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Module: **The Global Business Environment**  
(LCBB4005)

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# Global Business Environment

Automotive industry in United States

# Introduction

- ▶ Global business comprises transactions created and conducted across national boundaries to meet the goals of individuals, businesses, and institutions.
- ▶ Global business is now regarded as crucial to fostering employment and national economic development (Hill et al., n,d).
- ▶ The automobile sector in the US plays a significant role in economic expansion and is intricately crafted into the country's industrial and cultural landscape
- ▶ Businesses in the automotive industry focus on selling accessories and manufacturing vehicles (Bockin & Tillman, 2019).
- ▶ Understanding the global business environment entails analysis through various methods such as PESTEL and Porter's five analyses

# PESTEL Analysis

- ▶ The macro environmental elements are evaluated alongside their potential future effects on the automotive sector using the PESTEL (political, economic, social, technological, ecological) study method.
- ▶ **Political environment** - The United States is the second-largest democratic nation in the world and is presided over by a president.
- ▶ It has significant global political influence and a stable political climate (Hill et al., n,d).
- ▶ Increased changes in the global market result from regional politics
- ▶ Brexit would have a detrimental impact on the US economy. The stock markets around the world have already experienced tremendous volatility due to Brexit.
- ▶ **Economic environment** - The United States has the largest economy in the world by nominal GDP and is home to major automotive firms.

# PESTEL Analysis

- ▶ A greater market for the sale of automobiles is now available due to the recovery of the world economy after the Covid-19 epidemic (Nundy et al., 2021). (Baucus, 2022).
- ▶ The global lockdowns in 2020 and 2021 had a significant negative impact on the US economy.
- ▶ Globalization in the automotive industry has led to trends of acquisition and mergers
- ▶ **Technological environment-** The international automotive industry has always been propelled by technology.
- ▶ The American technology sector is today the largest in the world courtesy of companies like Apple, Google, and Microsoft (Baucus, 2022)
- ▶ Automakers have given consideration to using window displays that use augmented reality (AR), because it would improve safety ( Solum, 2021)
- ▶ As self-driving cars and AI become a reality, traditional manufacturers are becoming more aware of the need to modify their business structures and methods.

## PESTEL Analysis Cont.'

- ▶ **Social environment-** The majority of American households have a car that is used for daily errands for the family.
- ▶ Owning a car is a sign of success in the world and encourages more people to buy cars.
- ▶ According to global trends, consumers are discovering that sharing rides is more practical and inexpensive than buying a car (Baucus, 2022).
- ▶ However, a hypothetical increase in sales is not necessarily represented by the statistical reflection of population growth.
- ▶ **Ecological** - Automotive manufacturing and use consumes energy and releases emissions that affect the environment.
- ▶ The major dangers to the country's air quality are cars, which emit a third of all air pollution in the United States (Hill et al., n,d).
- ▶ Environmental protection is a priority, thus businesses try to embrace green energy as they can to reduce emissions.

# Automotive Industry and Porter's Five Forces in the US

- ▶ The Porter's Five Factors model offers a framework for identifying the probable factors that could influence each industry's shortcomings and strengths and mold it (Bruji & Gerald, 2018). .
- ▶ The components of Porter's five include suppliers, buyers, entry into the market, competition and substitutes.
- ▶ Because the automotive industry plays such a significant role in the economy, examining competitive factors will assist both new and current enterprises in determining how to position themselves within the worldwide economy.
- ▶ Since the advent of Japanese automakers like Honda and Toyota significantly boosted competition, a market analysis was required in the US.

# Porters' five Cont.

- ▶ **Bargaining Power of Buyers** - Consumers' brand loyalty, numbers and densities, information accessibility, price sensitivity, degree of product differentiation in the market, and availability of substitutes are all factors that influence their ability to bargain (Bruji & Gerald, 2018).
- ▶ Although customers in the US automotive market have little negotiation power, the entry of foreign rivals like Toyota and Honda into the market has increased competition, which in turn has enhanced customers' negotiating power.
- ▶ **Threat to New Entries** - New entrants are impacted by government restrictions, the production system, capital requirements, production capital and supply, and distribution network access.
- ▶ Market participants are required under the requirements of entry to lower entry barriers, particularly in home settings (Yang et al., 2019).
- ▶ **Suppliers Bargaining Power** - Supplier negotiating strength is determined by the industry's supplier network, the ability to move between suppliers, the ability to obtain materials from one or more suppliers, and the industry's availability of substitute supplies (Bruji & Gerald, 2018).

# Porter's Five Cont.

- ▶ Suppliers have little bargaining power and are subject to the demands and standards of vehicle manufacturers.
- ▶ **Threats of Substitutes** - The availability of used vehicles for sale, gasoline, and oil dictate the substitutes in the automotive sector.
- ▶ These replacements are popular in cities and towns. They include public commuter trains, bicycles, and walking shorter distances.
- ▶ The global trend is toward eco-friendly, energy-efficient vehicles.
- ▶ **Competition** - The automobile industry in the United States is dominated by Ford, General Motors, and Chrysler.
- ▶ Foreign competitors have given high-quality, affordable vehicles, motivating Japan to increase its global and domestic market share.

# Reasons for Engaging In International Business

- ▶ Many small and medium enterprises have the objective of serving customers at international levels.
- ▶ When there are no more chances for domestic development, businesses seek to expanding internationally.
- ▶ Hiring foreign workers can give companies access to workers with a variety of advanced linguistic skills and educational backgrounds (Gillespie & Swan, 2021).
- ▶ Additionally, it makes it possible for firms to employ local workers who are skilled at communicating with customers.
- ▶ Companies move international to improve their reputation
- ▶ Some companies operate internationally to increase revenues (Hayward, 2019).

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