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Environmental Analysis of an industry

Introduction

Explanation of Industry Environment Study

Analysis of an environmental industry is a study or workout done to measure the current industry environment. This workout helps understand the numerous aspects and forecast trends of the industry better, and helps in many other ways. Mostly, industry analysis is complete by external research agencies, referring firms or businesses themselves.

The industry environment is composed of the following stakeholders, around which analysis is done. Namely Competitors, Suppliers and Buyers. There are also other main reflections like the political, legal, technological aspects which are a part of the environment analysis.

To study these features of the industry, models such as PEST, PESTEL, and PORTER's 5 forces have been established.

We go through the appearance of the automobile industry scenario where we will see a substantial challenge, how they develop to expand globally facing trade barrier. How political firmness in eastern world mutual with competitive nature. We will see theatrical changes of western Europe and diverse levels of motivation functioned for eastern world.

PEST and PESTEL are two models used to analyse political, legal, economic, social, environmental and technological factors pertaining to that particular industry.



PESTLE environmental factors work in the industry following the case is described below, the influence in national and international both are surrounded:

History of automobile Industry

The bang of the twentieth century observed the beginning of the automobile industry.

Tinkering by bicycle, motorcycle, buggy, and machinery entrepreneurs in Europe and

the United States led to the first prototypes of automobiles in the late nineteenth century. French woodworking machinery makers Rene Panhard and Emile Levassor built their first car in 1890 with an engine designed in Germany by Gottlieb Daimler and Wilhelm Maybach. Armand Peugeot, a French bicycle maker, licensed the same engine and sold his first four lightweight cars in 1891. German machinist Carl Benz followed the next year with his four-wheeled car and in 1893 Charles and Frank Duryea built the first gasoline-powered car in the United States. Ransom Olds is credited as the first mass producer of gasoline-powered automobiles in the United States, making 425 “Curved Dash Olds” in 1901. The first gasoline-powered Japanese car was made in 1907 by Komanosuke Uchiyama, but it was not until 1914 that Mitsubishi mass-produced cars in Japan.

The automobile industry is now trying best to concentrate on safety, durability, convenience and low cost compare to the past. Automobile industry also not able to separate them from the effects of macro level factors known as PESTLE.

Political factors

Automobile industry is the big sector of revenue for the government subsequently. Corruption and instability of political situation is the big issue for the automobile industry in western Europe to handle efficiently. But eastern Europe is handling very well and successfully. The government and top investors from other countries of the world also interested and invested in automobile industry. The political situation is much better which is helping the industry to run successfully. Eastern world is in a good position to take money out from western world.

Economic factors

The automobile industry was greatly affected by the economy. West zone was seriously affected previously by the economy and this encouraged the investors to invest in the eastern zone. Income of the east enhanced greatly, and sales level also went up.

Even the companies in the west started to eliminate workers while the unemployment rate in east minimized to a great extent (Ajay, 2010).

Social factors

The automobile industry brought huge change and success in the world in the last two centuries. People globally involved in the car market and thousand of people changed their lives in a positive way. The automobile company played a dynamic role to bring the change in the societal factors.

Technological factor

Since nineteenth century automobile industry got numerous dimensions in its numerous stages of innovation. Better technologies automobile industry is thriving and producing improved equipped vehicles with newest accessories to make people's life easier. Updated structures have been added to vehicles. The manufacturer concentrating on better and attractive shaping the vehicles according to people's demand and also to meet people's income level. There are several categories like, Volkswagen Beetle, Toyota Prius, Suzuki, Hyundai etc. also customers are now aware of latest designs through internet where they can compare the models with given prices of various companies (Chitra, 2013).

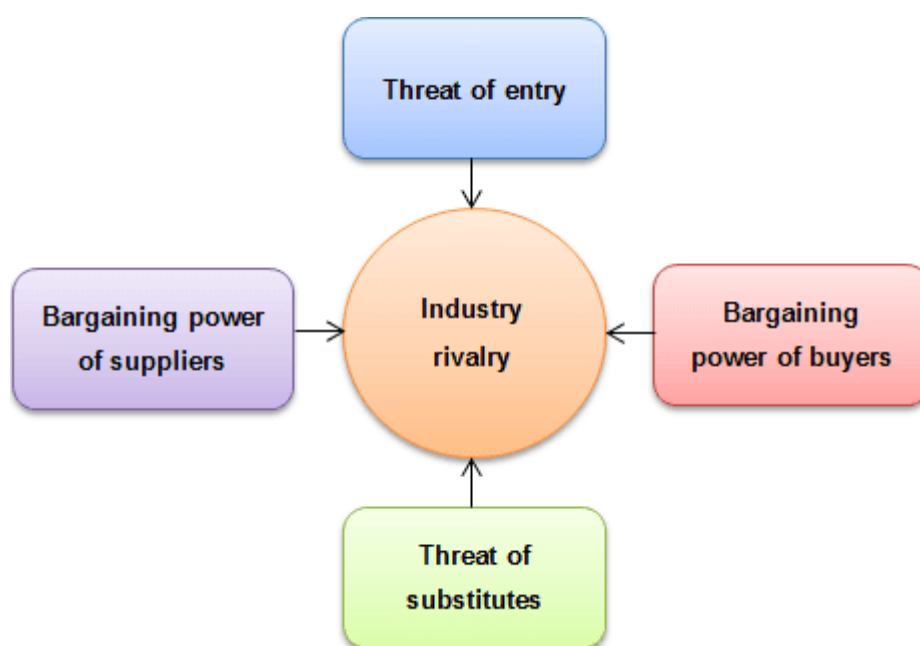
Legal

Law makers are focusing on the safety side of automobile and checking the manufacturer are obeying the laws correctly. Automobile manufacturer also facing pressure to maintain the law-making vehicles. It is also hard for them to rise the prices without the approval of the government of any particular country.

Environmental factors

Automobile industry is highest in rank for environmental pollution. Some customers has good knowledge of environmental issues of automobiles and they are aware of it which influences the manufacture aware of it too.

PORTERS FIVE FORCES



Five Forces Analysis of the Automotive Industry

Looking in the sides of history of automobile industry it shows that the great recession had exaggerated the automobiles industry very unfavourably some of the most popular brands were on the edge of extinction. The government had to interrupt the situation, otherwise existence of many manufacturers would get a question mark. There are Several factors that affect the vehicle industry globally (Eszter, 2010).

Bellow given the five forces of analysis of the automobile industry which explain the factors of the case study given:

Threat of entry

As western Europe had a fall from the top position in automobile industry, this has become the main reason for them to enter the automobile industry again. There is threat for new entrant and this will make huge influence.

There will be requirement of huge investment and it could be difficult but if they produce new brand then the threat can be less. New brand can play a big role as barrier to the new entrants. Government tax is also a barrier for the new manufacturer.

Bargaining power of buyers

Buyer power refers to the ability of individual customers to negotiate prices that extract profit from the seller. Private individuals, commercial companies and governments are the primary buyers of motor vehicles. There are different fields of vehicles like some of the manufacturers are for small buyers and some are for large. Small and large has easy access to switch to new brands and there are no extra costs intricate in switching to another brand because buying vehicles includes a huge cost. So before deciding to buy a car, buyers may justify through various sources and mediums which in turn cause buyers to move from the existing manufacturer to a new brand (Team, 2011).

Bargaining power of suppliers

Automobile manufacture needs thousands of parts. A huge number of suppliers are desirable to manufacture all the parts that go into production a vehicle. There are many players in the auto supplier industry. Usually, suppliers' bargaining power has been very low. However, the situation changed gradually over the years.

Threat of substitutes

If car makers pose a big threat as a substitute. Competitive Rivalry. Highly competitive industries generally earn low returns because the cost of competition is high. The automobile industry is considered to be an oligopoly, which helps to minimize the effects of price based competition. Threat of substitute in the automobile industry is little.

Competitive Rivalry in the industry

For the entry in the automobile industry, the manufacturer does not need to pay much but exit barrier does make them to pay a lot. The brands trying to exit will make them to bear a large loss. Availability of different brands with various products in the market will not matter as the customer loyalty is the main fact here which is maintained with quite a sharp strategy by the large brands. So the rivalry is high here (Jeannie, 2016).

Conclusion

Car production surges in eastern Europe and western Europe of automobile industry discussed here. Macro and micro and all factors of economy briefly discussed. Potters five forces applied and PESTEL analysis also described.

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