

**ENVIRONMENTAL
ANALYSIS OF AN
INDUSTRY**

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Table of Contents

INTRODUCTION	2
MAIN BODY	2
Major forces shaping the business environment of car manufacturing industry	2
Critical assessment of changes taking place and reason behind it.....	5
CONCLUSION	6
REFERENCES	7

INTRODUCTION

For the success of the company it is very essential for the company to analyse the environment in managing the performance of the company (Chen and Jia, 2017). This is because of the reason that the business exist in the dynamic and frequent changing environment then it is very essential for the company to analyse the environment and to adapt to the changes for managing the work in the company. The present report is based over the company Volvo cars which is a premium carmaker which has announced to make the electric cars in accordance with the latest changes taking place in the dynamic environment. The present report will outline the PESTLE analysis of the company and then to identify the changes taking place in the environment and adapting to these changes in the business.

MAIN BODY

Major forces shaping the business environment of car manufacturing industry

The industry operates in the environment which is very changing and dynamic in the nature and there are also many frequent changes taking place within the working environment. But if the company wants to gain success then it is essential for the company to adapt to these changes taking place in the environment. All these changes taking place in the environment can be analysed with help of the PESTLE model and this is because this model includes the analysis of the external environment and then to adapt to these changes. With the analysis of the environment it was clear that there is need to electrify the model of the cars as the latest trend is of the electric cars (Tresna, 2017).

Political factors- this is the factor which relates to the changes taking place in the political or the governmental sector of the country. This is majorly pertaining to the fact that when there are changes in the government or the political sector then the company is also affected in the direct or indirect manner. In accordance with the current political state if the company goes for the electric vehicles in Europe then this will be beneficial for the company. This is because the tax rates are low for the companies who add in the environment protection and safeguarding of the nature.

Economic factors- the economic factor relates to the changes taking place within the economy of the country and it also has a great impact over the company and its profitability

(Yuan, Ren and Chen, 2017). This is majorly because of the reason that when it comes to company it exists in the economy of the country and any change in the economic factor also affects the working of the company. Currently the interest rates on the borrowing by the company have decreased and this is an opportunity of the company (Rosen, 2018). This is majorly pertaining to the fact that if now the company will borrow the money from the economy or the banks then they will have to pay less of the interest and this will save the money of the company. Thus, this will have a positive impact over the company as the company will now have to pay less of the interest and this can be used in the company.

Social factor- this includes the attitude, behaviour, values of the consumer and the people within the society. This need to be studied in effective and efficient manner because if the behaviour of the consumer will not be studied then it might be possible that consumer will not like the product and services of company. Thus, it is very essential for the company to first analyse the attitude and preference of the consumer towards the electric car and then work on the idea and launch it. This will be a good idea to the business concept because the consumer increasing the trend for the electric vehicles and this will be successful.

Technological factor- this is also an important factor to be studied at time of analysing the new idea or the business opportunity. It is so because of the fact that when the company works in the external environment then there is much advancement and up gradation within the technological sector which need to be adapted by the company. Thus, it is crucial for the company that they effectively analyse and study the technological factors. This is due to the fact that adaption to the latest technology increases the efficiency and effectiveness of the company. Thus, the new technology of electric vehicle will improve the performance of the company.

Legal factor- this is also very essential for the company to analyse the different rules and regulations and legislation which are applicable over the working of the company. This is essential because of the fact that when it comes to company complying by the legal rules makes and builds the trust of consumer for the company. The legal rules and regulation bind the company in a contract which they cannot break or violate and this makes sure that the company is working in ethical and morally correct manner. Thus, this will increase the sales and revenue of the company to a great extent.

Environmental factor- this is also the most important thing to be analysed because of the environment will not be taken care of then the consumer will not like this and this might reduce the popularity and consumer of the company (Mak and Chang, 2019). Thus, the concept or idea of electric car is beneficial for the company as the consumer will like this fact that with help of electric cars the pollution will be decreased and this will increase the goodwill and sales of the company in the highly competitive market.

Industry overview

Porter's five forces is the framework which generally used to define the level of competitiveness present in the industry (Wang and Zhao, 2017).

Competition among company: This force is very high as there are many different car makers who used to operate in industry. This eventually used to create the variety of the issue for Volvo to build good customer base of the company in the market. As they have to face variety of the competition from them. Also, different organization used to offer different offering in front of different consumer in the market. This eventually used to attract the customer of the company toward different organization. So it can be said that this force is very high in the market.

Threat from new entrant: This force is very low in the market. As it has been find out that entering into this sort of the industry generally requires and demand good sort of the finance to be invested by different companies in the market. Also, there is many few investor or bank in the market who used to provide that sort of the loan to carry out different operation in the market. As a result this industry used to see very less number of the new entrant entering into the industry. So for the same reason it can be said that this force is favourable for Volvo.

Threat of Substitute product: There are many different type of substitute product of car in the market, which is generally used by the different individual for the purpose of transportation in the market. This eventually used to create the variety of the issue for the Volvo as a whole. At the same time analysing real substitute product it can be said that there is no real substitute of car as different feature which are provided by the car are not provided by other substitute in the market. So it can be said that threat of substitute product is very low in the market.

Bargaining power of customer: This threat is very high in the market, as it has been seen that there is good sort of bargaining power in the hand of the customer in the market. As it has

been find out that all customer in the market used to have a good sort of the option to buy the product from the variety of organization operating, this eventually used to give a good sort of bargaining power in the hand of different consumer (Song, Sun and Jin, 2017). This used to impact the performance of the business very adversely.

Bargaining power in the hand of supplier: Looking at different supplier in the market it can be said that there are many different supplier who used to give different raw material and unfinished goods to different organization in the market. This eventually used to open good sort of the option for the Volvo to procure different sort raw material in the market. This eventually means that this sort of force do not bring that sort of the impact on the performance of the Volvo (Wang, Wei and Huang, 2018).

Critical assessment of changes taking place and reason behind it

The company operates in the environment which is very dynamic and ever changing and it is advisable to the company to continuously monitor the changes taking place in the environment. These changes need to be adapted by the company then this will make the company more advance and effective. The major change taking place in the environment is the use of social media marketing in the promotion of the goods and services. This is majorly due to the fact that when it comes to marketing the competition is very high and to face it, the necessity of company is to use effective marketing tools and techniques. Thus, the company has to make use of the social media marketing for the promotion of the electric cars in the highly competitive market.

Another major change is the change in preference of the consumer trends and requirement and this is more trending towards the use of the electric and battery driven vehicles so that it does not harm the environment and does not have any impact over the environment (Xuan and Yue, 2017). Thus, the major reason of this change is that the consumer has become more conscious relating to the environment and it is very essential for the company to adapt to these changes and implement in their product and services. This is because of the fact that if the company will not adapt to these changes then the consumer will not like this and this will decrease the sales and income for the company. This reason has forced Volvo cars to make the

and indulge in making of the electric cars so that the company can stand on the requirement of the consumers.

Also, if the company will make use of these latest trends then the company will enjoy or gain a competitive advantage in the whole industry. This is due to the fact that when Volvo cars will cater to the latest need of the consumers then the consumer will like the product and services being provided by the company and they will prefer the product of Volvo cars over the other companies (Aithal, 2017). Hence, this will provide the company to enjoy the competitive advantage as the company will have increased sales and large number of consumer base.

CONCLUSION

In the end it is concluded that the analysis of the environment is very essential for the company as the company operates and exist in the environment only. Thus, it is essential for the companies in gaining success that they timely research for the changes taking place in the environment in which the company exist. For this there are many different models like PESTLE, Porter five forces and many other models to outline the changes taking place in the environment. Thus, with help of these models it was outlined that the major consumer preference is relating to the use of electric and battery driven vehicles. This is majorly pertaining to the fact that when the need of the consumer will be fulfilled then the consumer will like this and will purchase the product of that company only. Hence, the company will enjoy the competitive advantage and this will give a greater preference by the consumers among the high competition as well.

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