

Electric Vehicle Industry

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INTRODUCTION

The automotive industry includes all organisations and companies that indulge in the activities of designing, development, manufacturing, marketing and selling of various type of motor vehicles. In terms of revenue, this sector considered as the world's largest economic contributor. There is a colossal impact ascertained by this sector from the changes in internal and external business operating factors. Technology played the central role in the evolvement of motor vehicles within the market where electric cars are in trend and demanded most by consumers at the global level. All these factors and their influencing power guides the business operations towards acceptance of new changes so they can persist within the market with sustainability. Those who failed to adopt have to face long term negative impact in terms of reduced profitability and earning capacity (Rong and et al., 2017). The organisation selected for carrying research and further analysis of the concept of electrification of vehicles is Volvo Cars. It is a large Automotive manufacturing organisation that provides its business offerings in all over the world. This organisation already has a clear vision of the development of electric vehicles from the year 2019. The main aim of this report is about the identification of business opportunities associated with the production and marketing of electric cars.

The aspects covered in this report include the determination of emerging business opportunities for entrepreneurs and business executives while producing and marketing electric cars and assessment of the impact may be or not upon the long-term profitability of current market players due to adoption of electrification technique of production.

MAIN BODY

a) Identification of new and emerging business opportunities associated with the production and marketing of electric cars

The automobile industry is large and provides a broad scope to all the players present in the market to gain a sufficient amount of returns. Many functions fall under the functioning of this industry includes engine development, bodywork and overall development or assembling of vehicle. The working in this industry demands flexibility from the organisations to sustain within the market. Technology played a major role in the evolvement of this industry along with emerging trends like electrification of cars. Many other external factors simultaneously have an impact over the functioning demand of automobile organisations (Liu, Huang and Yang, 2017). These stimulate the operating behaviour of organisations, directs the adoption of activities that are similar to the current demands that exist in the market, along with external factors. Now, the technological element has an impact upon the industry in the form of electrification of cars. This creating demand among society at the global level about the consumption of same due to associated with various benefits. This concept also gets the support of government at national and international levels. It is clear from the description

that a large number of business opportunities are present for different organisations and new entrepreneurs in the market.

External environment and industry analysis are the two main factors that help to know about all associated opportunities with business. So, the two models best to implement in this regard are PESTLE and Porter five forces. Detailed implementation of both along with various business opportunities for Volvo, including other market players, is presented below:

PESTLE

PESTLE is the model that help to analyse the factors present in the external business environment along with their impact over the particular business industry at a global level. In the current report, these factors analysed to gain understanding about business opportunities in the automobile industry due to its electrification (Rastogi and Trivedi, 2016).

Political: At the global level, the nature of political towards the production of electric vehicles is supportive. In this regard, they build numerous linnet policies because of the associated advantages like saving of non-renewable resource, i.e. petrol and diesel and reduction of pollution level. It creates the business opportunity for the business organisations along with Volvo to focus on the production of electric vehicles because through this medium; they can quickly enter at a global level with governmental support, i.e. subsidies. The decision of Volvo about the production of only electric vehicles from 2019 was a positive attempt in the direction of attaining immense business opportunities creating in the market.

Economical: All the automobile organisations, including Volvo, has their production systems within the nations that are developed or developing. All these nations have a significant presence of capital for the support of local and international businesses in their expansion. Electrification is the concept associated with two-way benefits that wanted by all nations to adopt as one single global platform. It creates the business opportunities for organisations, including Volvo to expand the business activities and build the production system in the nation from where they can get the maximum support in the form of human and capital resource.

Social: The increasing price of petrol and diesel at the global level has a significant impact on the capacity of middle-class individuals to maintain the vehicles. The central part of the market based upon lower, middle and upper-middle-class consumers. Electrification in cars helps them in the saviour of petrol and diesel cost in future years. That creates the business opportunity in the form of targeting all consumers who have demand of owning a car with low maintenance cost. Here, electric cars save the money spent on petrol and diesel twice the final value after the consumption of many years (Achinas et al., 2019).

Technological: The level of technology is high all over the world. Also, the nature of technologies associated with the electrification of the car is emerging. It creates the opportunity for business organisations to create partnerships with other parties that have technological competence and produce low-cost electric cars—this help to grab whole

market possibilities as a monopolistic competitor.

Legal: This includes the legislations and other legal requirements formulated by different nations for the safeguarding of their society, environment and individual. The benefits of electrification in the car, manipulate the political behaviour where they build linnet policies related to starting production or entering as an international business organisation. That creates the business opportunity for large organisations to get the support of the government in easy, fast and cost-efficient creation of production system on fulfilment with minimal conditions.

Environmental: The automobile industry harms the global environment through the emission of CO₂. This impact of this gas negative where it becomes the reason for ozone depletion and climate change all over the world. Electrification of cars comes as a saviour that creates the business opportunity for organisations that ascertain the support of society and associations related to environmental safeguard in the promotion and expansion of electric car production. The benefit of the same also ascertained in the manner of fast environmental clearance that helps to meet the consumers demand on time in the market (Gheibi et al., 2018).

Porter Five Forces

That is the model used for industry analysis. It also aids in ascertaining the level of competition that exists in the industry. It has a positive contribution to the assessment of the power of different players along building appropriate strategies. It is an application over the automobile industry is provided below to know the power and business opportunities;

Buyers Power: At present, the number of buyers is low that purchases electric cars. The upcoming market scope is broad. That depicts the power of organisations will be high while they start selling electric cars (Wee, 2017).

Supplier Power: The number of suppliers is less that provides services n electric car market. That depicts the power of a business organisation is low. The benefit is that the supplier has sufficient amount of resources and power to deliver the materials to different parties. So, building connection and agreements will be a positive attempt towards manufacturing electric cars. The threat of new entrants: The power of new entrants within the electric car segment is shallow because it requires a massive amount of capital and technological competence. That creates the business opportunity for existing players to focus over their shifting of production systems.

The threat of substitutes: The number of electric cars within the market is significantly less. Tesla is the organisation that has major operations in the electric segment. The cars of Tesla are high in price and not for the middle class. That depicts that the power of substitutes is low against the existing players of the market as they have large target consumers who are curious to buy electric cars within their budget.

Competitive rivalry: The level of competition with electric cars is low. The less number of

players exist like Tesla and Volvo. They are also targeting the premium class. That depicts the business opportunity for others to target the primary market of cars through the production of electric one for middle and upper-middle consumers (Prasad and Warriar, 2016).

b) Identification and critical assessment of other businesses that may not be able to earn long term profit due to carrying investment in electric cars

There are many other automobile organisations in the industry other than Volvo that are thinking of electrification of their whole business functions. The point about that they will not be able to gain long-term profitability from the investment within electric cars is not correct or viable. As per the demand of electric cars in the market and associated benefits, the long-term positive impact upon profit is evident. All different organisations are irrespective of their nature and sizeable to get a significant amount of returns. The aspect that will hamper the profits at short term level is lack of coordination or support in internal activities within medium level organisations or those having low operating capabilities than Volvo (Ou et al., 2018). That can understand from the application of Porter value chain model over business functioning of both Volvo and other organisations.

Porter value chain

That is used by the organisation to ascertain the connection between all its business functions. The way in which functions performed, associated cost and profit is determined. This model has five primary activities named as Inbound Logistics, Operations, Outbound Logistics, Marketing & Sales and Service. Also, it has four supportive activities that assist in the performance of primary activities with effectiveness includes Firm infrastructure, Human resource management, Technology development and Procurement (*Porter value chain*, 2020). The application of this model about both Volvo and other organisations provide below:

Coordination of support activities in the performance of the primary: Volvo is a large organisation where primary activities attain significant support. About the organisations, the lack of knowledge, experience and employee's resistance does not allow in the providence of adequate support to primary activities. That makes the process of adoption longer and impacts short-run profits.

Objectives: This is about the development of objectives for mitigating gaps identified above. Here, plans developed or adopted regarding the improvement of experience and knowledge.

Implementation: This is about the implementation of the above plans stated as objectives that work in the direction of improving coordination and final deliverance of activities.

Review: This is about review so nothing can be left behind that is not perfect and impacts the viability of project or product. This step aid in the availability of quality products to end consumers.

It is clear from the application of above that short-run impact upon profit ascertained due to poor coordination. That increases the initial cost compared to Volvo. Overall, long-term profit has no negative impact. All are going to ascertain positive returns from the market.

Product life cycle

That includes a description of the process or stages from which a product goes through when it first introduced in the market till the time of decline or removal from the market. That has four different stages, include introduction, growth, maturity and decline. These are defined below to fuel-based cars;

Introduction: This is the stage when a new product will introduce in the market. In the case of fuel-based cars, they enter the market in every earlier period.

Maturity: This is the stage when the product attains the stage of maturity. Now, the current period is of maturity for fuel-based cars as the trend of the electric car gets started.

Decline: This is the stage when the business goes down. Right now, this stage is not arriving due to the high price of electric cars.

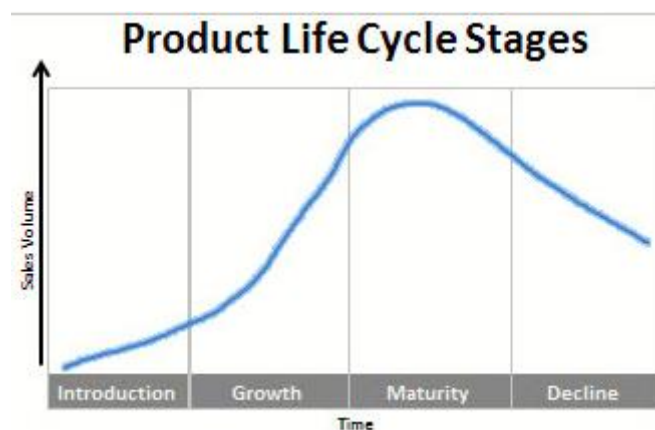


Figure 1 Product life cycle stages

CONCLUSION

It has concluded from the above report that electrification within the automobile industry is the best change associated with numerous benefits. That will aid in safeguarding environment, consumption of non-renewable resources like petrol and diesel and low maintenance cost. All the external factors, including political, technological, social, economic, legal and environmental, have a positive impact on the automobile industry and creates opportunities for business expansions. In the upcoming time, the organisation who failed or not adopting the concept of electrification has to face negative consequences in the form of fewer returns and low-level profitability.

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