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Assessment 1**

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Introduction

Business environment is a combination of every factor that is involved with an organization and has direct or indirect impact on the company. It helps companies to expand and even cause their decline (Baron, 2016). This report is going to highlight the overall business environment of a renowned car manufacture industry Volvo. The Volvo Corporation is a global Swedish manufacturing company headquartered in Goteborg, Sweden. They are introducing Volvo electric cars to start a new era in the car industry in Europe which will reduce the problems faced with traditional car models. This report will analyse how successful their new initiative will be considering their business environment.

1. The major forces shaping the business environment of Volvo Cars.

External forces are triggering a phase of a rapid transition in the automotive industry. Although high levels of internal competition have in the past driven innovation, new sources of competition have emerged and had increasingly influenced vehicle development and design. Volvo Cars launched the first electric car under a new EV-focused name, the XC40 Recharge, which sets off a company-wide move towards electrification (Volvocars.com, 2020). Volvo is focused on creating a fuel-efficient and revolutionary electric vehicle to meet its environmental mobility goal without losing the car's luxury quality. They are going to introduce new electric cars which are shaping the future generation's needs. For this, they need to analyse their business environment.

For business environmental analysis PESTLE analysis is a very effective one. It is an analysis that helps to understand the external environmental effects on a firm (Booker, 2016). This analysis helps a great deal in identifying the problem an organization is likely to be faced and will assist to get improved solutions.



Figure 1: PESTLE Analysis.

Source: (Caprotti, 2017)

Political Factor

The political system consists of several regulating government bodies. The political structure allows for order, laws, and threat-protection. The UK is a prosperous and economically stable country (McDaniel and Gitman, 2014). The rules in the country are detailed and are thoroughly enforced. UK government has put heavy control on the automotive industry. Volvo's major markets in Europe have been impacted by rising insurance rates and new health legislation. The government has also raised taxation on more carbon dioxide-emitting vehicles (Saleem Shaikh, 2015). But Government has actively worked recently to put the Volvo sector into line with global requirements, as well as to resolve the architecture gap and growth by launching Volvo in order to bring about technical transition with this brand-new project. Volvo faces a challenge in making low emission cars for past few years. But they are coming up with solution by introducing Electric cars.

Economic Factor

Economic conditions cause a huge impact on Volvo (Mohamed, 2015). These economic factors like tax rate, GDP, exchange rates etc can control a firm's expansion or downfall. From 1991 to 2007, the Volvo market endured a three-fold economic downturn, indicating a strong recession risk due to over-supply as well as weak corporate earnings. But it has overcome with launching of their efficient car models. The rising oil prices have altered market behaviour. The demand for fuel-efficient cars has increased. That's why it will create a positive impact for Volvo with its electric car.

Social Factor

Volvo needs to embrace the norms, viewpoint, attitudes and morals within the society it is operating. (Skinner and Ivancevich, 2016). The impact of social forces is significant for the corporate aspect of Volvo, also for the commercial element of the organisation. The big challenges facing Volvo are changing market tastes from expensive, large engine vehicles with massive carbon emissions to fuel-efficient, more compact cars, owing to many factors such as increasing oil prices, more policymakers still give tax benefits to those who purchase fuel-efficient more environmentally sustainable automobiles, while other rewards include free parking and road tolls (Showi, 2018). This change in customer expectations which is a social force has downgraded the company's results.

Technological Factor

Technological trends impacting the automobile industry include the pace of transfer of technologies, a modern invention, and product substitution (Wyburd, 2016). The government has recently taken the initiative in the UK to encourage emerging clean energy technologies and produce electric cars. With the introduction and incorporation of modern and emerging technologies into its product plan, Volvo has kept a large market share, thereby satisfying the demands of the evolving world with low carbon-emitting fuel-efficient vehicles in the atmosphere.

Environmental Factor

In the UK, large scale vehicles boost pollution through carbon emissions. Hence, it has created environmental issues including polluting soil. The government took drastic action to promote electric cars (Banister, 2017). Volvo sees this as an opportunity and launches a highly eco-friendly hybrid vehicle that saves the atmosphere from pollution and other poisonous gasses.

Legal Factors

Federal environmental conservation policies have started to mobilize and this has affected the entire car industry. Because of these environmental conservation laws and the Clean Air Act passed by the legislature, the choice of eco-friendly cars triggered a change in tastes and changed the needs and thus as discussed above (Worthington and Britton, 2018).

Safety is still Volvo's major asset. But the external pressures are looking for more durable, more environmentally sustainable, more fuel-efficient vehicles as the government levies high taxes on big cars that inject huge volumes of carbon into the atmosphere, and most specifically, the governments are providing most tax benefits for those who prefer fuel-efficient cars so it has become a great opportunity for Volvo with their electric cars.

2. A critical assessment of future changes may take place in Volvo Cars.

Volvo Cars always believe in making them up to date with new technologies and try to capture the market first. The future changes that may happen in Volvo Cars can be explained with model given by Porter.

2.1 Five Control Forces Model of Porter

The model given by Porter to control forces is a technique to observe the business environment of a firm or company. The control forces are: new comers in the market, the influence of similar firms, the potential users, raw material providers and challenging substitutes that has have an effect on that particular business (Booker, 2016).

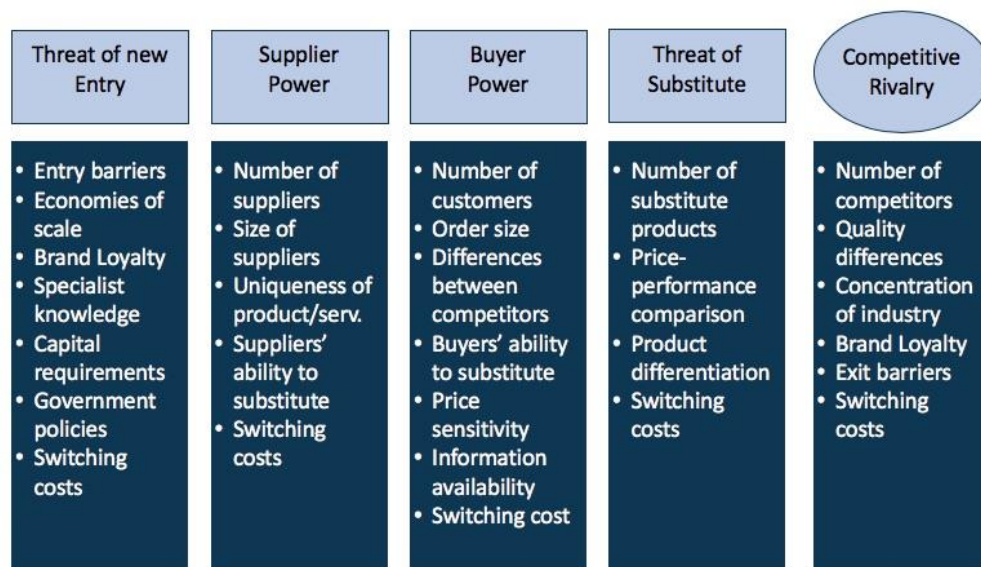


Figure 2: Five Control Forces Model of Porter

Source: (Wyburd, 2016).

New Start-ups Challenge

The position Volvo is now, substantial savings is relatively pretty hard to attain. So, they will be able to use their price strategy. This also makes a supply to new entrants costlier (Showi, 2018). This makes it a smaller power to challenge potential entrants. Volvo can possibly take advantage of their gained position it has in the market, competing against new competitors for its price advantage.

Supplier negotiating leverage

The size of suppliers in the industry where Volvo works is significant relative to the customers. Suppliers have fewer control over the cost factor, that will make the suppliers' bargaining supremacy a low factor (Mohamed, 2015). For its various geographical areas, Volvo may have different suppliers which will eventually give them edge.

Purchaser Bargaining Influence

There are lots of product variation in that sector it will create situation where customer won't find reliable alternative. As the customers are likely to stick to the product it will make consumers' purchasing control a poorer factor within the particular industry (Baron, 2016). Volvo should emphasize on innovation and differentiation to attract more consumers. Brand separation and quality continuity are important for buyers. Volvo can gain huge benefits by focussing on these choices.

Threat of Substitute Product

There are very low amount of product choices are available in the market Volvo works in. The firms those produce very low revenue make very low available substitutes products. This means that no restriction is given to the total revenue that businesses may receive in the Volvo works market (Caprotti, 2017). These limitations create the challenge of alternative goods a lesser force in the business. Volvo must count on greater quality for its products. Eventually customers will switch to quality rather than price.

Rivalry among Existing Farms

The market where Volvo operates is rising very fast and will grow even more in near future. As their growth rate is where they deserve it will lower the chance of aggressive completion (Booker, 2016). Because they are not gaining position over others market share. As a marketer, Volvo will emphasize more on their possible consumers and won't focus more on creating new ones.

2.2 Reasons for drive toward Electric Cars

The introduction of the electric car is creating a new era for the automobile industry. Automotive giants like Volvo express their commitment to turning the production into the electric car only in the very near future (Showi, 2018). There are many benefits of using electric cars some are discussed below:

Low Cost: Every year electric cars cost less than traditional gas-fuelled vehicles. Electric cars are fairly affordable. No petrol to buy, no shifts in fuels, no smog checks, and less moving parts to crack or tear-out.

Environment Friendly: The introduction of electric cars prompted an increase in the total usage and supply of electricity (Skinner and Ivancevich, 2016). It has proven how important it is to pursue sustainable fuel sources, which will have a positive effect on the atmosphere in which the community as a whole.

High Performance: Since electric cars have incredibly high torque capacity, pick-up is very fast and smooth. Instant torque from the electric motor provides fast and quick acceleration. Finally, battery weight and distribution and low centre of gravity improve handling, convenience, and health.

Safety: Recent studies have shown many features of electric cars can improve safety. Electric cars appear to have a less gravity core which makes them less probable to roll over (Banister, 2017). They will also have a lower chance for big fires or accidents and Electric Cars' body structure and reliability will make them safer in a crash.

Volvo and its management are serious in their efforts to preserve the world, but at the same time, their mission means that they strive to be a big player on the market for electric cars (Volvocars.com, 2020). As they have already introduced electric cars and have created a new dimension in the automobile industry they will have a huge competitive advantage over other automobile companies. They are also creating threat for their closest competitor that is Tesla motors. People will move toward electric cars soon and will Volvo Cars more trustable as they have already proven themselves with their successful electric cars.

Conclusion

Volvo is a car manufacturer who is thinking for the future. They have taken a huge step by introducing Electric Cars which will give them edge among their competitors. The business environment of Volvo is making a positive impact on their new initiatives. A PESTLE analysis has given an overview of their business environment. Also, with the help of Porter's five forces model, the future changes that may happen within Volvo have been estimated. As they have introduced electric cars already it will give them a competitive advantage over their competitors in the near future as people will eventually shift to electric cars when they will realize its importance.

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