affordable Models and European Expansion Amid Business Setbacks

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Tesla is planning to introduce lower-cost electric vehicles and expand its self-driving technology into European markets as it attempts to recover from falling sales, shrinking profits, and intensifying global competition. The company revealed the new strategy during its latest investor briefing, marking a shift in tone as it works to regain momentum in an increasingly crowded market.

The electric vehicle (EV) maker, led by CEO Elon Musk, announced that it began early production of a more affordable model in June. While details remain limited, the move is seen as critical for Tesla to compete with rapidly advancing Chinese manufacturers and address waning consumer demand in key markets. Tesla also confirmed it is seeking regulatory approval to roll out its Full Self-Driving (FSD) software in Europe, with initial licensing expected in the Netherlands.

Musk described the push for autonomous driving as Tesla's central value proposition going forward. "Autonomy is the story," he told investors. "It's what amplifies the value of the company to stratospheric levels." Despite this confidence, Tesla's financials tell a more complicated story. Revenue for the second quarter fell 12% compared to the same period last year, the steepest decline in over a decade. Vehicle deliveries dropped 14%, and net profit slid 16%, continuing a trend of narrowing margins that has now lasted for five of the past six quarters.

Chief Financial Officer Vaibhav Taneja attributed part of the decline to changes in U.S. trade and tax policy. The company reported a \$300 million hit over the last three months due to tariff-related costs. Compounding the issue, the expiration of certain federal tax credits for EV buyers in the United States is expected to further impact sales. Tesla withheld a full-year forecast, citing "shifting global trade and fiscal policies" as key uncertainties.

The company's struggles are not solely financial. Tesla's brand image, once built on innovation and early adopter enthusiasm, has come under pressure amid CEO Elon Musk's increasingly political profile. Musk's public alignment with President Donald Trump and speculation over a potential new political party have drawn criticism from analysts and investors alike. While Musk recently distanced himself from the Trump administration, the turbulence has not gone unnoticed.

James Fishback, a Tesla shareholder and Trump supporter, urged the board this month to review whether Musk's political ambitions are compatible with his duties as chief executive. Meanwhile, longtime Tesla advocate and analyst Dan Ives publicly called for more oversight, prompting an aggressive response from Musk on social media. "Shut up, Dan," he posted, drawing further scrutiny.

Brand experts suggest Musk's high-profile behaviour has weakened Tesla's organic market appeal. Daniel Binns, Global CEO of brand consultancy Elmwood, noted that Tesla's early success stemmed from passionate consumer backing and a strong identity built without

traditional advertising. That loyalty, he said, is now at risk. “Tesla’s facing real competition now. The market’s caught up. A new model helps, but it has to be more than just another car.”

Tesla’s European ambitions could offer a path forward. If the firm can secure European Union (EU) approval for its FSD technology, it would gain access to a major market where automation is expected to play a significant role in future mobility. However, Musk cautioned that dealing with EU regulators can be bureaucratically challenging, referring to the process as “Kafka-esque.”

Despite the recent setbacks, Tesla remains a major force in the global EV market. But its dominance is no longer guaranteed. With falling margins, regulatory headwinds, and stronger competition, success may now depend less on bold promises and more on clear execution, disciplined leadership, and reconnecting with consumers who once saw the brand as the future of driving.