

Assignment 1

Global Business Environment

Environmental analysis of an industry

Desislava Hristova

Student Number: 1813113

Tutor: Amare Desta

Module code: LCBB4005

Table of Contents

INTRODUCTION.....	3
MAIN BODY	3
a) Major forces shaping business environment of car manufacturing industry. Explain how industry has changed in last few years. Critical assessment of organisational and other changes that may take place in future and reasons for such changes. Discuss reason why there is drive towards production of electric cars to position to gain competitive advantage.....	3
b) Identify new and emerging business opportunities that production and marketing of electric cars may present to entrepreneurs and business executives. Identify and critically assess other businesses currently linked to global automotive industry that you think may not be profitable in long run to invest on.....	5
CONCLUSION.....	6
REFERENCES.....	7

INTRODUCTION

Automotive industry comprises of enterprises and establishment which is active in improvement, marketing, designing, business and marketing of motor vehicles (Babrowski and et. al., 2014). This is regarded as global ample economical body by revenue. It does not include maintenance of auto-mobile like repairation store and motor substance fill place. In current scenario, various changes have been faced by respective industry due to increase in need and demand of consumers. It is very essential to make changes for surviving in competitive market. This report is based on case study where Volvo cars has entered electric vehicles for providing services to users. It happened because of increase in demand of electrified cars and meeting current and future needs of consumers. It highlights about forces and market analysis of industry with helps of PESTLE along with changes took place in organisation.

MAIN BODY

a) Major forces shaping business environment of car manufacturing industry. Explain how industry has changed in last few years. Critical assessment of organisational and other changes that may take place in future and reasons for such changes. Discuss reason why there is drive towards production of electric cars to position to gain competitive advantage

UK auto-mobile industry is recognised for global famed athletics automobile industry like Volvo, Jaguar and others. In 2015, the turnover of automotive industry is 71.6 billion dollars out of which 77% exported accounted to 12% of UK exportation. According to data of 2015, 100+ countries importing vehicles of UK, 81400 people are employed, 32 million cars manufactured and 2.25 billion invested in research and development (Casals and et. al., 2016). The major forces which shapes business environment of car manufacturing industry is explained with help of PESTLE analysis. They are explained below:

Political Factors- These factors consider rivalry laws, plan of action and statute law affiliated to auto-mobile, taxations and so on. The government of UK is very supportive and stable for car manufacturing industry. UK government assist weaker player with aid of AAP (Automotive Assistance Programme). Car manufacturing industry is integrated and globalised within EU. The Brexit issue has made worst impact on auto-mobile industry where 60% of parts provided for auto was assembled in UK are imported. The governance has presented CO2 emission if any car company produces high CO2 then they will charge higher tax rate. Car manufacturing company is regarded as major source of revenue for government.

Economic Factors- The factors related with economic are trade, income distribution, inflation, wealth and so on (Hawkins and et. al., 2013). Car manufacturing companies are highly affected by economic condition of nations. There is rise in number of crises in past and has affected sales in developed countries. If there is positive change in economic then it leads to create employment opportunities for individuals.

Social Factors- These factors include households, transportation, income, age and others. There are large number of people who are above 45 years who prefer vehicles for their personal use (Gangale, Mengolini and Onyeji, 2013). It is an opportunity for car manufacturing company to produce more and innovative cars for their consumers and users. The figure reflects 80% sales from organisational structure and 20% from marketing organisations. In past cars were manufactured for upper class people but now it is focusing all

age income people. Automobiles play an effective role in growth and progress of economies globally.

Technological Factors- According to given data, it has been concluded that UK auto mobile industry is regarded as most innovative and unique producer of car and engine (Hedegaard and et. al., 2012). They use highly CO2 technology while manufacturing cars for users. They have formed team called NAIGT (New Automotive Innovation Growth Team) having 20-year vision to formulate engineering roadworthy maps for CO2 discharge hydrogen and loose transport auto-mobile. Car manufacturing has gone through various stages of innovation because of consumers as they are expecting more and latest accessories and features for cars. The factor which affects car manufacturing is internet as consumers are more attached to social media which creates difficulties for auto-mobile manufactures to go with global trends.

Legal Factors- There are some legal policies which should be followed by car manufacturing companies such as fitment of electronic steadiness power and observation system for pressure level. The safety of auto-mobile is considered as biggest concern for law maker globally. There is some worldwide tendency in distinguished various regularize, regulation and attribute standardized for automobiles. Car manufacturing in underdeveloped state is increasing rapidly but many of nation has regulation related to auto-mobile sector which makes difficult for new organisation to start their business.

Environment Factors- This factor is related to petrol, gasoline usage, CO2 emission (Kley, Wietschel and Dallinger, 2012). Auto-mobile is considered as biggest culprit which is damaging to environment. The rise in knowledge of environmental issues leads consumers to focus on effects of auto-mobile on environment. Due to this, manufacturer of car has started to produce environmentally friendly cars which leads to slow down market shares. With rise in time, there will be growing demand of environment friendly auto-mobile in future.

Apart from these above, there are also other environmental factors which affect auto-mobile industry. The first factor is that car manufacturing company is dependent on massive infrastructure that includes investments in roads and existence of fuel stations. If countries start investing in public transport and disinvest in road then people buy few cars. Other factor is that profitable cars tend to be luxury and inefficient cars. The sales of such cars depend on prices of fuel. Apart from these other factors which affect car sales are increase in interest rates, currency fluctuations, increase in cost and economic downturns. Many of car manufacturing company has reduced labour cost through help of global supply chains.

There are four forces which will shape auto industry of country. The first is re-emergence of fundamental which allows for much economic and effective usage of manufacture capability for generating profits at less mass. Second is shifting in economic process centres due to emergent marketplace that has strong growth prospects. Third is uncertainties of alternatives powertrains which includes fuel cells, electric vehicles, other technologies, support of government and others. Lastly is increasing interconnected supply chain which will force industry for better worldwide interruption origin by various psychological feature like Japanese Tsunami in 2011.

There are more changes in auto-mobile industry in next decade in last 20 years. The mix of market leads to change sales of automotive industry. There are various changes which took place in auto-mobile industry that are as follows:

Accelerating pace of disruptive innovation- 82% of auto-mobile manufacturing organisations lack preparedness, resource alignment and execution for enabling faster change (Pasaoglu and et. al., 2014). There is rapid innovation in car manufacturing across global level. New entrants took place in market on frequent basis. Disruptions has turn cardinal to fast development of quality system.

Battle to own relationship in digital market- 90% of auto-mobile initiate and fresh characteristic are drive from physics that is accountable to 35% to 40% of average auto manufacture price (Nykqvist and Nilsson, 2015). The mobility leads to dominated by personal vehicles and market is generating more revenues than vehicles. Here, mobility service providers and automakers have to find innovative ways for retaining consumers loyalty.

Digitalization across value chain- US\$6.5b consumers are anticipated to world gross from auto joint work in 2024. The suppliers, automakers and connectivity lead leverage to access vehicle data for driving innovation for revenue streams. With rise in digitalisation, it is very important to drive value chain so that better outcomes can be achieved.

Securing resources for business continuity- There should be continuous innovation which has developed new challenging in capturing precious IP from invention activities. New technologies help in driving business continuity along with success and growth of firm.

Diverse source of unpredictability- There are different sources which leads to change auto mobile industry such as foreign exchange, financial market and raw materials and others (Pasaoglu, Honselaar and Thiel, 2012). Apart from these factors, various changes took place in country which leads to change in requirements of consumers and users.

Unprecedented scrutiny- It is very important for car manufacturing industry to do continuous scrutiny of their business so that better results can be achieved in effective and efficient manner. It is very important to check everything so that better results can be achieved.

b) Identify new and emerging business opportunities that production and marketing of electric cars may present to entrepreneurs and business executives. Identify and critically assess other businesses currently linked to global automotive industry that you think may not be profitable in long run to invest on

Electric Vehicles (EV) helps in making majority of new car sales globally by 2040 which is accounted to 33% if all duty vehicles on road (Wolfram and Lutsey, 2016). As per research of Bloomberg New Energy Finance, automaker is spending efforts for developing EV mainly due to demand and requirements of people from Asian country such as China. The respective nation has become global large champion of EV. Beijing is named to be 1 out of every 5 auto-mobile selling in China for running alternatives fuel by 2025. There is highly increase in EV at marketplace because of requirements of consumers. There are three main business opportunities which are available for making profit in booming EV market. They are described below:

Providing public EV chargers through help of platform business model- The main component for rising EV is because of availability of EV charger (Pollet, Staffell and Shang, 2012). Increase in number of EV chargers leads to mobile connectivity which will be sold in market. There is rise in EV charging Stations installations which is anticipated to turn much than 12.7 million in 2020. This will create better business opportunities for EV manufacturing industry. Providing of EV charger done horizontal surface concern exemplary leads to assist consumers by preventing from use or payment of electricity. Users can use such facility through QR code provided through mobile phone.

Partner with EV charging stations for providing one stop centre for charge and chill experience- The charging of EV takes time as each parts of vehicle is charged. Tesla has announced their plan for supercharging stations (Prud'homme and Koning, 2012). The supercharging of Tesla is regarded as advanced technology in today's market. As it takes 30 to 40 minutes for fully charged. Apart from this, Tesla charging stations will take drivers for charging cars. The manager of Tesla technology has said charging will contain 40 charge points where driving force can lie backmost and turn and charge their cars easily.

Providing battery disposal services- The increase in EV leads to create problems for people and organisation in future time period (Wallace, 2017). The actual EV electric battery application is small as mobile battery that uses lithium in it. It is regarded as controlling material and required decent disposition act because of organisational surrounding. When EV battery get invalid and needed substitution then it must be sold in market. Specialised activities is regarded as another business opportunity because of emergence of EV. Worldwide battery usage marketplace is reaching USD 11.83 billion by 2022 at CAGR of 6.5% between 2017 and 2022. This marketplace can be growing through increasing production of spent batteries from industrial and motor vehicle root-age. The battery disposal services will cover both electronic devices as well as EV.

The rise in number of consumers, agencies, urban developers, investors and so on believe that Electric Vehicles (EV) will bring better outcomes for environment and industry (Zhang and et. al., 2014). There are large number of opportunities available for respective organisation and people for improving their EV to achieved long term benefits. Large manufacturer has announced \$24 billion for setting up EV by 2030. There are large number of car manufacturing industry which combine sell 10 million vehicles per year

CONCLUSION

From the above essay, it has been analysed that automotive industry is the fastest growing in the market which helps in economic development of nations. There are different factors which leads to shape business environment of car manufacturing industry. This includes political, social, economic, technological, legal and others. It is very essential to analyse each factor in effective manner so that changes can be made accordingly. The rise in demand of people leads to increase in number of use of cars that helps in earning profits for car manufacturing industry. There is production of electric vehicles because of various requirement of consumers. This helps car industry to get competitive advantage at marketplace. The selling of electric cars assists in emerging opportunities for those business to provide their services and products at market. There is rise in global innovation of electric vehicles and make work for consumers to be easy and simple in long run prospective.

REFERENCES

Books and Journals

- Babrowski, S. and et. al., 2014 Load shift potential of electric vehicles in Europe. *journal of power sources*. 255. pp.283-293.
- Casals, L. C. and et. al., 2016 Sustainability analysis of the electric vehicle use in Europe for CO2 emissions reduction. *Journal of Cleaner Production*. 127. pp.425-437.
- Gangale, F., Mengolini, A. and Onyeji, I., 2013 Consumer engagement: An insight from smart grid projects in Europe. *Energy Policy*. 60. pp.621-628.
- Hawkins, T. R. and et. al., 2013 Comparative environmental life cycle assessment of conventional and electric vehicles. *Journal of Industrial Ecology*. 17(1). pp.53-64.
- Hedegaard, K. and et. al., 2012 Effects of electric vehicles on power systems in Northern Europe. *Energy*. 48(1). pp.356-368.
- Kley, F., Wietschel, M. and Dallinger, D., 2012 Evaluation of European electric vehicle support schemes. *Paving the Road to Sustainable Transport*. New York: Routledge, pp.75-95.
- Nykqvist, B. and Nilsson, M., 2015 Rapidly falling costs of battery packs for electric vehicles. *Nature climate change*. 5(4). p.329.
- Pasaoglu, G. and et. al., 2014 Travel patterns and the potential use of electric cars—Results from a direct survey in six European countries. *Technological Forecasting and Social Change*. 87. pp.51-59.
- Pasaoglu, G., Honselaar, M. and Thiel, C., 2012 Potential vehicle fleet CO2 reductions and cost implications for various vehicle technology deployment scenarios in Europe. *Energy Policy*. 40. pp.404-421.
- Pollet, B. G., Staffell, I. and Shang, J. L., 2012 Current status of hybrid, battery and fuel cell electric vehicles: From electrochemistry to market prospects. *Electrochimica Acta*. 84. pp.235-249.
- Prud'homme, R. and Koning, M., 2012 Electric vehicles: A tentative economic and environmental evaluation. *Transport Policy*. 23. pp.60-69.
- Wallace, D., 2017 *Environmental policy and industrial innovation: Strategies in Europe, the USA and Japan*. Routledge.
- Wolfram, P. and Lutsey, N., 2016 Electric vehicles: Literature review of technology costs and carbon emissions. *The International Council on Clean Transportation: Washington, DC, USA*, pp.1-23.
- Zhang, X. and et. al., 2014 Policy incentives for the adoption of electric vehicles across countries. *Sustainability*. 6(11). pp.8056-8078.

Online

An Analysis Of Internal And External Environmental Factors In The Context Of UK Automobile Industry. 2018 [Online]. Available through: <<https://www.urbanpro.com/bba-tuition/an-analysis-of-internal-and-external-environmental>>.

PESTEL Analysis of Automobile Industry. 2015 [Online]. Available through: <<https://freepestelanalysis.com/pestel-analysis-of-automobile-industry/>>.