

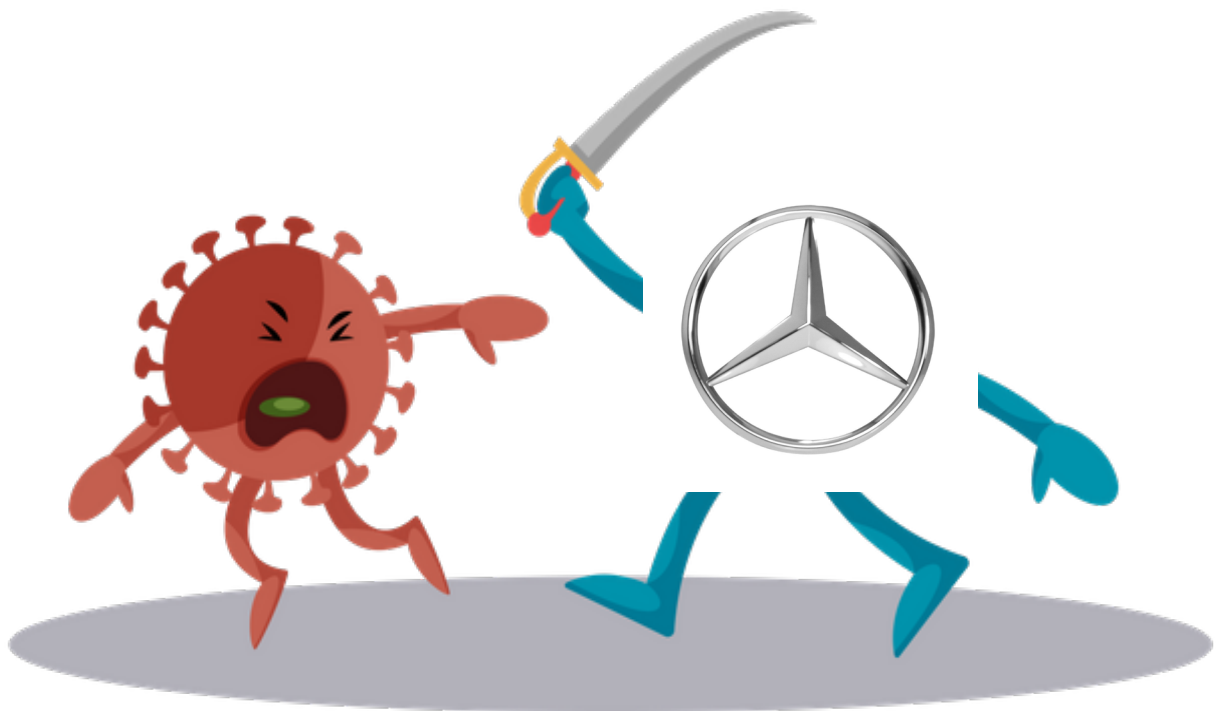
The Global Business Environment

Environmental Analysis of an industry

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Executive Summary

Based on the previous assignment done on this particular topic, this is the continuation of assessment 1. Mercedes-Benz is the chosen organisation for the same. In this report, the impact of the pandemic on the automobile industry has been examined. Based on the megatrends, survival and success factor for the industry has also been discussed. In the end, a conclusion has been drawn.

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Introduction

In this report, findings from assessment 1 will be taken into consideration and based on it, the impact of the pandemic on the automobile industry will be discussed. Success factors for the chosen company will be mentioned. Critical evaluation will be done on the chosen topic. For this report, Mercedes-Benz has been taken into consideration. It is a German-based car manufacturing organisation that has widespread their business all over the world. According to the latest statistical report, they had sold 7,480 cars in the UK in 2020 and has witnessed a rise in market share up to 5.64% (Statista, 2021). They are known for their luxury and premium.

The impact of the pandemic on the industry

The entire world has seen the adverse effect of COVID-19 that has changed the way of living. All the major organisation has undergone a massive change in their business structure. Most of the organisations witnessed a fall in their growth rate with the commencement of lockdown throughout the world. An organisation dealing in a car-manufacturing unit has to stop their production unit that has directly affected the sales of cars. In the UK, the automobile industry is one of the most popular and important industries after retail. The presence of big giants like Mercedes, Aston Martin, Audi, BMW and many more is evident in the UK. Pandemic has also affected this big giant even after their popularity all over the world. Corona has hit the global platform at the end of 2019. Since then 2020, was a tough year for all the organisations where they had significantly failed to perform. The sales of cargoes down up to 11% by the end of 2020 compared to 2019 (Statista, 2021).

According to a statistical report of 2020, Ford was the second most popular automobile brand after Volkswagen. In 2020, they had sold around 11,479 vehicles with a market share of 8.65%. On the other hand, Volkswagen was holding a market share of 11.78%. In comparison with both organisations, Mercedes-Benz held a market share of 5.64% in the UK and was in the fourth position before BMW (Statista, 2021). However, a report from SMMT points out something else. According to their results, it can be found that the UK car manufacturing industry has witnessed a fall up to -29.3% in 2020, which is near about 920, 928 units. This was the lowest stats since 1984. It has not only affected the business domestically but also globally where the market declines near about -30.4% and -29.1% respectively (SMMT DRIVING THE MOTOR INDUSTRY, 2021). At the same time, it is expected that the organisation would be successful to recover their losses in 2021.

In 2020, the situation become worse in the world and it has also affected the car-manufacturing industry. According to a BBC report, the car industry from the UK was slowly grinding after BMW, Toyota and Honda announced that they are going to shut their factories temporarily due to the pandemic. The most organisation has a large number of employee strengths. Considering that it became difficult for the organisation to give payments to the employees. Due to this many of them had lost their jobs that increase the rate of unemployment in the country. Toyota, being one

of the biggest car-manufacturing companies from the UK has suspended their production units in the European nations (BBC, 2020). This action has been taken by them to provide security to their health and well-being by restricting them to participate in organisational activities. Along with them, some of the popular names from the UK such as Ferrari, Ford, Mercedes-Benz, Nissan, Volkswagen, Renault and many more are struggling a lot to get the availability of parts and raw materials due to the travel restrictions across the world. The supply chain unit was deeply affected by the pandemic situation that has put a question mark on the sales of cars.

With the spread of the virus, the automotive industry was the most affected one. It is evident during the first phase of lockdown in the nation. With the announcement of lockdown, the rate of new vehicle registration has disappeared which has witnessed a drop of up to 97% every year (PWC, 2021). By the end of September 2020, the year-to-date vehicle registration had reduced up to 335 compared to the previous year. The demand for cars was lowered due to the rise of uncertainty in the market. According to the survey by the PWC team, it is found that those who planned to buy a car before the pandemic, out of all 22% of them no longer want or buy it. On the other hand, 35% of them were in an undecided state about their purchase (PWC, 2021).

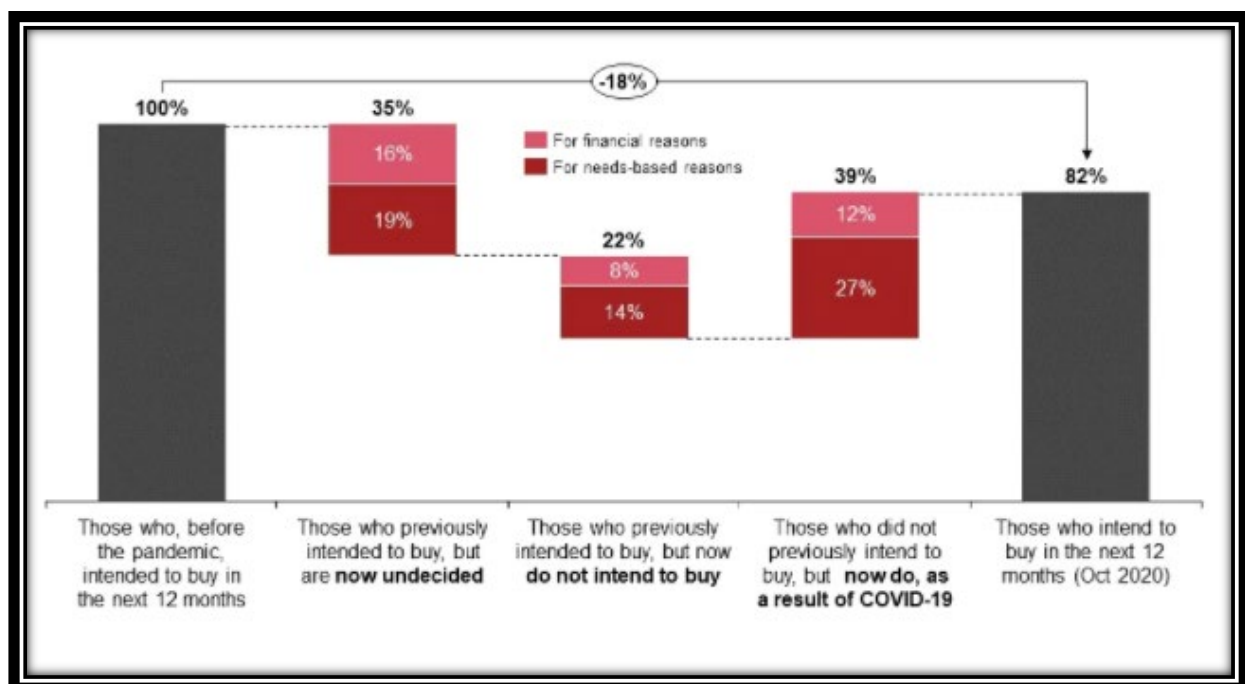


Figure 1: Purchase intent of customers who want to buy a car before the pandemic situation

(Source: PWC, 2021)

According to a statistical report, it is found that in October 2020, the UK has manufactured a little under 135,000 cars. In 2021, that figure has fallen to 110,000 cars representing a fall of 18%. In both the pandemic year, the automobile industry from the UK has suffered a total loss of 34% (Statista, 2020). This highlights the fact that the automobile industry is going to struggle in the upcoming times also.

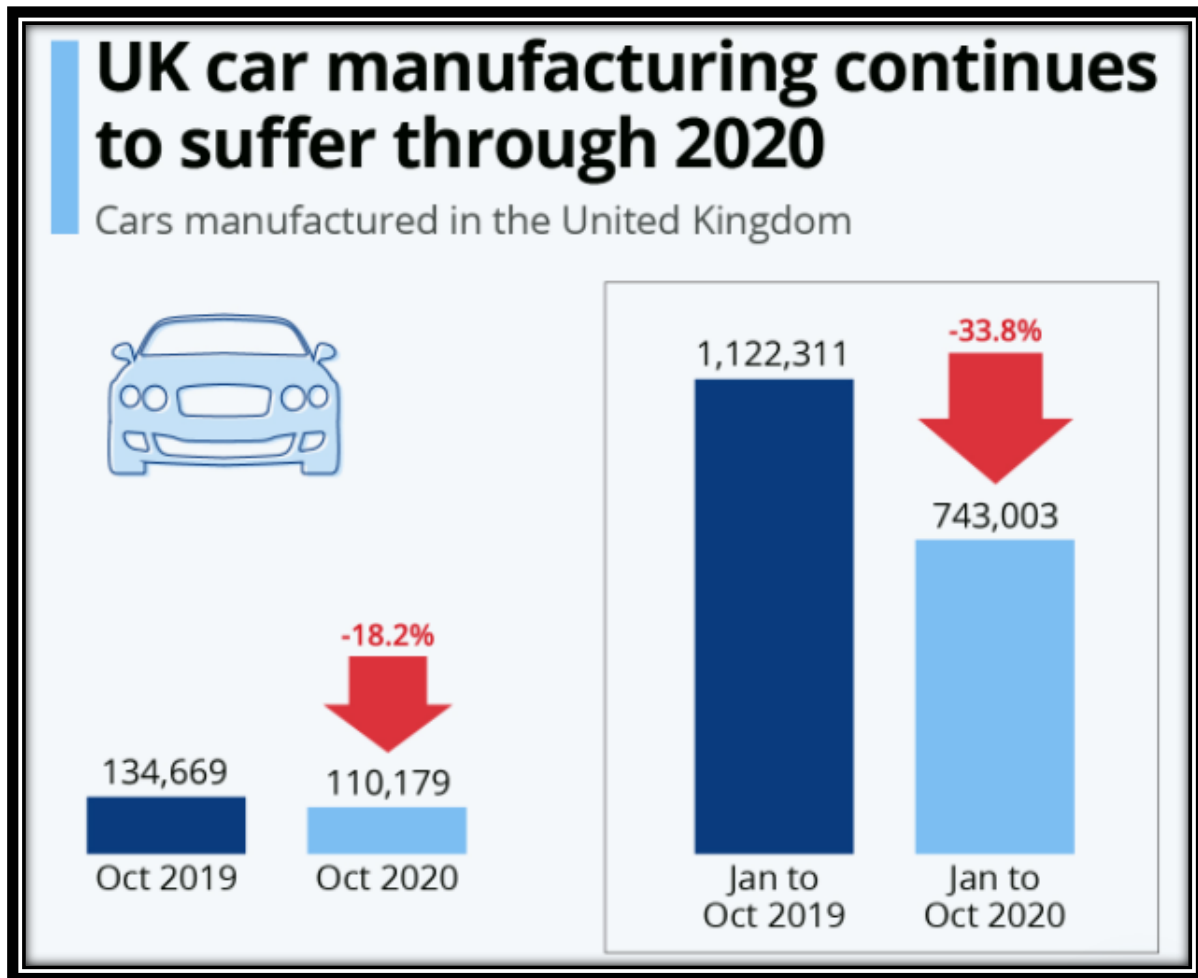


Figure 2: UK car manufacturing continues to suffer

(Source: Statista, 2020a)

Unlike the other car-manufacturing companies, Mercedes-Benz was also impacted negatively due to the global pandemic scenarios. With the commencement of lockdown in 2020, along with other organisations, Mercedes also needs to restrict their business concerning the safety of their employees. This has also impacted their sales structure and it is evident from the statistical report, where it can be found that by the end of December 2020, they had sold 7480 cars in the UK. On the contrary, in

2019 they had sold about 9,623 cars (Statista, 2021b). This change in sales volume highlights the negative impacts of the pandemic on the organisation.

However, things are slowly changing in 2021 and the UK car industry began to slowly recover its losses from the pandemic after June. It is found that the sales of battery-powered electric cars have doubled in June that has helped to increase the sales structure by 10.7%. People from the UK has brought more than 186,000 new cars in June that has helped to increase the percentage up to 28%. However, the total sales were still down up to 16% one comparison with the average ten years (The Guardian, 2021). It will take more time to recover from the consequences and it will be a tough situation in the future. But the organisation need to be more concerned and look forward to adopting the necessary means to deal with it. On an overall basis, it can be said that the Pandemic has affected the growth of the automobile industry in the UK. Disruptions were observed in the supply chain units and sales margins began to drop significantly.

Survival and success factors for the industry with consideration to megatrends

The automotive industry is one of the growing and demanding industries in the present world. It is growing rapidly wherein every day new models of cars are launched. Consumer's demands are changing daily which has resulted in organisations bringing new technology to cars. Considering that, many survival and success factors are revolving around the automotive industry. There are several megatrends in this particular industry, which is the key factor of success in the future.

Diverse mobility is one of the megatrends. Mobility is a type of concept that is user-centric and in the automotive industry, it acts as the recognition related to the transportation of services and products that must fulfil the demands of consumers. The future of mobility will perfectly fit in the real world. In the present time, there is a lot of collaboration and innovation in the e-mobility field that is already underway. Some of the examples can help to understand the future of the automobile industry related to diverse mobility. Mobility can be witnessed in cars that have Internet-connected engine control units (ECUs) including several sensors that provide data and insights (Forbes, 2021). The concept of diverse mobility can also be used in fleet services that are always ready to grow with the help of smooth operations. Adoption of this strategy of diverse mobility will help to build a sense of customer loyalty that

will allow the organisation to be more connected with its customers. At the same time, it will help to deal with the changing demands of customers.

Another megatrend in the sector leading to the survival and success factors of the automobile industry is the concept of ***autonomous driving***. It is a type of driving where a car is capable of sensing its outer environment and operates the car without any involvement of humans. In other words, it can be said that no human labour is necessary to operate and run the car. At the same time, the trend of autonomous driving is quite popular and a hot topic of discussion in the industry. Several trends affect driving in the autonomous vehicles industry. Autonomous vehicles (AV) has seen a certain level of advancement related to the technological fields (WORLD ECONOMIC FORUM, 2021). With the rise of this concept, many regulators around the globe have introduced several policies and legislation that has enabled the organisation to experiment and develop the technology. In recent times, the practice of robot-taxis was evident that is gradually shifting automated trucks and other vehicles. A big organisation like Mercedes-Benz must adopt the latest means of technology that would allow them to introduce a car with the advanced feature of autonomous driving. Government authorities have also taken good initiatives to support this cause. They have been permitted to test the vehicles on public roads which shows that AV has a good future ahead that acts as one of the potential survival factors considering the megatrends in the automobile industry.

According to Casper (2020), ***Electrification*** is a must-have technology for the modern world to protect the ecosystem. Fossil fuel is reserved and it harms the entire environment, excessive waste and use of fuel can be a threat for the future. New generations demand electric vehicles and promote environmentally friendly processes to prevent pollution. This feature is less expensive and toxic free for automobile manufacturing industries. Considering that adoption can be beneficial at a low cost for both manufacturers and customers. For this feature, a company needs high charging infrastructure and reusable charging grids. Electrification can be followed by construction based vehicles, heavy business vehicles and huge passenger vehicles. It is an advantage as the companies are less dependable on oil import and reduction in emissions.

Mercedes Benz is also following this megatrend of electrification, as they are planning to launch all of their newly manufactured vehicles by the end of this decade. They are planning to execute the production of battery cells in various locations. Mercedes is installing more than eight Giga factories. As per the press release of Mercedes, it can be found that they are also having AC and DC charging points of more than 5 lakhs (Mercedes-Benz, 2021). Adoption of electrification can gain a high capital shift for Mercedes Benz. This can promote autonomous driving technology and raise the interest of new customers. Apart from this, the electrification feature hurts the dealers and fuel generated car manufacturers, as well-known companies are developing an emission-free environment and software control future. The engineers of Mercedes Benz are also developing a scalable system for light commercial vehicles and passenger vehicles. This is the crucial key strategy of Mercedes Benz for maintaining efficiency and professionalism in this industry.

Conclusion

It can be concluded from this report that COVID-19 has deeply affected the growth of the automobile industry in the UK. It became difficult for the organisation to deal with these issues. However, this industry has a lot of success factors in the future considering their megatrends. A discussion has also been done on this topic

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