

University of Wales

Trinity Saint David

Velichka Petrova

Assessment 1

Environmental Analysis of Mercedes Benz

Individual Report

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Lecturer: Dr Rexion Nting

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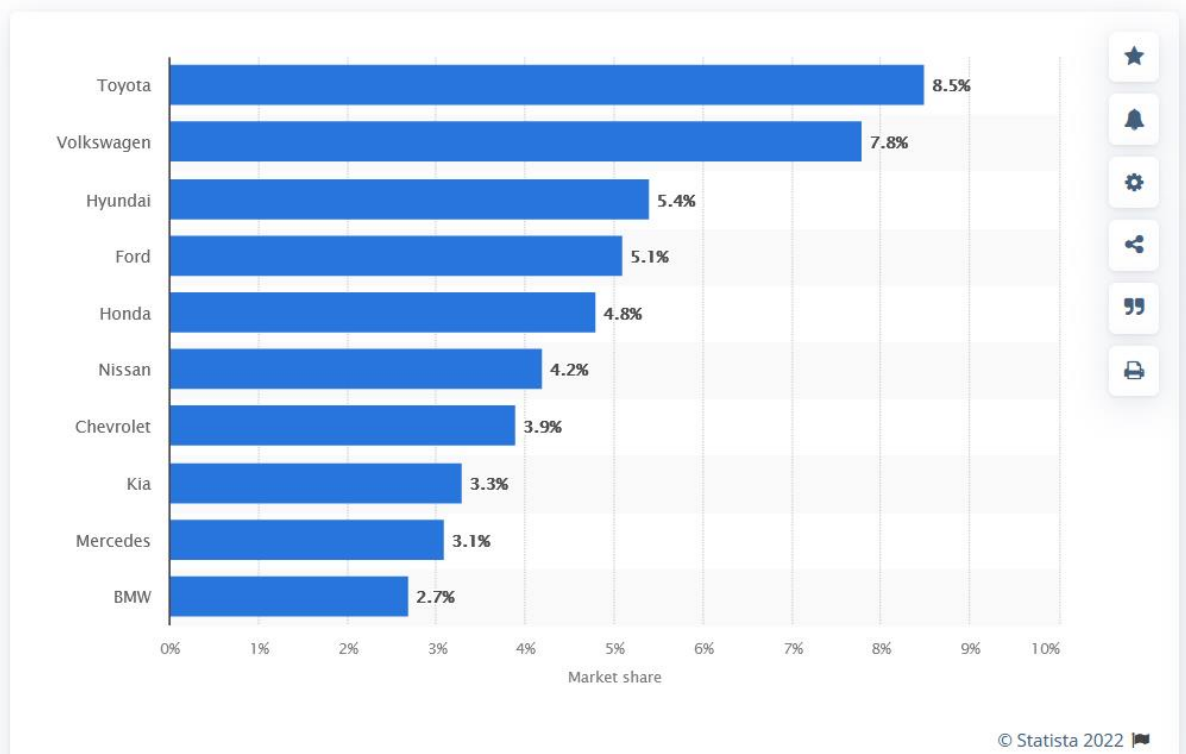
Abstract

I chose to write a report on German brand Mercedes Benz because I like the design of this brand. The company manufactures consumer luxury vehicles and commercial vehicles. Mercedes Benz was the first petrol-powered car in Europe to be patented in January 1886. The first Mercedes-Benz vehicles were produced in 1926. In 2018, Mercedes-Benz is the largest seller of first-class vehicles in the world, selling 2.31 million cars. The company produces almost all kinds of equipment - from fighter-bombers to vacuum cleaners. Daimler-Benz is the largest industrial company in Germany and the second largest defense contractor in the country. In this report I will try to describe Macro and Micro environment of this company, in order to understand the opportunities for its growth in the future.

Introduction

The Mercedes brand is the equivalent of quality, luxury, elegance and safety when it comes to the automotive industry. It is believed that this car brand is one of the oldest that has existed since its inception in 1883 until now. The automotive branch is a very interesting object for analysis, because many changes have taken place in recent years. The most prominent new trend is the emergence of a new market segment of the electric cars. In parallel, the European Commission in Brussels has officially announced a proposal to ban the sale of all cars with internal combustion engines after 2035. The proposal is very likely to be accepted, as the goal is for Europe to reach full carbon neutrality in 2050. This means that manufacturers must quickly transform their production from internal combustion engines to electric cars if they want to keep it. In this report, I will look at the challenges facing the Mercedes Benz brand in the context of a fast-growing industry with the emergence of new brands such as Tesla and Nio, which are rapidly conquering the new market segment of electric cars.

Global automotive market share in 2020, by brand



Main Body

Mercedes-Benz's product portfolio ranges from small cars (A-Class) to SUV (M-Class) to luxury cars (Maybach models) and covers all types of cars. These cars are mainly manufactured in Germany, but the division also has production facilities in the United States, China, France, South Africa, India and other countries.

From the graph above we see the market share of Mercedes compared to car brands. (Statista, 2022) Some of Mercedes-Benz's key competitors in the luxury car market are BMW, Volkswagen Group and Audi. The market is heavily driven by factors such as advanced technology, more comfort, growing investment in electric vehicle technology and rising living standards of people around the world.

Luxury cars provide a high level of comfort, power and safety. In addition, there is a growing trend in the demand for electric luxury vehicles worldwide, which will cause a change in the distribution of market shares of companies. Major luxury car manufacturers are launching electric versions of their vehicles due to growing environmental concerns, changing emissions policies and rising fuel prices. This is also likely to accelerate the growth of the luxury car market over the forecast period. Governments are also offering higher incentives and subsidies to electric vehicle owners. Currently, China has the highest growth potential among all the developing countries in the luxury car market. In 2019, Mercedes-Benz sold around 12,000 luxury Maybachs in the country. Mercedes and BMW dominated the luxury sedan segment of the Indian market.

In full-year 2020, Mercedes-Benz delivered 2,164,187 cars worldwide but claimed to have maintained its leading global position compared with its core competitors. Overall, the largest markets for Mercedes-Benz were China, Germany, and the USA, followed by Great Britain and South Korea. The GLC was the top-selling Mercedes-Benz model worldwide. Electrified car sales more than doubled to over 160,000 plug-in hybrids and all-electric vehicles worldwide. (Cars Sales Statistics, 2022)

PESTLE analysis of Mercedes Benz

Macro Environment

Political

Political stability is very important for business companies because it affects investor confidence and growth. At present, the geographical area in which Mercedes-Benz is active is experiencing political and economic instability, mainly due to the outbreak of the COVID 19 pandemic. Most people would wait to see the pandemic develop and postpone the purchase of a new car in this uncertain social environment.

Economic

The pace of economic growth and economically developed countries will enable the company to earn and develop successfully. Over the past 2 decades, new areas of the brand's presence have emerged such as China, Latin America, Brazil, India and others. Mercedes manufactures its cars in more than 20 countries and it is therefore important to invest in the skills and competencies of its employees. The availability of qualified employees is crucial to stay ahead of the competition.

Social

Social factors are norms and customs in society, social values, demographic characteristics, consumer behavior. Consumer behavior is highly dependent on the economic situation in a country. If in a country there are no opportunities for professional realization, adequate training and no prerequisites for strong development of private business, then consumers will not have funds for luxury goods. The percentage of corruption is particularly important and indicative of labor outflows, foreign investment and local growth. High population growth, the percentage of young people and solvency are key factors for the brand's success in foreign markets.

Technological

In my opinion, technological factors are the most important for the development of a company, because they move the business ahead of competitors. Technological innovations are especially important for the user experience and safety when it comes to driving. In this regard, Mercedes is well ahead of competitors, relying on very important technological solutions that would protect the lives of the driver and passengers in the event of an accident.

But in my opinion, the company lags far behind the global trend for the production of electric cars and thus will lose a large percentage of its market share in the future if it does not quickly reorient its production. The company will take advantage of this trend and the CEO said that all models will become electric by the end of the decade. (Kilander, 2021)
The trend towards the production of electric cars is irreversible, encouraged by the European Commission in Brussels, which imposes a policy to reduce greenhouse gas emissions through its regulations.

Legal

Legal factors are related to various laws and regulations, labor laws, health and safety laws, intellectual property laws and consumer protection laws. The company must comply with many laws in the countries where it manufactures its cars.

Environment

The analysis of the environment has gained significant importance in the modern business environment due to the change of the regulations for the protection of the environment. Mercedes-Benz needs to gain a thorough understanding of environmental regulations in order to survive as a company, because cars with internal combustion engines will be banned from production after 2035.



Porter's Five Forces

Micro Environment

Porter's 5 strengths include the threat of new entrants, the strength of the supplier, the bargaining power of the buyer, the threat of a substitute and competitive rivalry.

Competition in the industry – High

- Exit barriers- colossal losses
- Market shares are distributed among established car brands
- High level of advertising expense

Potential of new entrants into the industry - Low

- Strict government regulations
- The history, reputation and price of the brand are of great importance in this segment
- Large amounts of capital are needed to create production facilities

Power of suppliers – Medium

- Limited number of suppliers in the luxury car industry due to the need for highly qualified employees and expensive materials
- Very difficult to find substitute alternative materials

Power of customers - High

- Substitutes: During a crisis or recession, luxury cars and belongings retain the fortune of their owner and more difficult to devalue
- High brand loyalty
- Easy access to information exchange

Threat of substitute products – High

- Political conditions - purchase of a car from another segment
- Similar technologies even in mass market cars
- Emergence of new brands such as Tesla with new technologies such as autonomous driving, but in a lower price range

SWOT analysis

Strengths

- One of the oldest and most successful companies in the automotive industry
- High investment in research, development and innovations
- Strong brand which is equivalent of luxury and safety
- Extensive production portfolio - from cars, trucks and airplanes to vacuum cleaners
- The cars are manufactured and assembled in over 20 countries across the world
- Strong dealer community and distribution network

Opportunities

- Growth in electric vehicles segment (Jones, 2022)
- Research & Development in autonomous driving cars, personal voice assistant and retina recognition through collaborations
- Penetrating emerging markets across the world and building a global brand
- Income from fast growing luxury automobile and yacht market across the world

Weaknesses

- Developing very small details in the cars that contribute to the comfort and the safety and lagging behind the global trend of electric vehicles
- Expensive after sales service & maintenance. Servicing cost is one of the important deciding factors which ever vehicle you are planning to buy. Mercedes servicing cost is high as compared to other players in the same segment
- Expensive lawsuits regarding poor production of various parts of the car have a negative impact on the company's profitability

Threats

- The European Commission's new proposal in Brussels to ban cars with internal combustion engines by 2035 could seriously affect the company
- Mercedes and other German luxury car manufacturers might have to face a 35% import duty for cars not built in the United States
- Great competition in the luxury car segment and many substitutes such as Bentley, Aston Martin and other brands
- Changing consumer behavior when buying online can be a threat to the existing supply chain model managed by physical infrastructure



Value Chain Model

Value Chain Model is divided into two categories: **Support activities and Primary activities**, which could add value to products and services of the brand. This allows the company to gain added value for these products or services and possibly a competitive advantage (Porter, 1985). The role of support activities is to support core activities.

The company can add value to the Value Chain Innovation area:

- Quickly identify and analyse the desires and preferences of the customers
- Higher percentage of electric car production due to the market trend
- Delivering more comfort and convenience
- Building long-term relationships with the customer and carefully analyze his feedback about the car
- Seizure of the car from the customer after the end of its full use and recycling

In the beginning, Mercedes was a company mainly focused on the quality of its vehicles. But the company transformed its policy and significantly improved customer service and their experience.

In the past, most dealers had not driven a Mercedes, but now every dealer must have this experience to test what customers are experiencing. In addition, Mercedes did not listen to customer feedback and it was not processed. In this regard, the company has developed software to immediately address or counteract their concerns or problems.

A very important detail is that when the owner of a Mercedes has a damaged car and it needs to be left for repair, the company gives a replacement car to this person so that he can continue to be active in his life.

Conclusion

Undoubtedly, Mercedes is one of the top 10 companies in the automotive industry with its identity and recognizable appearance. Their motto is a clear message to consumers **"The Best or Nothing"**. With the rapid introduction of new technologies such as 3D printing, electric motors and Increasingly personalized customer service, based on software research for their new attitudes, the company faces serious challenges. (Rowlatt,2021) If the company can implement these new technologies quickly, it will have a great competitive advantage over Audi and BMW. For a company in the automotive industry, the ability to rely on the dynamics and trends of the market is of great importance to be able to react quickly. Markets around the world are changing, they need to be monitored and analyzed, and companies need to respond to them if they want to grow up.



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