

Environment Analysis of an industry

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The Global Business Environment

Module code: LCBB4005

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Introduction

It is essential for any business organisation to develop its operations in the business environment after considering the various factors that could influence the organisation in achieving its objectives.

Considering the tenets of globalisation, most businesses require expanding their businesses in the global market for gaining competitive advantage and improve their competitive advantage and brand image.

The following study will evaluate the globalised market and driving factors for automobile organisations, and the ways products could be developed by these organisations for attaining profits in the future as well.

Discussion

Question A

The car manufacturing industry operates in the European and global business environment considering the various external factors that enable the organisations to develop their business propositions. The factors that play a

major role in developing the business environment of the industry and the operators within the sector can be identified as follows:

Political factors- The changing aspects of governments within the business environment affect the automobile industry in varied ways since the political parties' affiliation, and opinions regarding the type of vehicles within the market dictate the type of products car manufacturers need to develop.

Considering the current political framework and the governments' inclination towards low-emission vehicles, Volvo's decision to develop electric cars would be effective for the company in gaining profits. The provisioning of subsidies and high government support for electric vehicles would increase the **competitive rivalry** among car manufacturers in the global automobile industry (Akbar, 2017).

Economic elements- The economic condition of the market provides automobile organisations with the opportunity to gain profits from their business transactions. Considering the economic crisis of the EU and UK region, it is observed that car manufacturers have noticed a significant reduction in sales. The recession affects the **bargaining power of customers** and organisations need to price their products accordingly (Schwab, 2017).

Volvo's decision to develop electric cars at low prices would prove beneficial for the organisation, as the purchasing power of the people would be low due to the economic crisis across the global market.

Social attributes- Socio-cultural trends affect the business environment for car manufacturers in developing their businesses in the market (Rohrbeck and Kum, 2018).

The customers within the global business environment are aware of the benefits of low-emission vehicles; hence, car manufacturers are interested in developing car models accordingly. Since customers demand eco-friendly modes of transportation, car manufacturers such as Volvo would experience a high **threat of substitutes** in the global business environment.

Technological advancements- Innovation plays a major role in the development of better products in the car manufacturing industry. Advanced

technology allows automobile developers to integrate better technology in their business processes for enhancing the quality of products and customer satisfaction (Terninko, 2018). Due to the entrance of new technological elements in the process of car manufacturing, Volvo and other operators within the market would experience high **bargaining power of suppliers** in the global business environment.

Environmental concerns- The growing concern of authorities regarding the development of eco-friendly modes of transport provides car manufacturing organisations with the need to develop better models with low emission. Volvo's decision to develop only electric cars would provide the company with better profits since the global business environment seeks to develop products that are eco-friendly (Marana, 2017). The possibility of rival brands such as Hyundai, Ford and Toyota in the business environment through electric cars increases the **threat of new entrants** for Volvo.

Legal perspectives- Car manufacturers need to comply with quality, safety and pollution laws of different business markets such as the UK, EU and other nations. Different governments pose various legal implications for automobile manufacturers regarding the quality and safety of their products. The need for developing electric cars requires car manufacturers to enhance their safety and quality of products to pass the legal parameters of various governments (Lewis *et al.*, 2017). Volvo's decision to develop electric cars only would result in benefits for the company, as resources would be aligned as per the business objectives of the company in the global business environment.

The car manufacturing industry experienced several changes during the last few decades in the global markets, including the EU and UK markets. The shift towards electrically charged vehicles as well as the development of cars with low to no emission is based on the growth of environmental awareness among customers, authorities and car manufacturing elements. As opined by Lu *et al.* (2016), the development of battery-powered vehicles and their sustenance in the environment allowed organisations to incorporate batteries with low emission in their products. The governments' decision to reduce taxes on environment-friendly cars increased the ability of car manufacturers to provide customers with electric vehicles at low prices.

The recent development of developing transportation devices with zero-emission required organisations to consider the inclusion of alternate energy sources that would power vehicles. Magnetic propulsion and solar-powered vehicles are considered as modern and eco-friendly alternatives to petrol-fuelled cars in the global business environment.

Car manufacturing units apply various technological advancements in the process of creating new models as this reduces the production costs and results in the development of low-cost vehicles (Tidd and Bessant, 2018).

The Brexit referendum and implementation of high taxes on international suppliers resulted in car manufacturers seeking local suppliers for automotive parts within the UK market. It can be stated that the economic regression has affected the sales of automobile industry elements that develop luxury vehicles.

The growing demands of electric and eco-friendly vehicles affected the business strategies adopted by car manufacturers, as observed in the case of Volvo. The need for developing eco-friendly vehicles has been observed as a better alternative for zero-emission vehicles in the global business environment.

The progress of technological advancements requires car-manufacturing elements to incorporate better facilities for charging electric vehicles in the global business environment. The management of these organisations in the automobile industry would have to develop better facilities to improve sales and profits in the market scenario. The changing elements of customer demands will affect the profitability of the vehicle companies if they fail innovating new products. The growing environmental awareness among consumers provides an opportunity for fluctuations in the trend of electric vehicles. As opined by Ehsani *et al.* (2018), the development of electric fuel cells and hybrid electric cars would affect the business operations for traditional car manufacturers due to the technological advancement that the industry requires in order to satisfy the social trends of customers.

According to the views generated by Narins (2017), the development of better batteries would improve business operations for car manufacturing elements in the automobile industry. The ability of the organisation to implement better

battery-powered engines with zero-emission and high mileage would enhance the automobile industry in the global business environment. The ability of industry operators to incorporate better aspects of building cars through the operational strategies of total quality management and Kaizen framework would prove beneficial for the car manufacturing elements in enhancing their production procedures.

The growing impact of global warming and greenhouse gas effects on the environment has gathered concern of every operational unit in the global business environment. As observed by Holland *et al.* (2016), the negative aspects of the vehicle industry and associated elements with the automobile industry require changes in product development. This resulted in the growing demands of electric cars with zero-emissions. Economic factors affecting the purchasing power of people required car manufacturers to ensure they develop products as per the capacity of the target customers and enhance their brand image in the global business environment.

Question B

Previously the electric car was considered a myth but today the industry has gained a lot of popularity. The reality of electric cars has come true (Nieuwenhuis, *et al.*, 2107).

There are reformed legislations made to phase out the cars that run on petrol. This is because the general people or customers have become environment friendly. Due to the awareness of the harmful effects of petrol there has been more opportunities that has been created in this same industry. Smart entrepreneurs have started investing in the business so that they can position themselves in the growing market. It has been evident that the market of electric cars is raising and henceforth there are new investors towards this (Wieland *et al.*, 2017).

All the entrepreneurs are entering into this industry, as there are advantages from the emerging market. Their action o plan initially holds the strategies that may be implemented to bring or dominate the market from the future

perspective. In the industry of electric cars, the main advantage is the type of investment that varies from low capital to business that is capital intensive.

Charging stations

The first opportunity for the entrepreneurs can be that the business of electric cars requires charging. The entrepreneurs can open their own station where these electric cars will be charged (Koester, 2016). The entrepreneur may just need an infrastructure that will serve to provide electrical energy for the recharging of the electrical cars. This is an important aspect and so the business of this will be a profitable business for the entrepreneurs (Ricci, 2018).

Repair and service garage

Another opportunity for the entrepreneurs may be the repair and service garage. Electric cars require regular monitoring on the functioning of the cars. It is highly profitable because as long as the electric car will be on roads it will require repair and service. Electric cars need regular repair because the systems of these cars are fragile. Apart from routine service, the cars may also visit the garage for some major issues in the internal system or for refurbishing the cars. Whatever reason it may be, the service garage will be well positioned in the market.

Dealership or sales garage

The entrepreneurs can invest in the business of opening stores that provide dealership of electric cars. The sales of the electric cars are increasing, as the people are more encouraged towards this industry. Aspiring entrepreneurs can deal in the sales of the electric car, as it is a profitable business with capital intensive.

Upholstery for electric cars

Entrepreneurs can set up stores that make or modify the interiors of these electric cars. There are customers who want to have customised interiors. As the sale, of electric cars are increasing the preference of the customers are also changing. This will be a highly profitable business due to the emerging market of electric cars. This opportunity is for entrepreneurs who want to start their business in the areas where the electric cars is high in number like EU and UK.

Electric car spare parts

As long as the cars are used, the demand of the spare parts will always be there. The parts present internally or externally will be worn out and would require replacement. The business is an ongoing process because without new parts the cars will not function effectively (Profitableventure.com, 2019).

Sale of car battery

The most important aspect in the electric car is the battery on which these cars run. This is the most profitable opportunity for entrepreneur is who want to invest in this industry (Narins, 2017). There are different types of batteries that are present in the electric car. The entrepreneur should be well aware of the batteries and its usage in the cars. Electric cars run on batteries and so the reliability of this business is high. Due to its high demand in this industry, this business setup will yield a lot of profit to its owners.

Electronic and Accessories

In an electric car, there are features that are not present but are preferred by the customers. This business can be set up by the aspiring entrepreneurs to fulfil the

demands of the customers. Accessories like car stereo, charger, customised horn, alarms and lights can be availed to the customers in such business. The location of the stores should be chosen properly for the generation of good profit.

Electric Vehicle Consultant

This is the most interesting business opportunity for an entrepreneur. Here the entrepreneur can himself provide assistance with the electric cars. The owner can be self-employed or can hire people (Harighi *et al.*, 2017). Training providing the knowledge of the cars should be given to the employees. There are people who find it difficult to operate these electric cars. Such business venture will be profitable as the investment is low and require less of capital.

However, the company has many advantages, but it is a threat to the automobile industry. The emerging market of electric car is becoming mainstream. As the electric car is gaining momentum, there is a continuous threat to the business of automobile industry (Dijk *et al.*, 2016). There are some businesses in the automobile industry that will not gain any benefits after the business of electric car is in full-fledged form. Overall, the business of electric car is positive in the economy of the industry, but it brings along many disruption. Due to the electric car many companies will close down that has been following a legacy since ages.

These companies have to survive the growth transition in order to continue its business. Advancements need to be made to overcome the threat from the electric car (Wesseling *et al.*, 2015). This will result in high expenses. Another business that will not be profitable will be the business of oil. As the electric car will dominate the market, the usage of the automobile cars will become less. A huge amount of investment is made in this business and with the growth of electric car; there will be a sudden downfall in the business (Harighi *et al.*, 2017). Due to less utilisation, the price of the oil may become low in order to finish the supplies. The companies related to this business will face loss with the growing business of electric car.

As the electric car will gain market popularity investors would want to invest more in this sector rather than ongoing car business. Advancements will be made this will improve the quality of service provided by the electric cars. With new and advanced technology, the customers will be more inclined towards the electric cars directly bringing down the sale of automobile industry. The business of gas station will reduce immensely. Few cars will be running on gas and so the business of gas station will drop drastically.

Conclusion

Thus, the essay enables in understanding the global market and the demand of electric cars. It also highlights the position of the market with the automobile industry. A clear understanding on the opportunities to entrepreneurs and the limitation of other industry is present in the essay. The market drivers and the various influencing factor helps in determining the growth and prospect of the electric cars globally.

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