

THE GLOBAL BUSINESS

ENVIRONMENT

Task 1A

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Table of Contents

INTRODUCTION	1
MAIN BODY	1
The environmental analysis of the global auto-mobile industry.	1
CONCLUSION.....	3
REFERENCES	4

INTRODUCTION

The below report assesses the environment of the Global Auto-mobile industry. The report makes use of PESTLE analysis which identifies the political, environmental, social, technological, legal and economic challenges faced by the auto-mobile industry. It explores various dimensions which explains the occurring challenges and how these challenges can be overcome by the organisations.

MAIN BODY

The environmental analysis of the global auto-mobile industry.

The global auto-mobile industry is a multimillion industry with several large brands competing for market share (Abbott, 2015). Car production company is global Auto-mobile industry. Below is shows the PESTEL analysis of the automotive industry that include the political, economic, legal, technological, environmental and social factors are as follows:

Political factor

It is playing an important role and have a direct impact on the profitability of the auto-mobile industry. This may include the government policies, rules and regulation, taxation. Moreover, taxes on the luxury vehicles and fuel guzzler low emission vehicles. They are also receiving higher government support for their low environmental impact. Such as the government rules and regulations heavily affect to business and revenues of the vehicle brand. The import rules and taxes vary from country to country. There are so many factors are affected to auto industry. For example: government rules and regulations are impact to the business of car production surges in Europe. Like government make changes in some policies and increase tax rate. In that case company have to pay the extra tax on purchasing raw material and any other products. That is gives very biggest impact on the auto-mobile industry.

Economic factor

Economic factor is also impact to the business and its growth. It is important in the context of the automotive industry. This sector is hit hard by the recent economic crisis. For example: the economic condition is not goods, at that sales of vehicles fall. The demand of luxury or high-priced vehicles is also affected poorly during poor economic conditions. Moreover, the taxes on the high-priced vehicles are high in several markets. Economic condition is good then sales of vehicles can remain high. The sales are also high in the developing

countries (Kumar and Maqbool, 2018). The size of the economy and the economic condition globally have the major impact on the profitability of auto industry in various markets. Industries are depending on the purchasing power of the customers. The economic factor is impact to car production surge and also to global auto-mobile.

PESTLE ANALYSIS

Political factors: - From the manufacturing of the auto mobiles for developing the countries continues pressure from the government. For making the auto mobiles it is much more affordable for the common man because of despite of increasing the cost of the cars. Auto-mobiles sectors which has been big sources for the revenues of the government. Across the world it has made so many difficulties for the manufacturer of the auto mobiles for remaining the competitive globally. From increasing the middle class in the developing countries it comes with the results for demanding the auto mobiles with the instability of the political factors and also the bean of the hurdles of the corruptions for the manufactures of the auto mobiles which has made the car manufacturer. It is an open challenge and opportunity for the auto mobiles manufacturer for making the globalisation results in the open access for making the place in the market (Scheffel, 2016.).

Economic factors: - it affected the economic conditions of the auto mobiles industry and also the economic crisis in the past and adversely affected the sales of the auto mobiles in developing countries. The sales of the auto mobiles in developed countries are the stagnant for most of the people which is already own the auto mobiles innovations which may boost the sales of the auto-mobiles industry.

Social factors: - it's important for considering the taste and preferences of the customers because it may increase the sales and also make a positive image in the market. It revolutionised the whole community and society because there are so many people which is associated with the auto mobiles industry and also it modifies the products and services according to the demand and wants of the customers (Gifford and Reisig, 2019).

Technological factors: - There are so many stages which has been crossed by the auto mobiles industry because it brings so many innovations and creative ideas for making and manufacturing the products. From awareness of the customers for technological factors it

expects the manufactures and latest accessories and features which has been included in the vehicles.

Legal factors: - For the safety of the auto mobiles is one of the most important part of it because it concerns about all the laws which has been made by the government globally. It is a global trend for imposing the different regulations, rules and quality of the standards of the auto mobiles. There are so many laws which has been made for the safety of the employees and customers and it is much more beneficial for both. Sometimes it creates so many problems and difficulties which is related to the law for the new auto mobiles industry in new countries.

Environmental factor: - the sector of the auto mobile industry it concerned with the culprits for damaging to the environment. From increasing the knowledge of the issues which is related to environment it may concerned about the customers for making the pollution free products and services which effects the environment of the auto mobiles industry. As the results, When the cars are manufactured at that time it produces the environmental or eco-friendly products in the market share of the auto mobiles is very less. Day by day the demand of the eco-friendlily products is raising and increasing in the future (Agamirov and et.al., 2015).

CONCLUSION

The above report showcases the global auto-mobile industry and the impacts which the industry has seen or facing in the world. As per the above evaluations, it can be seen as the car making organisations in Europe are facing huge number of political issues. Brexit is one of the major reasons behind these challenges faced by the East-European car makers.

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THE GLOBAL BUSINESS **ENVIRONMENT**

Task 1B

Table of Contents

INTRODUCTION	3
MAIN BODY	3
Porters five force model on global auto-mobile industry.....	3
CONCLUSION.....	5
REFERENCES	6

INTRODUCTION

The other model which is used in the report in order to assess the environment is porter's five forces analysis (Rothaermel, 2015). The model explains the various threats and challenges faced by the organisations and how these challenges can be overcome in order to achieve set growth and development.

MAIN BODY

Porter's five force model on global auto-mobile industry

It is a very important model as it plays a vital role in evaluating the competitive position of the company. This model helps in identifying the horizontal as well as vertical competition in the market through its five forces. These five forces are discussed in detail below:

Threat of new entrants – the degree of threat of new entrants in the market affects the power of a company. When it comes to global auto-mobile industry, threat of new entrants is very low because of high barriers of entry. This in turn has created difficulty for new entrants because of high cost as the companies of all around the globe would not be able to achieve economies of scale by undertaking large scale production. Apart from the cost, high restrictions from the government have even hindered the entrance of new firms. Government has laid down strict rules and regulations regarding entrance of new firms which has increased the difficulties of auto-mobile companies. But the most important reason behind low threat from new entrants is that high requirement of capital to start as well as run their business operations smoothly towards the accomplishment of their objectives. The new entrants in the market is seen to be one of the major competitions for the car manufacturing companies across the world. It is important for these manufacturers to understand at what places they are lacking in order to deal with the competition and ensure desired growth and development. This can help the organisation and the company to reach new level of growth and reach new development prospects even if they are facing the competition of new entrants.

Threat of substitutes – threat from substitute products is very high in the global auto-mobile industry because of easy availability of similar products as all the business firms provide products with similar features (Rothaermel, 2015). Availability of similar products has created a threat for the business firms because the customers can easily switch on the substitute products of the rivalry firms as the switching cost is also very low. Furthermore, the product differentiation in the auto-mobile industry is also very low, this has added up the threat of

business firms. Thus, easy availability of substitutes, low switching cost and less product differentiation has created high threat for the business firms of the entire world dealing in automobile industry. Hence, this is a negative aspect for business firms as they have to constantly bring innovation through high investment in research and development in order to prevent the customers from shifting towards other brands. In order to deal with the threat of substitutes it is important for the car manufacturing companies to make their cars as such that they can deal with the competition easily. In order to do this, the need to provide better functioning and better products in their cars which their competitors are not having.

Bargaining power of suppliers – bargaining power of suppliers in the global- automobile industry is very high because of limited number of suppliers in the market and their high demand in the market. This has given the suppliers of auto-mobile industry a high power to determine the price based on their choice. There is high competition in the auto-mobile industry with large number of firms competing against each other and each firm requires the almost similar kind of raw material and this in turn has created the difficulty for firms in auto-mobile industry to acquire the raw material. This has given high power to suppliers to fix the prices and change them as per the market demand (Burns and Dewhurst, 2016). Hence, it is a disadvantage for business firms as they have minimum power to gain with the suppliers. The bargaining powers of suppliers can be reduced making use of not just a single but a number of suppliers. In order to deal with this issue, it is important that the suppliers are not having any dominating aspect in order. This will help the company to reach new aspect of growth and reduce the bargaining power of suppliers. It will also help the car-makers to reach new growth aspects and gain better consumer market.

Bargaining power of customers: The bargaining power of customers is another major issue which the auto-mobile industry is facing. It is important for the organisations to ensure that their customers being provided with the right products and services in order to reduce their bargaining power. Customers tend to bargain with the sold products and services when they feel that the organisation from which they are buying the products is having less reputation. In order to deal with this, the organisation has to market themselves in such ways that their products and services are being sold without much bargaining (Burns, 2016). Along with it, it is important that the customers are provided with required discounts and they are having opportunities where they

can feel that the organisation is providing them with the required discounts and offers. This can help the organisations to reach new level of growth and success and ensure better growth.

Competitive Rivalries: The rising competition is one of the major issues which the eastern-European car-making organisations are facing. It is important for the organisation to achieve better competitive advantage in order to ensure required growth and development. It can help the organisation to reach new level of growth and ensure that it is having a good reputation within the market. In order to gain a better competitive advantage, it is important for the organisation to understand what perks its competitors are having and what are the needs and requirements of its people in order to ensure that desired growth and development is being achieved. It can help the car-makers to evaluate at what places their competitors are having a strong advantage in selling of their products and services and what is making them gaining better competition in the market. These all factors can help the organisation to reach new development and ensure new growth while being in the competitive environment (Abbott, 2015). It has been seen as the global auto-mobile industry is having car-makers which produces products that are elite and are only available for the high-class consumers whereas there are producers which produce products which are available for an average earning customer. This is increasing the competition of the car-makers and is constantly making them produce products and services better than each-other. In order to deal with this, it is important for the car-makers to make use of required strategies and attain perfection and gain a better competitive advantage.

CONCLUSION

From the above study it has been summarised that, the above evaluations showcase that the car-makers have to deal with a number of challenges in order to achieve required growth and development. Also, the competition is huge for these car-makers and it is important for them to ensure that they are having a better competitive advantage.

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