



GLOBAL BUSINESS ENVIRONMENT

ASSESSMENT 1

IONELA DAN

2023559

PROFESSOR

Dr. REXON NTING

Table of Contents

INTRODUCTION	2
MAIN BODY	3
EVALUATION OF CHALLENGES IN INTERNAL AND EXTERNAL BUSINESS ENVIRONMENT	3
CHALLENGES ENCOUNTERED WHILE TRADING BY MARCEDES ACROSS THE GLOBE.....	8
CONCLUSION	9
REFERENCES	10

INTRODUCTION

The business environment for an organisation plays a very important role in its overall success and growth since the firm here would be able to make the proper implementation of the decisions accordingly. The report here will be including a critical evaluation about the different challenges being faced by Mercedes in an internal and external business environment with making an evaluation on the basis of SWOT analysis, PESTEL, Porter five force and value chain analysis. In addition to this, the report will also include knowledge about the challenges that are encountered by Mercedes while undergoing trading across the globe.

MAIN BODY

EVALUATION OF CHALLENGES IN INTERNAL AND EXTERNAL BUSINESS ENVIRONMENT

There are different internal and external business environment challenges that could be evaluated on the basis of:

SWOT ANALYSIS

STRENGTH

Worldwide manufacturing facilitation: Mercedes facilitate its manufacturing across 6 continents including 26 countries in terms of coming up with buses and passenger cars while helping in maintaining up the operational cost low.

Constant innovation in the product: The parent company of Mercedes Daimler is well known for the technological advancement being brought up by them and one such as in the internal combustion engine as a pre-safe technology in 2013 launch by the company (Andreoni et al., 2021).

WEAKNESS

Conflicting goals among the group of companies: At times, Daimler which is a big company group can have conflicting objectives with the group companies which may create an effect on the overall brand image.

After-sale services and maintenance are expensive: The service cost is the crucial factor for the vehicle while making the purchase and so Mercedes servicing cost is high as compared to other players existing in the market.

OPPORTUNITY

Increase in demand of the premium vehicle segment: In the present business scenario, there could be seen an increase in the demand for brands such as BMW, Audi etc and therefore, targeting up developing nations increases the demand for the luxury products too.

Technological advancement: Fuel-efficient cars are coming up in the market with making use of effective technologies which would help Mercedes to become an emerging market leader (Campi and Dueñas, 2019).

THREAT

Volatility in fuel price: In terms of keeping in mind the passenger segment, fluctuation taking place in fuel prices can act as a determinant towards growth. Along with this, government regulations imposed can also be used for alternative fuels such as CNG.

Increasing competition: With the presence of other competitors such as Audi, Jaguar etc it may act as a threat for the firm to emerge in the global market effectively.

VALUE CHAIN

Following are the value chain activities being implemented within Mercedes:

Primary activities: This involves direct production and selling of the product to the targeted customer base and this analysis can make improvements in the performance of the firm

Inbound logistics: To form a strong relationship with the suppliers and support the storage, distribution of the product, Mercedes here faces various challenges and so here the focus is towards making analysis of the logistics that are required by the firm through which raw material could be converted into finished products (CHINA, 2020).

Operations: There are different operational activities that are implemented by Mercedes and this include machining, assembling, packing and testing of the product. With making analysis of operations, improvement in productivity could be brought along with maximization of efficiency and increased competitive success.

Outbound logistics: With the proper management of outbound logistics, Mercedes would be able to maximize customer satisfaction and can make the increase in growth opportunities. The outbound logistics include warehousing, scheduling, order processing, delivering, advertising etc.

Marketing and sales: Mercedes here highlight the benefits as well as differentiation points of offering the product to the customers better than competitors. The marketing and sales activities of Mercedes include advertising, promotional activities, channel selection, building relations etc (Helmold, 2019). The marketing funnel approach is also used by the firm so as to attain increased sales.

Secondary activities: These are support activities through which proper coordination and facilitation to the primary value chain are made.

Firm infrastructure: Here, a range of activities are being donated by Mercedes such as handling of legal matters, financing, planning as well as strategic management. Having effective infrastructure allows Mercedes in optimizing the value of the value chain and therefore strengthen the competitive positioning.

Human resource management: Mercedes could easily make an evaluation of HRM through various HR aspects such as selection, training, performance management, rewarding etc. Effective HR management allows the firm in reducing competitive pressure and increases the motivation of the employees operating within the firm.

Technology development: The integration of technology at Mercedes would help in the production, marketing and distribution of the product effectively. In addition to this, technology-supported customer services and product design could also be formulated by the firm (Karthikeyan, 2020).

Procurement: This involves making a purchase of inputs such as equipment, supplies, raw material etc with the help of which the final product could be delivered. With having linkage of multiple value chains, Mercedes needs to carefully consider its procurement activities so as to optimize operational, inbound and outbound logistics.

Through making an analysis of the internal environment, it can be said that to gain a competitive advantage, the management operating at Mercedes need to implement proper research and development activities along with ensuring that the work being implemented by them help the consumers in attaining increased satisfaction. Through SWOT analysis, it has been identified that Mercedes would try to convert its limitations into opportunities whereas while analysing the value chain, Mercedes can increase competitive advantage either through the use of HR resources, technology and services or through operations, marketing and other related activities involved.

PESTEL ANALYSIS

Political factor: Since Mercedes is among the world's popular luxury automobile brands, the clearance of vehicles can be led towards the development of twofold digits if a proper economy permit does not exist. In addition to this, the local and national governments

are running a deficit budget through which growth is boosted within a short time period and this can lead towards increasing inflation.

Economic factor: The demand of Mercedes could be impacted due to the inflation rate wherein it can be seen that higher inflation will lead Mercedes towards increasing the prices leading towards lowering the brand loyalty and constant management of the cost. Higher GDP growth rate can also impact Mercedes and this can be leveraged by the firm by making expansion in its product range and targeting the new consumer base.

Social factors: Gender composition in the labour market could be used by Mercedes through which nature of society could be identified by them which is can also help in knowing disposal income involved for household and related needs. Demographic trends and attitudes towards authority can also be used by the firm to measure the social impact (Kovalainen, 2020).

Technological factor: Proper strategies are being built by Mercedes so that they can integrate societal values and infrastructure in their working. Effective use of research and development is also used by Mercedes so that a self-sustaining ecosystem could be built by them which further drives innovation.

Environmental factors: The management involved at Mercedes focuses towards spending more towards renewable technologies as well as ensuring to keep up with the environmental standards and regulations that are imposed at the local and national levels.

Legal factor: There are different legal factors that are being considered by Mercedes and this include consumer protection law, transparency in the judiciary process and system, health and safety laws, employment laws as well as intellectual property right protection through which the firm ensures to undergo smooth flow of operation effectively (Kowalska-Pyzalska et al., 2020). In addition to this, data protection law and proper implementation of the law imposed by the government is also noted by the management involved at Mercedes.

PORTER'S FIVE FORCES

Following is the analysis about the external environment for Mercedes:

Competitive rivalry (High): The premium and luxury automotive industry existing in the market is very competitive wherein there are various competitors existing in the market such as BMW, Volvo, Jaguar etc and these brands have been able to make their positive position in the consumer's mind in terms of the functions, luxury, and other features being provided by them. In addition to this, it should also be noted that the exit barrier for these luxury companies is also very high since a lot of investment is put into the operations being undertaken by such big companies.

The threat of new entrants (Low): Since the existing organisations have been able to work and attain a sustainable position in the market by making the huge investment is very rare or impossible for the new organisation to come up in the market and gain the market share. In addition to this, there are various entry barriers involved for the firm to enter such as increased investments, economies of scale, advertisement cost and extensive marketing (Pandyaswargo et al., 2021).

Bargaining power of suppliers (Low): Since here the suppliers of luxury cars are less and manufacturers are more and therefore it is very difficult for the suppliers to bargain or make any influence on the prices. Manufacturers here involved have set up very high quality as well as their specifications standards in terms of the raw material being provided. The suppliers of the Mercedes here are wood designers, leather products, interior electronic device providers etc.

Bargaining power of buyers (High): As there are a greater number of manufacturers existing for luxury vehicles, the consumers have got different options. Also, to be noted the vehicles here are made by various luxury brands offering differences in performance, quality and prices which makes it all the easier for the buyers to access the different information being provided to them and help in making the purchase.

The threat of substitute (Medium): The luxury vehicles available not only serve the purpose in terms of transportation but also is a symbol of self-perception, status and success. Therefore, it can be said that there is very less or no substitute which is available in the market for the luxury brand since each brand offers unique value to the consumers (Puentes-Rodriguez et al., 2017). Also, Mercedes is a premium car brand and so the threat of its substitution is insignificant.

Therefore, overall, on the basis of PESTEL analysis formed as well as Porter five forces analysed of the Mercedes, it can be said that the management operating has been able to make its sustainable position in the minds of the consumers which in turn have helped them in being one among the best luxury automobile brand offering its services and products to the consumers worldwide. The firm has been able to attain a competitive edge in the market among the competitors on the basis of the core values being implemented by them in their operations.

CHALLENGES ENCOUNTERED WHILE TRADING BY MARCEDES ACROSS THE GLOBE

One of the main barriers which were faced by Mercedes while trading across the globe is regarding the language. Since the firm operates globally on large scale, this is one of the main challenges which is faced by them wherein considering the language spoken of the area is very important. For instance, Mercedes while entering the Chinese market chose the name of the company as Mandarin which sounded almost similar to Benz: Běnsǐ wherein with undergoing translation it means a rush to death which was not the impression that Mercedes wants to create among the new audience.

Cultural difference is yet another challenge that was faced by Mercedes while undertaking its operations in different parts of the world. For instance, the US working hours were 9 am to 5 pm whereas the Spain working hour was 9-1:30 and 4:30-8 pm and cultural differences in operation need to be effectively analysed by the firm to attain a sustainable position (Terán-Yépez et al., 2021).

CONCLUSION

From the overall discussion being made in the form of a report, it can be concluded that in order to attain a competitive advantage in the market, the management operating at Mercedes need to make sure that external and internal factors are well noted by them with the right application of SWOT, PESTEL, porter 5 forces as well as value chain analysis method so that accordingly right decisions could be formed by the firm in an effective manner for the overall success and attainment of growth.

REFERENCES

- Andreoni, A., Barnes, J., Black, A. and Sturgeon, T. (2021). Digitalization, industrialization, and skills development: Opportunities and challenges for middle-income countries.
- Campi, M. and Dueñas, M. (2019). Intellectual property rights, trade agreements, and international trade. *Research Policy*, 48(3), pp.531-545.
- CHINA, R.B.I. (2020). *RESEARCH ON THE DEVELOPMENT STRATEGY OF DAIMLER GROUP'S CAR* (Doctoral dissertation, SIAM UNIVERSITY).
- Helmold, M. (2019). PM in the Upstream Value Chain. In *Progress in Performance Management* (pp. 51-66). Springer, Cham.
- Karthikeyan, G.M. (2020). An Organization Study Report On Force Motors Ltd.
- Kovalainen, J.M. (2020). Market entry strategy to Germany for Case Company Suomen Retkitukku OY.
- Kowalska-Pyzalska, A., Kott, J. and Kott, M. (2020). Why Polish market of alternative fuel vehicles (AFVs) is the smallest in Europe? SWOT analysis of opportunities and threats. *Renewable and Sustainable Energy Reviews*, 133, p.110076.
- Pandyaswargo, A.H., Wibowo, A.D., Maghfiroh, M.F.N., Rezqita, A. and Onoda, H. (2021). The Emerging Electric Vehicle and Battery Industry in Indonesia: Actions around the Nickel Ore Export Ban and a SWOT Analysis. *Batteries*, 7(4), p.80.
- Puentes-Rodriguez, Y., Torssonen, P., Ramcilovik-Suominen, S. and Pitkänen, S. (2017). Fuelwood value chain analysis in Cassou and Ouagadougou, Burkina Faso: From production to consumption. *Energy for Sustainable Development*, 41, pp.14-23.
- Terán-Yépez, E., Marín-Carrillo, G.M., del Pilar Casado-Belmonte, M. and de las Mercedes Capobianco-Uriarte, M. (2020). Sustainable entrepreneurship: Review of its evolution and new trends. *Journal of Cleaner Production*, 252, p.119742.