

INFO5992 Introduction to IT innovation

Tutorial 03

Disruptive innovation by Low Speed (Neighbourhood) Electric Vehicle (LSVE)

Pre-reading: “Driving Disruption”

Read through Driving Disruption report i.e., “Tut3 - Driving Disruption.pdf”. Then read the three other news articles to get the background information necessary for this tutorial.

Based on the reports and news articles, think about why LSVE has gained popularity in developing nations with high population density. What are the advantages and disadvantages of LSVE? **Answer Q1 in your group worksheet.**

Low-end disruption and New-market disruption

Why does the report argue that LSEV manufacturers are engaged in both low-end and new-market disruption? **Answer Q2 in your group worksheet.**

Hint: recall that low-end disruption requires serving customers who do not need the full functionality or performance of products already on the market so that cheaper alternatives can take over. New-market disruption involves converting non-consumers to consumers, while initially catering to the new market, as the products improve in quality, they eventually induce consumers to defect from the existing market into the new market.

Why is TESLA not engaged in neither disruption strategy?

Apply the same framework to TESLA’s business model, which is making an exotic electric sports car (Tesla Roadster, released in 2008, which is modified from existing sportscar platform, with a price tag of US\$112,000) in small volumes to attract enough investment. Then, collaborate with existing car manufacturer Toyota to develop and build high-end luxury sedan (Tesla Model S, released in 2012, with a starting price of US\$81,190) and SUV (Tesla Model X, with a starting price of US\$132,000) which can be sold with high margin. After Model S and X’s successes, Tesla then focused on enhancing manufacturing capacities of both cars and batteries, while developing Tesla Model 3 and Y which aims at the middle segment of the market.

Based on this brief description, try to illustrate why is Tesla engaged in neither low-end nor new-market disruption? **Answer Q3 in your group worksheet.**