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Sincerely,



November

2021



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This newsletter summarizes article abstracts for the following topics:

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Videos:

Strikes Sweep Labor Market as Workers Flex New Leverage

- × Tens of thousands of American workers are on strike and thousands more are attempting to unionize. WSJ examines the roots of this new labor activity and speaks with a labor economist for more context on U.S. labor's changing landscape.
- × 7:39 min
- × [Video Link](#)

Could Autonomous Trucks Help Solve the Supply Chain Crisis?

- × As driverless vehicle companies Aurora and Embark are making their stock-market debut this month, WSJ's George Downs spoke with the CEOs about why they're focusing on autonomous trucks and whether that could spell a solution for the U.S. truck-driver shortage.
- × 4:27 min
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Another Type of Long-Haul Damage: The Lingering Supply Chain Challenges of COVID-19, Part II: Discount Shoppers

Sharon Terlep and Austen Hufford, "Why It's Easier to Find Expensive Appliances than Cheaper Ones," The Wall Street Journal, October 4, 2021; Nelson D. Schwartz and Coral Murphy Marcos, "Higher Food Prices Hit the Poor and Those Who Help Them," The New York Times, October 27, 2021; Suzanne Kapner, "Shoppers Find Discounts Are in Short Supply this Holiday Season," The Wall Street Journal, October 25, 2021

Use with Chapter 16, "Supply Chain Management"



For the segment of shoppers determined to find deals on the products they buy, whether in their everyday practices or when they go to invest in durable goods, the effects of the COVID-19 pandemic on supply chain operations continue to be prominent. Consider three broad examples, related to food, holiday shopping, and appliances.

First, both low income people and the social services in place to help them are struggling mightily with food costs. The prices for staple pantry items such as peanut butter have risen from about \$13 per case to an average close to \$19. Sources of fresh protein, such as eggs, beef, and fish, are being subject to average price increases of approximately 15 percent. For low income

consumers on tight budgets, such increases make it impossible to stretch their food dollars far enough to feed themselves and their families at all, much less with these sorts of fresh and healthy options.

The sources of such price increases are multiple, including the rising prices of logistics. For example, delivery by refrigerated trucks used require about \$3000 per truck, before the pandemic; today, those delivery costs have reached \$10,000 on average. Furthermore, shutdowns at various meat processing plants due to infections disrupted these supply chains so dramatically that production levels still have not made up for the gap.

At the same time as prices have risen and food supply chains have been disrupted, many more people have confronted financial instability and turned to social services, such as food banks, for help. Thus for example, the Oregon Food Bank received requests from 1.7 million people in 2020, more than twice the number who sought assistance in 2019. Faced with more demand, limited supply, and higher prices, nonprofit groups find themselves unable to meet their commitments to aiding people, with little hope for a resolution in sight.

Second, consumers across the income spectrum become deal-seekers around the holiday season, having been primed by years and years of sales promoted by retailers seeking to get them to buy gifts for everyone they know. But those sales are unlikely to be available this year, or if they are, they will not be as dramatic as in the past. According to one prediction, whereas holiday season discounts previously ranged around 10–30 percent, shoppers should expect deals (if they find them) of closer to 5 or 15 percent.

Here again, the reasons for these developments are multiple and closely related to supply chains. Because the bottlenecks created by COVID-19 have continued to keep products from flowing freely, many popular brands simply do not have inventory to sell. One web tracker identified a 172 percent increase in the number of out-of-stock messages appearing on retail sites across the Internet. With such a limited supply, the retail brands' goal is to earn the best margins on the products they have, rather than lowering prices to move more inventory.

There is a potential bright spot for risk-taking deal seekers though. Because of delays in the supply chain, some seasonal items are likely to appear in stores later than they normally would. In these cases, retailers might be willing to offer deals on last minute decorations or gifts, to avoid having leftover holiday trends cluttering up their already messy inventory operations even further.

Third, when it comes to big ticket purchases like appliances, most consumers search for deals too, unless they are explicitly willing to pay more for high-end options. In the COVID-19–created supply chain context, those big spenders might be the only ones able to make any purchases. Due to the difficulties getting parts and raw materials for their products, most appliance manufacturers (as well as carmakers) have trimmed their production lines, focusing mostly on the most expensive models, on which they can earn higher margins. Whirlpool announced this strategy, noting that it had to prioritize building products at higher price points to be able to cover the increasing costs of the materials it purchases.

Chevrolet stopped making inexpensive Malibu sedan models, even as it ramped up production on more expensive SUV models.

Beyond the cost factor, some of these limitations reflect the state of the global supply chain. Inexpensive Weber grills generally are manufactured in China, and getting them shipped to U.S. markets has proved difficult. But the more expensive grills get produced in the United States, so the company can make these versions more readily available to U.S. consumers—again, as long as they are willing to pay for the higher-end model.

These examples continue to reveal just how pervasive the implications of the COVID-19 have been, and will continue to be, for nearly every member of every supply chain, all the world over. But the risks for consumers already living with income insecurity appear more pressing. It's one thing to cut back on Christmas presents. It's another to be forced to go hungry.

Discussion Questions

1. What are the prospects for low income or bargain shoppers with regard to the ongoing supply chain effects of COVID-19?
2. Consider the various actors engaged in these different, conventional supply chains. What responsibilities does each of them have for resolving these challenges?

Do People Really Need a Special Apple Polishing Cloth? Their Behavior Suggests They Don't Care About the Logical Answer

Daisuke Wakabayashi, "Apple's Most Back-Ordered New Product Is Not What You Expect," The New York Times, October 29, 2021

Use with Chapter 6, "Consumer Behavior"

Let's start with the question in the title: Do people need the new Apple Polishing Cloth? The answer actually is simple: No, they don't. The Polishing Cloth, even if made of a microfiber blend that effectively cleans screens without risk of scratching them, does not claim to do a substantially better job than other microfiber cloths. And for most consumers, the tail of a shirt or even a paper towel would be sufficient.

But despite these logical arguments against buying the Polishing Cloth, since making it available for individual sale in mid-October 2021, Apple has confronted massive demand. The cloths are on back-order until at least January, but people have joined waitlists to receive one or a few, once they become available. For this privilege, they are paying \$19—more than twice the price of comparable microfiber cloths that are readily and widely available in the market.

So what explains this behavior? Why are consumers willing to pay more to wait to receive a cloth that has no discernible advantages over other options? Part of the reason is the inducement created by the brand itself. Apple's strong reputation for innovation and close connection to many users' self-image means that for some people, anything Apple introduces is something they will consider buying.

Furthermore, due to its strong brand positioning, Apple can charge high prices for its products, which creates a sort of spending draft: If a consumer already is shelling out thousands of dollars for a laptop, plus several hundred more for an iPhone or an Apple Watch, what is \$19 more to spend to keep the screens on those devices clean and easy to read? Seemingly, Apple learned of this motive by tracking people's prior behaviors. That is, it first introduced the Polishing Cloth as an add-on, provided for free anytime consumers purchased its \$6000 display monitor. But those consumers asked to purchase more, leading it to identify a niche market that quickly spread to include other segments of customers too.

Yet another rationale for this seemingly irrational behavior is people's personal attitudes toward new products. One YouTube influencer initially scoffed at the idea of buying such a cloth, but then realized that he also was worrying about being the only person without this accessory—that is, fear of missing out or FOMO. Rather than risk this uncomfortable state, he bought two of the square cloths while he still could, then featured them prominently in his video feeds.

Thus, even though the new product is not a technology-enabled gadget or smart device, like most of Apple's offerings, it still reflects the brand's core meaning. It is something novel, expensive, and cool, with a high price that people seem happily willing to pay.

Discussion Questions

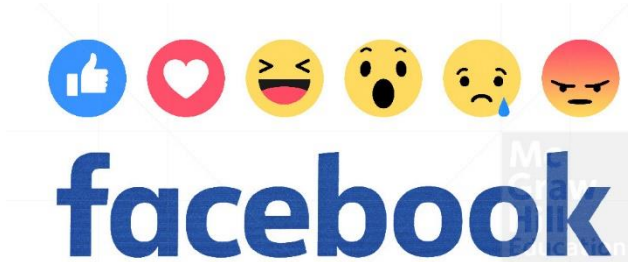
1. Is the Apple Polishing Cloth a luxury product? Justify your answer.
2. Would you consider buying an Apple Polishing Cloth, once they become available again? Why or why not? What does your answer say about your own consumption behavior?



The Meta Future: What Moves Is Facebook Making Now, and Why?

Mike Isaac, "Facebook Renames Itself Meta," The New York Times, October 28, 2021; Kevin Roose, "The Metaverse Is Mark Zuckerberg's Escape Hatch," The New York Times, October 29, 2021; Kevin Roose, "Facebook Is Weaker than We Know," The New York Times, October 4, 2021; Shira Ovide, "Facebook Wants the Young People Back," The New York Times, October 26, 2021; Shira Ovide, "Google and Facebook's Ad Empires," The New York Times, October 28, 2021

Use with Chapter 3, "Social and Mobile Marketing," and Chapter 11, "Product Branding and Packaging Decisions"



Like most big announcements by massive, globally known companies, Facebook's recent description of its rebranding as Meta was not something it came up with on the spur of the moment. For people paying attention, even the form of the renovation is not much of a surprise, though the announcement prompted some skepticism and confusion among casual consumers.

To start, let's review what the shift to Meta means. Rather than replacing the Facebook brand completely, it creates a new, umbrella organization that contains various branches and arms. Some of them are familiar, like Facebook, Instagram, and WhatsApp. Other divisions are new, including a dedicated virtual reality (VR) and augmented reality (AR) research division, called Reality Labs, that already employs about 10,000 engineers and designers. And then some elements involve more traditional rebranding, such as changing the Oculus branding of VR hardware to bear the Meta name.

In addition, the company has not undergone any major operational shifts; its well-known and often controversial founder Mark Zuckerberg remains in charge. Instead, the shifts are strategic, reflecting Facebook's determination to move beyond social media platforms and establish a metaverse, in which distinct digital worlds could combine. That is, the new platform would encompass digital and online functions but also AR and VR, in one cohesive space. This imaginative target raises clear risks, without any evident assurances that it actually will become the future of digital interactions. But despite the risk and resistance or skepticism from some stakeholders, in trying to become Meta, Facebook also appears to be seeking out some novel, increasingly necessary benefits.

First, it wants to stay relevant. For years, Facebook's demographics have been trending older. Such trends were part of its impetus to purchase Instagram and copycat some of the most appealing elements of TikTok and Snapchat. But even if these efforts might have gained it a bit of cache, they also appear insufficient to stop the wider exodus of users. Taking a different perspective, using theories about the lifecycles of innovative firms, Facebook appears to be well into its maturity stage, and perhaps even entering its decline. If it can adopt a radically new approach and innovate in a new realm, perhaps it can reinvent itself and survive in a new form, stronger and more competitive than before.

Second, beyond its appeal to younger audiences, Facebook continues to risk losing customers due to the ongoing scandals and reputational damage it has suffered. From the Cambridge Analytica data breach to recent whistleblower testimony alleging that the social media company knew precisely how damaging the content on its site could be for users, the events paint Facebook in a very negative light. For many users, these issues are too burdensome for them to continue supporting the company, leading them to agree to boycott the platform for a day or two or even leave altogether.

Third, the ethical concerns also have prompted ever more regulatory scrutiny of Facebook. By branching out into different markets and platforms, such as VR and AR capabilities, it might be trying to avoid some of that scrutiny. That is, some lawmakers have suggested that Facebook has an overly dominant position and should be broken up, to avoid any sort of monopoly power. If it can start competing effectively in another market, it can point to this sort of diversification as a reason to remain intact. It also lowers the risk of detrimental outcomes if it were to be forced to alter its structure, because it could still rely on income from another market.

Fourth, another risk that Facebook persistently encounters is its reliance on semi-competitors such as Google and Apple, which produce the devices on which the vast majority of users access their Facebook or Instagram accounts. Although its popularity gives Facebook some protection, arguably Apple and Google could remove its app from their platforms. More realistically, the new privacy protections imposed by Apple have limited Facebook's ability to gather user data, which represents a critical element to its competitive success. It uses these data to attract advertisers to appear on its site, and those transactions represent 98 percent of Facebook's total revenue.

So it seems clear that Facebook needs to change. But what type of change is going to provide it with the most benefits? Or perhaps more precisely, what can it do to stave off irrelevance, regulatory restrictions, and the risk of lost revenue?

Discussion Questions:

1. What is a metaverse?
2. What kind of the rebranding is the introduction of Meta as an overarching name for the Facebook family of brands?
3. Which of the reasons listed here provide a good rationale for the rebranding? Which seem less appropriate?

Gambling on Advertising to Establish Dominance: The Tactics and Ethics of Sports Betting Advertisements During Games

Katherine Sayre, “Gambling Ads Become the New Normal for American Sports,” The Wall Street Journal, October 24, 2021

Use with Chapter 4, “Conscious Marketing, Corporate Social Responsibility,” and Ethics,” and Chapter 19, “Advertising, Public Relations, and Sales Promotions”

Only some U.S. states currently permit online gambling on sports. But the potential market for such forms of betting is massive, leading to fierce competition for market share among a few leading companies, such as FanDuel, Caesars Entertainment, and Draft Kings. In their determination to become the largest, most dominant sports betting platforms, they are committing massive dollar amounts to advertising their sites, often during the very games on which people might bet.



This combination is raising some yellow cards, or bench warnings, or checkered flags—that is, it is raising concerns, across a range of sporting metaphors. In particular, gambling is a clearly addictive behavior that can have terrible consequences for people suffering the addiction and their families. By posting constant advertisements for readily available gaming sites, these operators might be contributing to harm consumers. Many of the marketing promotions are designed to be nearly irresistible, promising immediate credits on the sites just for signing up or “risk-free” wagers.

In addition, though the advertisements run on nationally broadcast games, including commercials during weekly NFL broadcasts and logos superimposed on the pitcher’s mound during the MLB World Series, not all consumers are able to take advantage of the offer. Currently, 17 states and the District of Columbia allow online gambling. For people living outside those areas, the advertising may seem like an unfair tease of entertainment.

Various actors have responded to such concerns. The American Gaming Association, in promising to self-regulate, created a “code of responsible marketing.” It prohibits advertising to children or on toys, and it requires that all marketing messages include clear information about where people can go to get help with a gambling addiction. The NFL also imposed limits of six gambling advertisements per game broadcast, and it initiated a problem gambling public awareness campaign.

However, the advertisements continue to grow in number and prevalence. As noted, the competitors in this industry are purposefully seeking the most market share, to the extent that for some of them, advertising spending accounts for two-thirds of the revenues they earn. By investing so heavily the companies are actively working to flood marketing channels with their marketing inducements, to attain a sufficient number of users that they can operate profitably and drive competitive sites out of the market.

The situation seems ripe for some form of regulatory intervention, and lawmakers seem willing to consider it. In Colorado, one proposal suggests that the limits on advertising for gambling sites should be similar to those imposed on marijuana dispensaries. But because the laws related to online gaming vary from state to state, national-level legislation seems untenable. Advertising regulations that differ across states might not be able to address some of the concerns though, such as unfair access. Thus the situation remains unresolved. Maybe we should bet on the outcomes.

Discussion Questions:

1. Should there be regulatory limits on advertising for gambling websites?
2. What other solutions can you imagine to this ethical issue, related to addictive behaviors? Or does it not require solving, in your view?

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How Instagram Influencers Help Luxury Watch Brands Understand their Best Customers Better

Victoria Gomelsky, "Instagram: A Watch Brand's Best Friend," The New York Times, October 22, 2021

Use with Chapter 3, "Social and Mobile Marketing"



Luxury watchmakers, for the most part, are located in remote Swiss mountain towns, where they embrace a long tradition of quality and design. But the growing legions of watch buyers, collectors, and fans are everywhere in the world, displaying diverse tastes, interests, and preferences. Thank goodness for both of them that there's a platform to help them cocreate.

Instagram has become a prime site for sharing information and ideas related to watches. Watchmakers may be traditionalists, but most of them have embraced the platform's ability to help them gauge which designs are going to be most popular. These insights come from a wide population of influencers devoted to watches, such as @watchanish. But the old-fashioned watchmakers also have learned the benefits of positing their

mockups or inspirations, to see what the crowd thinks.

Although the watch brands make clear that their quality standards will never change, some of them even invite focus groups of influencers to comment on particular design features. Breitling has an established consumer advisory board that regularly provides feedback through Instagram but also meets in person in Switzerland each year to offer their opinions.

Less involved and effortful forms of feedback also are influential. When Vacheron saw that a prototype of its Overseas Everest model, which it had offered to a professional mountaineer to try out, was prompting scores of positive comments on the adventurer's personal page, it decided to release two additional versions of the appealing watch. When, in a half-joking post, the chief executive of IWC promised that 50 likes of a prototype design would convince him to make the watch, 250 people responded almost immediately, prompting the company's "first accidental foray into social commerce."

Although in many cases, influencers focus on big name luxury watch brands like Rolex and Patek Philippe, Instagram also has proved invaluable for some small boutique firms. In a way, it democratizes the market: In the past, the only way people knew of truly exclusive brands was "if your family taught you, or you saw ads in magazines targeted toward the rich." But on Instagram, a new cohort of consumers can learn about luxury watches, and in many cases, what they learn is that they might want a timepiece from a boutique maker such as Habring, rather than a more widely known Rolex model.

Discussion Questions:

1. What features of Instagram as a marketing channel make it uniquely effective for promoting luxury watches?
2. How can luxury watch brands design strategic influencer marketing campaigns to achieve the best outcomes?

Both Despite and Because of the Environment, Consumers Are Spending

David Harrison, "Retail Sales Rise, Showing Strong Consumer Demand, Higher Inflation," The Wall Street Journal, October 15, 2021; Justin Lahart, "Heroic American Shoppers Braved High Prices, Low Inventory," The Wall Street Journal, October 15, 2021; David Harrison, "U.S. Prices, Wages Rise at Fastest Pace in Decades," The Wall Street Journal, October 29, 2021

Use with Chapter 5, "Analyzing the Marketing Environment"

Disrupted supply chains mean a wide range of products are not readily available. Inflationary forces mean that even if products are available, they cost way more. People express diminished consumer confidence, worried about their jobs and livelihoods. All these features seem to predict diminished spending. Right?

Wrong. Rather than following economists' predictions of a drop in retail spending, consumers increased their spending the latter part of 2021. The reason for the discrepancy, perhaps unsurprisingly, is once more the unprecedented impacts of the COVID-19 pandemic.

That is, despite the rough conditions, consumers who have been limited in their consumption for many months seem determined to make meaningful purchases. The stimulus payments received by U.S. consumers also worked as intended, in the sense that they sparked more spending. Even after the payments stopped, consumers may have had more disposable income, due to some notable increases in wages (on average). Furthermore, improvements in COVID-19 conditions, including growing numbers of vaccinations and decreasing mortality rates, are giving consumers some small reasons to feel hopeful.

Of course, part of the reason for increased spending also reflects a concerning development, namely, the higher prices people are forced to spend. For example, whereas spending on gas rose by 1.8 percent, much of that increase likely was due to the substantial increase in gas prices. In addition, the rising prices of consumer goods appear to be increasing more precipitously than wages, implying that at some point, the greater earnings consumers are experiencing will be unable to keep up with the higher prices they are being forced to pay.



Discussion Questions:

1. Considering these increases, what would you predict with regard to consumer spending in the immediate future? What factors in the broader environment seem likely to exert strong effects?

The Pursuit of Common Prosperity in China and its Implications for Alibaba

Raymond Zhong, “A Chastened Alibaba Tones Down Its Singles Day Retail Bonanza,” The New York Times, November 10, 2021; Yihan Ma, “Alibaba’s Gross Merchandise Volume on Singles Day from 2011 to 2021,” Statista, November 12, 2021

Use with Chapter 8, “Global Marketing”



Like a lot of holidays, Singles Day was created as a marketing stunt: On November 11 (or 11/11, such that the date consists only of ones), single consumers in China embrace being without a romantic partner by buying gifts for themselves. Although only introduced in 2009, Singles Day has rapidly grown into one of the biggest shopping days of the year in China, with particularly prominent benefits for Alibaba, the dominant online retailer that first came up with the idea for promoting the day as a shopping bonanza.

For years, Alibaba has momentarily announced its sales figures for Singles Day, and year after year, those numbers have grown exponentially, reaching an estimated \$74 billion in 2020. But in 2021, the holiday and its associated marketing took on a different character, reflecting external influences that are altering the retail

environment for Alibaba and thus for retailers across China, as well as throughout the world.

In particular, following about a decade of massive economic expansion and growth, China’s central government has adopted a different attitude, shifted priorities, and new regulations when it comes to retailing. Soon after President Xi Jinping announced a national goal of common prosperity, achieved through equitable wealth distributions, new regulations and policies went into effect as well. For example, online retailers may not block links to competitors’ sites, nor may they overwhelm consumers with marketing messages in the days leading up to Singles Day. Whereas Alibaba once represented an ideal version of China’s market liberalization efforts, it recently was compelled to pay a \$2.8 billion fine, as punishment for its antitrust and anticompetitive practices.

These new regulations have meaningful implications for not just the giant Alibaba but also the smaller retail operators that compete with or post their products for sale on its TMall site. Seemingly reflecting its embrace of the common prosperity ideal (e.g., it added this phrase to its own corporate responsibility statement), Alibaba reportedly has increased the support, assistance, and guidance it provides to small retailers and merchants on its site, as well as reducing the fees required to appear on TMall.

Such efforts are visible; it is harder to identify, quantify, or track another way in which Alibaba still controls competition in the retail market. That is, it decides which products to display to consumers who search for certain items, and according to some merchants, it still tends to direct them toward its own products for sale, rather than alternatives available from the smaller sellers. Such allegations may sound familiar to students of Amazon, which similarly has been criticized for pushing its own branded products, to the detriment of products offered by other, smaller retailers that appear on its product pages.

In parallel with its claims of greater fairness, Alibaba is embracing other versions of corporate responsibility, such as environmentally conscious consumption. It has established new routes for buyers to return shipping and packaging materials for recycling. If they buy more energy-efficient versions of products, consumers also can receive vouchers from Alibaba for future green purchases. Thus the retailer’s public actions have changed, in response to regulatory and institutional pressures. Do those visible changes also mean a revision to its actual practices and strategies?

Discussion Questions:

1. How do differences in the countries and economies in which retailers operate affect their operations?
2. When subjected to institutional requirements, such as the drive for common prosperity, how should retailers respond?

Is Alibaba’s response sufficient, in your view?

Tidbits

Tesla: Moving into Hertz Lots and Up Stock Market Ranks

Neal E. Boudette and Niraj Chokshi, “Tesla Value Tops \$1 Trillion After Hertz Orders 100,000 Cars,” The New York Times, October 25, 2021

For Tesla, a recent order by Hertz, the rental car provider, offers several promising outcomes. Perhaps most visibly, the order for a whopping 100,000 cars put Tesla’s stock price over \$1000 per share for the first time, enabling the firm to claim the status of being a trillion-dollar company. Furthermore, it reflects a sense that Tesla’s anticipation of a market shift, toward greater and greater adoption of electric vehicles (EVs), is being borne out in reality. In addition to making Tesla 3 models available to renters, Hertz noted that it would be adding charging stations to many of its locations, an investment that likely indicates its prediction that more vehicles will require charging in the future. Although some elements of the deal remain unknown, Tesla explicitly noted that it was not providing Hertz with a volume discount, as most car manufacturers do when making huge sales to car rental companies. In addition, consumer demand has largely focused on Tesla’s Model Y, so this call for more Model 3 vehicles may help Tesla balance out and rationalize its production facilities, which have famously struggled to achieve efficient output. For Hertz, even if it is not getting a discount on the 100,000 vehicles, the purchase appears to offer some benefit too, mostly notably in the form of a point of distinction. For drivers who either love their own EVs or are curious about testing one out before buying, Hertz now offers the only place they can rent one and thus perhaps the only service provider they will contact.

The Battle for Hardware Dominance in a Streaming World

Shira Ovide, “Why the Cable Company Is Selling TVs,” The New York Times, October 21, 2021

What’s more valuable in the streaming services market, the hardware used to stream it or the content that gets streamed? It might seem like the answer is easy. Hardware like Roku devices, smart televisions, and Amazon Fire Sticks are occasional purchases, whereas convincing people to adopt streaming content produces valuable, consistent, revenue-generating audiences. But in reality, it might be the wrong question. The actual answer might be that both are necessary to achieve true value. When a consumer chooses a particular brand of smart TV, such as one developed and sold by a cable company like Comcast rather than one from a traditional manufacturer, it grants the company new access to influence that person’s viewing habits. For example, when Roku got into a spat with channels such as HBO Max and YouTube TV, people watching through its devices saw fewer advertisements and prompts for shows created by those channels. Once the spat was resolved, Rokus went back to putting this content in front of more people watching. Users of a Fire Stick, perhaps unsurprisingly, tend to encounter Amazon-produced content first and foremost. Therefore, if Comcast can use its own branded televisions to get people to adopt its Peacock streaming channel, it can enjoy both a new revenue source from selling products and expanded adoption of its service, which provides it with regular subscription fees. For consumers, these battles imply a potentially troubling state though. We think we have nearly unlimited choice when it comes to what to stream through our smart devices. But are those very devices essentially making our choices for us, by subtly showing us only what they want us to watch?

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