

Assignment 1

THE GLOBAL BUSINESS ENVIRONMENT

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INTRODUCTION

Business environment is a sum of different internal and external factors influence the overall operations of company. This report is based on the case study of the Lexus Company. The organisation was established in the year 1989. Toyota Company is considered as the

parent company for the respective organisation. This report would evaluate the factors of business environment in respect to the Lexus Company. Henceforth, report will emphasis over different models such as PESTEL, SWOT, Porter five forces, product life cycle and value chain analysis. Different aspects related to business operations functioned by company would be addressed in this report.

MAIN BODY

Forces shaping business environment

PESTLE Analysis-

Political factor- Lexus car has expanded into various countries to increase the sales of vehicles and begins the production in UK. The political factor affects many areas like labour force, the quality of technologies and the health of human insurance. While dealing with the concept of Brexit the Lexus facing uncertainty in their business as being imposed in imports of the productions sites in England which are not able to control but there is a need to control the uncertainty. As the UK leaves European Union which acquire political risk that are not expected for the firm. In present era of plan the government changes its policies to support the companies so that they can grow in the market. The political factor dealing have a positive effects in Lexus performances which is happening in japan (Perera, 2017). The government who are investing in the Japanese Hydrogen car Mirai as to complete the target.

Economical factor- Lexus faces economic issues under trump administration protectionist policies and trade Border-tax. The import supplies will cost highly in Japanese market which will reduce the profit of the company. Lexus ramp up its export out of japan and it will increase the economies in US automotive market. The Lexus done most of their business with US and stronger than Yen (considered to favour Japanese export). The improvement in the business will increase the growth of the country and manage the economy issues and adopt opportunities to build their brand image.

Social factor- This factor needs to consider all the situations which are affected to the community socially and marketplace. The social and culture trends having an impact on the sales of global market. The way to overcome the issue is to focus on localization in regional market. As the maximum consumer prefer to the environmental friendly transportation so the company focuses towards the demand of the customers and modify their product. The culture

changes the people's attitude towards the environment the company research towards the changes occurred in trends and build competition.

Technological factor- the auto-mobiles industry are highly used technologies and modify their business to work effectively. The Lexus focuses towards the safety of the customers riders (Dürkop and Huth, 2017). They strongly focus by research and development so that they can know the different demand arises in the market. New technologies can improve the quality of the product and reduce the cost this factor having a benefit to the consumers and the company providing a product. The different technologies provide an opportunity for the company to grow their brand. Technologies are increases in marketing too where social media is used to connect the customers and increase the company on global scale.

Legal factor- Organization also essential to adopt the rules, regulations and legislative platform to govern the product and countries in which they are productive. There are various problems occurred in legal factor. Passenger safety is important issue that have a deep legal impact towards the auto-mobiles companies. The changes are affected on the rules and regulations while importing the products.

Environmental factor- This factor is affected with the changes occurred in climate as the environmental factor concern with the forefront customers content (Policy, 2018). Government are encouraging the companies who are managing the environmental impacts better than other organization. As the Lexus company take changes to use for further grow, they protect the environmental agency by taking guidances and the company ethos to do what was safe and correct for them.

Opportunities and challenges factors present and competitive advantages

Porter five forces-

Porter five forces is a key model used to assess about the market competitiveness of the respective company. This model comprises with the forces that directly influence the overall business operations of the organisation.

Competition in industry (High): Auto-mobile sector is among the highly competitive sector of business environment. The sector is growing rapidly at a global level which allow different stakeholders to come and initiate business operations in the respective market sector

(Prajogo, 2016). This force is effective and high due to the healthy level of competition in market.

Potential of new entrant in industry (High): New entrants are identified as the new companies who are looking forward to expanding the business operations or the companies aim to take competitive advantage in the automobile market. AS the sector is growing rapidly at a global level which contain a huge possibility of the new entrant to come and entertain huge business growth possibility.

Power of suppliers (Medium): Suppliers are engaged in supplying and delivering the products offer by company. AS the Lexus Company is associated with the Toyota Company that is a well-established organisation and carry various options to supply its product. The over dependency of the suppliers over company make this force medium in range.

Power of customer (High): Customers always contain the high and aggressive power in the business. Company form all its policies and strategies on the basis of the customers of the company. Involvement of customers in company's business make this force more effective.

Threat of substitute products (High): Substitute products are denoted as the product range that can be used on behalf of the products offer by Lexus Company. Auto-mobile sectors directly associated with the innovation and technology (Kokodey, Gnezdova and Lomachenko, 2018). This force is high in the sector due to innovation and technological involvement.

Product life cycle-

Product life cycle denoted as the different stages of the life cycle of the product. Product life cycle the entire concept denote about different sages of life cycle which are identified in the following manner.

Introduction: This is the initial stage of the product. At this level company try to focus over its marketing and promotions so that effective success can entrain even at the initial stage of business (Syazali and et.al., 2019). This is the initial stage of the product where company promote and launch its products to engage the attraction of potential level of customers associated in the market.

Growth: This is the stage that indicate that product is growing in the market. Under this stage company entertain competitive advantage against to the prior operations channelised by company. Once the company totally initiate its product initial point it switches to entertain the profitability against the introduction stage.

Maturity: This is the most profitable stage. Under this stage company need to invest less in the marketing and promotions and it effectively allows to sale its products at this level. This is the best stage part of product life cycle. Under this stage company entertain profits as it get to attract customers very easily (Popescu and Popescu, 2019). At this level brand value has also established in the market which also help organisation to get engage with the potential customer in the market.

Decline: This is the post maturity stage. Under this company face decline in its sales.

Lexus Company is a part of the growth stage. All its products are getting success in market. At this level market sales of the product is completely decline. Competition ion the automobile sector also influence this stage.

SWOT Analyse-

It is established to manage the structure which enables a brand like Lexus to benchmark their business and performance as compared to competitors. Lexus is a leading brand in Automotive sector. Swot analyse is a planning strategy the company can use to manage the situation analyse of the company-

Strength- The Lexus is extremely reputable in the luxury segment. As the Toyota is parent company which is best in technology and production mechanism (Sarsby, 2016). As the japan are more predecessor in vehicle technology and the Japanese car are used all across the world. The company focus towards the innovation of their product make it more stylish and dynamic , alternate energy vehicle, safety system etc., the objective of the Lexus car is to achieve maximum power with minimum fuel consumption. They also focus in racing events so that more customers will connect, and they can build wide range product portfolio.

Weakness- There are limited product portfolio available for Lexus car in the growing market. They provide limited services and network distribution in market share. The luxury cars are not advertised their products in media they have not been get the necessary visibility by low branding. The luxury cars always having a expectation of different and exciting driving experiences, but they seen to be same with not too many exciting driving prospects.

Opportunities- Lexus car always focuses towards the new technologies' adoption for future driven and research on the key areas included safety system, robot-driven cars, alternate energy vehicle, interconnected traffic etc., There are some countries which are increase in spendable income of people so that the company get an opportunity to increase their sales by producing more attractive design of vehicle (Elavarasan and et.al., 2020). The demand of luxury cars are expected to grow in developing countries they expand their business globally

and build their brand image. The new technology provide an opportunity to Lexus to distinguish pricing scheme in the market and increase their market share.

Threat- For auto-makers it's a difficult challenge to buy the resources as the cost of raw material increase. The company have a threat of competition from big Auto-mobiles giants which provide innovative products and faces a stiff competition in today's luxury market for auto mobiles with strong presences like BMW, Audi and Mercedes-Benz. And perceived very costly brand which can lead to exposure the actual customer (Teoli and An, 2019). The price of fuel increases and the customers prefer alternative cars.

Porter value chain model-

This is a model of operation management. It indicate the complete process that start from the initial point and end with the final sale of company. This model indicates about the process follow by company to cover the raw material into sales and also involve the post sale stage where company try to cherish the customer experience point. IT comprises with the stages like inbound logistic, operations, outbound logistic, sales, marketing and service. All these stages play different role in process that the company get to achieve the business objectives.

Inbound logistic: This is the initial stage of production. Under this level company try to collect al resources and raw material that will be a part of this process. At the level operation team of Lexus Company collect all raw materials (Okeyo, Gathungu and Peter, 2016). Lexus Company has established a strong supply system that support the organisation to deliver all raw material on time at all factories of company or work station.

Operations: This is the stage that convert raw material into the finished products. Operation is a key stage in the entire operation. This involves conversion of raw material into the finished good. Lexus Company has installed all latest technology equipments that support the company in delivering the best outcomes against the process.

Outbound logistic: At the level operation team supply all finished products at all the showrooms of company. Company supply chain system support in delivering products at all stores.

Marketing and sales: This is a stage where company promote its products and try to sale them to potential customers. This is the significant stage as it allow company to meet all its objectives.

Service: This is a post sales stage of company. At this level company try to give service to customers in the market. IT involve dealing with all the issues customers are facing in against to buy company's products.

CONCLUSION

It can be concluded from the above information that this report is for studying the global business environment by examine the SWOT and PESTLE analysis of the organization “Lexus car”. This report is also included the changes obtained by the industry in last five years and discussed the opportunities and challenges by product life cycle, porters value chain model and porters five forces that are focuses present position and gain a competitive advantage.

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