

Environmental Analysis of Automobile

Industry

Module: The Global Business Environment

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Introduction

The automobile industry will be the main topic of this document, which would also analytically assess the issues with its business environments both internally and externally. By using Porter's Five Forces, Value Chain, and their gain competitive advantage in relation to their values and principles on sustainable development, there will be provided indeed reflect on the difficulties they face. The select company is BMW group, which also owns Mini Cooper and Rolls Royce, for this evaluation, and the selected company will be the subject of the assessment. And over 150 years have passed since the automobile was invented. A auto manufacturer generates nearly 60 million automobiles annually and employs million individuals globally. The automobile industry, that has existed for and over 150 years, is one of the most closely controlled industry sectors. Every automaker is required to abide by the safety and environment laws of the areas in which they are located. Each business must follow environmental legislation, so they all work to lower product emission levels. Crowding, rising gasoline prices, road conditions, and environmental damage are just a few of the recent problems that have forced the auto industry to reconsider its methodologies, aspirations, and targets (Lee,2021).

Company brief

BMW is one of the most well-known and well-known leasing companies, having been established in 1971. It is renowned for being high-caliber, effective, and innovative. The firm has maintained its sales and profits as a result of continuing research and development over through the decades. BMW has a number of strategic benefits over other automakers, including brand knowledge, advancement, marketing and distribution, and a strong manufacturing network.

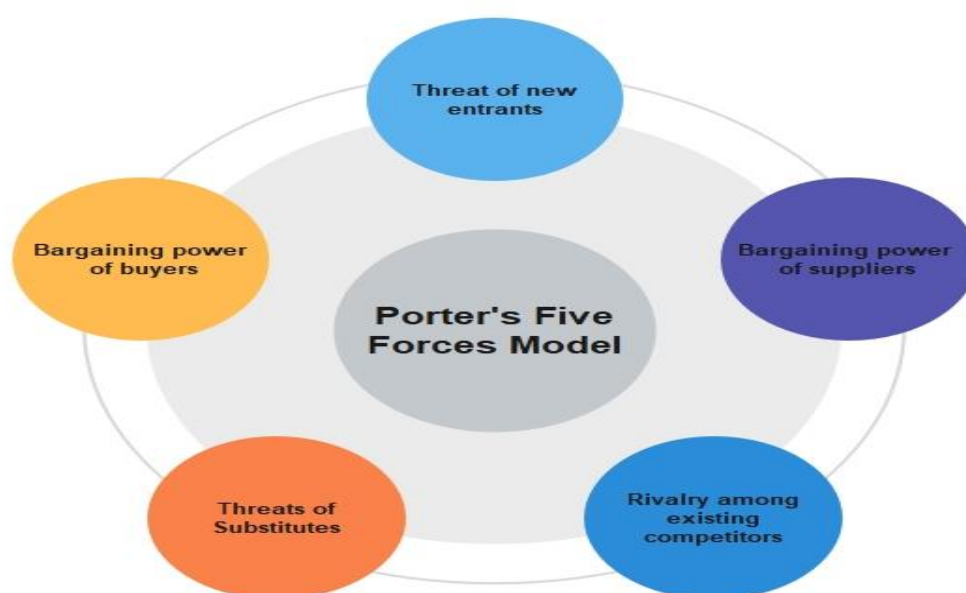
Figure 1



Potter's Five Forces

We will examine BMW's management structure using Potter's Five Forces. The Potters Five Forces evaluation was created in 1979 by Harvard Business School professor Michael E. Potterer. The analysis is used to assess the strength of a situation that a company may search to continue moving into as well as the strength of its existing posting. Potters Five Forces is very useful tool and method of evaluating the company current position from the prospects of the internal and external factors and this information can give the company management very useful and effective information which can support the increasing sustainability and profit in short and long terms.

Figure 2



The five forces are buyer power, supplier power, rivalry in the marketplace, threat of substitute products, and finally, threat of new competitors. Suppliers' squeezing power As already discussed, BMW is a well-known brand with a strong market position, making partnerships with it advantageous for all distributors. 12,000 suppliers from 70 different countries work with the BMW group. In order to produce electric cars locally, they have partnered with numerous nations, such as Great Wall Motor of China (Lee,2021).

Bargaining power of customers

Customer bargaining power has a significant impact on any large, international company's profitability and revenues. The ability of clients to bargain is influenced by a number of variables. Consumers' bargaining power has grown recently as a result of greater competition, tighter restrictions, shifting consumer trend lines, and low costs for switching. Prior to actually making purchases, the clients are well-informed and have done plenty of research. Additionally, the government has prioritized regulation at a greater level, which has caused the concentrate on the product to shift to include both quality and improving safety. Every company strives to increase its market share and clientele. Even BMW's competitors are heavily funding research into how to enhance both their business and advertising lines.

The customer satisfaction and journey are now more important than just the service quality. In the case of BMW, brand recognition, delivery performance, technical development, and customer satisfaction are some of the key elements that restrain customers' ability to bargain. Threat of replacements This is a crucial element that affects any automobile's revenue and profits and requirement. Volkswagen, Audi, Land Rover, Toyota, Ford, Mercedes, Aston Martin, and Lexus are a few of the brands that compete with BMW. BMW is known for producing fashionable automobiles, and owning one is a sign of sophistication (Lu,2021).

BMW provides a better customer satisfaction than the majority of its competitors when compared to the competition. The company also enjoys a devoted following of customers who favor the product's emphasis on comfort and safety. The risk of BMW competitors is usually less severe. new competitors' threat Due to the greater barriers to enter, the threat of new entrants into the automotive vehicle industry is

very low. In order to survive the increasing number of challenges in the global auto market, a percentage of competitor companies have forged collaborations.

Strong competition, significant capital expenditure, the need for qualified human resources, science and technology obstacles, and brand recognition are the significant obstacles that might actually prevent businesses from entering the marketplace. If a new brand chooses to enter the market, it will require significant funding to develop a potent source of competitive advantages. They would also need to spend a lot of money on manufacturing, supply, and delivery, as well as on investigation, brand management, and building brand awareness. Given that the market situation has become extremely competitive, all these factors could make it difficult for a new business to enter the industry. Additionally, BMW employs some of the top engineers and mechanics who contribute to the creation of new model vehicles and cutting-edge techniques.

Competitive rivalry

BMW's main rivals are the automakers Audi, Mercedes, Skoda, FCA, Ford, Toyota, Tesla, and Land Rover. Even though it is very challenging for startups to succeed in the market, these manufacturers are well-known and seriously invest in R&D and technology advancements. Further brand names are seeking parenthood and collaborative partnerships as a result of increased competing. For instance, BMW and Great Motors of China are partners. Such tends to help the brand products to define their position in the market, as well as to enter new markets.

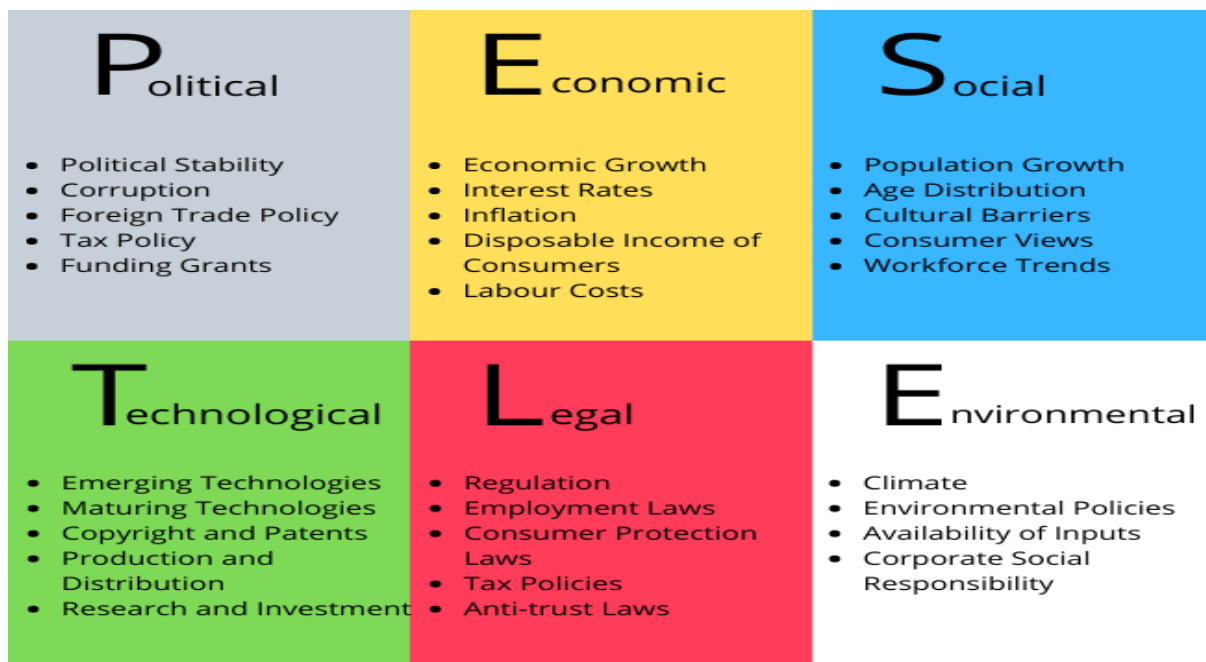
Every business seeks a strategy for retaining its placement as the industry leader. Based on this analyzation of the Porter's Five Forces, BMW is capable of keeping its reputation for dependability, an engaging consumer experience, and cutting-edge products. In order to raise awareness and draw in more devoted consumers, BMW invests a lot of money in advertising.

PESTLE analysis

A PESTLE analysis is used as a quantification instrument for companies and as a method for comprehending overall growth. It entails keeping track of environmental changes and predicting where things will be in the future. Political, economic, social,

and technological factors together make up PESTLE. Political risks Government rules, regulatory requirements, and safety that are relevant to the automotive sector could be political forces. Automobile manufacturers ought to be more conscious of environmental issues today (Liu,2022).

Figure 3



The EU presented new rules and regulations in response to the rising demand for regulation of the carbon footprint. Taxes and foreign policies are also important factors that have an impact on the automotive sector and can evaluate how profitable the businesses are. Trading in nations like Russia and China must also be taken into account from a political standpoint, as these markets can negatively impact BMW because of customer spending trends and present investment risks. Economic variables Currency values, world economic expansion, and industry business conditions are just a few examples of the financial indicators. BMW has benefited from the considerable decline in the value of the Euro over the past five years because it will now be less expensive to export goods to countries like the USA. Additionally, monetary policy is a crucial factor that BMW must take into account when conducting operations (Lee,2021).

Social Elements More than 140 countries, each with a distinct history and set of beliefs that host BMW dealerships. The industry's performance may be impacted by

the social-cultural patterns because they can forecast consumer capacity and spending habits. The automotive industry, motorbikes, and banking sectors make up the three distinctions of the BMW group. Understanding social factors, such as cultural beliefs, value systems, and behaviours, which affect people's decisions is crucial. It may be essential to comprehend the changes in this field. Changes in environmental concerns, women's roles in society, perceptions toward health, wealth, and age can all have a significant impact on people's buying attitude and behavior toward your good or service and manufacturers (Bakri,2021).

Technological factors

As was stated previously, the BMW Group is a multi-billion dollar company that devotes a significant amount of funds and assets to technological advancement. is just one of many variables that affect the business's overall operations. In the fields of research, BMW was capable of gaining a competitive edge, which aided them in developing dual fuel electric motors and hydrogen powered vehicles. BMW was able to determine that there is a need for environmentally friendly options thanks to the study that was conducted. They discovered that their customers are concerned about the environment in which they reside and are investigating solutions. In addition, the company is continuously trying to come up with new, innovative, and advanced models to combat the auto industry in terms declining profit margins (Dankwah,2021).

SWOT Analysis

On the other hand, SWOT analysis is used to identify strengths, weaknesses, opportunities and threats for a project or for overall business performance.

Figure 4



(Hendon,2021).

Strength: When a new company enters the market, having a loyal client base and belonging to a defined, well-known brand like BMW may be an asset. BMW have highly brand name reputation all over the world. The provided cars are popular with high quality and many implement innovations and technologies implement into the cars. The company also started production of different hybrid and electrical cars which are highly competitive into the new trends and automarket demands (Hendon,2021).

Opportunities - Changes in the marketplace and surroundings may result in rising buying power and the expansion of exciting marketplaces. BMW need to keep and even increase consistent way the brand reputations and proven quality of the different models. The company also need to ensure the negative comments or complains are decreased to the minimum as this will support the company sales, revenue and profits in short and long terms (Rosa,2022).

Weaknesses Other companies may develop a system faster than the establishment does. Some of the models created by BMW are too expensive for the average client and this impacting the level of sales. With the higher prices the company missing sales from the middle class workers which cannot afford expensive cars even with high quality. Like BMW and this moves their interest into lower class cars which is missed sales and weaknesses for BMW (Brautsch,2022).

Threats: New regulations governing passenger safety and gas emissions may be presented. The advancement of hybrid technology solutions could endanger manufacturers and changes in technology and the global economic slowdown could both have an impact.

Recommendations

BMW need to set more focus over the new trends and demands as the competitors so far reacted quicker manner based over the past five to ten years. We can see that for example Toyota managed to start hybrid cars since last ten years and comparing with BMW the company started before five years. This showing that there is need of significant improvement of following the trends and consumer's needs (Yoshida,2021).

The company needs to lead the market innovations and technologies as this will deliver advantages versus the competitors. There is serious risk in the coming years in case lack of actions the company can lose one part of the loyal clients due to new entering brands which are more innovative and focused over the client's needs, trends and demands.

BMW need to consistently improve the electric cars quality and services so this way there is chance for more new clients and revenue as this is the future growth of the automobile industry (Lee,2021).

Conclusion

From the provided information and details above is visible how complicate and important is the automobile industry for the global economic. One of the main top players BMW need to have fast reactions and to strictly consistent way reviewing and following the new trends if wants to keep the top positions into the industry. The history knows many luxury and quality brands which fail to maintain and keep the success for long term so this is the reason why the above discussion is very important.

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