

Student Name: Oleh Vasylyshyn

Student Id Number: 1917016

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Module Lecture's Name: Syed Jaffery

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GLOBAL BUSINESS ENVIRONMENT ANALYSIS

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BACKGROUND

The role of the business environment, i.e. the vigilant global investigation resulting from macro and micro environmental factors, able to directly influence corporate operations, become a crucial aspect in today's modern society that allows the corporation to monitor rivals and effectively positioning in the market in order to obtaining competitive advantages.

The careful analysis of the global economic environment offers the concrete opportunity to highlight the suitable marketing strategies implementation in order to increase the efficiency of production with costs reduction, opposing with competitors and locating themselves effectively in the market on purpose to better gratify consumer demands and upsurge the brand's image.

Through a set of strategic marketing models and concepts such as Pestle, Swot and Porter's Five Forces, the business acquires the immediate ability to adapt to the dynamism of the surrounding environment, produce quality products, respect the environment and gain the trust of its consumers.

In this essay I will investigate the various forces accountable on business environment changing and the strategies which have influenced Tesla to attain a competitive advantage in the automotive industry. (Bhasin,2020)

Introduction

Business Environmental analysis

Macro and Micro Environmental model in addition to Porter's five forces scheme, display the totally content of business environment.

The projects refers to internal and external business analysis factors such as: PESTLE 'Political, Economical , Sociological, Technological and Legal' and SWOT 'Strengths ,Weaknesses, Opportunities and Threats' aimed to highlight and increase a competitive edge in the industry.

(Bush,2019)(Fletcher,2020)(Chappelow,2020)

- **Macro Environment:** employ 'Pestel' elements in addition of particularly economic aspects as, Gross Domestic Product (GDP), Employment rate, Taxation rate and Consumer Spending Review.
 - **Micro Environment:** utilize 'Swot' elements and correspond to the internal business analysis, displayed within the organizational structure, human resources and leadership with the purpose to developpe strategic marketing research, in addition to the costumers relationship marketing and fulfilment .
 - **Porter's Five Forces:** is a model with five forces aimed to describe industry's structure and define the corporate strategy to pursuit, his elements are employed to explain industry competition, attractiveness and profitability.
- I. **Competition in the Industry:** The first of the five forces emphasizes about the number of competitors and their ability to influence the business: the greater presence of rivals with similar products and services, generate the minimum company's influence in the industry with the resulting in lower prices, due to high competition.
 - II. **Potential of New Entrants:** The organizations could be influenced through the effective competitors entrants in the market. The potential of the new candidates is generated by their aptitude to insert hurriedly in the market with low expenditure. In order to minimize risks, established companies, create market barriers within negotiate better agreements.
 - III. **Power of Suppliers:** Epitomizes the ability of suppliers to upsurge the cost of raw materials and directly impact on business marketing

strategies. The suppliers capability arise from the number of suppliers operated in the industry.

- IV. **Power of Consumers:** Business marketing strategies are influenced by the number of his costumers and is highly advocated cultivate relationship marketing strategies with buyers, rather than discovering new.
- V. **Threat of Substitutes:** The companies strategies are adversely affected by substitutes products or services, this is given by the possibility of consumers to easily replace with similar products

Recent Shaping Trends in the Automotive Industry

In the last years the automotive business industry recorded a vast range of alterations and challenges, from the global crisis in 2008, Brexit in 2016 to the recent recession generated form Covid-19 outbreak. (Miller,2017)

According to Randall Miller a strategic chief responsible in market growth, innovative solutions and development in the Transport and Automotive sector on side of EY Global, the car industry in the next decade will significantly transform by following six major driving trends:

1. **Rapid Innovation:** The superior technological development, typical within the new competitors in automotive industry has highlighted the transformation of shared mobility, his exponential inventive capability and demonstrated to established companies, the relevance of the perpetual technological development.
2. **Digital marketing :** Technology led to the initiation of new trends, altering customer habits and actions with factors such as brand perception, driving experience and total cost, added to traditional elements of decision-making, instigating car manufactures toward construction of innovative methods aimed to retain consumers loyalty.

3. **Value Chain Digitalization:** The consumer marketing relationship with the extensive technological use in manufacturing has improved the value of the business structure, create a corporate culture besides drive the labour-force to generate premium and sustainable products.(YouTube,2016)
4. **Secure resources for business continuity:**
Technological development has led car manufactures in a vast range of associations and these collaborations resulted in a soaring in risks of patent litigation, from innovative drives to bonded and independent automobiles. Moreover, the demographic changes and the increasing high-tech spotlight, jeopardizes the knowledge and experience of traditional productive labour-force with the resulting rise of incompetence
5. **Diverse sources of fluctuation:** The automotive organizations, with factors such as Terrorism, political change, social tensions and conflicts between states are recording the to rising of global instability on financial markets and resource availability. All of these aspects directly contribute to corporate marketing strategies by decreasing customer demand, change prices, and rates in certain countries. In Western countries, on the other hand, the recession and political disagreements between the United Kingdom and the European Union, with Brexit and the rise of nationalism, display thrust on cumulative procedures of economic protectionism.
6. **Unprecedented scrutiny:** We perceive an existing trend founded on the disproportionate control of organisations, from traditional financial legislation, with the push of national and international governments towards greater transparency and above all of advocacy groups and eco-activists armed with social media's , which grew a high agreement in the last decade and attained the authority to influence consumers behaviours and businesses strategies.

Tesla's Business Environment Analysis

Tesla recorded a great ability to adapt and immediately adapt to the new trends and challenges presented in recent years, below it will follow the internal and external Tesla's marketing analysis, aimed to display the strategies used in the American automotive manufacturer to encounter new trends and achieve leadership in the electric car market.

Tesla as a global market operator, recognizes all those macro and micro environmental dynamics able to influence his business and adjust them in its marketing strategies. (Mbaskool,2019) (Tesla,2020)

Macro Environmental factors:

- **Political:** The company observes the subordination to national in addition to the international, political, financial and eco-friendly regulations.
- **Economical:** Tesla vehicles in the common imagination represent luxury goods and the company's rapid expansion into new developing markets has shown a general lack of the passable infrastructures. Sustainable energy is a high market expansion element for the American company, aimed at reducing production costs and increasing his target market.
- **Social:** The recent environmental trends exponentially increase their influence on people, introducing new healthy lifestyles, besides are also responsible for increasing brand recognition, its competitive advantage and its profitability
- **Technological:** The perpetual technological innovation, such as 'smart software summon' responsible for self-driving and partnerships with Netflix, You Tube etc..., create valuable efficient products and increase brand loyalty.
- **Legal:** The pioneering technology has enabled Tesla to capture a large share of the global automotive market in a short term, with the introduction of international patents, copyrights, International trade and labor regulations.

- **Environmental:** The business mission is to create a better world and in order to achieve this idea, Tesla has placed the duty of reducing gas emissions, through efficient production and energy transport.

Micro Environmental Factors

Tesla's Micro environmental analysis display internal operations factors with the capability to influence firm planned strategies. (bstrategyhub,2020)

Strengths:

- **Top Employer Company:** According to Wall Street Journal and Forbes in 2019, Tesla was the American best organizational structure model, which is been able to attract innovative talents and embrace them in his corporate culture.(You Tube,2016)
- **Leadership:** The unremitting technological innovation and the qualitative devotion of materials and finished products, directed Tesla in 2019 to become a leader in the automotive industry, leaving behind the traditional established companies with an obsolete products offer and minimum capability to covering maximum distances. 'Mercedes, Bmw'
- **Diversification:** Tesla has launched comprehensive insurance programs through its partnership with Liberty Mutual Insurance, which shared with the introduction of new models in the market has entirely fulfill consumer expectations in the brand and increase its competitive advantage.

Weaknesses:

- **Manufacturing Complications:** High technological standards, created manufacturing hazards and contributed to delays in product launches, production and the ineffectiveness to gratify supply and demand.

- **Production volume:** The company initially created for a niche market, show inability in production to a large-scale growing market.
- **Shortage of Batteries:** The limited availability and supply of materials, contributes negatively to the production, sale and storage of energy.
- **Elon Musk as Tesla's sole Ambassador:** Tesla's reputation is closely linked to the eccentric frame of its Chief Executive Officer 'CEO', whose multiple ventures management, related to personal characteristic attitudes could influence the business performance and brand perception.

Opportunities:

- **Market Expansion:** Asian market offers tall growth opportunities for the company, from the possibility of increasing financial stability to production escalation.
- **Low Car Price:** Tesla recently developed the affordable Model 3, aimed to increase company marketing target strategies.
- **Own Battery Production:** The firm in order to reduce its direct dependence on suppliers, proposes to manufacturing its own raw materials.
- **Market's Confidence:** The financial market illustrations confidence in Tesla's undertaken marketing strategies with a doubled share price.

Threats:

- **Product Liabilities:** High technological development does not eradicate the accidents danger in design and manufacture processes, such as autopilot that caused an impact or the catch of fire in car components.
- **Extensive Competition:** Tesla suffers fierce competition from both traditional and innovative markets: in the field of luxury Bmw, Mercedes, Audi besides Toyota, Ford and Volvo for the economy section. Those rival brands are forecasting a similar products proposition with lower prices.
- **Long-Term Confidence:** The efficient production is synonymous with reliability, the firm suffers his manufacturing instability which generate industry's skepticism.
- **Costumer Adaptation:** The company business processes strategies are heavily dependent on costumer expectations and will.
- **Materials:** Unstable commodity prices and suspensions in the supply-chain of materials and making process create negative outcomes for the industry.

Porter's Five Forces Analysis

Tesla's success in manufacturing electric vehicles is generated from the model-based external elements of Micheal Porter's Five Forces, which highlight a global competitive rivalry, with pressures of substitutes, suppliers and consumers. (Kissinger,2020)

- **Competitive rivalry:** Tesla operates in a highly competitive market, with a small number of companies capable to provide high technological products, where corporations major focus on promotional strategies and an industry's barriers doesn't prevent consumers from changing products.
- **Consumers Power:** Consumers are a vital factor in Tesla's dynamics, low switching costs doesn't prevent consumers from moving to substitutes, however the replacements availability remains fractional, instigated from the vast effect in technology costs, the presented performance's aimed to gratify customer requirements. that reduce power of new entrants.
- **Power of New Entrants:** The elevated prices for technological development with brand recognition act as barriers for new industry candidates.
- **Suppliers Power:** Suppliers ability to procure and distribute materials is limited, often they rely on third-party companies, consequently suppliers do not present a direct influence on the automotive industry.

Conclusion

In conclusion the macro and micro environmental analysis combined with the Porter's five forces model, transcripts how the theories listed above, have allowed Tesla to position itself effectively in the global market, in fact the strategy followed by the firm to devote itself to a narrow market has brought a high global visibility of the brand, allowing to share the revolutionary company strategy 'Creating a better world' , from which the American company was later able to create competitive advantages in the market, such as the diversification of the product and the irrepressible technological development that allowed it to achieve the current situation of industrial leadership. (Bhasin,2019)

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