Elon Musk's Strategy to Diversify (An Analysis of Tesla and Bitcoin)

CHARITY ILEVBARE-ADENIJI
Masters Digital Marketing Communications, Masters Business Administration.
Member, Chartered Institute of Marketing (CIM) UK, Member, International Institute of Business Analysis.
Fellow, National Institute of Marketing of Nigeria

Abstract- ***Tesla Motors, a pioneering company in the auto-motive industry known for its innovations in electric vehicle technology, has recently entered the cryptocurrency world. This move marks a significant shift from its traditional business domain, arousing interest in industry experts and enthusiasts. As a company that consistently pushes the boundaries of technology and sustainability, Tesla's foray into Cryptocurrency represents a bold convergence of two dynamic realms. The strategic merit of Tesla's venture into Cryptocurrency necessitates a comprehensive examination of various factors. Paramount among these considerations is the alignment of this move with Tesla's overarching vision and mission, as well as the evolving landscape of Cryptocurrency over the next 5 to 10 years. By scrutinizing these factors, we can better gauge the potential implications of this bold maneuver.***

Indexed Terms- ***Tesla, Bitcoin, Elon Musk, Strategy and Practice***

I. INDUSTRY ANALYSIS USING 5 FORCES + 1

Threat of new entrants: The threat of new entrants in the electric automobile sector is a significant challenge due to the high capital requirements and the cost of research and development. The industry needs economies of scale, which makes it difficult for new players to achieve cost efficiency. Additionally, finding the right balance between cost and performance is a complex task in this industry. However, established players in the automobile market, such as General Motors, Toyota, Jaguar, BMW, Porsche, and Mercedes, have announced their commitment to investing billions of dollars in research and development for electric cars. For instance, German automakers plan to invest $45 billion in electric cars alone, underscoring the competition level the sector is expected to face.

At the same time, the open-source sector faces high competition from new entrants, as there are over 5000 competitors worldwide. Although the open-source nature of the sector is an advantage that allows for easy access and innovation, it is also a significant weakness that requires strict government regulations to ensure security. There is a need to strike a balance between innovation and security. Governments must ensure that the sector is not vulnerable to cyber-attacks or malicious activities that could undermine its growth in the long term.

Therefore, the future of both the electric automobile sector and the open-source sector depends on their ability to address these challenges. The electric automobile sector needs to maintain its competitiveness in the market by investing in research and development to achieve cost efficiencies and improve performance. The open-source sector must be secure and innovative, which requires balancing regulations and novation. Overall, the future of both sectors looks promising, provided the challenges are addressed appropriately.

Bargaining power of Buyers: The bargaining power of buyers is an essential factor to consider in the automotive industry. In the case of Tesla, the cost of production plays a crucial role in determining the level of bargaining power buyers possess. If Tesla's cost of production is high and they use a "just in time" approach, which means low economies of scale, buyers have a high degree of bargaining power. Moreover, the growing popularity of electric cars is

expected to impact the oil demand globally. According to Wood's estimates, the global oil demand will decline starting from 2025, and by 2040, 38% of all cars manufactured will be electric. This shift in demand will have a significant impact on the bargaining power of buyers.

In addition, buyers have no switching costs, which means they can easily switch between different brands or products. This makes price sensitivity a crucial factor in their decision-making process. Established players in the industry will strive to balance cost and performance and provide value for money to consumers to stay competitive.

Furthermore, buyers have control over the decision-making process, as no intermediaries are involved in the purchasing process. This allows them to make informed decisions and choose products that meet their needs.

Bargaining power of suppliers: Currently, the bargaining power of suppliers for electric cars is considered moderate. This is because most of the parts used in electric cars are not generic, and only a few suppliers exist. However, this could change if generic parts, such as charging stations and solar panels, become available. If this happens, the bargaining power of suppliers could decrease, as electric car manufacturers would have more options.

Despite this, Tesla has managed to reduce the impact of individual supplier bargaining power by using several suppliers for its parts. This has allowed the company to negotiate better prices and terms with its suppliers. However, with more players entering the electric car market, the power of suppliers could go down further. This is because of more competition.

This would lead to more options for electric car manufacturers, making it harder for suppliers to dictate terms.

On the other hand, the bargaining power of suppliers for cryptocurrencies like Bitcoin is low. No one supplies Bitcoin; its value depends solely on the stock market. As a result, suppliers have no bargaining power in this market. The value of Bitcoin is determined by supply and demand, and no single supplier can influence this.

Threat of substitutes: In the automobile industry, the threat of substitutes is a primary concern. While traditional automobiles remain the dominant choice, the rise of electric and hybrid cars poses a significant challenge. Developed countries are at the forefront of the electric car revolution, with many governments encouraging it.

The development and adoption of clean energy vehicles. However, developing countries must still be ready to switch, as they lack the necessary infrastructure to support electric cars. This creates a significant gap in the market, which hybrid cars like the Prius are filling.

One of the main advantages of hybrid cars is that they offer both fuel and electricity options, making them a convenient and cost-effective choice for consumers. There are also no switching costs when transitioning from a traditional car to a hybrid, which appeals to many. As a result, hybrid cars are becoming more established in the market, challenging the dominance of traditional vehicles.

Likewise, Cryptocurrency is high, and we still have the solid traditional banking system that is still dominant. Despite the rise of digital banking and fintech startups, the traditional banking system remains strong and dominant. This is due to the trust and reliability of established banks, which many consumers still prefer. However, as technology evolves and new players enter the market, the traditional banking system must adapt and innovate to stay relevant.

Rivalry among existing players: The competition in the electric automobile space is becoming highly intensive, with several big players investing in the sector. While Tesla remains the leader in the market, other automobile giants such as General Motors, Ford, and Volkswagen have also announced their plans to enter the electric vehicle market. In the future, big players will start to play with price and functionality, leveraging their economies of scale and extended routes to the market to expand their presence into other markets.

Moreover, the rivalry among existing players in the cryptocurrency space is also high. The traditional banking system has long dominated the financial sector, but this dynamic is shifting with the rise of cryptocurrencies.

Cryptocurrencies provide a decentralized, secure, and fast way of transferring money, which is increasingly attractive to consumers. However, the traditional banking system is going down with a fight, and we can expect to see intense competition between these two sectors as they vie for consumer attention and loyalty. Complementors: In the context of the energy sector, some products can be classified as complementary goods that may face a shortage in supply. When it comes to electricity providers, most of them rely on the government as their central source of electricity. However, there is an increasing demand for renewable energy sources, such as solar panels, which are becoming more popular among households and businesses.

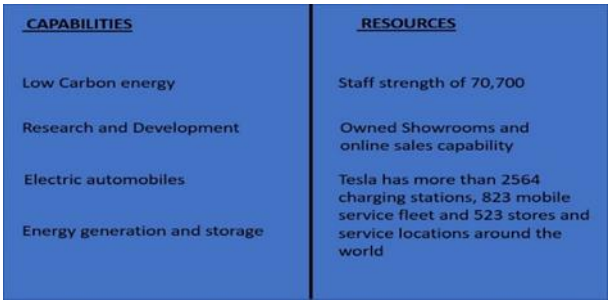
This shift towards renewable energy sources creates new opportunities for research and development specialists to help create more efficient and cost-effective solar panels and other renewable energy technologies.

Moreover, the rise of electric cars also creates new opportunities for R&D specialists as automakers seek to develop more advanced electric powertrains and battery technologies. As the demand for electric vehicles grows, so does the need for charging infrastructure. This presents new opportunities for tech developers to create innovative solutions for charging stations and payment methods. Alternative payment wallets like Apple Pay and Google Pay are already being used in some charging stations, making it easier for EV owners to pay their charges without needing cash or credit cards.

Considering the consistency across the automobile industry, including Tesla, it seems reasonable for Tesla to explore diversification into other industries. The renewable energy sector presents a promising opportunity for Tesla to apply its expertise in battery technology and electric powertrains. This sector includes many products and services, including solar panels, wind turbines, energy storage systems, and smart grids. However, moving into this sector would require significant investment in infrastructure, manufacturing, and supply chain management. Therefore, it remains to be seen whether Tesla has the necessary resources and capabilities to make such a move.

I. II. TESLA'S KEY RESOURCES AND CAPABILITIES AND FUTURE ALIGNMENT WITH CRYPTO DIVERSIFICATION.'

Tesla Motors Capability and Resources



Despite Tesla's current focus on electric vehicles and energy storage, the company is known for its innovative research and development approach and forward-thinking work culture. While the company's current focus on EVs and energy storage may suggest a need for more diversification, Tesla's extensive R&D efforts and talented team members give it the potential to expand its offerings in the future.

That said, diversifying its offerings in the future would undoubtedly enhance the company's capabilities and resources and help it maintain its position as a leader in the automobile and energy industries. One area in which Tesla could potentially expand is the development of low-carbon energy solutions for Bitcoin mining. As it currently stands, bitcoin mining is an energy-intensive process that consumes a significant amount of electricity, which is at odds with Tesla's strategy of promoting sustainable energy solutions. Therefore, if Tesla can find a way to make Bitcoin mining more energy-efficient and sustainable, it could further solidify its position as a leader in the sustainable energy industry.

III. WAS ELON MUSK RIGHT TO INVEST IN BITCOIN?

After a thorough analysis, it has become evident that the electric car industry will experience increased competition as more major players enter the market. As a result, it would be prudent for Elon Musk to diversify his investments and explore other business opportunities.

Furthermore, Bitcoin is gaining more widespread acceptance as a legitimate form of payment across various platforms. Although there is a high likelihood of substitute threats, Bitcoin's first-mover advantage gives it a significant edge over other cryptocurrencies. Achieving the same level of success as Bitcoin would require significant investment and resources.

Regarding Elon Musk's investment in Bitcoin, there is no clear-cut answer as to whether it is the right or wrong decision. However, it is crucial to acknowledge that he is looking towards the future and believes that Bitcoin will eventually become the currency of the free. Bitcoin's status as a leading cryptocurrency further solidifies its growth potential, especially if more businesses adopt it as a payment method.

It is safe to assume that Elon's team has conducted extensive research and obtained the necessary in-house resources to handle the investment. Considering how rapidly things change over a decade, Tesla's decision to invest in Bitcoin seems like a wise move that could yield significant returns in the long run.

EXHIBIT 1

Forecast of electric cars by Wood Mackenzie 2021

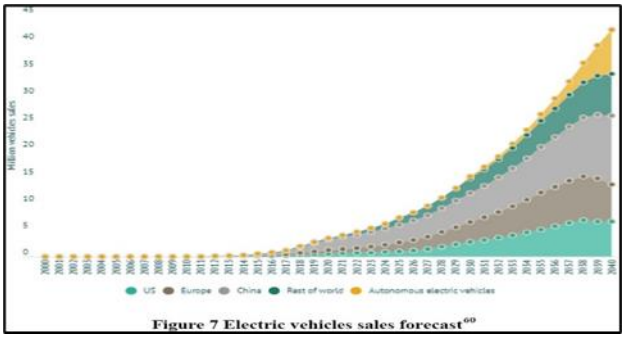


Figure 7 Electric vehicles sales forecast[60]

EXHIBIT 2

Tesla Motor market share (Q4 and FY2020 Update (2021) Tesla Inc.)

Figure 8 Global market share of Tesla vehicles by region[63]

EXHIBIT 3

Number of Tesla employees (Source Statista 2021)

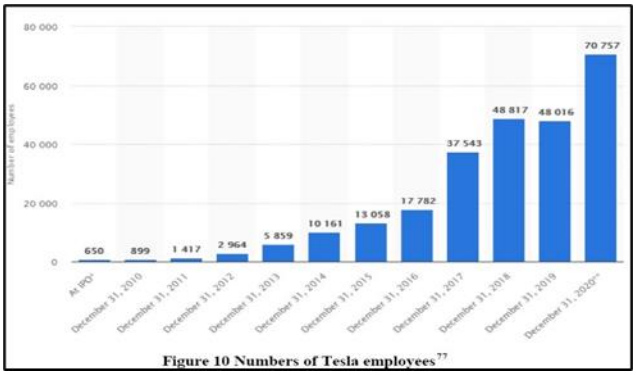


Figure 10 Numbers of Tesla employees[77]

EXHIBIT 4

Popular Cryptocurrencies in the world

Name	Symbol	Date of creation	Maximum of coins
Bitcoin	BTC	January 2009	21 m
Namecoin	NMC	April 2011	21 m
SolidCoin	SC	August 2011	18.9 m
Geist Geld	GG	September 2011	No limit
Tenebrix	TBX	September 2011	No limit
Fairbrix	FBX	October 2011	No limit
Litecoin	LTC	October 2011	84 m
BlackCoin	BC	February 2014	No limit
Darkcoin	DRK	January 2014	Aprox 22 m
Peercoin	PPC	August 2012	No limit
Dogecoin	DOGE	December 2013	100 bn
CloakCoin	CLOAK	June 2014	4.5 m
Monero	XMR	April 2014	Aprox. 18.4 m
Primecoin	XPM	July 2013	2 bn
Zetacoin	ZET	August 2013	160 m
Vertcoin	VTC	January 2014	84 m
QuarkCoin	QRK	July 2013	247 m
Florincoin	FLO	June 2013	160 m
Bytecoin	BCN	March 2014	184.46 bn
Feathercoin	FTC	April 2013	336 m
IXcoin	IXC	August 2011	21 m
Novacoin	NVC	February 2013	No limit
Talkcoin	TAC	May 2014	No limit

Source: Cheun (2015)

REFERENCES

[1] [Online]. Available: http://panmore.com/tesla-motors-inc-five-forces-a analysis-recommendations-porters-model

[2] [Online]. Available: https://frankly.studio/why-

we-need-better-paymen t-methods/

[3] [Online]. Available: https://www.cfr.org/backgrounder/cryptocurrencie s-digital-dollars-and-future-money

[4] [Online]. Available: https://edition.cnn.com/2021/04/28/investing/tesla-bitcoin/index.html

[5] [Online]. Available: https://www.cnbc.com/2021/02/08/tesla-buys-1po int5-billion-in-bitcoin.html

[6] [Online]. Available: https://www.bbc.com/news/business-57096305

[7] [Online]. Available: https://gadgets.ndtv.com/cryptocurrency/news/elon-musk-cryptocurrency-investment-spacex-bitcoin-holding-tesla-paym ent-dogecoin-price-in-India-2492145

[8] [Online]. Available: https://indianexpress.com/article/explained/explaine d-why-has-tesla-invested-in-bitcoin-7180836/

[9] [Online]. Available: https://edition.cnn.com/2021/07/21/tech/elon-mus k-jack-dorsey-cryptocurrency/index.html

[10] [Online]. Available: https://research-methodology.net/tesla-porters-five- forces-analysis-2

[11] [Online]. Available: https://asia.nikkei.com/Business/Technology/What-Elon-Musk-s-bitcoin-bet-means-for-Tesla-5-things-to-know2021. [Online]. Available: https://www.indiatoday.in/technology/news/story/tesla-stops-bitcoin-payments-for-its-cars-highlights-environment al-harm-from-bitcoin-mining-

[12] [Online]. Available: https://online.stanford.edu/future-for-cryptocurrency

[13] [Online]. Available: https://fortune.com/2021/05/26/tesla-investors-bitcoin-Elon-musk-tweets-carbon-footprint-gains-losses/

[14] [Online]. Available: https://www.cnbc.com/2021/07/03/what-cryptocur currencies-will-look-like-in-50-years.html

[15] [Online]. Available: https://www.mindmeister.com/830744108/porter-s-five-forces-model

[16] [Online]. Available: https://economictimes.indiatimes.com/markets/cry cryptocurrency/extent-of-elon-musks-influence-on-cryptocurrency-where-is-it-headed/articleshow/83037268.cms

[17] [Online]. Available: https://fortune.com/2021/04/27/tesla-tsla-bitcoin-bt c-bet-how-much-has-it-made-elon-musk-profits/

[18] [Online]. Available: https://www.investopedia.com/tesla-tsla-ceo-elon-musk-again-moves-crypto-prices-5193802

[19] 2017. [Online]. Available: https://www.prnewswire.com/news-releases/Cryptocurrency-market-software--type---bitcoin-Ethereum-ripple-lite coin-and-dash coin---global-industry-analysis-size-share-growth-trend s-and-forecast-

[20] [Online]. Available: https://www.reuters.com/technology/musk-decries- bitcoins-insane-energy-use-after-tesla-payment-u-turn-2021-05-13/

[21] [Online]. Available: https://www.forbes.com/sites/jonathanponciano/20 21/07/27/teslas-bitcoin-investment-fell-1-billion-last-quarter-amid-cr crypto-market-crash/?sh=5b6b83b231d3

[22] [Online]. Available: https://www.reuters.com/technology/how-big-is-bi tcoins-carbon-footprint-2021-05-13/

[23] [Online]. Available: https://embapro.com/frontpage/porter5forcesanalysi s/16907-bitcoin-payments