

BUSINESS ENVIRONMENT

ASSESSMENT 1

ENVIRONMENTAL ANALYSIS OF AN AUTOMOTIVE INDUSTRY

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INTRODUCTION

This assignment is a brief study of the business environment of car manufacturing industries. This study includes various models such as Porter's 5 forces, porter's value chain analysis and product life cycle for identifying the competitive advantage which they can achieve and along with that in this we will also look after the external and internal drivers with their impacts over the manufacturing industries we will be doing a critical analysis of PESTEL and SWOT to come through the fair outcomes how the manufacturing industries are able to sustain in the business environment and enjoys the succeeding growth.

TASK 1

PESTEL ANALYSIS OF CAR MANUFACTURING INDUSTRIES

The macro-environment of any business organisation comprises of PESTEL analysis that is the political, economic, social, technological and legal.



Figure 1 PESTEL ANALYSIS

Source: B2U, 2016

POLITICAL-Political factors play a vital role over the industries and especially when it comes to big million industries such as automobile industries – car manufacturing industries. Government of the UK are supporting the low emission vehicle which can help in minimising the air pollution, UK government is providing subsidies to car manufacturing industries so they can develop more low emission cars (David, 2019).

ECONOMIC-In this pandemic all the industries are being impacted with the economic crises and this is leading in the fall of sales and decreased revenue. Car manufacturing industries require various resources which cost a huge amount and especially the manpower included in it is very high. The economy of the UK is high and they can afford the luxury products which means the car manufacturing industries can set up high range products for them.

SOCIAL- The industries needs to work according to the social and trends of the customers who believe in buying new and innovating products every time. Car manufacturers should design the car considering the age factors also while focusing on target customers. It's important for satisfying customers for growth and development.

TECHNOLOGICAL- The most needed thing for acquiring competitive advantage is launching high technological and innovative products and services. Toyota has announced to launch the driverless car with ultra-feature. Along with this customers are demanding for fuel-efficient and low emission vehicles, the manufacturer needs to keep these things in mind while developing features in the car.

ENVIRONMENTAL- In 21st era, the most important thing the manufacturing industries need to focus about is getting involved in eco-friendly practices for protecting the environment from harmful chemicals and gas. The car manufacturing should look after the carbon emissions which are growing stiffer around the globe and causing the harmful effect on the environment. Also, car manufacturing industries should focus on launching battery cars which can minimize the wastage of fuels. The government of UK has begun the testing of eco-friendly vehicles.

LEGAL- Every industry need to work in the laws passed by the government, legal factors play an important role in the industries. The law has become stricter for the eco-friendly vehicle as well as the safety of consumers. In the recent news, Toyota has to look bag on the cars as there were major faults in airbags which can be very risky for the customers (David, 2019).

PORTER'S VALUE CHAIN OF AUTOMOBILE INDUSTRY

The value chain is referred to as the strategic tool and system by which an organisation allocates its relevant activities and adds on to the efficient enhancement of their end products and then evaluate the activities to lower the rates or boost seclusion.

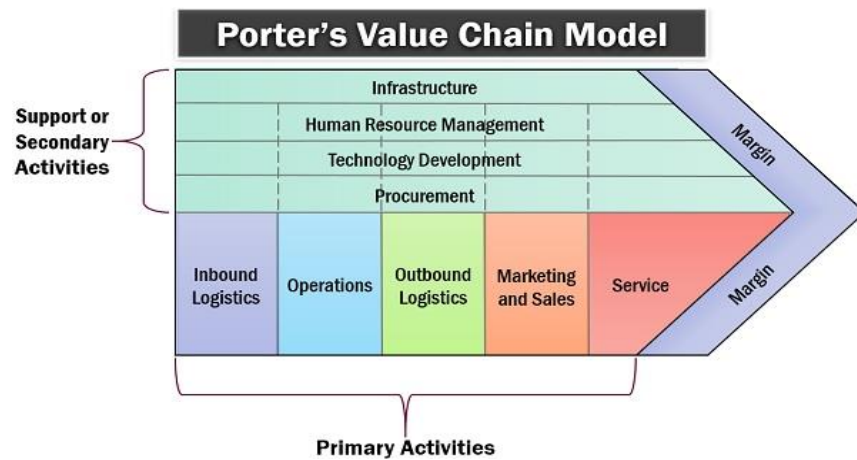


Figure 2 Porter's Value Chain

Source: The investor's book, 2019

Inbound logistics- This is known as the primary stage of production where the manufacturers receive the raw materials that are used in the manufacturing of cars, all the raw materials and parts for the car manufacturing sites in the UK are scattered over different countries such as Japan, China and USA all this are gathered at the side in this process. Toyota's inbound logistics are leather seats, tire and steering wheels which are grabbed from different places (Koc and Bozdag, 2017).

Operations- This is the main process of production, where the raw material is converted in the finished goods. The car manufacturing industries have to perform several operations for assembling the parts. This process is mainly related to the assembling of different auto parts to prepare the final product (Koc and Bozdag, 2017).

Outbound logistics- This is the process in which cars are delivered to dealers from the manufacturing sites and later they are purchased by customers via dealers or retailers. Toyota has mainly connected with dealers for selling cars and endeavour the profit (Koc and Bozdag, 2017).

Marketing and sales- It is important for an organisation to showcase their products in a better way so they can achieve the maximum number of customers. In this process the industries advertise their products by promoting, developing customer relationship to ensure the retention of targeted customers (Koc and Bozdag, 2017).

Services: This is the last stage of this process aiming in providing after-sale services which can help in the retention of the customers. This stage helps in maintaining the goodwill and brand image in the market (Koc and Bozdag, 2017).

Support Activities:

Infrastructure: This refers to maintaining the accurate infrastructure which can help in eliminating the discomfort zone for both the employees and management department of the organisation.

Human resource management: This means having skilful and talented staff who can work in the progression of the organisation by increasing the productivity and profitability in the organisation. If a company lacks in the adequate workforce then this may lead to a loss in the organisation (Koc and Bozdag, 2017).

Technology: A company should work according to the latest technology which also aims in the safety of customers like airbags. Technologies are also used in marketing and selling the products through digital support.

Procurement: This is the last stage of supporting activity which aims in ensuring the proper management of all the tasks involved in the manufacturing of cars. This also helps in saving the cost and ensuring the use of good quality auto-parts (Koc and Bozdag, 2017).

TASK 2

SWOT ANALYSIS

STRENGTHS	WEAKNESS
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People are fond of using new and latest technologies which in the back give them an opportunity for maintaining their status and staying in their comfort zone (Sarsby, 2016).	Increase in the competitors with their innovative ideas is the biggest weakness in this era also the new entrants is fear in the industry.
OPPORTUNITIES	THREATS
There are so many new opportunities for car manufacturing as there is increased demand for fuel-efficient and low emission vehicles. New technologies and the rapid demand of customers is growing daily.	The pandemic is the biggest threat of the organisation as it has let down the economy of the country and people are less interested in investing over luxury things.

PORTER'S 5 FORCES

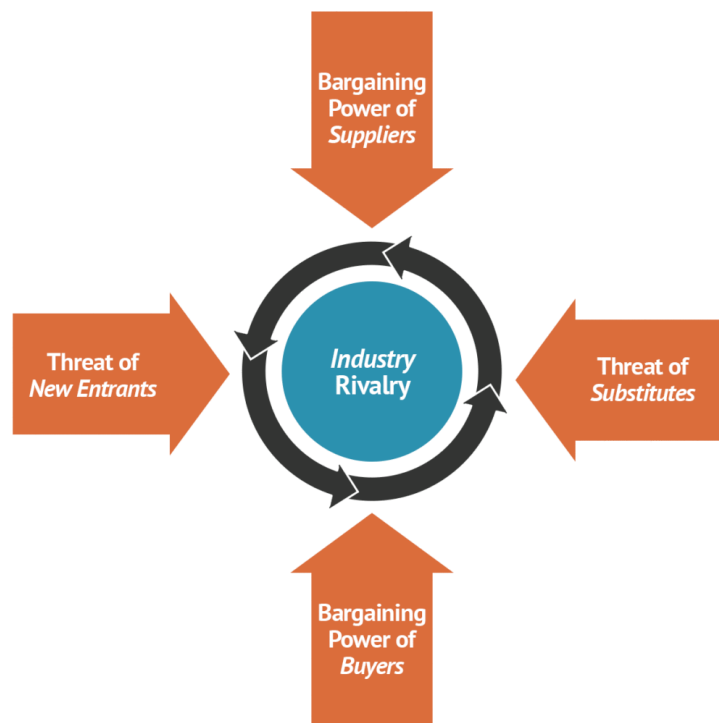


Figure 3 Porter's 5 forces.

Source- (Omsa et al., 2017).

The threat of new entry (Medium) - The car manufacturing industries has a medium risk of new entries as there requires a lot of funding for the set up of car manufacturing tools and machineries. Along with this they also require branding name which is a bit difficult to have for the new entries. Some people have excellent mind and strategies with innovative ideas which makes the threat of new entrants in the market.

The threat of substitutes (high)- There are many industries which are involved in the business of car manufacturing industries there are variants available in the market. There is rational consumer who aims in looking throughout different products varying with prices, features and compatibility. Whereas they have so many substitutes in the market, the manufacturers need to provide some unique and attractive service or feature for acquiring competitive advantage (Moreno-Izquierdo et al., 2016).

Bargaining Power of the consumers (low)- There are very less possibilities of consumers bargaining in the car manufacturing industries as firstly they don't directly deal with the customers, however, the dealers ask for some discounts and offer on the manual purchases. The car manufacturing industries work with the strategic planning of economic target customers in which they set up target customers for specific products, for example, the luxury cars with high-tech working are designed for high-class people and for the middle-class people they design products of normal technologies and limited features (Moreno-Izquierdo et al., 2016).

Bargaining Power of the suppliers (Fairly low) - The companies don't keep their dependency over the single suppliers, whereas they connect with numerous supplier. They try to purchase raw material from the one who has comparatively low prices with good quality. There are multiple auto part suppliers who don't believes in bargaining but focuses on providing high-quality parts with high prices so that the companies stay willing to pay the price (Moreno-Izquierdo et al., 2016).

Competition in the industry (High) - Aston Martin, Bentley, Jaguar, Land Rover, Lotus, McLaren, Mini, Nissan UK and Toyota are some popular car manufacturing industries in the UK giving tough competition to each other by providing varieties of features, technologies innovation in the products. They all are very popular car manufacturing industries leading

in the world and creating a dominant factor amongst them. For accessing the competitive advantage they need to look throughout the demand and trend of the customers and built up different types of products. This is not enough they also need to grant some after-sale services to the customers for their retention. This will lead to an increase in sales, revenue and profit in the industry (Moreno-Izquierdo et al., 2016).

PRODUCT LIFE CYCLE

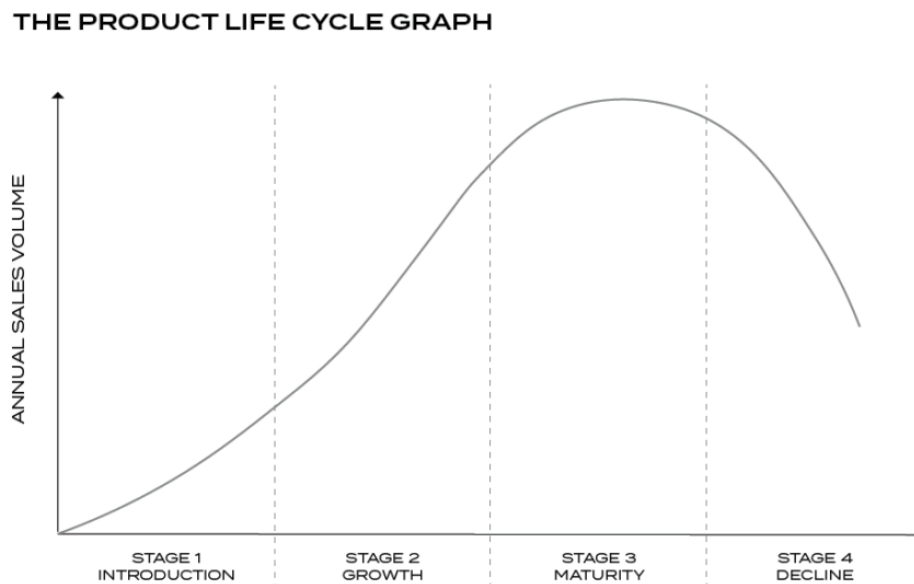


Figure 4 Product life cycle

Source: Pettinger, 2019

Introduction Stage

In this stage, the car is introduced in the market with the help of advertisement, sales promotion and using various platforms such as social media to reach the maximum number of customers. The company should perform this stage very consciously as this stage will lead the attraction of customers and assure the product is being the priority in the market (Škerlić and Muha, 2020).

Example: Self-driving cars

Growth Stage

This stage is when the public gets aware of the product and starts purchasing the product. It's the position where the product shifts from the initial stage to the growing stage in the market (Škerlić and Muha, 2020).

Example: Tesla Model S

Maturity Stage

This is the stage where a product gets the success in the market and has become a competitive product which all the customers are attracted towards the product. This can also be called as the saturation stage of the product where all the P's of marketing is utilized successfully. Place, Product, Price and promotion is successfully covered in this stage (Škerlić and Muha, 2020).

Example: Ford Focus

Decline Stage

This stage can be called a suffering stage for the company as the profitability is minimized due to the new product entrance. There is only survival in the market if the car is justified and the favourite amongst the customers (Škerlić and Muha, 2020).

Example: Diesel cars

CONCLUSION

Through this study, we have concluded that it is very important to stay aware of the environment where the business is operated. Car manufacturing industries are one of the largest industries with the huge amount of investment. For successful and sustainable growth in the market, they should strictly perform business scanning processes for getting fruitful results. In this assignment, we have used various models for analyzing the business

environment of the automobile industries. We have come out with the conclusion that there are varieties of opportunities for the car manufacturing industries.

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