The Age of Convergence

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Introduction to the Age of Convergence (1)

- I delivered this lecture to a graduate class of 30 Master's Degree candidates in Mexico City for the University of Texas (Dallas). In the complete lecture, updated in January 2019, there are 26 slides. Ten are available here.

- All companies want to become dominant in their industry. Often, achieving this goal depends on whether government regulations allow it to happen. In the USA, the Federal government has allowed companies to run relatively free since the 1980's.

- As they achieve dominance, companies can be difficult to control. They have ample resources to employ, lawyers, former government regulatory officials, and well-connected lobbyists. They can offer generous campaign contributions to elected officials. Moreover, they can pay expensive advertising campaigns, or pay for "research" to make the company look good to the public, and portray the government as the overbearing bad guy to be feared.

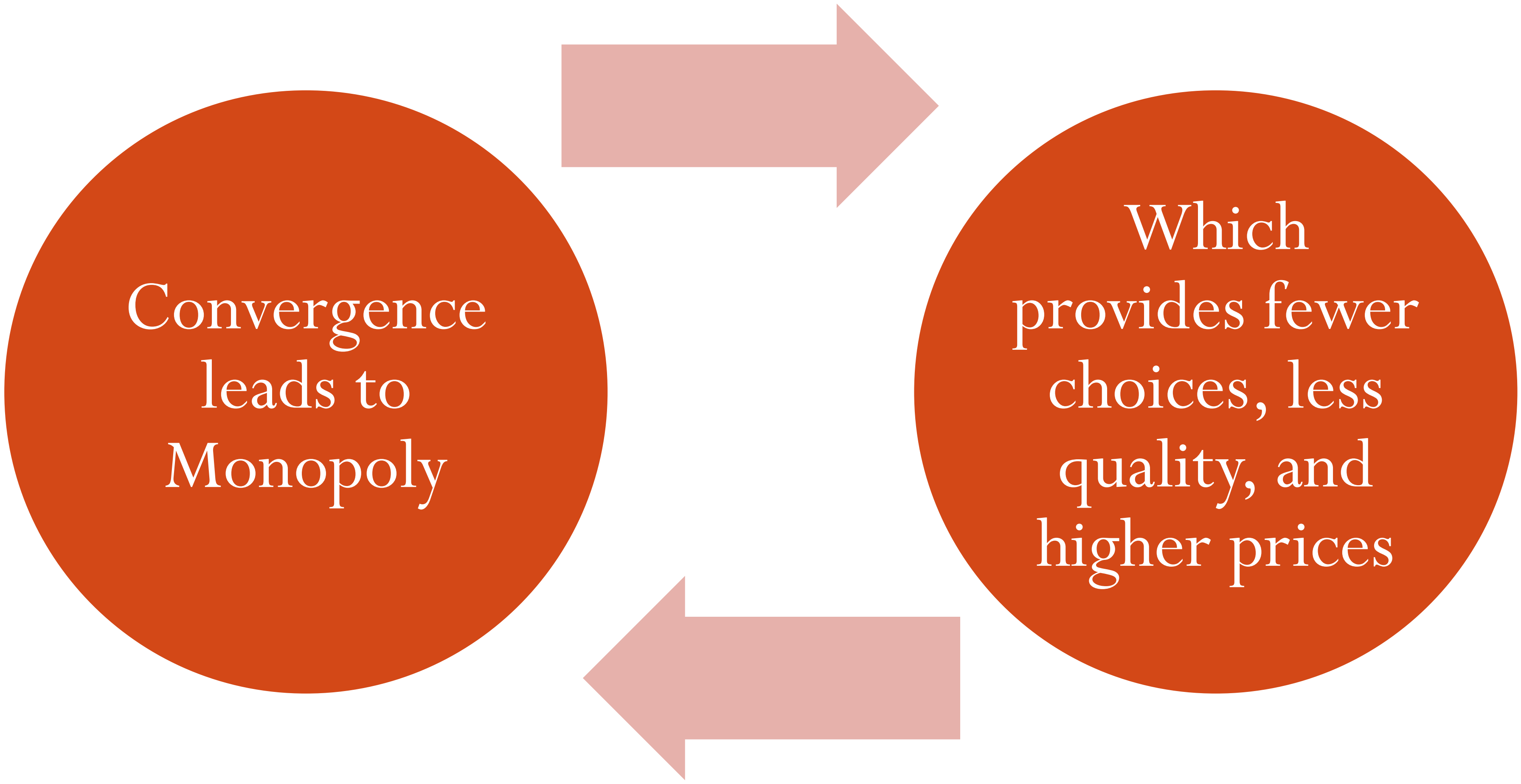
Introduction to the Age of Convergence (2)

- Once dominant, they often eliminate long-term loyal staff, reduce investments, pay obscene salaries and bonuses to top executives, and treat the customer as an amoeba with few choices. Allowing a few companies to dominate each of a country's industries has led in part to elimination of the middle class, low minimum wages without health or retirement benefits, and likely will lead to social unrest and ugliness down the road.

- In the Age of Convergence, I introduce a series of dominant companies that achieved their success due in part to weak government regulation. My purpose in this lecture, is to suggest that as they move up in government they work to sponsor multiple sources and competition in each industry.

- To view the complete lecture, contact Frank McDonough at frank@frankamcdonough.com. With your request, please enclose a few sentences describing your current interests and background.

The Problem

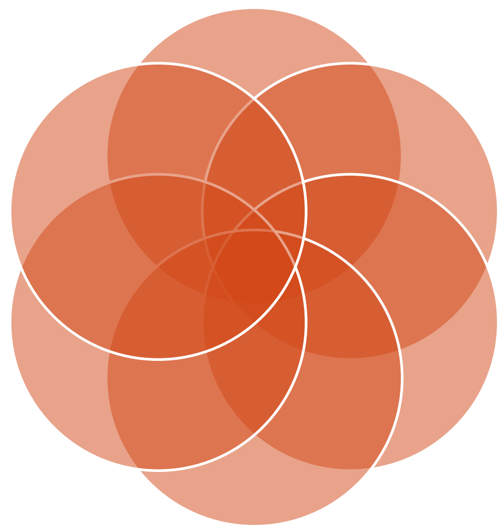

Convergence leads to Monopoly
Which provides fewer choices, less quality, and higher prices

What Allows Convergence and Monopolies

Successful business plus easy money

Government takes a hands off approach to the market

Government tax policy



Regulations and policy are not enforced

The government patent system

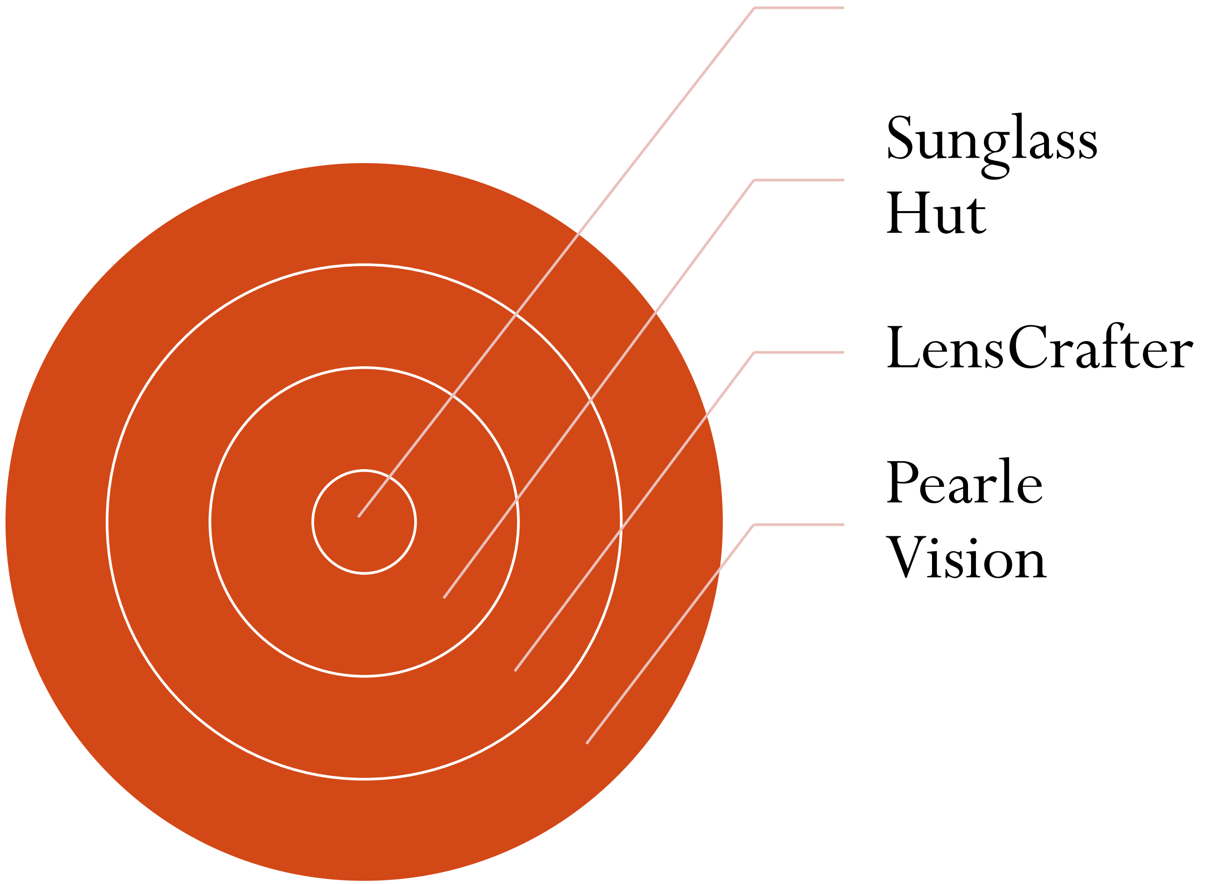
High barriers to enter the market

Luxottica dominates eyeglass brands and licenses, controls 40-50 % U.S. market

- Ray Ban
- Person
- Chanel
- Brooks Brothers
- Bulgari
- Ralph Lauren

- Coach
- Versace
- Prada
- DKNY
- Oliver Peoples
- Paul Smith

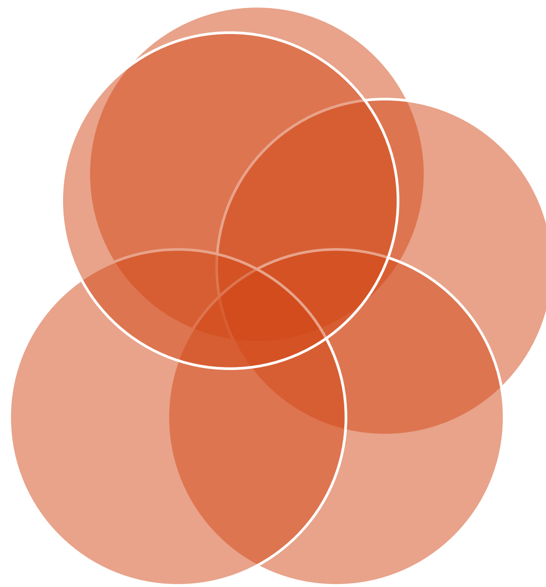
Luxottica controls 20% United States retail



Markup on eyeglasses can be 10-20 times cost

Convergence is profitable or costly

China and elsewhere produce frames for $5-30.



Yet many people pay $350 or lots more for a pair of glasses.

Lens manufacturers have bins of lenses ground to standard prescriptions that sell for $5-15 per pair

Macy's Inc.

I. Magnin	Bloomingdales
Sterns	Macy's
Marshall Fields	Broadway Stores
Filenes	Fingerhut Cos.
May Dept. Stores	Burdines

Macy’s Wages

- Retail Sales Assist. Average Hourly wage $8.57. ($15,486/yr.)
- Sales Consultant Average Hourly wage $9.18. ($16,524/yr.)

- Part time employees working less than 35 hours per week
- receive no benefits.

- Hours worked could be managed to keep an employee part time.

- President of the Company $ 18.3 million yearly
- Chief Executive Officer $ 10.8 million yearly