

The impact of the pandemic to Aston Martin's Automobile Industry

Assessment 2 – Resit



ASTON MARTIN

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Table of content

1. Summary.....	3
2. Introduction.....	3
3. Evaluation.....	4
3.1. Financial Performance.....	4
3.2. The impact of Covid-19.....	4
3.3. Survival and success factors.....	5
3.4. Environmental analysis.....	7
4. Conclusion.....	8
5. References.....	10

Summary

The last few years were not easy for the humanity. It is not a secret that many people and companies struggled. Everything changed and the life that people knew was different. Covid-19 brought fear, starvation and death. The whole picture was so dark, that many of us thought it cannot get any worse.

With the pandemic many people lost their jobs and homes. Many people died from this vicious virus. It was not good for the companies as well. Every industry was affected somehow. The automobile industry is one of them.

However, there have been a couple of positive things. For example, people became more tolerant and respectful. The companies learned a good lesson - it is not so important where do you work from, you can even work from home, if you are passionate about it and do it correctly.

If we dive more into the automobile industry, we can see how the Corona virus did affect it. The automobile company for luxurious vehicles “Aston Martin” was also affected by the Pandemic.

Introduction

In my previous report, we got familiar with the brand Aston Martin. It is well-known luxurious brand, established in 1913 by Lionel Martin and Robert Bamford (Pigott, 2005, p.134). During the years of operation on the market, Aston Martin became the symbol of exclusivity, luxury and elegancy. The cars that the company produces are very well-designed sports cars, refined to perfection and they are easily recognizable from everyone.

In this report we are going to talk more about the company’s operation during the Pandemic. I will discuss and critically evaluate the measures that they took to cope

with the Covid-19. We will see more about their financial performance and how the pandemic changed the way of their work.

Evaluation

Financial performance

The impact of COVID-19 was global. It certainly left significant mark on the industry and it is ongoing, so the future impact for Aston Martin and the HLS car market as a whole are currently uncertain. It is a good thing that the Company is well-positioned in attractive key markets with dealers, which is based on the past trends. This is a big advantage for the brand to position themselves among the top places and continue establishing their name.

The global outbreak of COVID-19 is continuing to impact the Company and most of their suppliers, dealers and customers for an indeterminable period of time. In other words, the spread of the virus has caused dealer and consumer demand for cars and sales of luxury goods to significantly decline in part due to lockdown measures imposed across the world and, which includes the regions that the company operates. This reflected to 32% decline in their retail sales for the year.²

From the beginning of its listing on the London Stock Exchange the company lost 638 million pounds, which is one of the latest results.³

The impact of COVID-19

The company's primary concern is the health and safety of the employees and their families, customers, their business partners and their local communities. They were following all public health measures advised by governments are. Their UK sites, offices and global dealer network were complying fully with local advice in order to keep the community safe.⁴

Aston Martin Lagonda has been working closely with employees and trade unions to develop and implement protocols to protect employee health and safety.

The Company reopened its St. Athan manufacturing facility on 5th May 2020; they also resumed the production at our Gaydon site in August 2020. During the time they were closed, the company made a few changes in order to meet expectation from its customers and preserve them. They extended the warranty of all vehicles to 30th of June 2020, which were to expire from 14th of March until June. They rescheduled the appointments for service, during this period for after their open, for free and they redirected the customer with queries to their online service.

Aston Martin made a report for a loss of £466 million before taxes for 2020, almost a 4 times more compared to a loss of £120 million in 2019.

“No Time to Die” was delayed a couple of times during the Pandemic. This is one of the movies with James Bond and a big marketing support for Aston Martin. Because of this delay, the brand missed his boost and their revenue fell 38% year on year to £ 611 million by 2020.

On the other side, the company made slightly higher revenue in the last quarter of 2020 with their new model DBX SUV – 3% higher than 2019, before the COVID-19.

Aston Martin sold a whole third less than the year before – 4,150 cars in 2020.

Survival and success factors

Organizations tend to define their operations based on their strategies (Najdawi, Chung, & Salaheldin 2008). Thus operations are vital for the daily processes of any firm. In Aston Martin we have dedicated team, who works efficiently with developing new strategic plan for growing the business. They share in their report of 2020 some of the measures they take or plan to take after COVID-19 crisis.

The year 2020 has been one of enormous effort to position Aton Martin for future success and to capture the huge opportunity ahead of them, as they build the Company into a world-class luxury automaker and focus on maximizing shareholder value creation.

One of the affected areas from the Pandemic is the dealers. Aggressive and successful de-stocking actions have been undertaken within the dealer network to rebalance supply and demand and to ensure alignment to the new business plan. Some of the actions to improve the sustainability are:

- Changing of dealer partner in Edinburg.
- New dealer appointment planned in Brazil in 2021.
- Change of dealer partner in three locations, St. Louis, Dallas and Boston, to support growth in the US market.

In 2020 the dealer network has been aggressively de-stocked, with a reduction of over 1,500 GT and sports car units from dealer stock during the year.

Most of the businesses tried to cut their expenses during the Pandemic, because they were critical for every company. The expenses are one of the main factors for surviving during these hard times. Aston Martin could not cut their expenses and that result in their lost on operational expenses. They spent 234.1 million in 2020, compared of the operational expenses for 2019 – 165.9 million.

The brand Aton Martin left a huge print in the market through the years. Some critics mentioned that they produced the most beautiful car - the Vanquish Zagato Concept, which integrated some design elements of the DB11, the One-77, the Vulcan, and the Vantage GTS (Elliott 2016). With this in mind, the brand faced the Pandemic with all power and kept their values. They burned cash flow, but managed to survive and once again they stood up for their quality and flexibility.

Environmental analysis

One of the important issues for the business is sustainability, taking in mind the recent UK Government regulations on ICE vehicles post 2030, as well as being important to Aston Martin's investors and other stakeholders. The stakeholders are a group of people with the same interest, who can be affected by the actions of a business. They can be internal or external stakeholders. Some of the internal stakeholders are employees, owners, managers, board of directors and more. Some of the external stakeholders are suppliers, customers, creditors, etc. ⁷

Aston Martin is taking steps to integrate an environmentally sustainable culture and practices around the business, and they plan to reduce carbon emissions and energy usage. Some of the measures they take in order to do that are:

- To reduce the carbon emissions
- To reduce the energy usage and increase the efficiency
- To reduce waste
- To increase recycling

The luxurious automobile brand is ensuring that they are a socially responsible company and a great place to work. They are making improvements like:

- Building a sustainable culture
- Promote inclusion and diversity
- Community engagement
- Philanthropic activities

In 2020, Aston Martin joined a campaign to provide Personal Protective Equipment (PPE) to frontline NHS workers during the COVID-19 crisis. Working with its project partner, Multimatic, Aston Martin helped the MTC (Manufacturing

Technology Centre) to produce new protection device, which is respiratory and also utilized a machine at Gaydon to produce the silicone components.⁸

Aston Martin Lagonda is ensuring to maintain a sustainable supply chain and to have good corporate governance. The way they do that is:

- Board level commitment
- Having a responsible business culture
- Transparency in the supply chain
- Ethical and responsible sourcing

All of this above is part of The Company's mission for improvement and keeping their good image. These strategies are connected with both of their internal and external environment.

Conclusion

One of the hardest years for the humanity in the last couple of decades is 2019 and 2020. This is when the Pandemic started and changed the whole world. People had to adapt to new things, to work from home and to maintain social distance. No doubt these were the hardest years for many businesses. Many small businesses shut down, and many people lost their jobs and tragically the vicious virus took many lives. But people say after a storm there is always a rainbow. Respectively after some bad things in live, the good thing follow. There are many good things for our civilization that happened and one of them is to adapt quickly to changes. We learned that there is hope, doesn't matter the circumstances.

Aston Martin as a business did not give up. They took this obstacle in their advantage and proved to their customers that they are flexible, innovative and respectful. The company implemented new features like an online helping service,

they continued to increase on companies' environmental performance, they managed to stay strong and not leave their employees without work. Instead of that Aston Martin burned a lot of cash flow to maintain the good image of the company and to remain faithful to their values - respect, commitment, integrity, growth and diversification.

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