

LCCB4005 The Global Business Environment

Environmental Analysis of an industry

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Introduction

The automobile industry is focused on the development, design, manufacturing, and distribution of automobile products (Calabrese, 2012). This industry is dependent on the various types of backward and forward parties that supply additional materials, parts for the products. The recent global pandemic has had a significant impact upon this industry as the scenery disrupted the supply chain, was responsible for the closure of production plans, halted distribution process etc. The industry also needed to consider various survival and success factors to be ready for the future competitive markets and anticipate the megatrends (ETAuto.com, 2022). This report is created to analyse the impact of the pandemic on the automobile industry. The author first discussed how the pandemic affected the industry. Later, the author developed some success and survival factors for taking the industry to better anticipate the future market and cope with the megatrends.

Analysis of the impact of the pandemic on the automobile industry

From the first assessment, it has been found that the brand, Jaguar car, in the automobile sector faces many types of challenges while conducting international trading. Various internal and external factors affect the business process. So, the automobile sector is mainly involved in manufacturing, development, design, sailing, and the marketing of automated products like cars, engines, motor vehicles etc. (Calabrese, 2012). The car is more of a necessity product nowadays except for those with impressive and high-end features. Various surveys show that people would like to see the car as a necessary product that became an indispensable part of their daily life.

During the pandemic, the industry witnessed a sharp fall in production and number of selling due to contraction of income level and shortage of backend products. These factors have affected the global trading and production of automobile items significantly (Global Supply Chain Law, 2022). More or less, every company in the sector witnessed huge financial loss due to lower production and generation of revenue. Though the sector has started thriving after the situation started getting normal, the impact of the pandemic significantly affected the growth of the companies in the sector. Besides a few advantages, the impact of the pandemic has had a long term impact on the growth and prosperity of these companies (Guest, 2022). So, the followings are some of the ways the industry was impacted badly during the global pandemic.

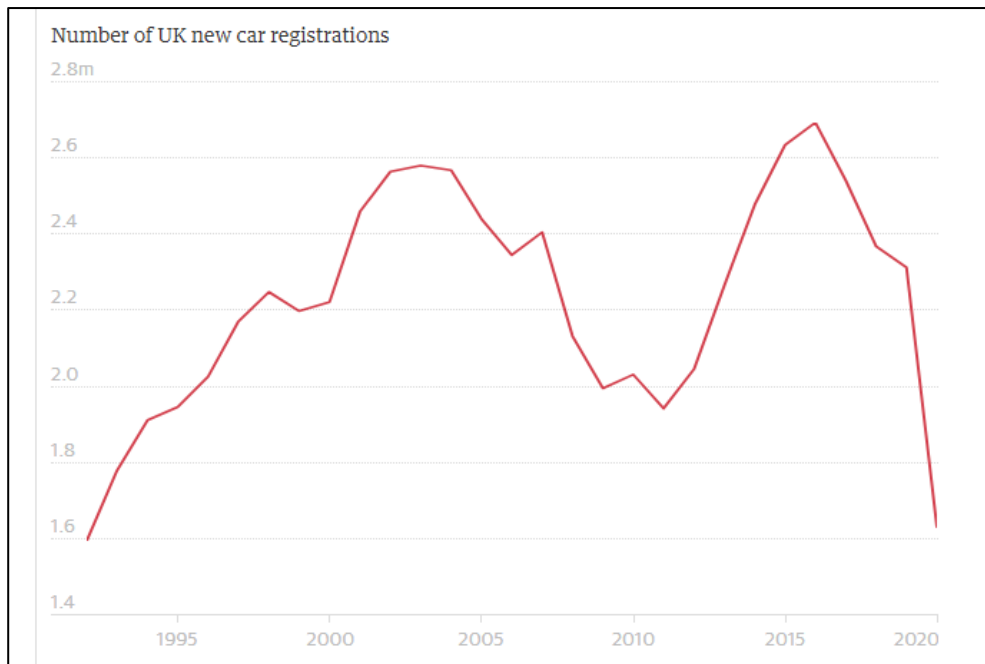


Figure: Number of new cars in the UK (the Guardian, 2022)

Stiff decrease in sales: The ultimate impact of the pandemic on this sector was the number of sales got decreased rapidly during the pandemic. This one particular effect has a prolonged impact upon the whole sector as without revenue generation, the companies cannot perform well and carry out their business operation (Wäldchen, 2014). The sales sharply decreased around the world which can be figured out from the research. Just in the UK, the sales decreased by almost 30% to 1.63 million (the Guardian, 2022). It was the record lowest since 1992. In China, where that effect started initially, the number of sales plunged 71% by February 2020 (Global Supply Chain Law, 2022). By the April of the same year, the sales had dropped by 47% in the US and by 80% in Europe (Global Supply Chain Law, 2022). According to the OICA data, worldwide motor vehicle production also witnessed a sharp decrease. The number of production reached to 2010 level. From these figures, it can be easily concluded that the industry witnesses

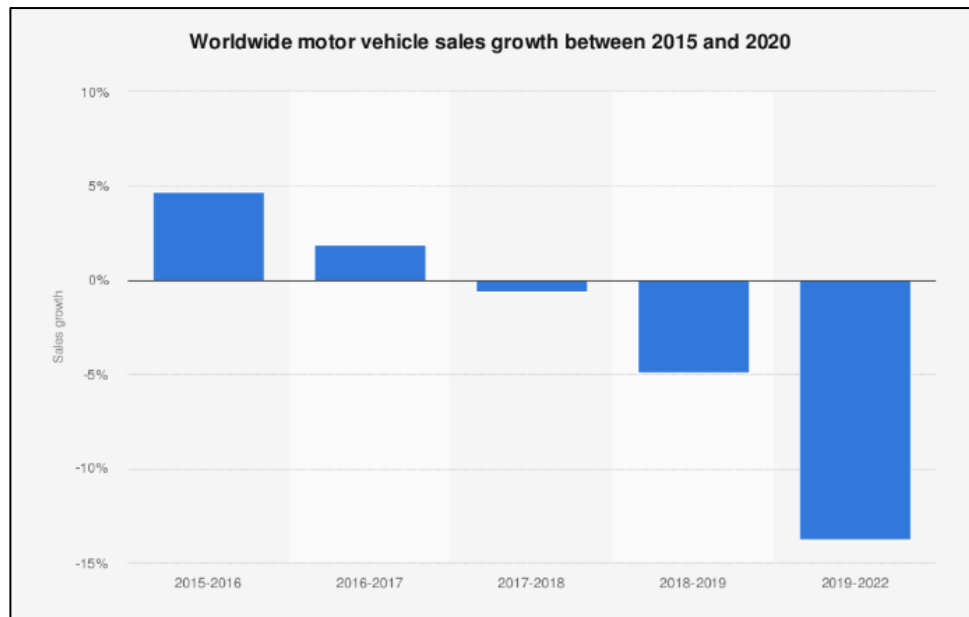


Figure: Worldwide vehicle sales growth (Herald, 2022)

significant requirements in the production and sales of motor vehicles. Like other companies in this sector, Jaguar cars also faced a stiff decrease in the production and selling of its luxury items (Jaguar.com, 2022). From the start of the pandemic, the earning level of the people got significantly decreased which influenced them to spend on necessities. As a result, there has been little disposable income to invest in car purchasing. People were not aware of the impact of the situation. That's why they preferred to spend less on items other than necessities (Kim and Lee, 2020). Also, the purchasing of a car required a larger sum of money that people did not want to spend at that time. There have also been restrictions and a lockdown that enforced the closure of distribution points and stop the movement of the people (Kim and Lee, 2020). As a result, distribution, production, manufacturing of the product of this sector become halted that inducing a decrease in sales.

Shortage of raw materials: Shortage of raw materials has been a major factor during the pandemic. Almost all of the industries around the world have faced this shortest due to the disruption in the supply chain and halt of transportation. As the automobile sector is responsible for 3% of the world's economic output, the impact on the sector has a significant influence over economic activities (Michigan Journal of Economics, 2022). Export of Toyota and Nissan fell by around 46% by this September due to the shortage of raw material supply in Japan. Toyota also had to call for 40% cutting production that you create the number from 900,000 to 540,000 (Michigan Journal of Economics, 2022). The number of new car

registration decreased by 33% by the July of 2018 due to the shortage of semiconductors (Michigan Journal of Economics, 2022). The other big players in this sector also suffered shortages. Ford, FCA, and GM suspended production of cars, Nissan suspended production due to the supply chain disruption. Daimler, Toyota, BMW also had to follow the same path as a well little demand for the car (the Guardian, 2022). Renault has to close down each production plan in Romania, Slovenia, and Morocco. Due to these closures, the manufacturers were not able to receive raw materials and additional parts for the car assembly which led to a decrease in production and event closure of production plants (Global Supply Chain Law, 2022).

Halt in distribution: Another major impact of the pandemic on the sector was a disruption in the distribution process. From the beginning of the pandemic, governments in many countries started to impose lockdowns that seized the movement of people and their transportation (Kim and Lee, 2020). As a result, the manufacturers were not able to supply the manufactured automobile products with the distribution point. Also, the manufacture of automobile products requires a large space. That's why the manufacturing plant is not located in every country. Manufacturers produce products at a Saturday manufacturing plan and export the produced product to the different markets (Showi, 2018). But during the pandemic, the shipment and transportation were totally off which halted the distribution process. It directly affected the number of sales as the distributors were not able to receive treatment from the manufacturer as well as not supplying products to the customers.

So, these are the ways the automobile sector was significantly impacted during the pandemic. Many other factors significantly affected the sector such as changing consumer buying patterns, preference of their necessities, impose of government restrictions etc. Many companies have to shut down production plants or reduce the number of unit production during that time. The sector has started thriving and witnessing sales growth after the global closure (Michigan Journal of Economics, 2022). To ensure growth in the upcoming days, it needs to analyse the megatrend that the world is going to adopt soon. So, some of the survival and success factors that this sector needs to consider to better expect the upcoming changes and implement strategies to be the best fit for the future automobile industry.

Survival and success factors for the automobile sector considering the megatrends

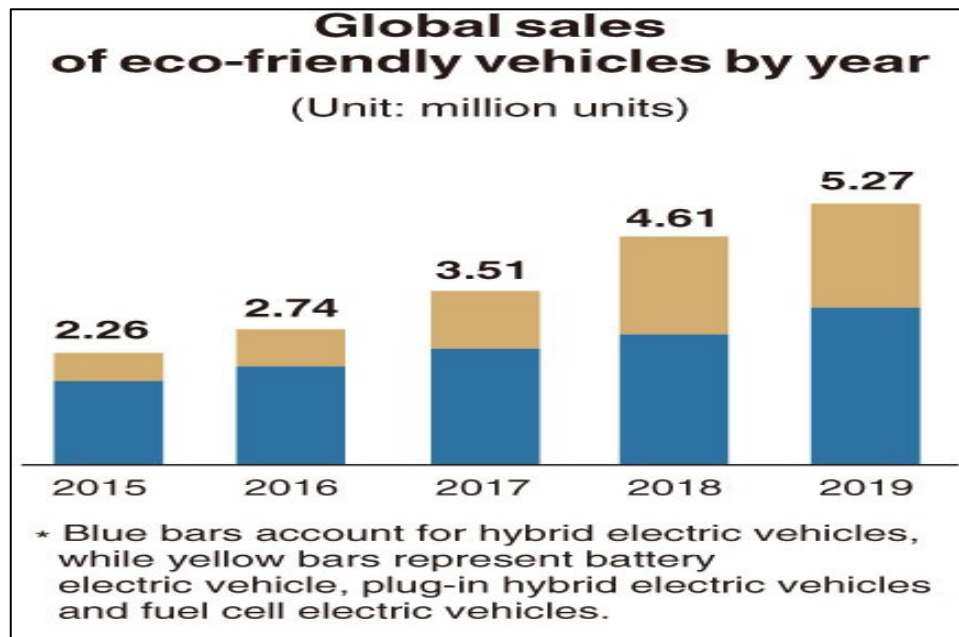


Figure: Growth of eco-friendly vehicles (Herald, 2022)

1. More environmentally friendly product line and production plant: When it comes to environmentally friendly business processes, the business with such measures would get long-term benefits in the upcoming future. More or less every organization and government entity are trying to develop a culture of a protective environment to minimize the environmental impact (Calabrese, 2012). The world is also moving towards introducing motor vehicles that reduce the consumption of fossil fuels and use more renewable energy. So, automobile companies that can adopt technologies will be able to develop competitive advantages in the future automobile market. Also, the demand for eco-friendly vehicles is increasing rapidly year by year. The growth for search products had a growth rate of 10% in 2019 (ETAUTO.com, 2022). It is also expected that the value of the market will reach 800.81 billion dollars by 2028 (Guest, 2022). The industry will witness a CAGR of 22.6% between the years 2021 to 2028 (Guest, 2022). The companies in the sector have to be more focused on developing an equipment product line and production plan that would be helpful for the environment and minimize the impact of business processes on the environment.

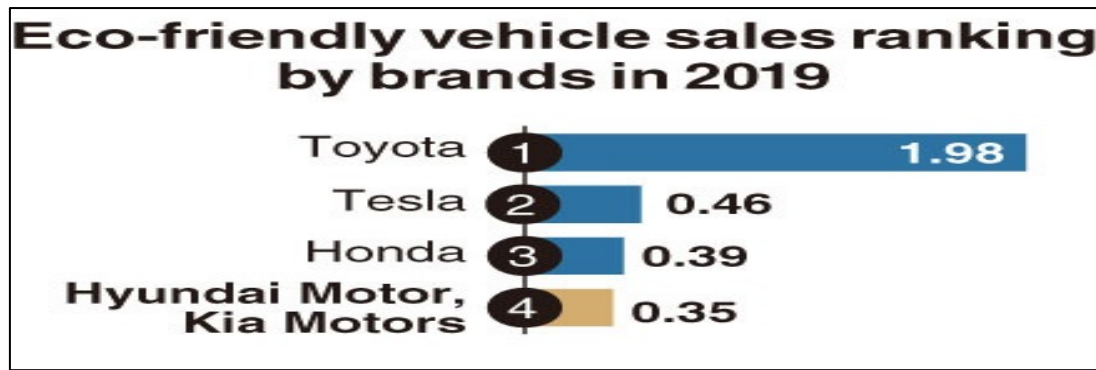


Figure: Eco-friendly vehicle brands (Herald, 2022)

2. Ensuring a culture of quality: As automobile products are becoming necessities to the world, businesses have to be more focused on quality to sustain their position in the future competitive market. The number of competitors is also rising significantly year by year, which means that companies will have to face intense competition in the future market (Guest, 2022). By developing a quality product line, a business can easily create a competitive advantage and ensure its expansion.

3. Use of technology to maintain supply chain: Maintaining supplies is an important factor for the automobile sector as most of the additional parts are imported from other companies that making it crucial for the automobile companies to connect with this supply chain. During the pandemic, the companies of the sector have suffered due to disruption in the supply chain that led to the closure of production plans and the degree of several sales (Global Supply Chain Law, 2022). Companies can use technologies to connect to the supply chain and monitor what's happening at each facility or supplier. Using cloud computing services as are innovative technology, companies can keep trying the suppliers and better maintain their supply chain. It will enable the company store measure quantity of the supply materials, quality, real-time interaction, estimating lead-time etc. (Herald, 2022). By this, companies will be able to better predict the production of automobile products and distribute it to the consumer markets.

4. Focus more on inspection: Motor vehicles have been a major reason for road accidents. Oftentimes, the vehicles face errors in the function which leads to higher chances of occurring accidents. Any particular accident has a significant impact upon the person or family members who took a ride on the vehicle. The companies are needed to initiate more regular inspection facilities and teams to evaluate the changes occurring in an accident (Kim

and Lee, 2020). That may impact the brand reputation and hamper the personal peace of the car owner.

5. Estimate future demand: Estimating the future demand of the personal car is a crucial factor for maintaining the perfect ratio of personal cars in the street. In many countries of the world, the cities face extensive domination of the personal care that leads to severe traffic jam which car s important time of the people (Showi, 2018). Traffic jam also has severe consequences that make the life of city dwellers hectic. By better anticipating future demand, companies will be able to produce at a level that will meet the customer demand and not make the street jammed. Overproduction may also lead to a lower price of the product which will increase the traffic on the road (Herald, 2022). So, it's a social responsibility of the companies to consider the impact of overproduction on the life of the people. Being more socially responsible will also strengthen the brands' image and popularity in the market.

Conclusion

So, the pandemic has had various types of effects on the automobile industry. Due to the effects, companies in the sector have not been able to receive required supplies from the suppliers, maintain their supply chain, carry on their production process, distribute products to the consumer markets etc. To keep a competitive position in the future market, companies will have to be more environmentally responsible, produce equal friendly products and maintain size production plans, be socially responsible, analysed the future demand etc. Through these, the businesses will be able to cope with future trends.

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