

THE GLOBAL BUSINESS ENVIRONMENT

Electric vehicles in Europe

Assessment 1

Environmental Analysis of an Industry

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Table of Contents

Introduction	3
PESTLE Analysis of Volvo Company	3
<i>Political Factors</i>	3
<i>Economic Factors</i>	3
<i>Social Factors</i>	4
<i>Technological Factors</i>	5
<i>Legal Factors</i>	5
<i>Environmental Factors</i>	6
Volvo Car Manufacturing Trends in the Last Few Years	6
Assessment of the Organizational Changes of the Volvo Company and Its Reasons	7
Implications of Porter's Five Forces Framework on Volvo Company	7
<i>The threat of New Entrants</i>	8
<i>Bargaining Power of Suppliers</i>	9
<i>Bargaining Power of Buyers</i>	9
<i>The Threat of Substitute Products or Services</i>	9
<i>Rivalry Among Existing Firms</i>	9
Conclusions	10
References	11

Introduction

The environmental analysis of the electronic car industry has been discussed in this report. The present report has been conducted on a Sweden based company named Volvo. Volvo company is operated in around the 120 countries. It has been reported that about 27,500 employees are employed in this Volvo company. The company has 2400 dealers to sell its products. 90 years old Volvo company was sold to Ford motor company. It can be said that this Volvo company is considered the principal source of success of Ford motor company. A huge amount of money has been invested in the research and development in safety because the company's main mission is safety. For competing with its competitors named Toyota and Lexus, Volvo company produced premier cars and maintained safety and longevity as the core positioning strategy. However, the report has been described the PESTLE analysis and Porter's five forces for understanding environmental analysis of the electronic car industry specifically, in the context of Volvo company.

PESTLE Analysis of Volvo Company

Environmental analysis is pivotal for understanding the dubious and dynamic environment (Sammut-Bonnici and Galea, 2015). Therefore, it is significant for the Volvo company to examine the PESTLE investigation for understanding the clear picture of changes in the UK environment and its effects on the activities of the company.

Political Factors

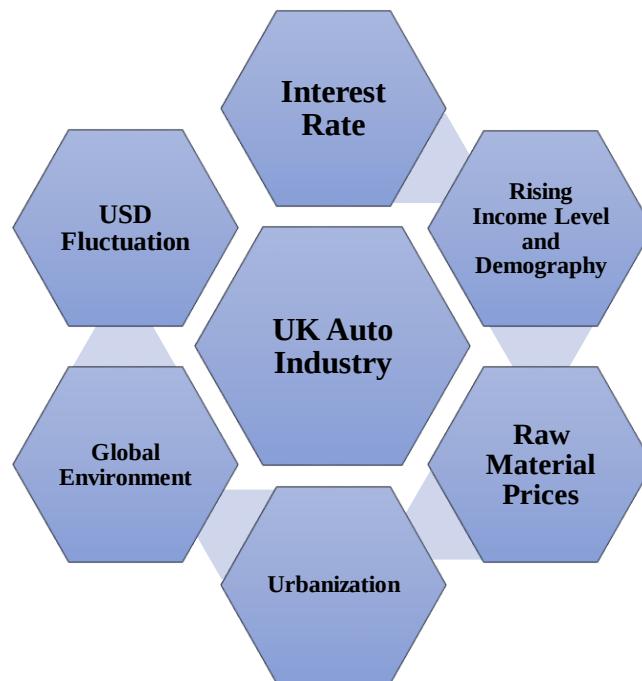
Political factors involve government and these factors set up steadiness, regulations, and assurance from threats. The UK has an extraordinary political framework, which is installed inside a chronicled, social and environmental setting. The implication of extensive laws and regulations is strongly found in the UK. As the country is politically steady and safe, the administration of the nation has forced high guidelines on the car business.

Economic Factors

Several economic factors of the UK affect the Volvo company including the cost of batteries and the price of other raw materials. However, the cost of batteries is becoming lower day by day.

Moreover, the price of raw materials is declining. Thus, the company produces cost-effective vehicles and this electronic car is becoming popular to the customers because middle-class customer can afford.

Figure 1: Major Economic Factors of Automobile Industry



Source: Chen, Wang, and Young (2015)

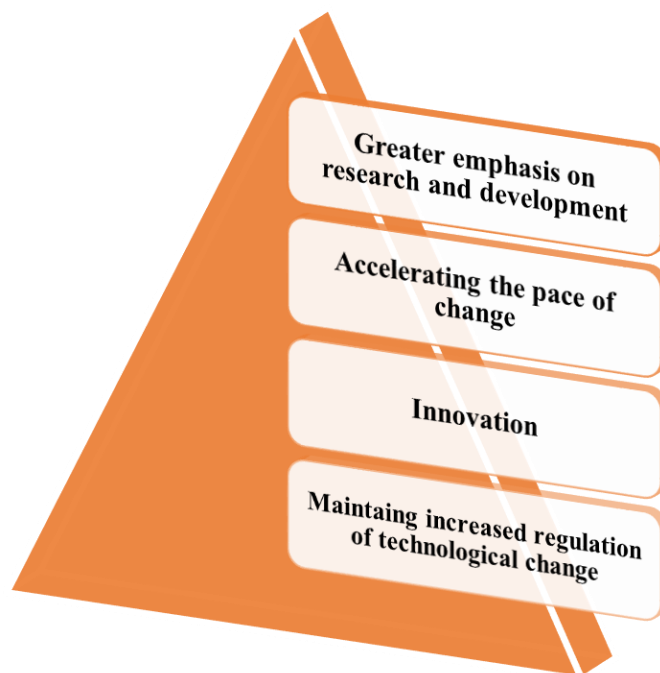
Social Factors

Many social factors affect the environment of the Volvo company which include religion, customs, values, and social rules. But the main factors which influence the Volvo automobile company which is the changing customers' demand and preferences (Hertz, Johansson and Jager, 2019). At the present time, customers demand luxury but small compact cars. The main reason for such type demands is the increasing standard of lifestyle. Moreover, the Government of the UK is giving subsidies and incentives for those customers who are interested to purchase eco-friendly cars in case of free parking and road tolls.

Technological Factors

Volvo company is mainly affected by the rate of technology diffusion including innovation and replacement of technology (Bennett, 2015). Currently, the Government of the UK has undertaken various initiatives regarding renewable energy and generating electric vehicles. In addition, the main competitive advantage of Volvo company is to supply safety cars although it failed to cope up with the technological improvement in the macro-environment. Conversely, the company's main competitor Toyota has significantly cope up and applied the improved technology which manufactures reduced carbon emission cars or eco-friendly vehicles. However, the Volvo company emphasises on some factors for technological improvement. These are provided below:

Figure 2: Influencing Factors of Technology Advancement for Automotive Industry



Source: Hertz, Johansson, and Jager (2019)

Legal Factors

Several laws and legislations which are implemented for environmental protection affect the Volvo automotive company. It can be exemplified that the Clean Air Act has provided modifications in

clients' preferences. As the Volvo company's main aim is safety issues, it maintains the requirements of the legal factors (Roberto, Guo and Jiang, 2017).

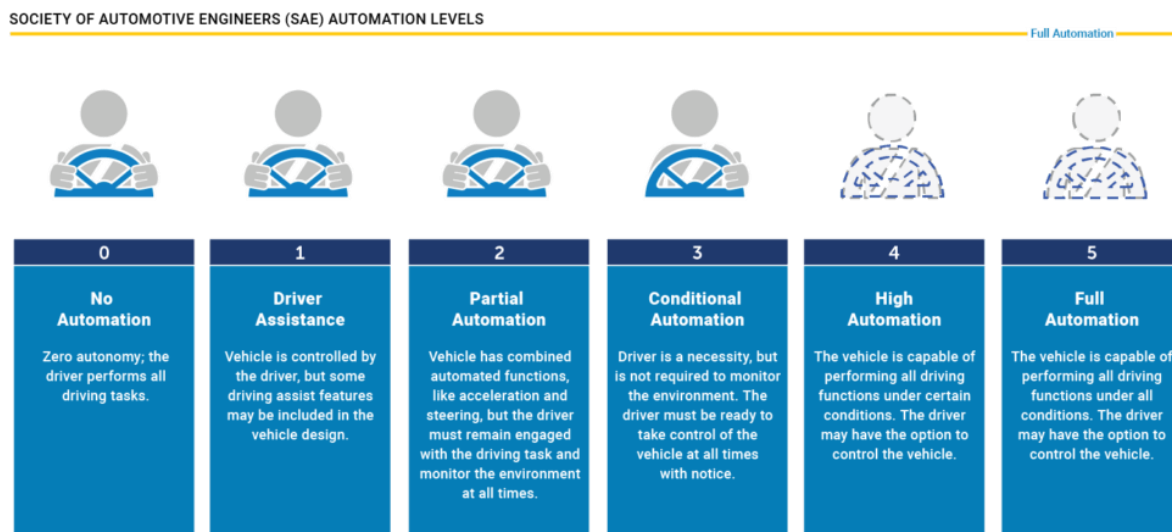
Environmental Factors

As large size vehicles add pollution in the environment which consequently generates environmental problems. For this reason, the company produces small compact and eco-friendly cars which brought the smart amount of profits for the company (Bailey *et al.*, 2018).

Volvo Car Manufacturing Trends in the Last Few Years

In the 21st century, autonomous driving is considered as a promising application. This is different from the traditional car to perceive the surrounding environment. Moreover, the sensor data is utilized to determine an optical driving path and to save the car. As the Volvo company focuses on safety, it launched ADAS systems (advanced driver assistant system) from 2006 to 2017. In 2017, the company built a joint venture with Autoliv to develop autonomous driving technology. In addition, from the 1st November 2018, the company developed the fully autonomous driving cars. In 2020, the Volvo company is focusing on ADAS and autonomous driving technology. It has been forecasted that autonomous driving SUV 2021 will be developed. Hence, the company optimized its operations and modified the clients' perception of driverless car safety.

Figure 3: Conversion of Traditional Automotive OEM Volvo Cars into Autonomous Driving within 2006-2020



Source: Chen, Wang, and Young (2015)

Assessment of the Organizational Changes of the Volvo Company and Its Reasons

Volvo company requires some organizational changes including management changes. The company implemented talent change management by considering four essential steps. Firstly, the company identifies talented employees including mechanical engineers, software engineers, etc. for conducting its operations effectively. Secondly, right outside stakeholders are assigned for performing numerous tasks of the company. Thirdly, for generating new ideas and processes, talent outside of the company requires. For example, Nokia engineers were hired for conducting radio and navigation systems. Lastly, the company initiated a comprehensive system for combining new talent. For this reason, Volvo welcomed 3,000 new employees (Jasinski, Meredith, and Kirwan, 2016).

Implications of Porter's Five Forces Framework on Volvo Company

By utilizing Porter's five forces, strategic planners of Volvo company can realize the factors of five forces influencing productivity and profitability. There are numerous factors influencing the Volvo vehicle industry. Porter's five forces are discussed for examining the attractiveness and

competitiveness of the Volvo company. However, the stronger force indicates the lower profitability of the automotive industry. Conversely, a weaker force results in more profitability which is utilized for making strategic plans.

The threat of New Entrants

It is considered as cost advantage for the Volvo company because this automotive company can take benefits of the economies of scale within its business. Moreover, the company has its different way of innovation for its products which makes it different from the new entrants. Volvo company can utilize its advertising expenses to create significant brand identification. It assists to build up loyalty among the customers. Although it is no easy task to enter the domestic and international automotive market, the company requires high investment. Hence, it is considered as the weak point for the Volvo company.

Table 1: Porter's Five Forces

Porter's Five Forces	Nature	Description
The threat of new entrants	Low	It is difficult to enter the automobile industry as a new brand. Thus, it is the weak point of the automobile company.
Bargaining power of suppliers	Low	As raw materials are available and switching cost is low. For this reason, the bargaining power of suppliers is significantly low.
Bargaining power of buyers	Moderate	As purchasers can easily switch to other vehicle brand and can use another mode of transportation, they have scope for bargaining.
Threat of substitutes	Low	As there are alternatives modes of transportation including buses, trains, planes and taxis, threats of alternatives are considered as the weak point of the automotive industry.

Competitive Rivalry in the industry	Very strong	Competition is considered as a strong force because there are not more renowned and recognized automobile companies.
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Bargaining Power of Suppliers

Volvo company can purchase its raw materials from its suppliers at a lower price because there are available numerous suppliers for the automobile industry. Furthermore, the switching cost from suppliers is significantly low (Kibria, Amin and Rifat, 2017). Hence, there is found lower scope for the bargaining power of the suppliers with Volvo company. Within the supply chain, the Volvo company maintains numerous suppliers in different geographic regions. This is how the Volvo company maintains its efficiency and effectiveness in the supply of raw materials.

Bargaining Power of Buyers

Volvo company produces innovative, safe and eco-friendly vehicles and thus, it can emphasize innovation and differentiation so that clients can be attracted. The company is a large customer base and consequently, the low bargaining power of buyers is found. Volvo company sells its products by offering high quality products to the customers by charging higher price too. The customers have moderate power over the quality or price of the products. Therefore, it emphasises on customer loyalty for selling and sustaining its customers.

The Threat of Substitute Products or Services

Volvo can concentrate on differentiating its items. This will guarantee that purchasers consider it to be as extraordinary and do not move to purchase for the substitute items. But there is an alternative mode of transportation including taxis, buses, planes, and trains (Ariffin and Sahid, 2017). So, the company may face challenges of alternative services. Thus, the threat of alternative products for the Volvo company is considered a weak point (Zhang, 2018).

Rivalry Among Existing Firms

Volvo company requires to concentrate on differentiating its items including vehicles with the goal that the activities of contesters have less impact on its clients that look for its unique products. As

the business is developing, Volvo can concentrate on new clients as opposed to winning the ones from existing organizations. Volvo can take guidelines of statistical surveying to comprehend the supply-demand circumstance inside the business and forestall overproduction. Fierce rivalry can cause a price war that may lead to a reduction in the profitability of the company in the near future.

Conclusions

International market leader in luxury bus service, Volvo company operates its business with strong brand equity. Although the company requires to address strong competition with Scania, Daimler, and Tesla, it aims to produce safe and eco-friendly products so that customers can be attracted with the innovative and unique products by differentiating from competitors. The current report has been prepared for examining the PESTLE analysis so that factors affecting the Volvo business environment can be easily understood. The extraordinary UK political framework with strong implications of laws and regulations affect significantly to the Volvo company because it requires maintaining high guidelines in case of a company's tax assessment on trade. Consequently, economic factors additionally affect the company. As customers currently demand eco-friendly vehicles, the company produces such types of products by utilizing technological advancement and follows laws and regulations considering the environmental effects (Bruijl, 2018). Thus, the legal, environmental and technological factors also affect the Volvo company. Therefore, Porter's five forces are represented at the end of the report for understanding the attractiveness and competitiveness of the Volvo company to the potential and existing customers and strategic planners of the company.

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