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PROGRAMME - BUSINESS MANAGEMENT

UNIT – GLOBAL BUSINESS ENVIRONMENT

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1.0 Introduction

Automobile industry could be said as technology based industry which make the people to move from one place to another smoothly. And it is one of the most income earnable industry too. Automobile industry serves a lot to people who mean passengers at the mean time help for the economic growth of all the countries who produce cars as well as sell them. At present USA is the vast auto maker and seller in the world. The second is the China. Further we can say automobile industry is the main industry of the economy of all major countries. Also automobile industry is a major innovator which implements plenty of money for research in result coming with new technology.

When it comes to Europe all the countries are inter dependence on each other in automobile industry. Many top most brand car makers in the world have their plant in Europe for example BMW, Mercedes Benz and Toyota. So when making a car the spare parts for it comes from various countries and assembled in one place here shows the dependency. For example Germany supplies power steering part to all the manufacturers in Europe.

Further when we see many other industries survive depending on this automobile industry. For example for making a car we need various of inputs mainly steel where it helps for the development of steel industry likewise rubber industry for tires, textile industry for seat clothing, aluminum industry, computer industry for sensor equipment's used in cars. Here it shows how automobile industry help all of these industries in surviving. As mentioned they depend on automobile industry while supplying their products in order to all vehicle brands.

In further clarification of automobile industry in Europe this report goes with PESTEL and Porter's Five Force analysis.

Figure 1 Pestel Analysis



2.0 PESTEL Analysis

PESTEL analysis is a tool which explains the exact macro-environmental situation of an industry. According to the result of this framework the industry can find out their impacts which may affect their business. Here I implement each factor to automobile industry of Europe.

2.1 Political Factors

Political factors explains about government and Continent body's regulations that may affect the industry. Exactly any policy or regulations that they pass may bring many restrictions and problems in running the business in the same manner.

- Mainly government were concerned on environmental protective measure which made the industry to incur extra cost in production to safe guard those factors favorable to environment as well government rules. Example: European Union's Emission Trading System.
- Import and Export taxes which becomes a problem when importing or exporting spare parts have to pay more in result increase of production cost, where all European countries are inter dependents no way to escape.
- Impose of internal taxes within country also affect the industry when selling cars the rate buying goes down due to increment of price.

2.2 Economic Factors

Economic factors explains about the economic factors in whole as resources available, scarcity, economic growth, exchange rates etc.... These factors affect the automobile business process on various situation.

- Interdependency of countries for automobile industry in Europe helps for economic growth of every country involves.
- More and more production of cars which comes with new innovation increase the demand of people buying.

- At present the decrease Euro currency value impact the automobile industry in both production and sales.
- Corporate associate relationship between companies for upcoming projects.

2.3 Social Factors

Social factors explain about the socio cultural situation as how the society involves or impact this automobile industry. This includes the total demographic factors like population and their beliefs and willingness and distribution of products to the accurate groups. Society is the direct impact of the industry as they change to consumers when they buy the products.

- According to European pattern everyone wants to have a car which they think it is a status that take them to next level in their life.
- Day by day consumers wish to go for new and various type of vehicles which may lead to loss of existing excess number of cars.
- Consumers must be fulfilled with clear idea about the vehicle as per the emissions it releases that could be harmful. (At present society prefers to go for green driving)

2.4 Technological Factors

Today the fastest thing that changes every second is technology. The fast it changes the technology impacts all the stages in an industry, it could be production, distribution, marketing and many other. This impact make changes in all industry including automobile. If we see Europe it has got a well-developed technology system similar to America.

- Efficiency in production which means able to produce more by low cost using technology.
- New innovations with many facilities and safety in automobile.
- E-commerce which connects the seller and buyer in one click that's saves time, money and so on.
- Variety of models are innovated by various brands to attract people to survive in competitive market.

- Also due to this technology there is disadvantage towards the employees where they may have lose their jobs in future.

2.5 Environmental Factors

Environmental factors explains the environment situation that impact the automobile industry in Europe. This is an important factors as it considers the resources to be used for production and which not may harmful for the environment. Also how to reduce the pollution in the production and from the products.

- Due to high pollution now consumers itself they prefer more eco-friendly products which was result of releasing hybrid, fuel efficiency vehicles from automobile industry.
- And the implementation of Euro norms under Europe to safe guard global warming impacts the automobile industry in spending amount of money in production. This result many automobile industries to go out of Europe and produce there and only import to Europe.
- Due to scarcity of resources industry must work in ethical manner in safeguarding those resources.

2.6 Legal Factors

Legal factors explains about the law and regulation that every industry should work under it then it legal otherwise it becomes illegal. This includes health and safety, marketing limits, safety measure to be used in product resources also it includes with consumer rights.

- Perfect law for safeguard global warming around Europe.
- Complete stop barrier for china in entering its industry or vehicles into Europe which safe guards the Europe automobile industries.
- Employee laws(hours per day, minimum wages)

3.0 Porter's Five Forces Analysis

Professor Michael E. Porter developed this five forces framework to evaluate an industry with its competitiveness. And it is one of the most used framework in present in analyzing industry competition which give accurate results for the growth of the industry by competing. This is useful, because it helps us to understand both the strength of our current competitive position, and the strength of a position we're considering moving into. This help to work in fair advantage of strength, improve the situation of weakness and to avoid taking wrong decisions.

So here this framework is used to analyze automobile industry of Europe. In Europe the major automobile makers compete each other in producing vehicles and to capture market share in high number. Each and every automobile makers are keen with their competitors and try to give best vehicle to the market which could be attracted by the customers. Further they try to reduce input costs in their production and give outputs which make them survive. In considering all these factors five force frame work will give a clear view how the automobile industry in Europe exist while competing and attracting.

3.1 Buyers

The buyers always expect more and high quality products for low price. In the automobile industry in Europe all brands play a keen role to satisfy their customers with the willingness of the amount they are ready to pay. In case one car brand loose to do this there are plenty of brands exist so customers may leave one to another which result of low revenue. In identifying buyers' satisfaction and to fulfill it they have to go through various strategies. In seeing further the buyer's power is high in automobile industry their bargaining for new vehicles as per the individual, organizations and government are varies and they are primary buyers of motor vehicles.

- Buyer willingness
- All the available other brands
- Competitors prices
- How to attract customers in various ways
- Identify the loyal customers of a particular brand

- Attractive and free services after purchasing vehicle.

3.2 Suppliers

Suppliers always try to supply less for more price in case automobile industry must fulfill their suppliers however to an extent in order to make sure the flow of resources they supply comes in accurate. It is to be done because we can see there are no much suppliers only few potential suppliers so their demand could some time high which may affect the profitability of automobile companies. In Europe automobile industry if we see the main inputs for manufacturing vehicles are the labour, spare parts, raw material and services so these are the inputs to be supplied, so here itself it shows how it impacts the production cost. Further if we see most of the spare parts for vehicle are been supplied by the same supplier for many brands. In this case each brand try to play the trick to make other brand flop by doing price increment with suppliers. This results a good income for suppliers. In Europe automobile industry;

- Only few potential suppliers
- It's not easy to change suppliers time to time. For example all European made cars are supplied with Germany's power steering spare part. If any brand wish to change their suppliers they will have to incur an extra amount which will result a positive impact for the competitors.
- If we see automobile industry of Europe as already said above mostly its country based supply as all countries depend on each other.

3.3 Substitutes

If we see the automobile industry in Europe it has got substitute with public transportation in every country. In recent if we see the increment of fuel prices lead many vehicle owners to use public transport in order to reduce their spending. In recapturing this fall many car producers try produce fuel efficient cars. Also we can find due to many vehicles on road it makes high traffic jams on streets so in order to save time people start to use railways which fast and accurate. Still many of

car users feel that's comfortable using their own cars in transportation and they are the target group of this industry.

Further it can be said there is no realistic substitute to motor vehicles because the public transport won't fulfill the accurate destination which a car fulfills. So we can see the motor vehicle has overcome other substitutes like public transport in overall. Aero plane is also a substitute still it's not direct substitute its used long distance mainly travelling overseas.

Finally I can say that automobile industry in Europe don't have much threat on substitutes as the gaps between substitutes is very far that's wont effect it in high proportion.

3.4 Existing competitors

If we see European market there are many car producers exist, each brand try to attract customers for their own brand vehicles. In this case main brands like BMW, Mercedes Benz, and Ford etc..... compete each other through price factors at the same time also by non-price factors. People every day try to have innovative things so these brands also work on innovating new things in their vehicles competing each other.

Also presently market consider on environment pollution and spending. In order to fulfill this all brands work on producing eco-friendly vehicles at the same time with stylish modification, mainly fuel efficient. So whoever wins the competitor are leading and able to capitalize on their trend designing vehicles. If see Europe each brand overcomes another at every time of their releases with somehow with new features on their vehicles. So it can be said each brand competes one another but not able to lead.

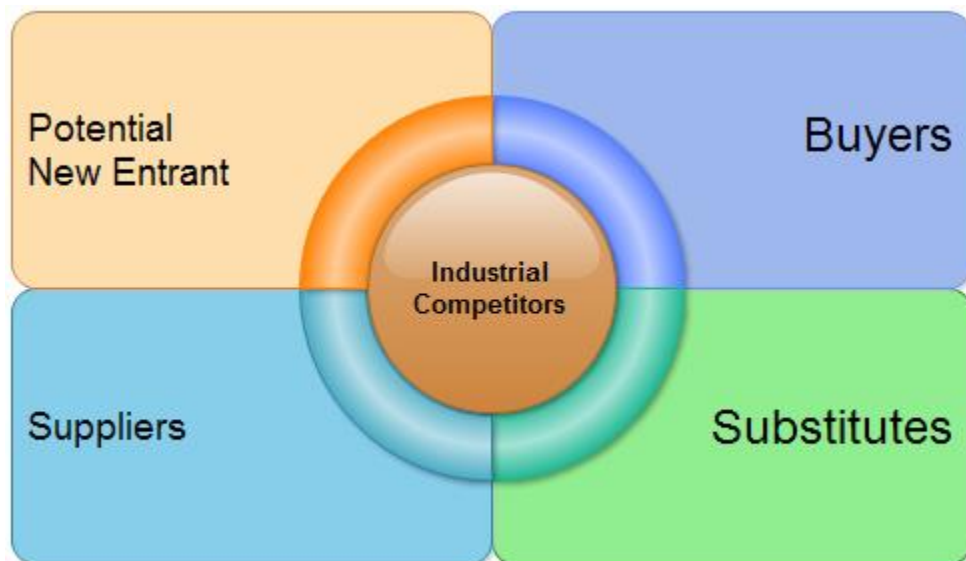
3.5 New Entries

In Europe there are no threat for automobile industry brands of new entries due to high level of barriers to entry. For example no china company can enter into European automobile industry so here only the existing brands and they don't have threat on new entries. Also that's not easy to establish a new manufacturing company in this industry even it's from Europe due to high level of capital is needed to invest in order to start. Still a new brand can't compete with those high

existing brands in Europe. Also labour charge and resource charges are very much high which only the existing companies can afford.

If a new company to exist it will take many years to come to a stable position still it won't be attracted by consumers due to brand preferences. Consumers always go for well known brands. In my view it's impossible to come with new brand to this industry breaking all these barriers. So this helps the existing companies to generate high level of sales and sufficient revenue. And simply divides the market share between those high existing brands.

Figure 2 Porter's Five Forces



4.0 Conclusion

By writing this report in the unit 'Global Business Environment' I have got a vast knowledge about various economical situations in business industry. It helped me to gain many information about multinational companies and I was able to compare those companies with local companies. Further I came to know how business move overseas, how the various type of factors impact businesses.

This assignment was based on automobile industry of Europe, by doing this it helped me to research about automobile industries exist in Europe and the leading once. Also it gave me a clear view that how each industry support for the economic growth of a country. Further I came to know the barriers, laws, political policies and other restrictions that impact an industry.

I am completely sure that this unit and this report helped me to develop my knowledge and it will be useful for my future business career.

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