

# ***Redefining Luxury Electric Cars: A Comprehensive Analysis of Faraday Future Inc.***

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**Abstract:** The global automotive industry is experiencing a seismic shift towards sustainability, with electric vehicles (EVs) leading the way. Among the new entrants in this arena, Faraday Future Inc. (FF) stands out with its vision to redefine luxury electric cars. This article presents a comprehensive analysis of FF's approach, comparing it to established luxury car brands and examining the novel luxury values it introduces. FF has strategically positioned itself to cater to the growing demand for eco-friendly, technologically advanced, and luxurious EVs. The result is a holistic reimagining of the luxury EV. Key competitive advantages for FF include its team of industry experts, advanced EV technology, and savvy marketing. Furthermore, founder YT Jia's potential influence, particularly in the Chinese market, adds a powerful dimension to the company's prospects. Nonetheless, FF faces immediate financial challenges, evident in its lack of revenue juxtaposed with high operational expenses. To realize its ambitions, FF must secure substantial funding, a task complicated by YT Jia's unresolved credit issues. Despite these hurdles, FF's diverse product portfolio offers immense potential. However, the risk of delayed product launches looms in a fast-paced industry. In summary, this article explores FF's mission to redefine luxury electric cars, emphasizing its unique value propositions, competitive strengths, and financial obstacles. FF's innovative approach positions it as a promising contender in the EV market, poised to make a lasting impact on the luxury EV segment while advancing the global shift towards sustainable transportation solutions.

**Keywords:** EV Market, Faraday Future, Luxury value

## **1. Introduction**

Nowadays, as people become more aware of the need to protect the environment, various fields are gradually beginning to add environmentally friendly concepts to their strategy development. Taking the automotive industry as an example, the automotive industry is undergoing a huge transformation from traditional fuel-based vehicles to new energy vehicles especially electric cars. The majority of car manufacturers have already announced plans to stop selling fuel cars in the future, such as BYD, and Volkswagen. In these years, electric vehicle-related industries have been really popular all over the world which has attracted huge amounts of investment from various countries. Alex analyzed the data from Foreign direct investment markets and found that over 70% of the total global investments were attracted by the EV markets from 2016 to 2022 [1]. According to the Foreign direct investment market's data, there was a large increase in the amount of global investment into the electric vehicles

market in recent years, especially in 2022. Over 106 billion dollars were invested into the EV-related markets, more than double the amount in 2021 [1]. As this is a new segment, most EV companies have designed and sold their Low-end mid-end, or high-end electric vehicles. However, the luxury electric car is not yet fully exploited. Almost none of the new EV brands on the market positions itself as a top luxury product. Recently, a new electric car company called Faraday & Future Inc. (FF) redefined the luxury electric car from their perspective. This article will analyze that whether Faraday Future Inc., which recently began delivering and mass-producing their ultimate luxury electric car, can successfully redefine luxury electric cars. The purpose of this work is to analyze the competitive advantages of Faraday Future in comparison with vintage luxury car brands and the differences between the luxury value introduced on Faraday Future's electric car and the luxury value added by traditional luxury car manufacturers. The analysis would be based on information on the current luxury EV market, Faraday Future's operating activities, and financial statements, which will be helpful to the public in understanding the development and the trend of the current luxury EV market and FF company (Figure 1).

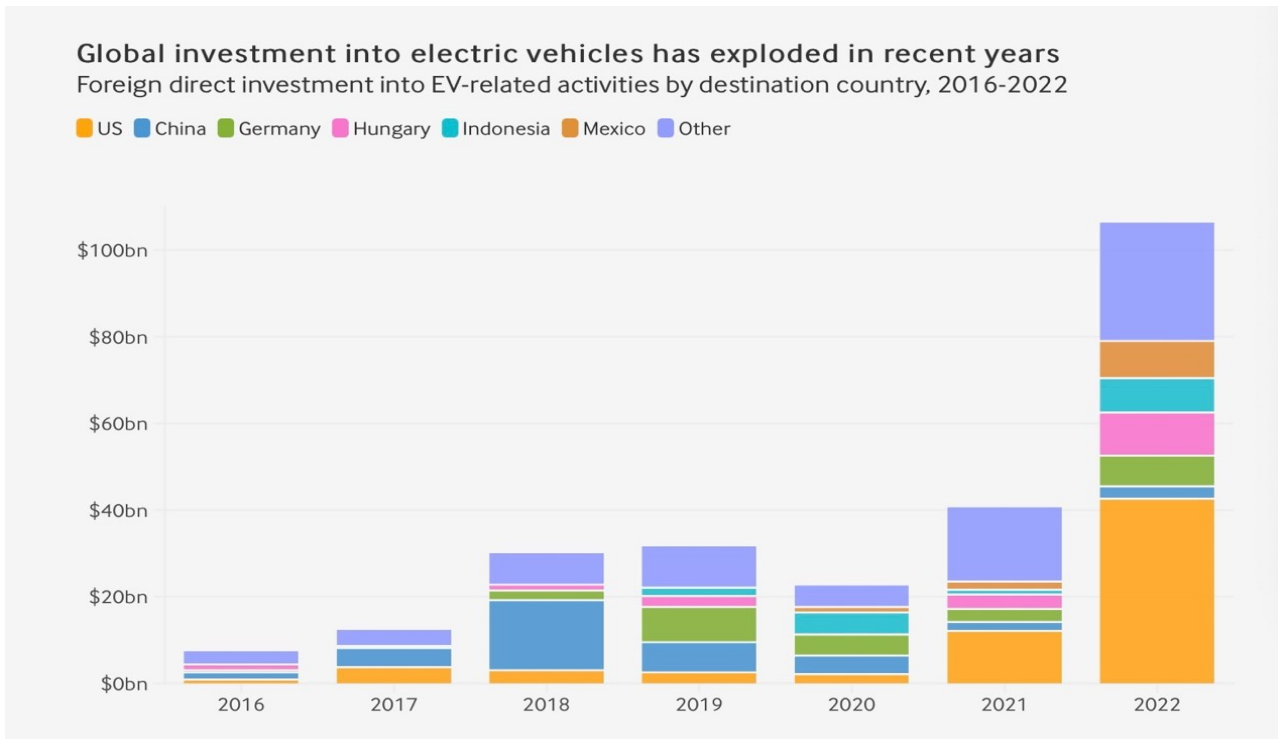


Figure 1: Global investment into electric vehicles has exploded in recent years

## 2. Background of Faraday Future

According to the corporate profile of Faraday & Future Inc. (FF), FF describes itself as a global shared intelligent mobility ecosystem company that was founded in 2014 with headquarters in Los Angeles, California, and planning to develop its manufacturing capability in China through a joint venture. The company focuses on designing and engineering next-generation smart electric connected vehicles. Since its founding, FF has created major innovations in technology and products, enabling FF to introduce a higher level of luxury and performance and redefine the future of intelligent mobility [2].

### **3. What luxury value of traditional luxury car added to consumers**

Luxury cars often come with a range of value-added features and qualities that differentiate them from standard vehicles. Luxury brands are usually associated with limited availability (exclusive distribution), high prices, superior quality, beauty, rarity, exclusivity, and strong emotions and symbols [3]. To be more specific, common luxury value additions include premium material (high-quality materials for the interior and exterior), advanced technology (equipped with cutting-edge technology), exceptional performance (more powerful engines and superior handling capabilities), customization options (personalized vehicles), comfort and driving quality (prioritize comfort and ride quality), safety (equipped with the latest safety technologies), exclusive branding (associated with a rich history and reputation for quality), superior craftsmanship (attention to detail and meticulous craftsmanship), extended warranty and maintenance (offering extended warranties and comprehensive maintenance plans), exceptional customer service (higher level of customer service), exclusivity (limited quantities), resale value.

### **4. How faraday future redefine luxury EV to consumers**

FF redefine the luxury EV by combining all positive traditional luxury concept in one product and adding a new luxury concept to its first product (FF 91 2.0). Specifically, FF defines their first product as “The Ultimate AI TechLuxury Product and Technology Revolution” including four trends: All-AI, All-Hyper, All-Ability, and Co-Creation in their 2023 presentation [4]. Their first product was designed in a completely new model that combines all properties of traditional hypercars, sedans, and SUVs. FF 91 2.0 provides top performance in each area, excellent appearance, cutting-edge technology, comfortable driving and riding experience, high safety protection for drivers and passengers, best materials used on both exterior and interior, and limited availability. The whole car is empowered by AI, not only the voice interaction or automatic driving but also the multi-axis torque system for propulsion, steering, and braking. The AI will grow with the owner’s driving habits and will be more accurate to assist driving. Additionally, FF adds a time luxury concept for this product. The large screen in the back is capable of meeting most work and leisure requirements, such as video conferencing and watching videos, saving time for those traveling people.

### **5. Competitive advantage of Faraday Future**

According to FF’s team member introduction, although FF is not a company with a rich history, its team members are the world’s leading experts in their fields which brings huge advantages in corporate management, product design, technological innovation, and technical development [5]. For example, they have developed advanced electric vehicle technology including high-performance batteries, electric drivetrains, and autonomous driving capabilities. Besides, FF might be able to absorb numerous customers through their perfect marketing. Roper, Caruana, Medway, and Murph stated that luxury brands are associated with objects of desire that provide additional pleasure and fulfill psychological, social, and functional needs and values [6]. In addition to this, Rucker, Galinsky, and Dubois analyzed that consumers are positive about buying luxury brands if they perceive that luxury goods bring power, status, identity, prestige, exclusivity, and relationships with other consumers [7]. FF has been very accurate in promoting and positioning its brand and product. They announced that they are committed to providing the best traveling services to the people at the top of the tower, which would impress potential customers. According to Adams’s findings, consumers are willing to buy or recommend a product mainly because of the brand's reputation and their perceptions of the company [1]. As a result, FF can attract a number of customers. Furthermore, FF has created the FF 91 2.0 futurist alliance which includes various professionals, allowing the company to attract more customers. Stokburger-Sauer pointed out that when consumers build and maintain relationships,

they gain social satisfaction and brands benefit from their loyalty, publicity, and recommendations to other consumers [8]. The members already have a large number of precise and high-quality clients such as the famous luxury property agents for FF. As the member of FF 91 2.0 futurist alliance increases, FF will attract more customers through recommendations from alliance members. Lastly, if Faraday plans to open a market in China in the future, it will have huge advantages because of its founder YT Jia. He has a huge influence in China, numerous Chinese residents hope he comes back to China. He doesn't need to advertise his company or his products in China just like Musk, countless people are watching his every move, which could save FF a lot of money in advertising expenses.

## 6. Difficulties Faraday Future facing and might face

Faraday Future faces and has faced significant financial difficulties. By looking at Figure 2, the income statement of Faraday Future, it is easy to find that the company does not have any revenue this year. However, the operating expense is relatively high (\$448,293,000 in the 2022 accounting year), and there are limited cash or cash equivalent assets in the balance sheet [9]. Obviously, the total assets of FF mainly depend on cash and cash equivalents. The total assets of FF decreased about \$400,000,000 from 907,432,000 to \$510,288,000 in 2021. At the same time, cash and cash equivalent decreased over \$400,000,000 from \$505,091,000 to \$16,968,000 (Figure 3). Although FF has started the sale and delivered the FF91 to their customers, the first batch is only 300 units with a selling price \$309,000, which will make \$92,700,000 in revenue for the company. To increase the company's production capacity and open up the Chinese market, the revenue brought by these 300 cars is far from enough for FF. Additionally, FF still has to invest heavily in technology and technological innovation to ensure the company's continued growth and dominance in the high-end electric vehicle segment. As a result, FF needs to further introduce a large amount of money for the company will be the biggest difficulty. Furthermore, the credit issue is also a big problem that FF needs to solve because YT Jia as the founder of FF still has huge debt issues in China that are yet to be solved if FF wants to get further funding in the market. According to BBC News in 2018, YT Jia was put onto an official list of debt defaulters over hundreds of millions of dollars' worth of unpaid loans [10].

<b>Income Statement</b>		All numbers in thousands			<a href="#">Expand All</a>
<b>Breakdown</b>	<b>TTM</b>	<b>12/31/2022</b>	<b>12/31/2021</b>	<b>12/31/2020</b>	
> Total Revenue	0	0	0	0	
> Operating Expense	302,649	448,293	289,958	64,929	
Operating Income	-309,262	-448,293	-289,958	-64,929	
> Net Non Operating Interest I...	-4,877	-11,115	-46,844	-73,719	
> Other Income Expense	-212,959	-92,600	-179,463	-8,434	

Figure 2: Income Statement

## Balance Sheet

All numbers in thousands

Breakdown	12/31/2022	12/31/2021	12/31/2020
∨ Total Assets	510,288	907,432	316,382
∨ Current Assets	66,405	607,257	14,439
∨ Cash, Cash Equivalents & S...	16,968	505,091	1,124
∨ Cash And Cash Equiva...	16,968	505,091	1,124
Cash	16,968	505,091	1,124
∨ Receivables	-	0	2,074
Notes Receivable	-	0	40
Due from Related Partie...	-	0	2,034

Figure 3: Balance sheet

Apart from this, the variety of the products of FF is also a challenge for them. The variety of FF's products should be a problem as well. FF was established 10 years ago, however, until recently, they started to sell their first product. Delayed product launches can put a company at a competitive disadvantage in a rapidly evolving industry like electric vehicles. During the time that Faraday Future spent developing its product portfolio, competitors may have gained market share, established brand recognition, and refined their products. For example, through analysis of statistics provided by Counterpoint, Tesla has gained a huge market share over the world with 20%, and BYD with 15%. It is easy to find that the market share of BYD is increasing annually in 2023 (figure 4) [11].

### Global Passenger Electric Vehicle Market Share, Q3 2021 – Q2 2023

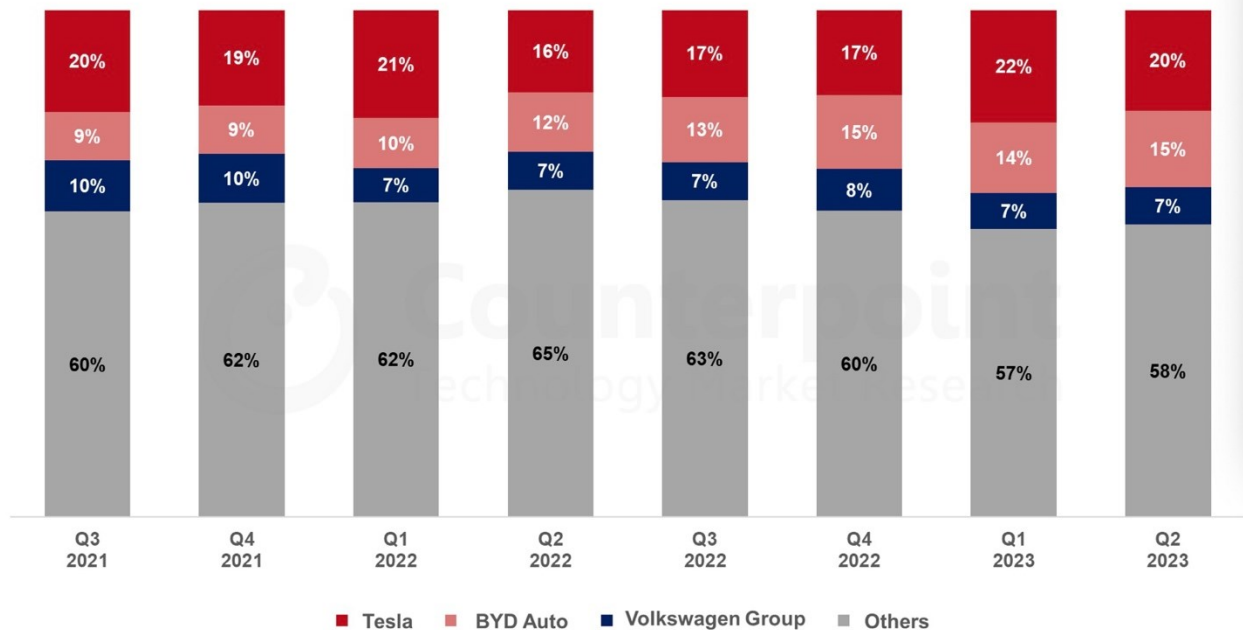


Figure 4: Global Passenger Electric Vehicle Market Share, Q3 2021 - Q2 2023

## 7. Conclusion

In conclusion, the automotive industry is experiencing a remarkable transformation towards environmentally friendly concepts, with the electric vehicle (EV) sector at the forefront of this evolution. Faraday Future Inc. (FF) has emerged as a notable player in this changing landscape, seeking to redefine the luxury electric car segment. This analysis has examined FF's endeavours and competitive advantages in the context of traditional luxury car brands, as well as the distinctive luxury value propositions introduced by FF. FF's strategic positioning as a luxury electric vehicle manufacturer aligns with a growing market trend that values eco-friendliness and technological innovation. By combining the best attributes of traditional luxury concepts, such as premium materials, advanced technology, exceptional performance, and exclusivity, with their unique value propositions, FF has introduced the concept of "time luxury" and AI-driven smart mobility. Furthermore, FF's competitive advantages lie in its team's expertise, including advanced EV technology development, strategic marketing, and alliance-building within the industry. The potential influence of founder YT Jia, particularly in the Chinese market, presents a significant advantage. However, FF is not without its challenges. The company faces immediate financial hurdles, as evidenced by its lack of revenue and high operating expenses. To realize its ambitious plans and secure a solid footing in the market, FF must secure substantial funding. Additionally, the credit issue associated with YT Jia's debts in China poses a potential barrier to fundraising efforts. The variety of FF's product offerings, while ambitious, also presents a challenge, as delayed product launches can hinder the company's competitiveness in a rapidly evolving industry. Nevertheless, FF's innovative approach to luxury electric vehicles and its ability to adapt and innovate in the face of challenges make it a compelling player to watch in the EV market. In summary, FF's vision of redefining luxury electric cars is an exciting and progressive one. While the road ahead may be challenging, with the right financial support, strategic alliances, and a commitment to technological excellence, FF has the potential to leave a lasting imprint on the luxury EV market and contribute to the global shift toward environmentally friendly transportation solutions. This article may be useful to the public or investors interested in luxury EVs or Faraday Future.

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