
ENVIRONMENTAL ANALYSIS OF AN INDUSTRY

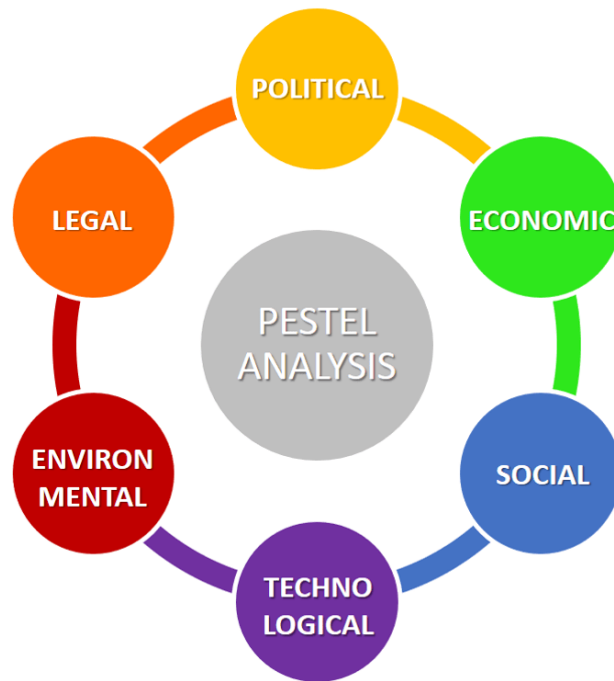
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INTRODUCTION

In an increasingly complex and integrated global economy, a significant challenge for automobile industry is to develop and expand worldwide facing a good many number of trade barrier. Political stability in eastern world combined with intensely competitive nature of eastern side of Europe and dramatic transformation of Western Europe made it easy for automobile industry to settle down in eastern zone. In this emerging economy the best automobile manufacturer of automobile industry led them towards investing in Eastern zone. While western zone was falling off for various deformities in maintaining automobile industry eastern zone started to grow drastically grabbing the best investors, establishing new manufacturing companies inside and developing the sector from up to bottom. Different level of motivation worked for this dramatic emergent of eastern world.

HISTORY OF AUTOMOBILE SECTOR: Automobile sectors mainly deals in manufacturing motor vehicles and motor vehicles engine. Their production includes passengers motor vehicles, commercial vehicles and two wheelers and three wheelers vehicles. The history of the automobile industry has been in effect since 20th-century. Although the automobile originated in Europe in the late 19th century, the United States completely dominated the industry for the first half of the 20th century worldwide through the invention of developed and mass production techniques. In the second half of the century the situation altered sharply as western European countries and Japan became major producers and exporters. Following that after the collapse of Communism in 1989 eastern Europe got the control over automobile industry from western Europe.

ESSAY ON PESTEL ANALYSIS: IN VIEW OF THE GIVEN CASE



PESTEL environmental factors at work in the industry following the case given is described below, where the impact in national and international both are delimited:

Though automobile industry started to boom in 1980s when technology was at the stage to combine steam engine and road wagons, it turned into a successful and commercial industry in later period dominated by US and Europe. The first country to come into this industry was France as the other efficient investors hesitated to invest in new sector which just started to boom. However, France and Germany remained the topper manufacturer and exporter till 1980s until US captured the market. Followed by that Europe came into front line to grab the market. The automobile industry thus kept evolving towards development to produce automobiles in the least possible cost to make it affordable for middle class.

The automobile industry which we see today is running in mode of safer, durability, convenience and less costly as compare to past. Like any other industry automobile industry is also not free from the effects of macro level factors like, all together knows as PESTEL.

Political factors:

Automobile industry has been a big source of revenue generation for government since its inauguration. Though political instability and corruption made it quite difficult in western Europe to handle the industry smoothly, eastern zone on the other hand got it successful. Not only the

government but also the top investors from other countries moved to eastern Europe to invest in automobile industry of their own. It was because of the political stability of eastern Europe which kept the industry running smoothly and with lower costs. The money from western had been pouring in to eastern zone quite in a good pace.

Economic factors:

Economy affects automobile industry highly. The adverse effects of economy in the past affected automobile industry in the west zone which in a result forced the investors to invest in east. Increasing level of income in east boosted the sales level also. While the salaries of the engineers in west was higher than east, every possible item regarding automobile industry in east was lower in cost than west. While the east doubled its production, and jumped over a good number in manufacturing over a year, west countries like Britain got a decrease of 1.5 million from 1.8 million in manufacturing. Even the companies in the west started to eliminate workers while the unemployment rate in east minimized to a great extent (Ajay, 2010).

Social factors:

Revolution happened in the whole world by automobile industry in the last two centuries. Hundreds of people globally are associated with car market which changed the people's life in many positive ways. Automobile industry played a vital role in upgradation of the societal factors.

Technological factor:

Since nineteenth century automobile industry got several dimensions in its several phases of innovation. Through adoption of better technologies automobile industry is booming and producing better equipped vehicles with latest accessories to make people's life easier. New features have been added to vehicles. Not only that manufacturers are focusing on shaping the vehicles according to people's choice of cars and demand which goes with their income level and family members. There are several categories like, Volkswagen Beetle, Toyota Prius, Suzuki, Hyundai etc. also customers are now aware of latest designs through internet where they can compare the models with given prices of various companies (Chitra, 2013).

Legal

Law makers now a day are concerned of the automobile safety whether the manufacturer is following the laws or not. They are therefore imposing different types of rules and regulations to maintain. Automobile manufacturers are thus continuously facing a pressure of making the vehicles maintain the laws. Also, manufacturers cannot increase the prices whenever they want without the approval of government of the particular country.

Environmental factors:

In delivering thousands of good to the society automobile industry got the highest rank in making the environmental pollution. Thus the customers with good sense of environmental issues are aware of the effects of automobiles which in a result making the manufacturer aware also.

PORTERS FIVE FORCES FRAMEWORK IN SHADOW OF GIVEN CASE:



A Five Forces Analysis of the Automotive Industry

While searching in the pages of history of automobile industry it has been seen that the great recession had affected the automobiles industry very adversely where some of the most popular brands were on the verge of extinction. If the government had not interrupted the situation, survival of many manufacturers would get a question mark. There are several factors that affect the vehicle industry globally (Eszter, 2010).. Here is a five forces analysis of the automobile industry that discuss the factors in shadow of the given case:

Threat of new entrants:

Since western Europe fell from a top position in automobile industry, it can be inferred that there is always a great scope of entering automobile industry. So, the threat of new entrant has a great impact. Still it is not that easy as the entrance requires a good amount of investment. Unless a new brand establishes some unique forms in the brand they will not be appreciated by the customers. So threat of new entrants gets a minimized frame. Brand image on the other hand plays a vital role as barrier to the new ones. Besides government tax is also shown as a barrier to the new manufacturers.

Bargaining power of buyers:

Though there are separate fields of vehicles like some manufactures for small buyers and some for large. Whether small or large buyers can easily switch to a new brand. There are no big costs involved in switching to another brand because buying vehicles itself includes a huge cost. So before deciding to buy a car, buyers may justify through various sources and mediums which in turn cause buyers to move from the existing manufacturer to a new brand (Team, 2011).

Bargaining power of suppliers:

The bargaining power of suppliers in the automotive industry is not that strong because there are lots of players in the field and playing very smoothly. As the business requires a good amount of investment it is not that easy for the suppliers to expand also.

Threat of substitutes:

Yet there are a good many varieties of substitutes transportation available in the market including taxis, buses, trains and planes, none of them provides the kind of accessibility and convenience that owning an automobile does. So threat of substitute in the automobile industry is thus very little and it only arises from the same kind.

Competitive Rivalry in the industry:

Though entry cost in the automobile industry does not make manufacturers to pay much, exit barrier makes them to pay a lot. Any brand trying to exit would have to bear very large losses. There are different brands available in the market with varieties of products, but customer loyalty

is the main fact here which is maintained with quite a sharp strategy by the large brands. So the rivalry is high here (Jeannie, 2016).

CONCLUSION

All the factors of economy, macro and micro are briefly discussed here in this assignment. In the given case the scenario of east Europe and west Europe all the aspect of automobile industry actually shows the full picture of the whole world at a glance.

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