

LCBB4005

Assessment 1: Global Business Environment

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Environmental Analysis of Automobile Industry

Executive Summary

The report contained the importance of understanding the global business environment for a company. SWOT and PESTEL analysis is included within the report to understand the market position of the company. Porters five force also included to understand and make a better marketing strategy for the car manufacturing company. Competition of the company is also a major topic of discussion within the report. The report also contains the value chain analysis on Aston Martin to understand its operations on a daily basis. Few recommendations on how to make the company grow in the competitive market is also shown in the report.

Introduction

Business environment is an important factor for all business to retain its position in the competitive market with the help of proper analysing skills. External business factors are increasing on a daily basis and it is becoming a global factor for the organisation (Vlados and Chatzinikolaou, 2019). Internal business factors deals with the internal problems arising for the company to handle. Critical evaluation of the marketing structure of an automobile industry is a major topic that will be discussed in this report. Aston Martin is a British luxury racing car-manufacturing company, which was established in the year 1913 by Lionel Martin and Robert Bamford (astonmartin.com, 2022). The company currently has its headquarters in Gaydon with approximately 3000 employees.

SWOT Analysis

Strengths: Aston Martin is a luxury sports car manufacturing company and it makes itself unique in the market to make its performance better within the competitive market. The company makes better high-performance batteries, which allows the company to make itself differ from the other competing companies. Recent development of the EV batteries became new **strength** of the company (Frangoul, 2022). As most of the company offers cars with fuel, Aston Martin offers their customers with innovative electric vehicle. The company utilises its firm knowledge to expand their brand within the competitive market.

Weaknesses: Aston Martin who develops electrified cars has a major problem in producing tyres of the car to be appropriate according to the car's performance. Tyres of the company act as a **weak** spot for the company and it diminishes the presence of the brand within the competitive market (Foster, 2021). The company deal with cars that are used in F1 races and draggy electric cars that is produced by the company provides a huge disadvantage in the racetrack. Customers of the company are hoping to see changes in the 2022 models of the company's products.

Opportunities: Aston Martin made a partnership with the Mercedes to make their electric cars project a success by the year 2026 (Davis, 2020). Collaboration can serve as an **opportunity** for the company to grow itself in the competitive market. Aston Martin provides a unique idea of producing electric based cars and with the help of a large brand like Mercedes, it may achieve its goals in the near future. The company hopes to retrieve approximately £1.3bn by collaborating with Mercedes. Opportunities provide a greater expansion chance within the market if it is utilised properly with firm business environmental analysis.

Threats: Business environment analysis prevents a company from various emerging threats and help to turn the situation in its favour. The company takes Red Bull and Mercedes as its biggest **threats** in the competitive market (Foster, 2021). At the same time, the company cannot take the companies a little far back such as Ferrari lightly. The company production of luxury racing cars has a direct competition with

companies such as Ferrari and Mercedes as they provide the same service to its customers.

PESTEL Analysis

Elements	Factors	Influence
<i>Political</i>	Corporation tax rate in the UK is about 19% for the profits earned by a company as per the government orders (gov.uk, 2022). Political stability of the country is quite good in UK as per the world bank.	Tax rate of the company has a huge impact on the running business organisations. Aston Martin being one of the biggest car manufacturing company in UK generates quite a revenue and tax rate plays a role to ensure the ultimate profit of the company. A company is depended on the political stability of the country as it determines the future business operations within the country. Market stability of the company also depends on political stability of the company.
<i>Economic</i>	Unemployment rate decreased to 3.9% within the first three months of the year 2022 (tradingeconomics.com, 2022). Inflation rate was 0.85% in the year 2020 (statista.com, 2022).	Unemployment rate of the country directly affects the sales rate of the company as people with less buying power makes harder for the automobile industry to work. Aston Martin being a luxury racing car producers has a high

		threat for the unemployment within the country as they only sell luxury products. Due to the increasing inflation rate, Aston Martin had to collaborate with BritishVolt in quest to ensure their electric car production within the organisation (bnnbloomberg.ca, 2022).
<i>Sociological</i>	Cultural diversity is high in UK as they adopt all kinds of food habits and practices within the country. Average household income in UK is approximately £30,500 a year (ons.gov, 2020).	Aston Martin believes in diversity, as they trust that it helps them to achieve their business goals (Stonmartinlagonda, 2022). UK being open to a cultural diversity is a good news for the company. Average income of the company also affects the sales of a company directly as it determines the buying power of the customers.
<i>Technological</i>	Trending technologies among competitors	When it comes to the technology competitor companies like Mercedes are advanced rather than Aston Martin. Mercedes offered new technologies to the company in return of company stake (Crisara, 2020).
<i>Environmental</i>	Environment related Law within the country.	Policy of Aston Martin shows their involvement with environmental laws of the company (Stonmartinlagonda, 2022). The company take

		all the necessary actions in every business operation by maintain the laws related to the environment.
<i>Legal</i>	Employment laws	Aston Martin creates several job opportunities for their employee that helps in lowering the unemployment within the country (Tyrrell, 2021). Aston Martin practices all its business operation in an ethical manner to grow in the market.

Table 1: PESTEL analysis of Aston Martin

(Source: Created by the learner)

Porters Five Forces Analysis

Competitive Rivalry: Aston Martin is one of the most reputed luxury car manufacturing company within the country along with Mercedes as its rival company. The company holds revenue of approximately 668,644 pounds in the year 2022 (statista.com, 2022). Mercedes on the other hand has a revenue of around 826,329 pounds so far in the year 2022 (Carlier, 2022). As the both company has a neck-to-neck competition to gain the first position in the market it can be stated that **competitive rivalry** between Aston Martin and Mercedes is **high** within the market.

Bargaining power of Suppliers: Being one of the most known car manufacturing company Aston Martin deals with several numbers of suppliers to run their daily operations. In the recent time, the company has signed a new dealer at a price of £100m along with McLaren (Robinson, 2022). Reputation and sales of the company is directly related to the profit of the suppliers. Thus, it can be stated that the **bargaining power of the suppliers are a weaker force** within the industry.

Bargaining power of Customers: Providing satisfaction to there is the most important factor to achieve by any company. Aston Martin's German car sales were at its peak in the year 2008 with a sell of 591 units the company deteriorated to 307 units in the recent years (statista.com, 2021). As the company's sales are decreasing with more competition, growing in the market it can be stated that the **bargaining power of the customers is high force** within the industry.

Threats of New Errant: A new player in the competitive market comes almost every day in an automobile sector. Aston Martins already created a brand value and enjoys a revenue of almost 668,644 pounds in a year (statista.com, 2022). Thus, it can be

stated that the ***threat of new players in the market is a weaker force*** with the industry.

Threat of Substitute Products: There are several automobile manufacturing companies in the UK market but Aston Martin makes its products to be unique. The company produces electric cars, which is hard to be substituted by any other similar companies (expressandstar.com, 2022). Due to the unique production, it can be stated that ***threat of substitute product is low*** within the industry.

Value Chain Evaluation

Value chain concentrates on five major analyses to forecast a product's value in the competitive market (Pangestu and Setyorini, 2020).

Inbound Logistics: Inbound logistics refers to the materials used by the company to make their finished products and earn profit in the competitive market. Aston Martin is a well-reputed company and always uses best raw material for its products. The company uses carbon fibre to make the body of the cars that gives it a unique look and sustainability (Ong, 2020). Aston Martins deals only with the sports car uniqueness, as it is their specialty of manufacturing.

Operations: Aston Martin takes active part to make their company expand in the competitive market. In the year 2019, the company opened a new factory in the south Wales to produce SUV cars (Jolly, 2019). Operation of the company is the most important part in their business as the ultimate goal of the company is to earn optimum profit and grow within the competitive market.

Outbound Logistics: Aston Martin is one of the largest luxury car manufacturing companies in the world who uses multiple locations to store their enormous amount of productions. The company stores their finished products in about 160 locations in around 53 different countries (astonmartinlagonda.com, 2022). Outbound logistics also plays an active role in increasing the sales of the company as it provides time utility for the company.

Marketing and Sales: Marketing of the company decides the profit earning of the company as it directly affects sales. Better sales help a company to grow within the competitive market as it helps to make public awareness. Aston Martin suffered a loss of approximately 120 million pounds in the pandemic situation due to no proper marketing practiced (Jolly, 2021). The company suffered heavy losses as the physical outlets were shut down and no marketing can be activated for a luxury items at the time of pandemic situation.

Service: Aston Martin provides services even after the selling procedure is done from the company's part. The company provides a free servicing for their product after 3months of using to make their customers satisfied (aston1936.com, 2022). A better service provides higher sales for the company and helps it grow within the market.

Competitive advantages concerning their core values on sustainability

Sustainability of a company can be seen and analysed when the company faces an uncertain situation emerging in the market. The pandemic situation spread due to the spread of the deadly virus Covid19 is a great example of an uncertain challenge faced by a company. As the company mostly deals with luxury products, it suffered heavy losses with its revenue decreasing by approximately 9% (Jolly, 2020). The company struggled to sustain its market value within the competitive market while fighting in the pandemic situation. Covid 19 left an impact on most of the large and small business due to the sudden lockdown of all the physical outlets.

Aston Martin increased its revenue by approximately 1.1 billion pounds in the pre-pandemic time that helped the company to sustain the losses suffered in the pandemic situation (cityam.com, 2022). The company made changes in the pricing strategies to make their sales increase within the competitive market in the pre-pandemic situation. It enjoyed a peak revenue in the pre-pandemic that gave them a competitive advantage to sustain a loss and still retain in the competition with brands like Mercedes. Covid situation many small industries to be erased from the competition but Aston Martin being one of the largest automobile company sustained the huge losses and is striving back. The company is using its unique idea of providing electrified cars to rise back in the competition and increase its brand's value in the competitive market (cityam.com, 2022). Production of cars that are running on electrical powers and high performance battery backup gave a huge competitive advantage to the company.

Conclusion

The report concludes the importance of global business environment and its impact on the companies. Aston Martin is one of the biggest Luxury car manufacturer in the world, which has its own pros and cons to deal with. The company is active in the social and environmental activities and it is also trying to adopt the technologies from other rival companies. Marketing strategy planning is also an important part that is covered in the report and it gave an idea about the future of the company in recent years. Covid made a huge impact in the company as it made the company suffer heavy losses.

Recommendation

Aston Martin is already a large brand within the competitive market and it is already striving back to the top slowly after the pandemic situation. The company can further use its analytical skills to gain more control within the market. It is using high performance batteries to make their way back in the competitive market and it can also use more unique ideas to attract their customers (Frangoul, 2022). Aston Martin can also try to make their products available in low price range and better quality to gain some loyal customers of the company. Marketing strategies can also be used to make the company increase their sales.

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