



THE GLOBAL BUSINESS ENVIRONMENT

LCCB4005



Assessment 2:
Environmental Analysis of Automobile Industry

LAMBORGHINI – Covid 19

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INTRODUCTION

The arrival of Covid 19 brought normal daily life to a virtual standstill in an increasing number of countries and we saw a slowdown in the global economy. Measures put in place by world governments to stop the spread of the Coronavirus have affected almost every sector, with the automotive industry being one of them.



Figure 1 Covid-Lamborghini

One of the sectors most affected by the Coronavirus is the automotive industry. The automotive industry has been affected by Covid-19 since the early stages of the outbreak - when the supply chain effects originating in China began to spread globally. In addition to the production stoppage, demand for the sector was also affected. Many consumers, faced with the uncertainty of the coming months, have postponed, or cancelled the purchase of a new car.

Another significant effect concerns the electric sector. In recent years, many car manufacturers have decided to invest in electric mobility.

While in the short term it is conceivable that the sector will slow down, it is unthinkable that the move towards electric mobility will be called into question. The factors that will determine its fate are varied and, for the most part, exogenous: the persistence of the health emergency, the intensity of the economic crisis, the level of investment, environmental regulations, and the resilience of electric battery manufacturers.

What is certain is that this crisis constitutes an exceptional stimulus for all players in the sector, who will have to review their strategies to remain on the market. Close cooperation between manufacturers and dealers will be necessary, and there will be a strong acceleration and innovation of sales networks using new technologies.

Among other expected dynamics, there is a consolidation of the large distribution networks that, for reasons of economies of scale and ability to cut fixed costs, will be able to consolidate their position. Likely, there will be a reduction in vehicle stocks in the sales networks and a more flexible approach will be adopted, with a shift from a 'push' model (cars at km0 and ready for delivery) to a 'pull' model (more customized to customers and aimed at stimulating market demand).

To guide companies through these changes, it will be essential to have leadership capable of taking control of the change and, at the same time, ensuring business continuity. But that's not all: in an era of great change, it will be crucial to ensure the protection and professional development of employees. It will be necessary to strengthen customer relations and acquire new digital skills. Finally, it will be important to redefine strategic supply-chain management in the light of the disruption in market dynamics.

This is not only to respond to the current emergency, but also to anticipate the evolution of new business models and to actively contribute to the innovation and future development of the automotive market, for which a stronger collaboration between all stakeholders is essential. (Quarterly, 2021)

Automotive value chain

Four grand challenges amidst the COVID-19 crisis (Next, 2020)

1. Limited supply of for production

Starting in China, suppliers around the world have quarantined production lines or shut them down completely. In addition, border closures and all legal and trade restrictions have led to a limited supply distribution.

For example, global car production is highly dependent on supplies from China (see figure). Many world markets depend on those supplies, and border closures have led to many losses.

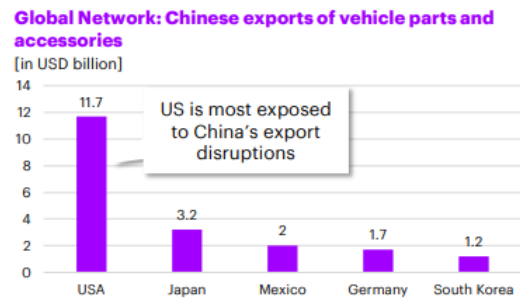


Figure 2 graphic Cine exports

2. Closure of production

With all the restrictions and limited supply lead to the closure of production. With decreasing sales it is necessary to ensure liquidity and reduce the workforce to avoid overproduction to avoid more losses.

3. Declining working capital/liquidity

Falling sales and demand lead to falling earnings, but at the same time companies have to pay wages to their employees. This is a very negative factor because the companies' coffers may run out in a short time.

4. Enter New Vehicle Sales

With the measures of the different governments to contain the Virus, such as forced closures and curfews for factories, offices and dealerships, it leads to layoffs or reduced working hours. The consequence is a departure from the workplace, leading to a decrease in the number of sales.

RESUMPTION OF LAMBORGHINI CARS FROM COVID-19

After this period of closure and total standstill, it is certainly essential to restart in a unified way. Lamborghini, like many other companies, needs to remain competent in its market, which cannot be interrupted or lose the value of its brand.

Such a prolonged production stoppage can generate major liquidity problems in small companies, as is the case with Lamborghini. Therefore the company is working on its system, evaluating all the variables, in order to be able to start again.

At Lamborghini, the car industry has stopped with production but has reconverted or made available part of its plants to make useful devices for healthcare such as masks, protective devices, and lung ventilators, which are essential in intensive care to save the lives of people affected by covid-19.

"We felt it was essential and logical to make our contribution and provide our expertise and facilities," said Lamborghini CEO Stefano Domenicali. (lamborghini, 2025)

In Sant'Agata Bolognese (Italy), where the cars of the "Toro" are produced, polycarbonate masks and visors are now also being produced for medical staff in hospitals.

The company's engineers have managed to 3D print instruments to test the effectiveness of lung ventilators. The devices produced are sent to specific laboratories for the necessary checks and tests before being distributed.

The Italian automotive industry, which, when faced with a stagnant car market, did not stand by and watch as a spectator in a country that more than ever needs everyone's help and generosity, but spent its resources to help. (Company, 2020)

LAMBORGHINI STRATEGY AFTER COVID 19

Lamborghini after the period of restriction due to Covid 19 has announced a plan to electrify all of the brand's models by 2024 and put its first electric vehicle on the road before the end of the decade.

The plan, called Towards Cor Tauri and referring to Lamborghini's famous bull logo and Cor Tauri, the brightest star in the Taurus constellation, contains a step-by-step roadmap to electrification over the next decade that will put the brand's first mainstream hybrid on the road by 2023. In addition, by 2025 Lamborghini hopes to have reduced CO2 emissions to half their current level by extending hybrid power to the entire Lamborghini range.

The first phase of the plan will take place in the period 2021-22 and will focus on celebrating the combustion engine, or probably more accurately, saluting it in its current non-hybrid aspirated form. Lamborghini says it will reveal two new V12 cars in 2021, one of which is likely to be a supposed tribute to the Countach and the second some sort of commemorative model to say goodbye to the current V12 powertrain.

In 2023 the focus shifts from looking backwards to looking forwards. That's when Lamborghini will launch its first production hybrid, and only the company's second ever electrically assisted model after the Sian. The new hybrids are the first fruit of a massive €1.5 billion (\$1.8 billion) investment, the largest in Lamborghini's history, allocated over four years.

Lamborghini has not provided details on that initial hybrid, but it could be the replacement for the Aventador or a Urus PHEV. Whichever comes first, we know that both will be on sale by 2024, as well as a V8 hybrid successor to the Huracan, because the brand's roadmap states that the entire range will be electrified by then.

But the most exciting part of the announcement is the confirmation that Lamborghini is working on a fourth model, an EV that will be introduced during the second half of the decade.

"Acceleration and development in the second half of the decade will be dedicated to all-electric vehicles, with the vision of a fourth model in the future," Lamborghini said in a note. "Once again, technological innovation in this phase will be geared towards ensuring outstanding performance and positioning the new product at the top of its segment."

The statement gave no further details on when we would see the fourth car, or what form it might take. Given the carmaker's supercar DNA, a Lotus Evija-style EV hypercar might seem like the obvious choice, but for now the company is hiding any clues about this product. (RAYNAL, 2021)



Figure 3 Lamborghini Cars

Conclusions

Covid-19 has, like many sectors of the global economy, led to a negative impact. It has challenged industries and their economies. Many companies found themselves needing to evaluate and reorganise their behaviour in order to overcome it and get ahead in their market.

Lamborghini, like so many other car manufacturers, found themselves at a disadvantage because their market depends so much on external factors, but one of the most important, the suppliers of their raw materials.

The closing of borders and the lack of travel has seen these companies find themselves without raw materials that are essential to their production and this has led to a knock-on effect that has affected their entire business process. From production to employees, they found themselves in a situation of total gridlock.

But Lamborghini, when it found itself in a crisis situation, decided to react. A first reaction was immediately to start producing medical devices in its production centres in Italy. This was because it saw that in that moment of emergency that type of product was in short supply and many people needed it. In the production of that it also saw a chance to make its brand more known as a moment to enrich its advertising marketing, and not to stop its production even if it had to move to a new market.

But Lamborghini, even at a time of total emergency, has not stopped thinking and designing new products. In recent years it has been putting more and more eco-sustainable cars on its market, and in the pandemic it has increased its studies on this.

The strength of this company is its continuous renewal and its constant determination to keep its brand at the top level.

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