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Assessment 2

Impact of COVID 19 has had on Mercedes Benz

Individual Report

Student Number: 2022689

Module Title: The Global Business Environment

Module Code: LCBB4005

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Introduction

Thousands of automakers were the forerunners of the horseless transport in 1860. Even before Great Depression in 1929, there were over 32 028 500 workable vehicles on the road around the world, with nearly 90% of them made in the United States. In 1945, the United States accounted for approximately 75% of global car manufacturing, but by the 1980s, Japan had surpassed them. In 1994, they reclaimed the market dominance. With 13.8 million quantity manufactured since 2009, China has taken a lead in the industry.

Nowadays the COVID 19 seriously damaged the automobile industry sales and impacted very negative way the clients purchase abilities. Even the high profile names like Mercedes, BMW and Audi have challenges and despite the customer's loyalty and popularity of the brands there is significant reducing of the sales and profit. In the below report we will focus over the COVID19 impact over the automobile industry and specific for the brand Mercedes (Modesti, 2021).

Figure 1 (Alvarez-Risco, A., 2021).



Main Body

Mercedes challenges linked to COVID 19

The coronavirus pandemic had a domino effect on the world economy. While some sectors such as e-commerce and games have boomed, others such as the travel, tourism and automotive industries have seen huge declines in demand and sales. As the countries closed their borders and imposed a blockade, the car industry saw disruptions in supply chains for the first time. Interruptions in Chinese car parts exports, production disruptions in Europe and the closure of US assembly lines have hit the sector.

Demand for cars has fallen sharply as people have remained locked in their homes amid severe traffic restrictions imposed in the first half of 2020. The impact of COVID 19 has been felt in the automotive sector and the luxury car segment has not been immune.

In addition to the supply chain disruption, the luxury car industry also suffered a sharp drop in sales during the initial blockade period. This is mainly due to the fact that people do not have access to dealers, where they usually receive information about cars.

Apart from the physical, the pandemic also has a psychological impact on customers, which has affected the demand for luxury cars. Business owners are the usual buyers of prestigious cars. As the economy began to shrink, these customers considered cutting or closing their businesses or laying off employees. Understandably, the heyday of the COVID 19 pandemic was not the right time to buy a new car.

The luxury car industry and luxury goods in general are more resilient because they are a haven for capital during crises. These industries owe their resilience to their customer base, which is much more affluent and sustainable than the mass market and typical customers.

Luxury cars are not always bought only for transport - they are subconscious signs and symbols of status and have other resale value, functionality and comfort.

Same as many companies Mercedes have challenges and issues due to the COVID 19 and if the industry want to recover this means that every top brand like Mercedes need to redone the two to three years strategy in order to make sure that there is minimum loss for the company (Hale, 2022).If we look over the financial results of the brand we will see that there is good performance despite the COVID 19, but even with this there is missed opportunities because the clients are scared for their security when comes to incomes.

We can see that there is growth in nearly all segments starting with the group units' sales and moving to the dividends which is based over the company good sustainability and results (Alvarez-Risco, A., 2021).

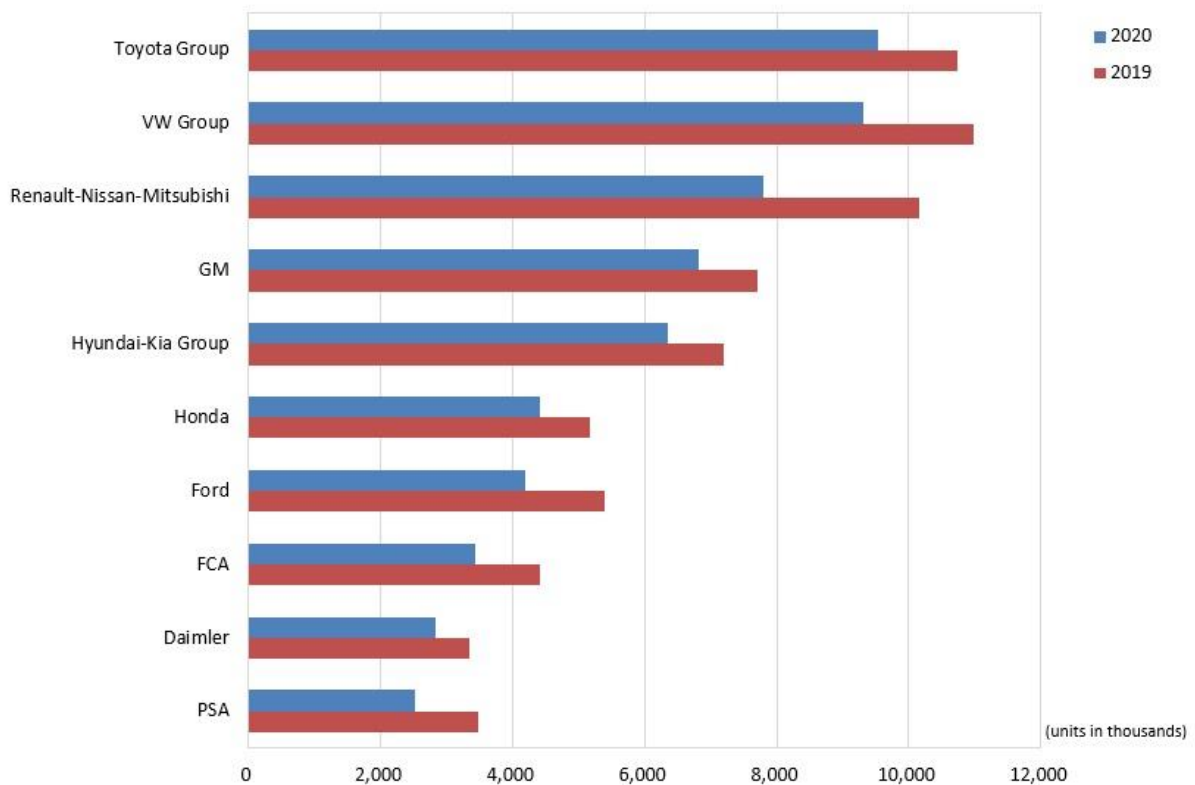
Figure 2 (Alvarez-Risco, A., 2021).



Looking over the statistics from the figure 3 below we can see decreasing with around at least 25% for each brand performance for the 2019 versus 2020. Also we can see that the top performer is Toyota group and VW second place due to the affordable prices.

For Daimler is the same there is significant deceasing when we look over the units sold for the 2020 and this showing the need of changing the strategy as per the new reality with the COVID 19 restrictions.

Figure 3 (Modesti, 2021)



SWOT Mercedes Benz

From the list below we can see that there are high opportunities in front of the Mercedes with increasing market share and high volume of sales in case the company change her strategy for high prices and focus only over the luxury models and cars.

Strengths

- Strong popular brand name
- Great sustainability
- Good market share
- Loyal customers
- International recognition and authenticity

Weaknesses

- Focus only over the high earning clients
- Missing the medium and low income class customers
- Lack of strong marketing strategy

Opportunities

- Fast recovery from the pandemic
- Taking more market share due to the competitors lack of changes and actions
- Focus over medium class clients (Hale, 2022)

Threats

- BREXIT implications
- COVID 19 implications
- Customer stress for spending
- Low economics level.
- High inflation (Alvarez-Risco, A., 2021)

PESTLE Analysis

As every productive company Mercedes also need to focus over the responding to the challenges and to set control and prevention over the COVID 19 impact. This targets can be achieved only if there is proper analysis over the external factors which are very well described using the PESTLE elements which are as we can see over the figure 4:

Political factors

Political factors have main serious impact, because no company can control this decision and the only way is to amending the current strategy as per the new legal regulations. Here is also the level of taxation between the different countries as this also cannot be under control (Modesti, 2021)

Economic factors

People are poorer as a result of the new disease outbreak, which indicates they should indeed invest very cautiously, and buying a car could be a very massive cost for many households at the present time. Furthermore, the massive rise in gas prices has caused some difficulties for vehicle companies when it comes of sales, resulting in a supply for eco - friendly alternatives, more effective, and less automobiles to operate. Take, for instance, the United Kingdom's government's option to reduce traffic taxes on early items purchased. Car owners of electric vehicles can also prevent the London consignment fee of £8 per day (Hale, 2022).

Social factors

Social factors also impacting the Mercedes performance, because here are included the new trends, focus over using mostly electrical cars, increasing interest for the hybrid cars and so on. The brand cannot control this factors and this is the reason why is important to set preventive measurements for better respond and decisions.

Technology factors

As we all know, technology advances every second of our lives, so they are an unavoidable part of everyday life. First from sound system to the home maintenance robot, technology is everywhere. This implies that Mercedes should include more cyber capabilities in its modeling techniques in order to attract new customers and maintain market leader position. They will establish a stable identity for the company with regard to adjusting to changing market in so doing (Alvarez-Risco, A., 2021).

Legal factors

Here is the wages control and the set minimum wage payment, the VAT impact, import and export implications and cost for Mercedes. There are different expectations for the health and safety which also impacting the level of the company sales and profit.

Environment factors

Environment factors are difficult for control like the climate changes, global natural environment, but at the same time there is green focus, decreasing of the CO2 levels, reducing the plastic items in any process of the human activities and all this sets high challenges in front of the Mercedes. Now on top there is also COVID19 restrictions and this need to have fast decisions and immediately reactions from the brand for control over the sales and the company profit.

Figure 4, (Hale, 2022)

PESTLE Analysis Cheat Sheet

2021

P	E	S	T	L	E
Political	Economical	Social	Technological	Legal	Environmental
Explore: - Government stability - Financial stimulus commitment - Pandemic strategic plan - Health service readiness - Pandemic policy factors - Current taxation policy - Future taxation policy - The current and future political support - Grants, funding and initiatives - Trade bodies - Effect of wars or worsening relations with particular countries - Election campaigns - Issues featuring in political agendas	Explore: - National debt levels - Recovery struggle for impacted industry - Strength of consumer spending - Current and future levels of government spending - Ease of access to loans - Current and future level of interest rates, inflation and unemployment - Specific taxation policies and trends - Exchange rates - Overall economic situation - Real estate exodus - Inner city business decline - Supply volatility	Explore: - Pandemic lifestyle trends - demographics - consumer attitudes and opinions - media views - law changes affecting social factors - brand, company, technology image - consumer buying patterns - fashion and role models - major events and influence - Inner city pandemic trends - ethnic/religious factors - ethical issues - Digital relationships	Explore: - Relationship with pandemic - Sector technology demand - Relevant current and future technology innovations - The level of research funding - The ways in which consumers make purchases - Intellectual property rights and copyright infringements - Global communication technological advances - Internet connectivity utility	Explore: - Legislation in areas such as employment, competition and health & safety - Environmental legislation - Future legislation changes - Changes in European law - Trading policies - Regulatory bodies - Pandemic legislation - Working environment - Pandemic legal sensitivities	Explore: - Relationship with global warming - Relationship with recycling and global fight against waste - Relationship with global fight against plastic usage - The level of pollution created by the product or service - Attitudes to the environment from the government, media and consumers - Relationship with renewable energy - Relationship with deforestation



Porter Five Forces

Porters Five Forces have the following elements as showed on the figure 5 and they are:

Rivalry in the industry

There is high level of competition especially between the Mercedes, Audi and BMW as they all have very similar type of potential customers and this is the reason this threat for Mercedes is at high level. The company need to set extra strong marketing strategy so there will be in place proper responds to this threat.

Mercedes keep implementing new innovations and following the customer trends and expectations as this will keep them competitive in the automobile global market.

Power of the suppliers

Here the power of the suppliers is high threat, because the 60% of the parts are made in China and this makes the whole industry very depending from this country. COVID 19 pandemic has done main very difficult the parts supplying due to the travel restrictions and challenges. Mercedes produces 80% of the parts in the manufacturers from Germany which makes this threat lower for the company (Alvarez-Risco, A., 2021).

Power of the customers

Clients of the auto market have serious power, because in case only 30% of the customers focus over the special deal of for example the Toyota offer and this will significant decrease the sales of the Mercedes. This is the reason the brand need to follow and respond to the competitor's issues and challenges.

From other point of view, we can see that high number of customers prefers medium class cars for example Toyota is taking large part of the auto market.

Threats of new entrants

Entering the global auto market is possible only when there is new innovation or new technology for instance the Tesla models are very competitive in the auto market and despite the challenges as new entrant the company did very good sales and took market share from the luxury brands in the global auto market (Modesti, 2021).

Threats of substitutes

If we look over the last two years models we can definitely see that most of the Mercedes models are followed with very similar models from BMW and AUDI so this is the main three competitors which are high level of risk of substitutes.

Figure 5, (Alvarez-Risco, A., 2021)



Survival and success factors for the industry with consideration to megatrends

The recovery of the Automobile industry is very important for the recovery of the whole world economy and this is the reason the governments of each country need to focus and take smart and fast decisions how to support the brand names and the customers so they can feel confident and to motivate them to spend more and to continue with the increasing of the new car purchases (Modesti, 2021).

The megabrands need to set smart strategies for using the situation very properly and to take maximum advantages from the support from the government and also from the new trends which keep increasing to change the customer expectations.

Conclusion

It is critical that Mercedes take serious actions for responding to the threats identified from the above analyses and there is need of fast decisions when comes to following the competitor's activities and decisions as the brand need to maintain high level of performance in the market (Hale, 2022).

Also we clearly see the need of taking the customer trends to other level and to motivate the future customers to spend more and to be more confident in their incomes and purchases.

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