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Introduction

As like a child that grows up by getting influenced by the surrounding environment and the society which shapes his character, a business is also formed and greatly influenced by the ambient in which it functions. The business environment is a summation of all the outside and inside forces or conditions that greatly influence the operations of a business (Lucas and Suneja, 2018). All businesses must mark out and understand the possible impact that the forces of the business environment can bring to the company. In this assignment, the main variables that shape the environment of the car industry, major changes that occurred in the industry over the past few years, the underlining challenges and opportunities resulting from these forces and how car brands like Jaguar can position themselves for achieving competitive edge by using insights from the Porters Five-Forces model.

Part A: Explaining the main variables forming the environment of the UK car industry

A brief discussion about Business Environment

The business environment is constructed of all the external and internal forces that influence the operations of a corporation. The macro-environment is made up of the uncontrollable external forces like economic, technological, demographic, political, legal, etc. which greatly influence the decisions and operations of a firm (Lucas and Suneja, 2018). Firms cannot control the forces in the macro-environment. For example, corporate tax raises by the UK government isn't in the hands of the car companies like Jaguar and what they can do is analyse the likely effect on sales and price and take steps such as cost control and efficiency to tackle it.



Figure 1: Logo of Jaguar

Source: (Jaguar.com, 2020)

Jaguar cars are produced by Jaguar Land Rover which is a multinational luxury car brand headquartered in Coventry, UK and founded by William Lyons and Walmsley in 1922 (Jaguar.com, 2020). The company belongs to the UK car industry and gets influenced by the existing and changing macro factors. The PESTEL framework can aid in demonstrating the business ambient of the UK car industry. PESTEL is a tool for analysing the external macro ambient of a firm or an industry to better understand the challenges and opportunities that might come up (Pandey, 2017).



Figure 2: Components of PESTEL

Source: (Pandey, 2017)

Political: This includes how the UK government influences firms through corporate tax, special tariffs, relation with trade unions, competition regulation, import-export policies, trade restrictions, etcetera (Lucas and Suneja, 2018).

Economic: Forces like the unemployment rate, bank rate, growth rate, inflation, foreign exchange rates, etc. can have long term indirect or direct influence on an organisation.

Social: This component represents the demographic traits like norms, values, and customs of the population surrounding the company (Pandey, 2017). Examples can be population growth, religious views, life expectancy, social class, education, spending attitudes etc.

Technological: This includes technological advancements that might impact the activities of a business or make the current methods obsolete and inefficient.

Environmental: This component covers variables like carbon footprint targets of the government, pollution check, fair use of raw materials, triple bottom line, environmental laws, etc.

Legal: Laws such as discrimination law, employment law, antitrust law, consumer protection, safety laws etc. are the main forces under this component.

Explaining the Internal and Micro-Environment

The internal environment of an organisation is constructed of components internal to the company like management, employees, company culture, etc. that can affect the corporation or be affected by the decisions of the corporation. The forces in the internal environment can be governed by the organisation. The microenvironment consists of the elements of a business which are in the immediate ambient of the company such as suppliers, consumers, public, competitors, etc. that can directly impact the operations of a corporation (Lucas and Suneja, 2018).

Applying PESTEL to the car industry of the UK

The environment scrutinising tool PESTEL can aid firms in the automotive industry of the UK including Jaguar to identify and act to crucial macro factors to face challenges and utilise opportunities (Pandey, 2017). The UK automotive industry is currently going through Covid-19 crisis and production of only 114,732 cars completed in September 2020 which is 5% fewer than the last year (Reuters.com, 2020). Car brands and the UK government can get great insights from a PESTEL analysis and apply the findings to tackle the current catastrophe.

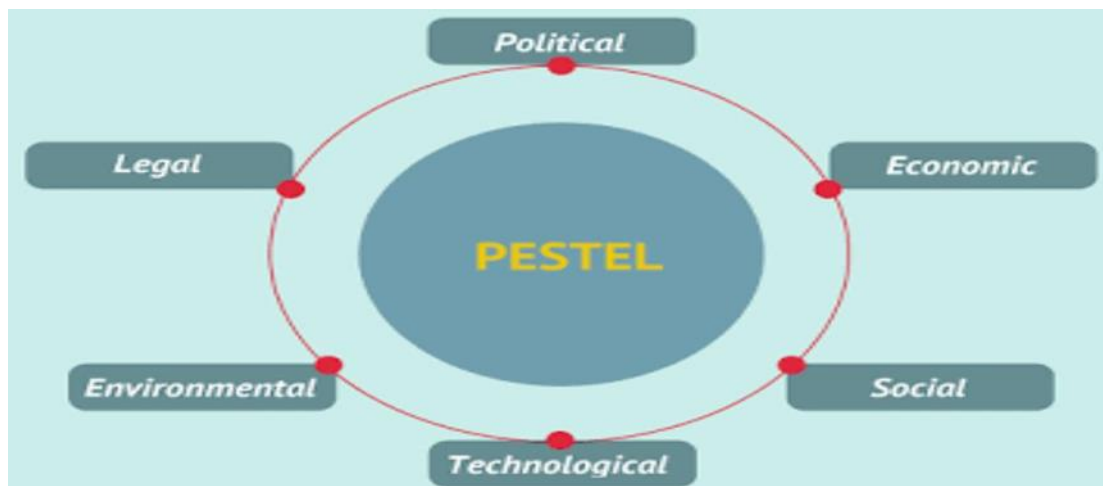


Figure 3: PESTEL Analysis of the UK Automotive Industry

Source: (Author Design)

Political: Significant political forces impacting the UK automotive industry can be safety regulations, emission policies, trade deals etc. Safety regulations and emission targets require car companies like Jaguar to be more efficient and invest more in R&D which results in additional costs. If the UK government fail to reach a favourable trade deal with the US and the EU the industry will suffer more in 2021 (Bailey and Proprius, 2017).

Economic: Crucial variables like the interest rate in the UK is as low as possible which is only 0.1% and the economy of the country also grew by 15.5% in Q3 of 2020 which led to the domestic car demand by 14.5% (Reuters.com, 2020). Companies like Jaguar should focus more on the domestic market.

Social: The attitude of showing success with luxury cars, the popularity of driving, consumers seeking for a comfortable ride, etc. are the main social forces driving the UK automotive industry (Bailey and Proprius, 2017). The movement of the green planet is changing the tendency of consumes as they're willing to buy environment-friendly electric cars.

Technological: Important forces here are self-driving cars, improved safety, heavy investment in R&D, continuous innovation etc. and brands like Jaguar in the UK car industry may benefit by addressing these new technological forces as early as possible.

Environmental: The UK automotive industry and the companies operating in it including Jaguar need to emphasise on the triple bottom line, meet carbon footprint targets, produce energy-efficient vehicles, get involved in CSR activities, and follow the environmental laws of the UK government.

Legal: Quality and safety laws, copyright laws, car safety, high emission automobile purchase limitation, etc affects the companies like Jaguar in the UK car industry as they've to endure high costs in maintaining quality and safety laws and also sales are negatively affected by purchase limitations (Pandey, 2017).

How the UK automotive industry changed in the past few years

At the starting of this decade, the UK car industry was suffering as China and Japan continued to take over more market share. The car industry is a major contributor to the UK economy generating around £78.9 billion turnovers while directly contributing £15.3 billion to the economy in 2019 (smmmt.co.uk, 2020). The industry is now focusing on producing self-driving cars which can run wholly depending on electricity. Car companies are now focusing more on CSR activities and environmental issues as they're trying to meet the values of the consumers to build a green planet. The use of diesel-run cars are declining year by year which was 46.1% in 2010 have come down to only 25.7% in 2019.

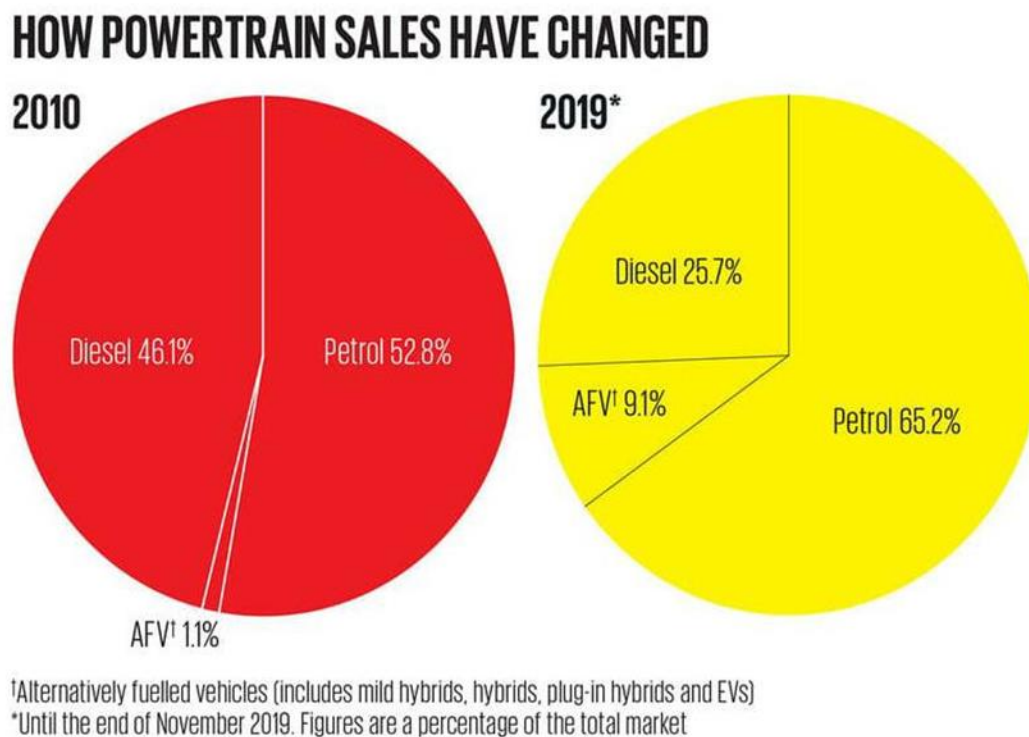


Figure 4: Powertrain Map

Source: (autocar.co.uk, 2020)

The use of environment friendly alternatively fuelled cars are also on the rise which amounts to 9.1% in 2019 (autocar.co.uk, 2020). Triple bottom line, the fair use of raw

materials, green planet, self* driving vehicles, electric cars, etc. are the trends that are now shaping the UK car industry.

Part B: Evaluating the Opportunities and the Challenges. The way Jaguar can gain competitive advantages

Opportunities and Challenges

While operating in this competitive automotive industry, every car manufacturing company has to face some opportunities as well as some challenges which are identified here with a brief discussion.

Opportunities: The identified opportunities are briefly discussed here.

Increasing Demand: The demand for cars has increased this year. In this pandemic, people are more conscious about public gatherings and for this, they try to avoid public transportation. As a result, the demand for cars has increased by 14.5% the previous year (Reuters.com, 2020). Such an increase in demand for cars is an opportunity for car manufacturing companies including Jaguar.

Environmental Friendly Steps and CSR of Companies: Now the car manufacturers are more conscious about environmental issues. They are now launching cars which reduce pollutions and enhance a pollution-free world (autocar.co.uk, 2020). Moreover, by recycling materials, they are reducing the wastage of resources. Thus the CSR and environmentally friendly steps are attracting more people for buying cars which is an opportunity for the automotive manufacturing companies.

Innovation: With the huge advancement of the technical world, every car manufacturing company is now continuously trying to bring some innovation (Hull, 2020). This continuous innovation of all the firms including Jaguar helps to keep a huge customer base and thus it becomes an opportunity.

Challenges: The challenges are identified below.

Increasing Cost: Car manufacturing companies are now facing huge costs because of spending higher expenses in the research and development sector. All the companies

are now trying to develop their cars and make their cars more environmentally friendly. Therefore all companies need to focus more on developing their cars. Manufacturers like Jaguar have to bear more cost which has become a challenge for all the companies.

Higher Rules and Regulation: Government imposes higher rules and regulations on automotive companies such as emission policies, safety rules, etc. These higher rules and regulations have become a challenge for the car manufacturing companies to operate smoothly.

Critically describing the way Jaguar can obtain competitive advantages analysing different forces

To obtain competitive advantages, it is necessary to use any model. Here using Porter's five forces model the competitive advantages of Jaguar are evaluated critically.



Figure 5: Porter's Five Forces Model

Source: (Correia Pereira, 2019)

Competitive Rivalry: The higher level of rivalry indicates a higher level of competition which may have an adverse effect on the business. In the automotive industry, all

companies have to face a higher level of competition. Jaguar has to compete with many giant automotive companies like Bentley Motors, BMW Group, Rolls-Royce, Toyota, and Mercedes-Benz, etc. Moreover, the exit barrier of car manufacturing companies are high (Owler.com,2020). For this, they can't exit the market easily. Therefore, Jaguar has to compete with many companies and it has to be well informed about all the strategies of its competitors. The company also has to framework its strategies in accordance with that. Jaguar has to keep a good relationship with all of its competitors.

Bargaining Power of Customers: For having a higher level of bargaining power, customers can easily pressurise any firm. Jaguar will face a moderate level of this threat as there are many car manufacturing companies, but customers can't easily switch to another make. Moreover, Jaguar can tackle customers from switching as it has a huge loyal customer base and it focuses more on innovation (Hull, 2020). So by considering all these loyal customers and innovative products, Jaguar can take a competitive advantage.

Bargaining Power of Supplier: Supplier's higher bargaining power will increase the cost of the company. Jaguar can have a higher competitive advantage as it has been operating for a long time and it has a good relationship with many suppliers (Michaux, Cadiat and Probert, 2020). Being informed about the suppliers, Jaguar can take competitive advantages.

New Entrance: The existing companies like Jaguar will face a lower amount of this threat as in the UK there are so many entry barriers for automotive companies. For these barriers, to enter into this industry and sustaining in this market is quite difficult (Correia Pereira, 2019). So this lower entrance may help the company to obtain competitive advantages.

The threat of Substitute: Bicycle or public transportation can be considered as a substitute for the cars of Jaguar. But none of these have as much demand as the car. Moreover, because of the pandemic people now try not to use public transportation (Pandey, 2017). So the use of such transportation has decreased and the demand for cars has increased. This higher demand can assist Jaguar to have competitive advantages.

Conclusion

To succeed in the long run, the renowned automotive company Jaguar has to plan its strategies. The economic, social, technological, and legal factors are quite favourable for Jaguar. The increasing demand, innovation, and environmentally friendly steps of Jaguar are the opportunity for this. It should focus more on reducing its costs to tackle the obstacles. Evaluating Porter's five forces, many factors are also exposed which can bring competitive advantage for the company such as focusing more on innovation, well informed about the market, keeping a good relationship with customers, suppliers, and also the competitors.

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