

The Global Business Environment

UWTSD

Environmental Analysis of the Electric Vehicles

Assessment 1

Year 1, Term 2

Student name: Zoya Danailova

Student ID: 1815751

Module Title: The Global Business Environment

Module Code: LCBB4005

Module Course Teacher: Kenny Tang

TABLE OF CONTENTS

INTRODUCTION	3
PESTEL analysis.....	3
PORTER's Five Forces.....	6
Changes in the industry.....	7
Critical assessment.....	8
CONCLUSION.....	8
REFERENCES.....	10

INTRODUCTION

Market of the electric vehicle is increasing day by day in the any European countries. Currently many people are like to use electric vehicles in their daily life. According to many market researchers, electric vehicle market has very bright future, because currently governments within many countries are banning fuel (petrol and diesel) vehicles in their authorised areas to protect reduce the pollution. Nowadays, fuel vehicles become very harmful for our natural environment, because these vehicles release very dirty smoke and gases which too bad for existing nature. Currently many automotive companies are shifting their mind to produce or develop electric cars. This report discusses topic called ‘electric vehicles in Europe’: gearing up for a new phase. There are major forces which shapes the business environment of the Volvo cars also has been included in this report. Volvo cars are a popular Swedish luxury vehicles manufacturing industry which currently provides electric cars also in various market segments.

Currently there are various factors existing in the market which can shape or affect the business environment of the Volvo cars (Nilsson and Nykvist, 2016). There are two major market analytical tools called PESTEL analysis and Porter’s 5 forces has used which can support in identifying such factors which can affect this electric vehicle manufacturing company.

PESTEL Analysis

This is one of the best market analytical tool which supports to different business for analysing their external factors of business environment. Basically, PESTEL refers six major external factors called political, economic, social, technological environmental and legal. These all factors highly impact to a business or company, in which these factors have been discussed below;

Political factors: Political factors are highly affecting business environment of Volvo cars, because top-level management of this company has always required to fulfil those formalities which has imposed different governments within the European countries. For example; currently

each government has imposed taxation on businesses which comes under their authorised areas. In this situation, existing management of Volvo cars also has required to always pay taxation amount on time (Fritz, Plötz and Funke, 2019). On the other side, many times government passes various policies and guidelines also for many different businesses. So, the management of company should follow these policies and guidelines also in their business environment. Currently governments within many countries are banning those vehicles which run through petrol and diesel because of high pollution. In this situation, Volvo cars are able to take huge advantage from this political decision by launching new electric vehicles in different European markets.

Economic factors: Economic factors are highly shaping or affecting business environment of this electric vehicle manufacturing industry. Reason is, most European countries has well-developed economy, in which existing local people can easily buy or purchase such products and services which has offered by the Volvo cars in these countries. Basically, this company offers luxury vehicles in the market, in which only those people can afford these vehicles which comes from high income groups. In this situation, most people European countries come from high income groups, so, they can easily afford electric vehicles of Volvo cars. Top-level management of company should develop some productive strategies towards taking huge advantages from these economic factors of the European continent.

Social factors: Social factors are too favourable for this company in Europe, because most people in these European countries like to quality products and services on the market. On the other side, most people are completely literate also these countries, that's why they ready to pay any cost for buying quality products and services. Currently Volvo cars is providing excellent quality products to customers, in this situation company is able to gain huge profit by considering social factors in their business environment (Nykvist, Sprei and Nilsson, 2019). On the other side, most people like to buy product and services only those companies which mostly work in social welfare. This company provides electric vehicles to people, in which this indirectly able to work in social welfare, because electric vehicles which Volvo has provided are very beneficial for the natural environment. Top-level management of this company is taking to interest in fulfilling CSR (Corporate Social Responsibility). This is another reason that, most people like to buy products and services from this brand.

Technological factors: Technological factors play great role for this company, because a vehicles manufacturing company has always based on technology. It means, an automotive industry can't run its business operations without involving technology in their business environment. Currently those all technological machines, tools, gadgets, equipment are available in the European market. If existing management of this company can use these technological gadgets and tools in their business operations, then it will be able to improve it's all over performance in the market. With the support of these factors company can innovate some more hi-tech vehicles. The management of company has highly required to takes huge advantages from these factors. Currently there is huge competition in European automotive industry, in which existing management Volvo should highly consider technological factors in their business environment to gain huge competitive advantage in this industry.

Environmental factors: These factors are also highly influencing and shaping business environment of Volvo cars, because the management of this company is responsible to follow those all rules and regulations, guidelines and laws which has passed by different environmental protection organisations. It means, existing management of this business should avoid those all attempts and actions in their business operations which harm natural environment. These factors influence management to never misuse precious natural resources. For example; company need to never implement such engines in their cars which can release harmful gases and smoke. With the support of such actions, Volvo will be able to contribute in developing an effective natural environment (Bubeck, Tomaschek and Fahl, 2016). If company will harm natural environment, then it can face many legal issues, like; court hearing, penalty, fine etc. That's why the management of company should follow those all rules and regulations, guidelines, laws which has developed for protecting natural environment

Legal factors: The management at Volvo has required follow all business laws which have passed by different governments in different European countries. For example; employment law, contract law, safety and security act etc. Otherwise, company can't easily survive in European automotive industry, because in various countries, local government give not permission to such companies for running their business operations which always violates different business laws. That is why existing management of Volvo has highly required adhere each law which has passed or developed for maintaining an ethical business environment within European markets.

Porter's Five Forces

Porter's five forces is another innovative market analytical tool which gives opportunity to various businesses or companies for properly maintaining their profitability index of in the market of full competition. According to Porter, the number and competitors of the company, possible new market participants, customers, suppliers and replacement products affect the company's profitability.(Porter,1979)



Image-https://www.researchgate.net/figure/Porters-Five-forces-model-for-the-external-environment-of-the-rheometer-market_fig118

Basically tool includes five forces which can highly affect or shape Volvo's business environment, in which these all five forces has been discussed below;

Bargaining power of suppliers: Bargaining power of supplier is not higher for the Volvo cars, because there are lots of suppliers existing in the market which provides such raw-material which this company has highly required in their manufacturing processes (CHAPPELOW, 2020). That's why currently bargaining power of suppliers not higher.

Bargaining power of customers: Bargaining power of customer is very higher, because currently customers have various brands in the market which can easily fulfil their needs of electric car. That's why company has required to use some effective marketing strategies to attract lots of new customers towards own brand.

Competitive rivalry: Currently there is huge competition within European electric car market. Nowadays some other car manufacturing companies are giving very tough competition this company (Santos and Davies, 2019). There are Lexus, Tesla, Nissan, BMW, Renault and Hyundai etc. some major competitors for the Volvo.

Threats of substitute products: Threats of substitute products is completely shaping the business environment of Volvo cars, because currently customers have many option to buy a vehicle. For example: petrol car, diesel car, electric bike, CNG car etc. Company should run effective marketing campaigns for influencing customers to buy an electric car.

Threat of new entrants: Of course, Volvo has threat of new entrants, because currently many automotive companies have started producing or developing electric cars to gain high profit (Schimeczek, Özdemir and Schmid, 2016). Day by day new entrants are coming in the market, because electric car markets will become very profitable in the future.

Changes in the industry

Electric car industry has highly changed in the last few years, because day by day people are getting understand value of an electric car. In the initial stage, electric car manufacturing companies was faced huge challenges because on that time people was completely depends on the fuel cars, and they don't want to choose an electric car in the replacement of fuel car. However finally, electric car industry has succeeded gaining a large market share in all over car industry. Nowadays, government within some selected countries are not giving permission to people for running their fuel cars on the roads due to climate change. Reason is, currently fuel cars are badly affecting existing natural environment. That's why currently people are starting to give priority to use electric cars in their daily life (Voropai, Trufanov and Khanaev, 2018). According to these all factors, the Volvo has great opportunity to earn huge profit in the electric car market.

Critical assessment

Volvo cars not established for making on electric cars, because this company produces those vehicles also which runs through petrol and diesel. Basically, top-level management of the company always follows market latest trends, in which when existing management has realised that, now people are taking interest in using electric car, then finally it has launched its first electric car in the market. The company was completed whole market research before launching its first car. In initial stage of electric car, the Volvo was not gained an effective return from the market, but after 2 or 3 years of launching, the company were started to attract lots of people towards own brand (Teixeira and Sodré, 2018). On that time, when it has launched its electric car, Elon Musk's electric car manufacturing company called Tesla motors was given very tough competition to the Volvo within the electric car market.

Of course day by day people getting shifted on electric vehicles. Especially these people are like use an electric vehicle who truly love natural environment, because electric vehicles are completely eco-friendly. Nowadays, many organizations also maintain electric vehicles that work to protect the natural environment. Currently vehicles which has based on petrol and diesel are very harmful for natural environment. That's why these environmental protection organisations are promoting and supporting electric vehicles at their level. Currently Volvo has succeeded in providing a specific range of electric car. On the other side, this company is giving very tough competition to other electric car manufacturing companies or brands. With the support of existing marketing team, Volvo is able to take huge competitive advantage in its respective industry. Marketing team of the company always runs some fancy and informative ads to people which highly influences them to buy an electric car (Haakanaand et.al., 2018). Informative ads mean such ads where Volvo tries to inform people about value, importance and advantages of shifting on Volvo's electric car. These are some main factors that providing huge competitive advantage to the company within European electric car market.

CONCLUSION

I can be concluded that currently the Volvo cars have great opportunity to gain huge profit in the European automotive industry. Basically, this company has provided a specific range of electric vehicles which currently people are very like in within different European

countries. Of course, there are other existing electric car manufacturing companies achieving very tough competition the Volvo, but with the support of its effective marketing team this company is able to gain huge competitive advantages the market. Currently company has great chance earn huge profit in the future by more developing its existing electric cars.

REFERENCES

Books & Journals

- Bubeck, S., Tomaschek, J. and Fahl, U., 2016. Perspectives of electric mobility: Total cost of ownership of electric vehicles in Germany. *Transport Policy*. 50. pp.63-77.
- Fritz, M., Plötz, P. and Funke, S.A., 2019. The impact of ambitious fuel economy standards on the market uptake of electric vehicles and specific CO2 emissions. *Energy Policy*. 135. p.111006.
- Haakana, J., and et.al., 2018, June. Effects of Electric Vehicles and Heat Pumps on Long-Term Electricity Consumption Scenarios for Rural Areas in the Nordic Environment. In *2018 15th International Conference on the European Energy Market. (EEM)* (pp. 1-5). IEEE.
- Nilsson, M. and Nykvist, B., 2016. Governing the electric vehicle transition–Near term interventions to support a green energy economy. *Applied Energy*. 179. pp.1360-1371.
- Nykvist, B., Sprei, F. and Nilsson, M., 2019. Assessing the progress toward lower priced long range battery electric vehicles. *Energy Policy*. 124. pp.144-155.
- Porter, M. 1979. "How Competitive Forces Shape Strategy" Harvard Business Review
- Santos, G. and Davies, H., 2019. Incentives for quick penetration of electric vehicles in five European countries: Perceptions from experts and stakeholders. *Transportation Research Part A: Policy and Practice*.
- Schimieczek, C., Özdemir, D.E. and Schmid, S., 2016. Effectiveness of monetary and non-monetary incentives on the purchase of plug-in electric vehicles considering national and regional frameworks within the European Union. In *European Transport Conference. Barcelona*.
- Teixeira, A.C.R. and Sodré, J.R., 2018. Impacts of replacement of engine powered vehicles by electric vehicles on energy consumption and CO2 emissions. *Transportation Research Part D: Transport and Environment*. 59. pp.375-384.
- Voropai, N., Trufanov, V. and Khanaev, V., 2018, October. Load management possibilities of electric vehicles when expansion planning of electric power systems. In *IOP Conference Series: Earth and Environmental Science*. (Vol. 188, No. 1, p. 012016). IOP Publishing.

Online

- CHAPPELOW, J. 2020. *Porter's 5 Forces*. [Online]. Available Through: <<https://www.investopedia.com/terms/p/porter.asp>>.