

MERCEDES-BENZ **EQC** ELECTRIC CAR ANALYS

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GLOBAL BUSINESS ENVIRONMENT

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INTRODUCTION

This essay will first discuss the **macroeconomics** and **microeconomics** factors that shape the global car manufacturing industry by examining the growth of the Electric Vehicle (**EV**) market and business environment.

Second, will review two of the major forces **PESTEL** and **Product Life Cycle** which analyse the external environmental factors and the marketing strategy that have an impact on the business.

Furthermore, the essay will outline the Mercedes-Benz electric car **EQC** and relate the brand to the topics mentioned above.

Finally, the essay will give summary of the findings and analysis of the main points discussed in this essay.

1. The EV Industry

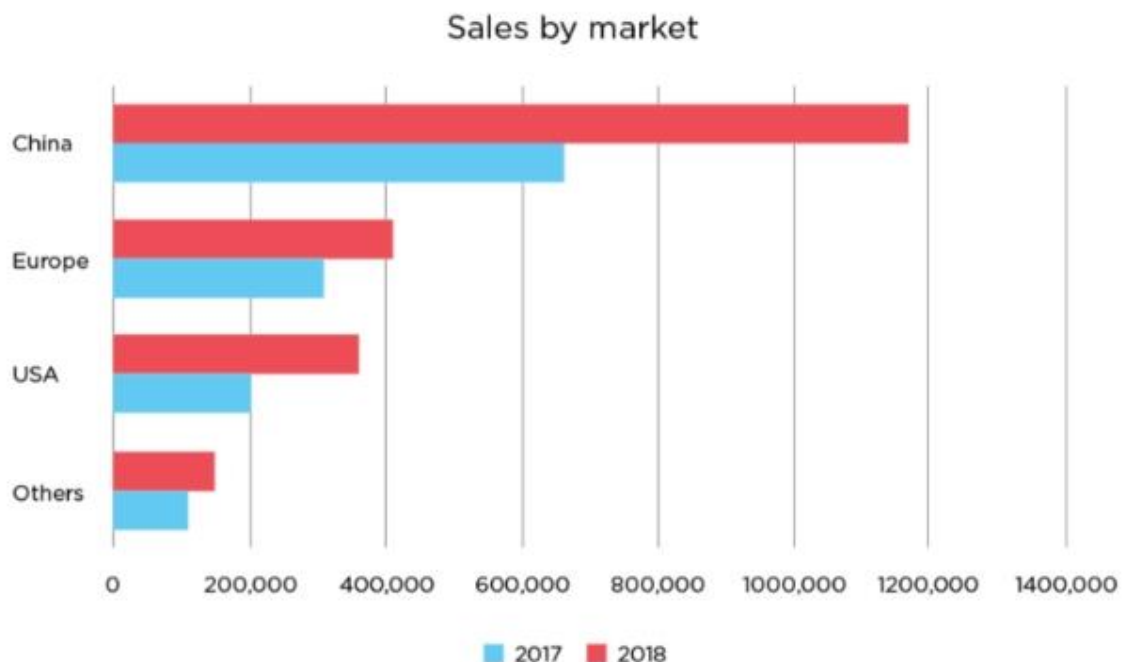
One of the greatest achievements in the modern technology is the development of internal combustion (IC) engine vehicles particularly the automobiles. This have helped the growth of the modern society by meeting the needs of mobility in everyday life. Although, the use of the automobile came with concerns about the environmental impact they have and need of more high-efficient and clean transportation has risen. To replace the conventional vehicles new products were introduced e.g. hybrid electric vehicles (HEVs), electric vehicles (**EVs**) and fuel cell vehicles. (Ehsani, at al. 2018, pg.1)

The global adoption of **EVs** is rising but not everywhere to the same level, China is already leading in the global **EV** sales by selling half the 1.1M global sales in 2017. *“China's state-owned automaker BAIC Group had the second bestselling **EV** model in the world for 2018, only behind Tesla's Model 3, according to EV Volumes” (Fig.1). (CB Insights)*

Also, in Europe the **EV** adoption has been strong too amongst the automobile customers as the governments there encourage people to buy **EVs** by giving them incentives. For example, Mercedes-Benz has partnered with Go Ultra Low a joint Government campaign which encourages people to switch to use

EVs by helping them see how much they can save and by giving them advice.
(Mercedes-Benz)

Fig1

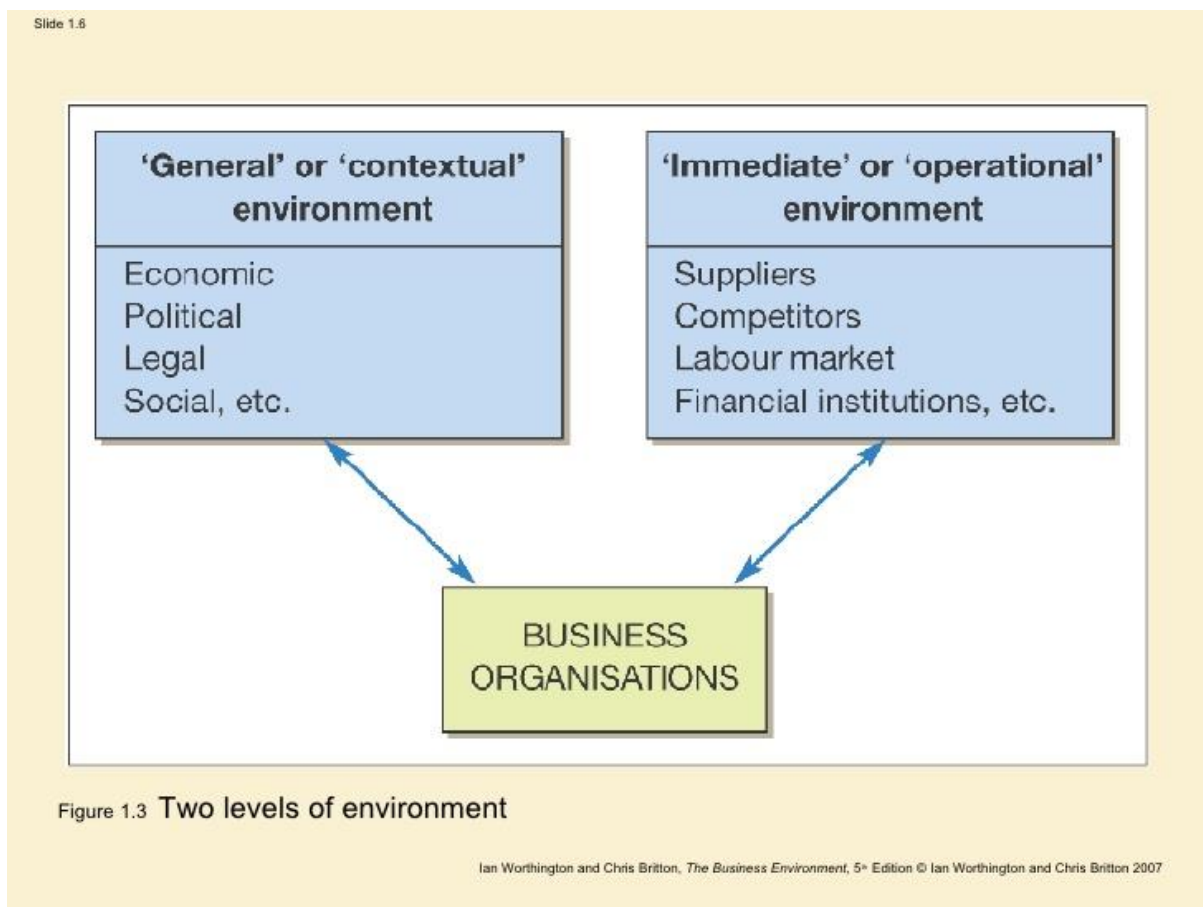


Source: CB Insights

2. Internal and External forces

The business environment of a corporation consists of two levels see (Fig. 2), first **microeconomics** (immediate or operational environment) suppliers, competitors, labour market, financial institutions, etc. Second, **macroeconomics** (general or contextual environment) economic, political, legal, social etc. (Briton and Worthington, 2006)

Fig. 2



Source: Briton and Worthington

2.a PESTEL for EV industry

The **PESTEL** analysis (*Fig.3*) is a framework that is used to analyse and keep track of the **macro-environmental** factors that may have a positive or negative impact on the business of a company. (Business To You, 2016) The factors are **political, economic, social, technological, environmental** and **legal** and each of them will be developed below in this essay.

Fig. 3



Source: Business To You

Political

The political factors include: government policy, stability or instability, foreign trade policy, tax policy, labour law, environmental law and trade restrictions and these factors can tell how a government intervenes in the economy of an industry. (Business To You, 2016) For example, the major driver behind the production of **EVs** is the governmental support e.g. investment in **EV** infrastructure, tax breaks, tightening of the CO2 emissions.

Another example of the government support is: during 2018 in UK was launched Road to Zero strategy, pledging to make about half of the new cars ultra-low emission by 2030 (Murray, 2019)

Furthermore, in the light of the events that led to the use of more clean cars Mercedes-Benz introduced its fully electric car brand **EQC** (Fig. 4) in 2019.

Fig. 4



Source: Mercedes-Benz

Economic

These factors are included in the economic power: economic growth, exchange, inflation and interest rates, disposable income, unemployment rate, all of them can have long-term and direct impact on an industry as they hold the powers how people buy products also these factors can affect how a company prices its products and services. (Business To You, 2016)

As the demands continue to grow for more convenient automobiles the customers are keener to spend money on **EVs** and the automobile companies need to keep up with the customer's demands. For instance, in 2018 Daimler made an order for **EV** batteries at cost of \$23B as the company expects battery-electric cars to account 15-25% of the global sales by 2025. In May Daimler made an announcement that was taking orders for its long-range Mercedes-Benz **EQC**. Furthermore, the company plans to introduce an electric variant on each of the Mercedes models by 2022, these variations will include a mix of mild hybrids, plug-in hybrids and more than ten models that will be running on either hydrogen fuel cells or batteries. (CB Insights)

Social

These factors include: population growth rate, age distribution, income distribution, safety emphasis, health conciseness, cultural barriers etc.

(Business To You, 2016) All the forces above can affect how an industry runs.

There are a few factors that motivate u early adoption of **EVs** by consumers, this includes carbon footprint reduction, cost savings etc. A survey made by AAA in 2018 found out that about 20% of the Americans say that they will buy electric vehicles in the future. In Europe the number is 40-60%. The consumers that are under the age of 50 and those living in the cities are more likely to switch to **EVs**. (CB Insights)

Technological

These factors refer to the innovations in technology that can affect the operations of an industry and market demands. The factors include technology incentives, the level of innovation, automation, research and development etc. These factors can influence whether a company to launch a new product on certain markets. For example, Mercedes-Benz launched its new **EVs** brand **EQC** with innovative technology in its cars to answer the needs of its consumers for more efficient vehicles e.g. with an extensive range, driver assistance features, optimized navigational plans etc. (Mercedes-Benz)

Environmental

These factors are ecological and environmental e.g. climate change and they affect the company's trading and manufacturing abilities around the globe and how the company uses the raw materials, how it works on pollution and carbon foot prints set by the governments. (Business To You) One example of how an **EV** manufacturer is taking care of the environment is Mercedes-Benz with its low emissions **EQC** and the new **EQV** fully electric car which is emission-free. (Mercedes-Benz)

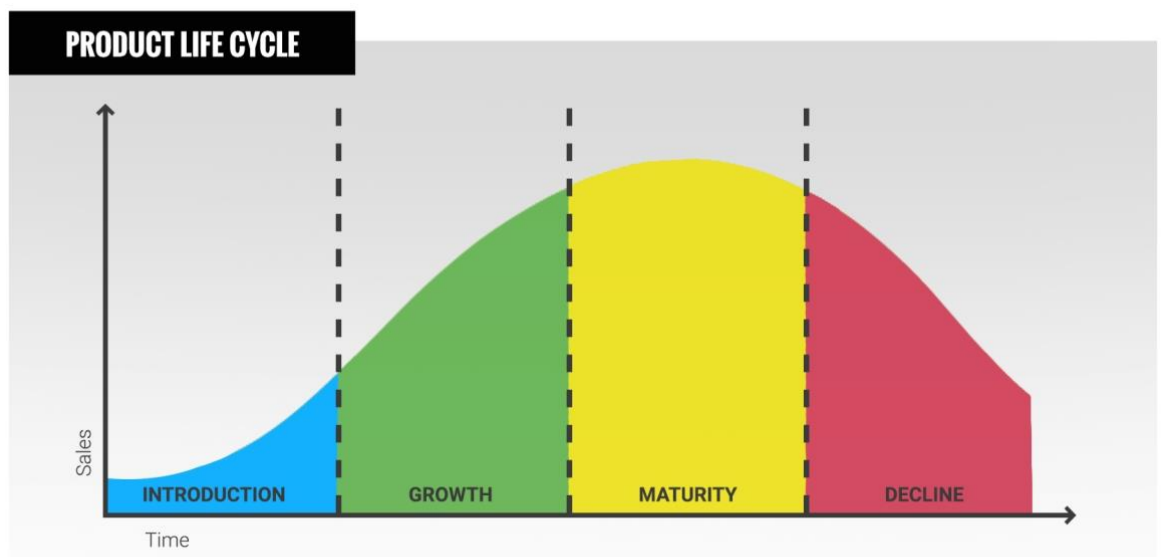
Legal

These factors include discrimination laws, antitrust laws, employment law, consumer protection laws, copyright and patent laws and health and safety laws. A company must abide by the laws in the countries where it operates its business in order to continue to function there. For example, Daimler gave assistance to the government to fight against the global trade of counterfeit spare parts in 2019. (Daimler)

2.b Product Life Cycle

*“The product life cycle is the process a product goes through from when it is first introduced to the market until it decline or is removed from the market. The cycle has four stages (Fig.5)– **introduction**, **growth**, **maturity** and **decline**.”*
(Sraders, 2019)

Fig. 5



TheStreet.

Introduction

When a product is developed it gets in to the introduction stage where it gets introduced to the market, also this is the time when can be seen if the new

product is successful or not on the market. Furthermore, during this stage the marketing and promotion are at their high rate, this is the time when the company invest the most in order to get the consumers to buy the product. Furthermore, the main goal on this stage is to create demands for the product and get the consumers to buy it. Also during this period the competition is relatively low. (Sraders, 2019) For example, Mercedes-Benz did advanced advertising on YouTube for its new **EV** car **EQC** in 2019. (Mercedes-Benz)

Growth

During this stage the consumers have already tried the product and continue to buy it. The product has established good reputation on the market and the sales are growing. However, other companies may notice how the product circulates on the market and revenue it brings than the competition will get high. One Example of this is when Mercedes-Benz entered its new product **EQC** and thus become a competitor for Tesla's **EVs**. (CB Insights)

Maturity

This refers to the stage when a product reaches its maturity e.g. its sales tend to slow or potentially stop. This stage can last long or be short it depends on the product. The pricing of the product starts to get competitive, the demands get lower and at this point the marketing is playing defence. Furthermore, at this stage the companies will either alter the product or think of introducing new one. (Sraders, 2019)

Decline

On this stage the companies usually will try to keep the product selling in the maturity stage as long as possible, however decline can be seen for every product. Furthermore, during this stage the sales drop drastically see (Fig.5) , the company loses more and more market shares as the behaviour of the consumers changes. (Sraders, 2019)

Conclusion

The **EV** industry continues to gain momentum and by using the **microeconomics** and **macroeconomics** and **PESTEL** forces it fights out the competition for dominance in the automobile industry. Furthermore the **PESTEL** and **Product Life Cycle** factors used by the Mercedes-Benz brand assisted in developing a sustainable product, **EQC**, with low CO2 emissions and a big

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