

Environment and ethical issues marketing essay



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BUSTER**

General Motors was founded on September 16, 1908 and is a public limited company traded in NYSE: GM and TSX: GMM. General Motors' brands include Cadillac, Chevrolet, GM Daewoo, GMC, Holden, Hummer, Opel etc.

In General Motors' there was a sense of urgency required to change their strategic plans that will show the benefits for the next generation vehicles.

General Motors which has its base as US acts outside it also through its direct subsidiaries. GM Motors has always been a complex enterprise looking at its home division. GM sells its product under brands being Buick, Chevrolet, Pontiac, Cadillac, Saturn, GMC, Hummer.

Chevrolet has always been the bread-butter of the GM Motors, Pontiac is more towards sporty flavour. Cadillac is class and luxury, GMC and Hummer produces more of trucks. GM Motors sold more number of cars in China than its home market in 2010. Before that GM Motors went into bankruptcy in 2009.

In this project we have looked upon the area of General Motors' which has come with a situation of bail out. The company has started losing its market share drastically which has shown effect on the U.S. market by not producing competitive products in the market. In 1960 General Motors' had an average of 48.3% of U.S. car market and truck. During 7 months of 2012 their market share dropped down to 18% from 20% which was the same period of 2011 also. The auto giant company went to bankruptcy for a six-week period in 2009 it also issued an initial public offering and came back into the stock market in 2010.

General motors' another factor which we took up is its competitors in the market. Its main competitors were Chrysler group LLC, ford motor company, Honda motors and Toyota Motor Corporation.

Environmental analysis

ENVIRONMENT AND ETHICAL ISSUES

PESTEL model

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Political environment- the government regulations and laws have affected the automobile industry since 1960. Though its has been observed that all the regulation changes come from the consumer itself striving for better and non-polluted environment. General motors have been getting affected by public and policy issues, laws and regulation its interest are directly also affected by government policies, federal. State and local actions.

General motors' try to improvise themselves which is due to public policies such as commitment towards environment, leadership in technology, looking at attaining highest quality standards and educating its employee.

Economic environment- the market share of the general motor has declined in previous years because of its fewer sales in U. S market due to high financial problems, recession and high fixed cost of the company. GM results are highly sensitive to due to its market condition and other factors like level of unemployment and high fuel price. The problem of unemployment and high coupled price of oil has increased the demand for energy efficient cars.

This shift could be profitable for the GM as they have announced introduction of trucks on which will run on natural gas by 2013.

Socio-cultural environment- in today's world society judge you by the car you drive since society never approve to it but it is true. Manufacturers know this and by this only marketing people target their customers a person driving high class luxury car is treated as wealthy person. GM culture is all about creating excellence and providing its employee with everything to achieve company goal.

Gm goals:-

Move faster and take risk to achieve success

Use of Best technology and to be leader in it

Give responsibility to its employee and give them power and to be accountable for it.

And creating good relationship with its consumer for future perspective.

Technology environment-

Competitive Analysis

FIVE FORCES OF COMPETITION MODEL.

Threat of new entrant- the threat of new entrant is very low in the automobile industry since already leaders are well established in this field. In order to compete in this big automotive industry you already need to achieve economies of scale and produce the product in mass production to
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attract more of consumer. To enter in this field it requires a lot of capital and more often most of the capital is gone in research and development which is very costly. Market distribution is also an another concern as you need to find dealership who will distribute your product in the market. So GM is more of settled in the market and it doesn't have problems with new entrant though it need to look at its competitors who can post problems in near future.

Bargaining power of suppliers- the bargaining power of supplier is also low because there are already lot of suppliers in the market. The automobile industry is that they produce their product from various suppliers and the company also doesn't have problem as they switch their supplier when and where needed.

Bargaining power of buyers- bargaining power of buyer is high as consumer purchases almost all industrial output. As the customer is regarded as the king manufacturers depend wholly upon the buyers. If the buyers are not satisfied the company might lose from their competitors. Since the buyers role is important here but small also as they need to purchase the car and sell afterwards. So the market here is oligopoly as buyers are not large and very few.

Threat of substitute product- there are not many substitute of the product as in environment where people are getting concern about environment and pollution they go for alternatives which is walking, cycling, using more of public transport. Cities like Chicago and New York car is not as necessary. So there is need for automobile industry and concern over it.

Rivalry among competitors- rivalry among competitors is very strong since in today's world automobile sector is getting competitive and general motors' has tough competition from Chrysler, Ford, Honda, Toyota etc. The company is compared constantly with their competitors factors like price, quality, durability are taken in to consideration mostly often by company and the consumers since it is what they demand for it. Different manufacture always compares their product with others to show their capabilities and outperform.

Market share-

The major competitors of General Motors include Daimler Chrysler, Toyota, Honda and Ford motors.

Daimler Chrysler:

Daimler AG is one of the most successful automotive company in the world. Daimler group is the biggest producer and manufacturer of premium cars and commercial vehicles. Its divisions includes Mercedes Benz cars, buses, Daimler trucks , buses, and financial services. The financial services provided by Daimler are financing, leasing, fleet management, insurance facilities, and innovative mobility services. Daimler was founded by Gottlieb Daimler and Carl Benz, made history by inventing automobile in 1886. The main focus of Daimler group is on green, innovative technologies and developing safer, superior automobiles that are appealing and fascinate their customers. Daimler continuously tries in meeting its responsibility towards society, environment by investing in innovation and development of alternative drive system which aims at emission free drive. Daimler

develops, produces vehicles and has the broadest range of vehicles which are emission free electrical vehicles powered by batteries and fuel cells. Daimler has strong brands and comprehensive portfolio of automobiles . The current brand portfolio of Daimler includes the Mercedes Benz, the brands smart, Maybach, Freightliner, Western Star, BharatBenz, Fuso, Setra and Thomas Built Buses. The ownership of Daimler is in the hands of U. S., European and other international investors. The company has been listed on the stock exchanges of Stuttgart and Frankfurt. The automotive sales of the company were 2, 111, 106 vehicles which includes 1, 381, 416 Passenger Cars and 425, 756 Trucks. The vehicles of Daimler and services are sold and provided in nearly all countries of the world. The company has the production and manufacturing facilities on five continents in 17 countries. The total revenue of the company in 2011 was EUR 106. 5 billion. The Headquarters of the company are situated in Stuttgart/Germany.

Ford Motor Company:

Ford Motor Company is an automotive industry leader is based in Dearborn, Michigan. Ford manufactures and distributes its automobiles across the six continents. Ford has a workforce of 164, 000 employees and 70 manufacturing plants worldwide. The automotive brands of the company include Ford and Lincoln. The company also provides financial services through Ford Motor Credit Company. The Company develops vehicles which delivers exceptional value to its customers spread over the global market. The product strategy of the company remains the same, wherever it does its business. The vehicles manufactured by the company have bold exterior designs, offers greater driving, handling, performance, with interior

enhancements in comfort and connectivity. The vehicles manufactured by Ford are fuel efficient which makes every vehicle in the portfolio a reason to buy a Ford car. The range of Ford cars are from quintessentially styled midsize sedans which offer nonpareil combination of power, technology and safety on the road to various utility vehicles, tough and durable trucks. The total Revenue of the company in 2011 was \$136264 which includes revenue from automotive industry of \$128168 and revenue from financial services of \$8096.

Honda:

Honda motor company was founded by Soichiro Honda. In October 1946 he established the Honda Technical Research Institute in Hamamatsu, Japan for the production and development of small 2-cycle motorbike engines. After two years, Honda Motor Company came into existence and in the year 1959 the company opened up its first store in Los Angeles with six gumptious and hardworking employees. Honda opened its first plant in United States in 1979 and gradually it developed into a company that directly employed 25000 americans. Honda has a wide array of products and services to accommodate the need of its customers. The products in which Honda deals and operates are Honda automobiles, Acura automobiles, Honda powersports, Honda jet, Honda power equipment, Honda marine, Honda engines. The financial services provided by Honda are Honda Financial services and Accura financial services. Honda is one of the dominant automobile manufacturers in the world. Honda has a good reputation in the global market for producing high quality cars and motorcycles. The automobiles developed by Honda are trustworthy, reliable and fuel efficient.

TOYOTA MOTORS:

Toyota was first launched in America in 1957 with a poor start with a car named ' Toyopet'. In 1965 Toyota came back in the market with a popular sedan Corona. Toyota deals in cars, suv/vans, trucks and hybrid automobiles. From the earliest car Corolla, land cruiser to the Hybrid Prius and full size Tundra, Toyota is developing popular and beloved vehicles. Toyota also provide financial and insurance product and services Toyota, Lexus, Scion, and to Toyota Material Handling Material dealers and their consumers through Toyota Motor credit corporation and Motor insurance services. The aim of Toyota Financial services is to provide customer focused finance and insurance solutions.

SWOT ANALYSIS OF GENERAL MOTORS:**Strengths:****Large market share-**

Though the market share of General Motors has dropped in the market of U. S. it still possesses a competitive market share of 26%. The market share of General motors is increasing in the Chinese market.

Experience in Global market-

Since General Motors is a worldwide company for almost a century and has the experience in the global market as they have established themselves as global leader once, they still have the opportunity to come back in the market if the company does proper planning and implementation of their plans to achieve their goals.

Versatile Brands-

General motor has been the leader in the automobile industry for the majority of the last century. The reason for being the leader in automotive industry is the availability of quality brands that appeal to all target market. The current brands of General Motors include Chevrolet, GMC, Cadillac, Buick, Pontiac, Saturn, Hummer, Saab, Daewoo, Opel, and Holden.

Availability of onstar satellite technology-

On star satellite technology was developed and launched in 1996. If the vehicle has been stuck in an emergency or stolen, the vehicle can be tracked. It also allows the users and driver of the vehicle to communicate and inform about the problem with the Onstar personnel at the click of a button provided in the vehicle.

Weakness:

Lack of Alternative energy movement technology-

Every automotive industry is moving towards alternative energy/hybrid trend and GM has lack behind in the competition in terms of alternative energy vehicles which are hybrid friendly and fuel efficient. Because of this GM has loosen its market share and the profit of the company has been reduced.

Excessive Dependence on market of US-

GM is dependent on the US market for its sales. In order to expand globally GM must focus other countries to compete the other market players of automobile industry.

Dependence on General Motors Acceptance Corporation(GMAC) for financing-

GM has become totally dependent on GMAC for its financing Program. The company cannot rely on GMAC in order to earn profit, especially when they need to expand globally and compete with Honda and Toyota who are rapidly growing and capturing the market share.

OPPORTUNITIES:

Alternative Energy movement-

GM has lacked behind in alternative energy/hybrid trend. If GM follows the hybrid trend, the company still has the opportunity to once again become the market leader of automotive industry in terms of innovation and technology.

Initiative for Global expansion-

Chinese automotive market has increased in recent years, if GM takes initiative to explore and enter new markets like china along with their continuing focus on market of U. S., the company will be headed in a positive direction which will help the company to gradually expand globally.

Development of New and latest styles of vehicles and models-

This is an opportunity which can never be satisfied for any automobile company, in a way that GM should always take initiative make attempts to develop and launch vehicles with latest technological trends.

THREATS:

Hikes in Fuel Prices-

GM is a large producer of trucks and SUV's, sales of GM has drastically reduced as GM vehicles are less fuel efficient in comparison to its competitors. Due to the hikes in fuel prices companies are working on the fuel efficiency of their vehicles and hybrid technology. And GM has not yet started working to improve fuel efficiency of its vehicles as well as hybrid technology which will result in the reduction of market share of GM.

Emergence and development of Competitors-

GM is no longer a market leader in automotive industry and is in serious trouble situation. Toyota took the initiative to launch the engines with hybrid technology. This initiative of Toyota has helped the company to grow and capture the market share.

Pension Payouts and Health Care costs-

GM used to pay generous pension amount and employee health care benefits to its employees, however the company is experiencing large financial crisis as more and more people begin to collect pensions and health care benefits.

Increased supply cost, Steel-

The cost of Steel has increased which is a threat for the entire automotive industry. This threat pushes the companies to reduce their manufacturing and production cost, while maintaining the quality of their products.

Market structure