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## Tesla's Model S As A Perfect Example Of Innovation & Cost-saving Attitude Towards The Business

Tesla's first truly mass-produced car was the Model S, a luxury electric car and it is a perfect example of innovation and cost-saving attitude towards the business. It was launched in June 2012 and became famous in a blink of an eye. It was also selected as the 2013 Car of the Year, having received the highest Consumer Reports rating ever.

Tesla designed the Model S completely in-house, using an improved version of the technology developed for the Roadster. Moreover, the batteries were assembled into a rigid pack that was put in the bottom of the car, allowing Tesla to be the only car to offer an all-glass panoramic roof. For what concerns Model S as an example of disruptive innovation, the car was completely controlled by software. What is more, it could be wirelessly updated through cellular connection and could be used to customize the car's behaviour.

The level of electronic integration impressed other car companies and was considered a benchmark. The Model S had no traditional key but a wireless fob. When the driver approached the car, the car automatically unlocked, and the door automatically opened itself. Finally, the car started when the driver entered in it. The ability to exploit economic contingencies has been important for Tesla's growth. Indeed, the car industry's crisis allowed Tesla to purchase its massive production plant from Toyota for \$42 million, financing the deal with \$50 million capital injection by Toyota itself. With the new plant, Tesla's output was expected to reach 100,000 cars per year, from the original 21,000.

Moreover, Tesla bought lots of equipment at a discount from manufacturers in economic sufferings. Indeed, according to a Bloomberg's article by Alan Oshman, Tesla spent less than a third of the \$1bn it would normally cost to get its new plant operational. Tesla also brought a large part of its parts production in-house, making 90% of Model S-specific plastic parts on 3D printers. Moreover, Tesla Model S is a perfect example of hidden subsidies (Kerpen, 2015).

Thanks to "zero-emission vehicle" (ZEV) credits (which requires manufacturers to build dealers to sell a certain number of "zero-emission" vehicles each year) Tesla's Model S has generated four ZEV credits per unit sold (one ZEV credit is worth \$5,000). In this way, Tesla has been able to sell \$20,000 in ZEV credits to other manufacturers for each Model S sold, the cost has been shouldered by purchasers of other cars. Finally, that amount used to be even higher because Tesla was able to obtain additional credits, generating three additional credits per vehicle sold by simply demonstrating that its batteries could be rapidly swapped. In this way Tesla has

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earned \$35,000 per car sold.

Elon Musk is definitely a man with lots of creative idea (i.e. from the launch of private space travel to a super train that would cover the Washington-New York route in less than half an hour). All his business initiatives have one thing in common: they would not have probably realized without receiving subsidies by the United States Government. Tesla and SpaceX received \$ 4.9 billion in government subsidies, according to data compiled by The Times.

There have been lots of critics, arguing that Musk goes where there is a subsidy. The problem is that, acting in this way, you depend on the government that could cut you off one day. Nowadays, Tesla is still continuing to report net losses in its income statement. Musk's stake in the firms alone is worth about \$10 billion (CNBC, Tesla, s.d.). Basically, Musk and Tesla's principal shareholders have enjoyed most of the financial upside of the government support. Citizens, who pay taxes to support this kind of program, shoulder the cost.

Hence, what will the payoff for the public be? Let's say that there would be pollution reductions, but only if electric cars and solar panels (for what concerns SolarCity) will become mass-market products. But, actually, they are still remaining niche products. Moreover, Tesla has received more than 110 subsidies' awards, gaining the 8th place in the ranking of the most subsidized firms of the US. Tesla has also overcome giants as Nike, Amazon, Volkswagen and so on.

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