

Global Business Environment

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Introduction

When the world entered into a lockdown in 2020, a ripple effect was felt throughout the global economy. Even though necessary measures were taken to ensure the pandemic was brought under control from a medical standpoint, there was a flip side. Many economic operations were brought to a halt. As a result, the repercussions have been felt in the global economy. The pandemic impacted the economy through lockdowns restrictions that led to the shutting down of many businesses. This essay will explore the impact of pandemics on the automobile industry in the global market.

Impact of the Pandemic on the Automotive Industry.

The magnitude of the economic recession caused by the coronavirus pandemic is unprecedented in modern times. For instance, the UK alone experienced a decline of 9.8% of its GDP. On some estimates, this is the steepest drop the country has experienced since 1948 and the most in over 300 years (Keogh-Brown et al., 2020). UK is one of the largest markets for passenger car sales in the EU. However, the impact of the ongoing pandemic has seen a significant decline in business sales of passenger cars in the UK market. Despite the challenges brought by the pandemic, Ford Motors has maintained its position as the bestselling car brand in the country. In 2020, the company had sold more than 1.6 million units (Isac et al., 2020). The following is the analysis of major impacts automobile sector that emerged after the pandemic.

Disrupted Supply Chain.

Just in time production is very critical to the operations of automotive firms. Hence, the supply chain in these firms was significantly affected by the restrictions that were caused by COVID-19.

For instance, China had an industrial shutdown after the pandemic broke out in the country, and two-thirds of the auto production was directly affected. The shortage of auto production in China had a heavy impact on global production. Automobile companies are trying to manage the challenges through various strategies, such as using big data, intelligent systems and connected ecosystems for evaluating risks and creating full transparency. This helps to communicate shortages to all points in the supply chain so that proper preparation can help firms adapt and adjust accordingly. Also, companies can mobilise a command centre for orchestrating the response and configuring the risk response while operating with agility (Isac et al., 2020).

Changing Consumer Behaviours.

The automotive industry in the UK has been recognised globally for its premium and sports cars marques. Some of the major firms in the industry include Ford, Leyland Trucks, Alendander Dennis, and Toyota, among others. Major car marques from the UK market include Jaguar, Caterham Cars, Rolls-Royce, and Lister cars (Isac et al., 2020). The automotive sector was one of the few industries in the country that could adapt and meet the challenges imposed by the pandemic. According to the SMMT report, the sector declined car sales by about 29.4%. By 2020, the sector recorded 1.6millim units, the lowest amount since 1992. There was a 10.9% decline in car registration, an equivalent of £20.1bn loss (Ojha et al., 2021). Changes in consumer behaviours caused these challenges as the government-imposed lockdown and travel restrictions. This means that people were not free to visit car dealerships. Companies were forced to develop strategies to help them survive the economic crisis. For instance, Nissan was forced to shut down its Barcelona plant after reporting one of the lowest profit losses recorded in a decade (Isac et al., 2020).

The change of consumer behaviour theory is better understood through the lens of social cognitive theory, where the pandemic is assessed as an environmental set. The social cognitive set strives to

explain the impact of the pandemic of the personal processes of consumer purchase behaviours involving their vulnerability, resilience and adaptability towards purchase satisfaction and repurchases processes. The framework of social cognitive theory represents a self-regulatory mechanism denoting the capability to perform and enhance motivation and problem-solving efforts (Farr-Wharton et al., 2014). Regarding the outcome expectancy of social cognitive theory, people are motivated to behave in a particular way when they are motivated. On the other hand, self-efficacy is concerned with judging an individual's learning and performing an action when dealing with a particular situation. This framework helps to understand consumers' behaviours during the pandemic. For instance, organisations can motivate their customers to achieve the desired purchase satisfaction and repurchases when they feel more self-efficacious and resilient (Keogh-Brown et al., 2020). This shows that organisations can motivate consumers to overcome pandemic threats regarding their buying behaviours. Regarding self-efficacy, the personal process can be investigated in light of the consumer's ability to adapt to new situations, such as battery electricity or fuel cell electric mobility (Mitha, 2020).

Digitalisation.

Many people started embracing digitalisation during the pandemic or working from home during their homestay. People were forced to use online services and purchase goods online. As a result, public transportation declined due to fear of infection transmission, and private vehicles became preferred. As a result, many dealers in the automotive sector adapted quickly to online methods to ensure they reach out to customers, enable walkthroughs and deliver products to customers at their homes. Despite these new changes, car sales were still reducing. However, the electric vehicle market continued to perform well during this period to the surprise of market key players (Marchio et al., 2014). During the lockdown caused by the coronavirus pandemic, new registration for

electric cars were increasing at a higher rate compared to their ICE counterparts. During this period, people learnt that lockdown helped reduce CO₂ emission significantly, and some people reflected on the desirability of traditional vehicles from the perspective of environmental sustainability. Electric cars are becoming preferable to people concerned about CO₂ emissions from gasoline and diesel-powered vehicles. However, the success of electric vehicles will be determined by Government initiatives to promote them (Kalaitzi et al., 2021)

The consumer's motivation to protect themselves which influenced the choice of their shopping channel, can be well understood through the analysis protection motivation theory. Based on this theory, when people are faced with a crisis, they tend to assess threatening events using the threat and coping appraisals or the cognitive appraisal process. Threat appraisals are concerned with processes used to evaluate the extent of risk, assessed through two factors which are the perceived severity and perceived vulnerability. On the other hand, a coping appraisal is involved with methods used to evaluate adaptive behaviours during a crisis, including self-efficacy and response efficacy (Kim et al., 2021). Applying protection motivation theory to the ongoing pandemic shows that the perceived severity of the crisis or the threat appraisal and the self-efficacy during this period led to increased self-isolation intentions. However, vulnerability efficacy and response efficacy had insignificant impacts on such situations. Under severe pandemic circumstances such as the ongoing COVID-19, the perceived severity has played a significant role in predicting preventive behaviours adopted by consumers (Youn et al., 2021). Fear of contracting COVID-19 made many consumers change their purchasing behaviours. Individuals with a high degree of altruistic fear showed a low level of mobility. Fear of the threat reduced consumers' mobility, increasing their intention to stay home during the pandemic, especially when ill (Kim et al., 2021).

These are some of the factors that acted as motivating protective behaviours that helped protect people from contracting COVID-19.

Survival and Success Factors in the Automotive Industry.

The outbreak of coronavirus had a heavy impact on the automotive industry. Closure of production firms and delays in the delivery of autos significantly impact multiple levels of the supply chain (Marchio et al., 2014). The following are survival and success factors automotive firms can use to overcome pandemic challenges.

Battery Electricity mobility.

The European leaders are very committed to sustainability practices. Intending to reduce the emission of CO₂, the government put a target of 95 grams of CO₂ emitted fleetwide per kilometre by the end of 2021. As a result, most automotive firms have committed to reaching the target by rolling out an unprecedented number of battery-powered and plug-in hybrid -EV models. Within the first quarter of 2020 alone, automotive firms had introduced 42 models in the European market. To encourage these initiatives, the government introduces several incentives such as tax breaks and new purchase subsidies to encourage firms to adopt the adoption of EVs and promote green mobility. The automotive industry has addressed consumer concerns about the sustainability of the environment while implementing sustainability policies to improve CO₂ emissions. Despite the continued COVID-19 pandemic, demand for EVs increases due to the governmental incentives combined with the increase in the EV model (Pelle and Tabajdi, 2021).

The COVID-19 pandemic has impacted different economies worldwide, but the European market has shown a quick recovery. The EV market share had increased from 3% in 2019 to 7% by the mid of 2020. This is expected to continue increasing to 12-15% by 2022 (Pelle and Tabajdi, 2021).

Behavioural outcomes are an integral part of the consumer decision-making process. Consumers have become more conscious of environmental issues and want to invest in sustainable companies. On the other hand, satisfaction refers to the amount of customer's satisfaction from purchased goods or the ability of an organisation to exceed customers' expectations. Automotive firms need to learn about the construct of the customer's purchase satisfaction, especially during an economic crisis such as the ongoing pandemic (Schleper et al., 2021).

Connectivity and Digitalisation.

The automotive sector has been tested significantly by the ongoing COVID-19 pandemic. However, the economic crisis caused by the pandemic also helped to accelerate growth and has impacted consumer demand for electric vehicles, including electrification, digitalisation and resilience measures. The pandemic in 2020 accelerated the development of EVs sales while digitalisation and connectivity have been used to create a data-driven business model for automotive firms. This pandemic period represented the tipping point in the adoption of EVs. Digitalisation and connectivity have enhanced environmental sustainability and efficient transportation. In 2020, Ford Motors announced its new transformation plan which main focus was on digitalisation transformation within the organisation (Pelle and Tabajdi, 2021). Automotive companies should leverage big data to create a smart and connected vehicle to better serve their customers by improving quality and lowering costs. The goal is to use technologies such as 3D printing, robotics and big data, and virtual reality to enhance connectivity and digitalisation in automotive firms (Friesendorf and Uedelhoven, 2021).

Fuel Cell Electric Mobility.

The automotive sector has had a gradual recovery after the outbreak of COVID-19. Market players hoped that electric cars would be more resilient than the general automotive. Electric sales have

recorded a slight increase despite the pandemic. IEA suggests that this could be enhanced by implementing additional stimulus measures (Friesendorf and Uedelhoven, 2021). Electric car sales exceeded expectations in 2020 due to the support of policies and additional stimulus measures. IEA has an estimated 3 million increase in electric car sales and a market share of 4% in 2020. This made 2020 the record-breaking year of electric cars despite the pandemic. In 2020, there was a 40% growth of electric cars in the global market. Ford has been at the forefront of creating fuel cell electric mobility and has delivered hydrogen focus fuel cell fleet. The company has already released its first 30 cars to conduct real-world testing of fuel cell technology (Pelle and Tabajdi, 2021).

The introduction of fuel cells will significantly impact the automotive landscape. The transportation sector is among the largest contributors to CO₂ emissions. Cell fuel has high efficiency and dependability compared to its traditional fuel counterparts, and its use across transport applications increases. Fuel cells emit fewer pollutants; unlike combustions engines that emit CO₂, hydrogen fuel cell conversion emits only water and heat. Consumers are more aware of sustainability issues and are attracted to sustainable organisations. It is believed that fuel cells will be the future of transportation. Automotive companies should invest in R&D towards the development of hydrogen-powered vehicles that are more efficient, affordable and secure as an alternative to traditional transportation (Friesendorf and Uedelhoven, 2021).

Conclusion.

The world economy has undergone a massive transformation during the COVID-19 pandemic. However, even though the global economy has experienced huge negative impacts, positive impacts have also taken the economy to the next level. The economy's implementation of technologies has accelerated like never before during the coronavirus pandemic period. Many

global businesses have increased business strategies, such as using big data analytics to enhance the consumer experience. These changes are expected to continue occurring in the foreseeable future, and businesses must embrace themselves for these changes.

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