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1. PESTLE Analysis of the Global Automobile Industry

The worldwide automobile industry is an industry worth of multi billions and has numerous great brands which have been competing for the market share. Since the establishment of the automobile industry during the 19th century, it has developed into a crucial part of the global economy for its revenue contribution. Due to the big size of this particular industry, it has been impacted by several factors. As a matter of fact, the pressure on the industry regarding control of pollution, and the carbon footprint has been increasing (Timmer et al., 2015).

According to Timmer et al., (2015), the main players in his industry have been making an effort to come up with cars with low emission and fuel efficient in the market. In fact, the sale of electric vehicles which are free from emissions is catching up. The presentation below involves a PESTLE analysis in the automotive industry which describes how the economic, social-cultural, political, environmental, technological and legal factors influence the automobile industry. In particular, this analysis will also cover a case study published in the New York Times in 2006 "Car Production surges in Eastern Europe".

Political

Political factors have a crucial role and more so have a direct effect on the success of the automotive companies. Governments across the globe have been in favor of those vehicles that have less emission. As a matter of fact, the taxes imposed on the fuel guzzlers and luxury vehicles have risen over the years. In fact, markets like those of the United Kingdom and European Union have been in favor of those vehicles with low emissions. Those vehicles that are considered environmental friendly have more demand than those with a lot of emissions. In that case, such vehicles have been gaining higher support from the government due to their low negative impact on the environment (Dunning, 2000).

The Eastern European countries have been noticed to be producing many cars compared to other countries like the United States, Japan and Britain. For instance, in the year 2010, Czech Republic doubled its production within a year producing more than a million cars. From the article, Eastern Europe was becoming Europe's backyard production center and it was estimated to produce approximately 3.4 million cars in an year by 2010 which was a 33 percent rise from the 2005 production (Tagliabue, 2006).

The main reason behind the Eastern Europe surge in car production is that the eastern European governments offer incentives to automobile companies like financing their investments, offering flat and low taxes on the employee salaries as well as corporate profits. A good example of this is in Slovakia where the government has put all the taxes at 19 percent (Tagliabue, 2006).

The second reason for the surge is that the former communist regime left many people without

cars but the current government regime has been encouraging and boosting local car makers (Tagliabue, 2006).

It is important to note that political factors are generally outside the control of the business.

However, as much as companies cannot change political factors they have the power to move wherever political factors like taxes, political stability and so on are favorable.

Environmental

The major players in the automobile industry are mainly focusing on vehicles with low emissions and those that are environmentally friendly. In fact, those vehicles that have low fuel consumption and have low emission levels are being favored by both the laws and the government. The tests of pollution have become stricter and those vehicles that pass in these tests are permitted in various markets like the UK and EU. Environmentally friendliness is now a crucial test for all vehicle makers during the 21st century and the governments have become harsher and are majoring in the control of pollution (Hoskisson, 2013).

Economic

The economic forces play a crucial role in the automotive industry. This sector is greatly affected by the country and the region and global economy. During poor economic conditions the sales of the vehicles is low. Actually, the demand for vehicles specifically for the highly priced luxury vehicles is mostly affected during the hard economic times. On the contrary, during the good economic times, the sales of vehicles are high and their demand is also high. Moreover, the sales of cars are normally high in the developed countries while they are comparatively low in the developing countries. The main cause of the latter difference is due to the differences in the economies and the purchasing power variance (Hawkins, 2013).

Eastern Europe which is part of the European Union has the benefit of a stable economy. This stable economy has to large extents resulted in the surge of car production in the region.

Europe has become a price market whereby the consumers are purchasing cars at low prices due to the increased production of vehicles. This has also meant slow production of vehicles in the western countries. In addition to that, the European countries had a large untapped market in the automobile industry and many people did not have cars. This has also contributed in the surge and increased sales of cars in the region (Tagliabue, 2006).

The Eastern European region has benefited from the increasing fuel prices in the west. As a result the consumers have been moving from purchasing the big SUV cars to smaller cars which are mainly produced in Eastern Europe.

The increasing car production in Europe has increased the level of employment and improved the standards of living among the people. This is because the car companies in Europe are paying their workers well for their good work and the government is also in support of the workers. Above all, Eastern Europe enjoys the cheapest labor hence there is a large pool of workers to work in the automotive industry.

Social-Cultural

The social cultural forces have a great impact in the automobile industry. These forces include the consumers' preferences and trends in the society. It is therefore necessary for the car

makers to consider the latter forces and manufacture cars that coincide with the people's preferences and trends. Every new year different vehicles with different features are introduced keeping in mind the people's preferences. To add on that, various cultures prefer specific styles therefore the car makers also have to consider the culture of the people before going into the market (Balanyá, 2000). The compact cars have become a specialty in Europe with most preferring the small cars compared to the big cars and SUV's. Following the communist regime that left any families behind, most families today in Eastern Europe want the small compact family cars which are mainly being produced in Eastern Europe (Tagliabue, 2006).

Europe has globally been recognized for manufacturing cheap small cars. Despite this, the region has also been known for introducing new car models. For example, the Logan which is a four-door car manufactured in Romania going for approximately 5,700 euros equivalent to \$7,200. It has also assembled new models like the "Ka" which is today manufactured in Valencia and Fiat maker introducing its model "Cinquecento" Tagliabue, 2006.

The social preferences and trends keep changing hence affecting the popularity of models and brands. However, the Eastern European region has been working hard in producing new models and opening up new assembly plants to keep up with the pace.

Technological

Innovation and technology are crucial determining factors in the market share of the automotive industry. The more innovative a company is, the higher the level of its market share. The main players in the automotive industry like Hyundai, Toyota and Ford are largely investing on those cars with low emissions. Toyota is planning to come up with a driverless car soon. In short, the technology and innovation are the basis of differentiation in the automobile industry because the consumers are shifting their focus towards high mileage and fuel efficient vehicles. Those cars which are fuel efficient and have lower emissions are highly sold demonstrating that technology is a key factor influencing the profitability and sales of the automotive industry (Balanya, 2000). Eastern Europe has been known for producing small and fuel efficient cars like Peugeot, Volkswagen, Kia, Renault, Skoda, Citroen and many more. The cars in Europe are therefore technologically advanced every now and then to cater for the changing preferences among consumers. The Volkswagen right before its scandal was best known for its low carbon emissions. However Europe is continuing to come up with new car models even though there is the threat of the electric car which is challenging the European car industry.

Legal

Laws affect the performance as well as the success of the vehicle brands. As a matter of fact, car industries in the global market are subjected to laws that relate to product safety and quality. The laws of controlling pollution are now strict and vehicle brands are even undergoing audits to determine the authenticity and their level of emissions. More so, those cars being exported have to undergo strict emission controls.

Tagliabue, (2006) claims that in the Eastern European market, the border for the automotive industry has been erased. Cars are being exported from Eastern Europe to Western Europe without duties. This has acted as a major boost for the Eastern Europe car industry and they are able to supply cheaper cars.

2. Porters five forces of the Global Automobile Industry

The porter's five forces represents a model that is used in recognizing as well as analyzing the five major competitive forces which shape various industries. The model also helps in determining the strengths and weaknesses of the industry. The model also helps in explaining why various companies are able to maintain various levels of profitability.

Competition in the industry

The automobile industry is under great competition with companies introducing new car models that fit with the population preferences and style. The small car market is highly competitive thus the European car market is under constant pressure to keep up with the pace. Though the American and the European car markets have been the pulse in the car industry, there has been a shift of focus to other growing markets like India, China and other Asian countries following their increase in disposable income, stable economies and changing lifestyles. In particular, the European market is facing steep competition from the growing industries and the upcoming electric vehicles from the Toyota brand. Though the Eastern Europe market benefits from the fact that the Europe car market was untapped, the industry is likely to suffer from overcrowding because the automobile industry is generally overcrowded (Sturgeon, 2008)

Potential of new entrants into the industry

In the case of automobile industry, the threat of new entrants is less because the automobile industry is secure through important barriers to entry. One of the main reasons why there is less entry is because a lot of capital is required to invest in the automobile industry. The major players in this industry benefit from scope and economies of scale making it challenging for new entrants to give competitive pricing. Government regulations like those in Eastern Europe also boost this phenomenon. The governments protect as well as support their local national car producer which is crucial for the national economy. Other factors that hinder entry into the market is the high level of product differentiation, overcrowding and the rivalry in the car industry and this makes it less attractive for other investors (Sturgeon, 2008)

Power of suppliers

The power balance between the car manufacturer and the supplier in the automobile industry is normally in favor of the car producer. The suppliers are many and mostly medium size whereas the car companies are bigger and globalized. Most suppliers are dependent on a single manufacturer hence no supplier threat. Since the car manufacturers have more bargaining power they have the power to control their suppliers too (Pavlínek, 2004). For instance, Eastern Europe car manufacturers have been pulling their suppliers into their regions. In addition to that, Poland, Czech Republic and Slovakia have been making efforts to entice suppliers for the brand new assembly plant for Hyundai at Novosice in the Eastern bend of the Czech Republic (Tagliabue, 2006). Thus the bargaining power of the suppliers is between medium and low.

Power of customers

The consumers have a large bargaining power compared to the car makers. This is because there are many car makers around the globe hence a wide variety of cars to choose from. In Eastern Europe for instance, there is a surge in the car production and the consumers are in a position to choose their desired car depending on their lifestyle, taste and preference. The customers in Eastern Europe have substantial power compared to the car makers because it is

they who create the demand and the car makers in turn produce the cars depending on the demand. Thus, the bargaining power of consumers can generally be said to be medium to high (Schlie, and Yip, 2000).

Threat of substitute products

The Eastern European car industries have specialized in manufacturing small and cheap cars. This makes its market susceptible to substitutes particularly from other luxury brands like AUDI and BMW and SUV's. Since the consumers lifestyle are continually changing, their preferences are also likely to change with time. Thus, the Eastern European car industry is vulnerable to such alterations. On the brighter side, numerous Asian companies have been coming up with the latest luxury car models to compete with the traditional European and American brands that were established in the 80's and 90's. However, it has been extremely challenging to match up this prestigious brands with the their decades of history (Schlie, and Yip, 2000).

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