

University of Wales Trinity Saint David

THE GLOBAL BUSINESS ENVIRONMENT

Assessment 1

Nissan

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Introduction

The study explains key forces that have shaped the car manufacturing industry with respect to Nissan. Nissan has a manufacturing unit in Sunderland, UK which is functioned by European division of the organization. It operated in the UK from 1968 and it has 4.33% market share in the UK car industry in January, 2019 (Statista, 2019). The study explains the best position of Nissan in the car manufacturing sector in order to access competitive advantage in the market through critically analysing challenges and opportunities of the organization. The study includes different business models in order to analyse the international car manufacturing industry.

Explanation of key forces that shape up the business environment of the industry related to car manufacturing

PESTEL analysis helps to determine the external **major forces** of the car manufacturing industry that have affected the operation of Nissan. **Political factors** like Brexit have increased the manufacturing cost of car producers as more than half of its export of 1.2 million cars goes to the EU countries (deloitte, 2016). So, companies like Nissan's production of the new model of Juke get postponed due to the uncertainty of Brexit.

Global **economic** growth gets slower to 3.3% in 2019 from 3.6% in 2018 due to several challenges like Brexit in the UK, the US and China trade war and other factors that have lowered global economic growth (Ferrara and Marsilli, 2019).

Considering **social factors** has changed a lot over the past few years as car consumers in the UK preferred more self-driving vehicles in 2018 compared to previous year as there are 49% consumers concerned about safety in 2018 compared to 73% in 2017 (Mladenović *et al.*, 2020).

Technology has become an integral part of the global car manufacturing industry as the global electric car market is growing between 46% to 69% in the past six years and Nissan is one of the global players in this market though only 27% UK people prefer electric cars in 2018 (Gómez Vilchez and Thiel, 2019). It can be understood with the support **value network [referred to Appendix 2]**.

Environment is one of the major driving factors to shape the car industry because it enhances the production of electric cars as European manufacturing technique of combustion

engine vehicles (ICEV) reduces carbon emission by 66% which is beneficial for reducing air pollution (Ellsmoor, 2019).

The “Automated and Electric Vehicle Act, 2018” is encouraging towards the car manufacturing industry of the UK but the “United Nations Economic Commission for Europe (UNECE)” develops technical standards for ensuring safety in the international environment for cars. Thus, **legal** factors are another element which shapes the car industry (Faddel and Mohammed, 2018.).

Porter’s Five forces help to determine the attractiveness of the car industry with respect to Nissan. **Threat of new entrants** is low in the UK and international car market because most of the competitors are large companies like Astron Martin, Nissan, Bentley, Jaguar and others as it requires huge investment for manufacturing, distributing purposes. **Bargaining power of suppliers** is low as there are plenty of small suppliers available for Nissan, so it can easily switch suppliers (Humphreys and Munro, 2019). **Bargaining power of Buyers** is comparatively high because facilities of Nissan car can be compared with Ford, Toyota with almost same price range, so buyers can bargain like “NISSAN VERSA S”, “FORD FIESTA S” and “HYUNDAI ACCENT SE” have similar kinds of features in terms of engine. Therefore, the **threat of substitutes** is high for Nissan as Tesla, BMW also manufacture electric cars. Nissan faces **highly competitive rivalry** in the market because all the above-mentioned brands are international players like Nissan. However, Moreno-Izquierdo *et al.* (2016) argued that porter five forces have **limitations** as it is developed on the basis of a perfect market which does not exist practically. Further it does not consider global trends of the car market, that’s why it is not beneficial for developing the long-term strategy of Nissan. **Porter’s diamond model** helps to explain the global competition level of Nissan. It has functional structure as it consists of manufacturing, marketing, finance and other departments and it has technical strategy in order to meet high rivalry in the global and UK car market (Tsiligiris, 2018). Thus, it shows **firm strategy, structure and rivalry**. **Factor condition** determines that Nissan has 700 employees, raw materials are collected across Europe, Asia and other places which ensures that Nissan gets raw material at minimum price. **Demand factor** identifies that the overall demand of the automobile industry has become flat, so the UK car production has reduced to 1.3 million units in 2019. **Related and supporting industry** determines that increase in fuel prices can become a threat to car production and

vice versa. Further, the legal factor of the UK **government** mentioned in PESTEL also creates **chances** for Nissan.

Features of trading groups contribute in shaping the car industry like European Union helps to determine international standards for trading cars in the European market. It refers to the group of 28 countries which implement different regulations for trading purposes of cars like “Commission Implementing Regulation (EU) 2020” for describing the administrative requirement of motor vehicles (Europa, 2020). NAFTA takes place for promoting the trading relationship between Canada, the US and Mexico and it provides different trading benefits like lower supply chain risk, advantage of cost of production and so on for organization. Trading organization helps Nissan in its international operation.

Critical evaluation of the challenges and opportunities that these forces present and discussion of how organization can appropriately position in order to access competitive advantage

Electric cars are one of the **current global trends** in the car manufacturing industry, so organizations like Nissan manufacturer **Nissan Arya** and other electric vehicles. It also indicates the technical focus of the automotive industry over the years as customers are becoming more tech savvy. The demand in the global automobile industry can rise as electric sales in Europe can increase to 55% by 2030 and overall car sales in Europe and China can rise by 30% by 2030 which creates more opportunity for Nissan (Fontainhas *et al.*, 2016). However, such an opportunity has required investment like Nissan £100 million in its UK plant which brings criticism for such an opportunity.

Porter’s value chain model helps to determine different competencies of Nissan that develop opportunity or challenges for the organization. Nissan has advanced **infrastructure** but currently it is extending its charging infrastructure in order to produce Zero emission vehicles which create opportunity. It has 7000 **employees** which helps the organization in optimizing the opportunities (BBC, 2019). Nissan always focused on its **technical aspects** like VC-Turbo Engine, high capacity light weight battery which generates opportunity for the brand. **Marketing activities** of the organization are creating challenges for the organization because it does not involve creative marketing. Further **customer service** is the challenge for the organization because it has poor ratings in different vehicle websites like car buyers.

However, it helps to evaluate micro details of Nissan but it does not focus on the strategic view of the organization which is the major **drawback** of the value chain model (Simatupang *et al.*, 2017).

SWOT Analysis

Strength The technical efficiency is the strength of the Nissan as it helps to provide quality products to the customers.	Weakness Nissan has weakness in its marketing activities as its Instagram profile has only 164k followers whereas Aston Martin has 9.6 million followers.
Opportunity The developing market of electric vehicles is creating opportunity for Nissan (PwC, 2018).	Threat High level of competition is a threat to the company because major players are also internal players like Aston Martin, Ford and others.

Table 1: Swot analysis

However, Gürel and Tat, (2017) argued that it is an ambiguous process because a single can have both advantages and disadvantages like an electrical vehicle is creating opportunity for Nissan but simultaneously it requires investment for changing infrastructure facilities of production. Thus, it is a **drawback** of applying SWOT analysis.

BCG matrix helps to develop portfolio analysis of Nissan as it represents the products of the organization with respect to market share and market growth rate. Nissan Leaf is the **star product** of the brand because the sales of it has increased from 635 units in 2011 to 24,120 units in 2018 in Great Britain (statista, 2018). Star products include high market share and high market growth rate, so increasing sales indicates high market share and demand for it in the UK is growing at 10% which indicates high market growth. **Cash cows** refers to the product which has the highest market share but lower market growth rate as passenger car sales has increased only 3.4% in 2019 but Nissan has sold a total of 5309 which indicates 3.6% market share and it is also overall market share of Nissan in the UK. Thus, passenger cars generate maximum cash for the organization. The Altima Couple was categorized as a **dog** product of Nissan because it stopped manufacturing in 2013 because of both lower market share and lower market growth. However, Madsen (2017) argued that market growth

is the only attractive element of the market which is a **limitation** of the BCG matrix. Then collecting appropriate data related market share and market growth is another drawback of it.

Generic strategies help to evaluate the pricing strategy of Nissan as it adopts a low-cost strategy for its different models like Datsun, V-Platform. Secondly it has applied a cost leadership strategy for producing vehicles with zero carbon emission. Thus, it has majorly adopted the **cost leadership strategy** of porter's generic model as it helps the organization to utilize the opportunity of producing at a large scale in order to serve customers at a minimum price. However, Kharub *et al.* (2019) argued that reduction in cost affects customer service which is also evident in the case of Nissan as it has complaints regarding customer service in online portals. It creates more pressure on organization for earning profit in order to cover additional cost of the organization,

The effectiveness of cost leadership strategy can be understood with respect to **economic aspects** as global car **demand** was flat in 2018 which leads Nissan to select Japan for manufacturing it's new X-trail car as it reduces production in order to **supply** the decreased number of products (Thomas, 2019). The production reduced in order to maintain its cost leadership approach. **Price elasticity** refers to the relationship between change in price and change in demand which helps to understand that the low-cost strategy creates competitive advantage for Nissan as it serves different car facilities at minimum price. **Cost analysis** technique helps Nissan to adopt cost leadership strategy effectively.

The analysis of opportunity and challenges utilizing different internal management tools determines the **best competitive position** for Nissan is low price and high quality in terms of service because the organization has a cost leadership strategy [**referred to Appendix 2**]. Further it can enhance customer service through focussing on marketing activities as it will provide more competitive advantages to Nissan.

Conclusion

The study shows that Nissan has certain advantages in terms of competition including its technical factors, social factors as it creates more opportunity for the organization. Further it has lower bargaining power of suppliers which increases the attractiveness of the car manufacturing industry. The strength of technical factors helps Nissan to produce products like Nissan Leaf or passenger cars which lies in the star and cash cow position of BCG matrix and generates cash for the organization. However, it has weaknesses in the marketing team

and customer service, that's why the best competitive position will be maintaining its cost leadership strategy and developing quality customer service.

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Appendices

Value Network

Value network helps to represent how social and technical factors of the car industry are utilized by Nissan. Nissan provides car insurance to its customers through which customers can enjoy unlimited travel through limiting the risk where insurance policy reflects the contract of the organization (Nissan, 2020).

Positioning of Nissan

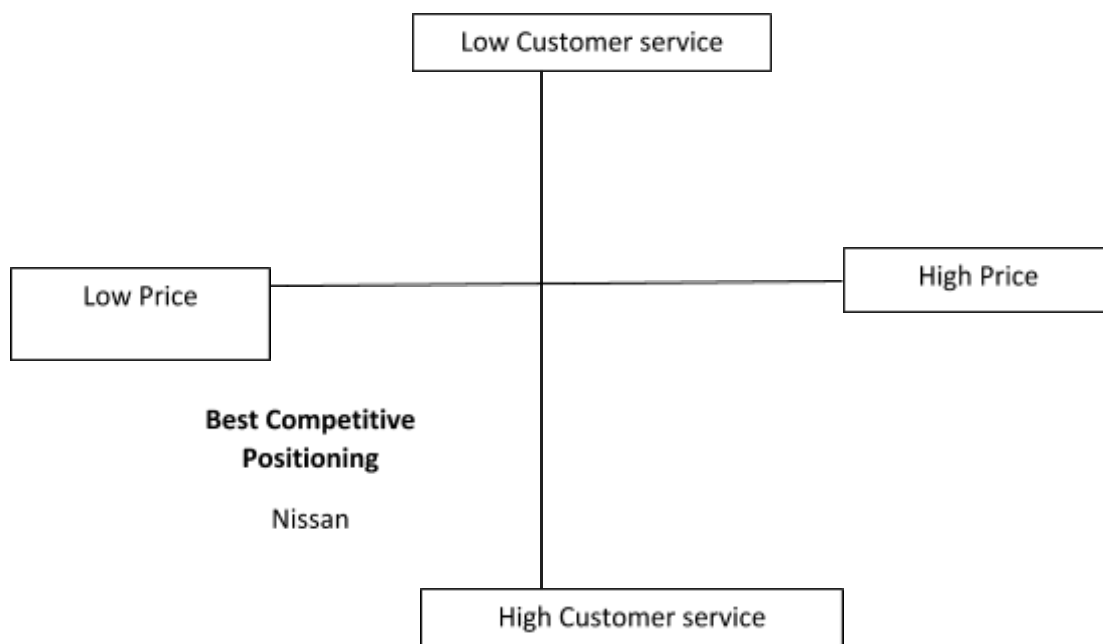


Figure 1: **Best Competitive Positioning**

(Source: created by learner)