

Internal and external analysis of volvo



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The macro and micro environmental factors

1) Outline and discuss the macro and micro environmental factors that are influencing Volvo's strategy?

The micro environment is which explains the internal environment of the company and which tells the position of the company in all the terms of the business and hence this gives an idea of the current position of the company.

Micro environment:

The Volvo name is 90 years old and has become a Swedish international icon. In the year 1999, Volvo a Sweden based company is sold to Ford motor company, but Volvo maintained independency but benefited from the shared research and development and also the buying power. Volvo employs 27, 500 employees. Volvo has its company in 120 countries. And has wide network and distribution of its product ranges to different parts in the world. Volvo sells its products through 2400 dealers worldwide. Volvo's main mission is safety, and also invests huge money in Research and development in Safety. Safety in driving has a major role to play in automotive, as majority of the customer's priority is safety. Volvo sold 14 million cars in its life time, the figure shows success of the Volvo cars and also how Volvo has retained its position in the market in long run. Volvo is the strongest brand of FORD motors. Volvo is the major contribution to the success of Ford Motors. Volvo has asset oriented advertising. The main asset of Volvo is Safety, and hence its advertising campaign is also based on its core competence or asset " safety". Volvo being a subsidiary of FORD enjoys a shared Research and development programs. This is very beneficial and cost effective for Volvo, as being a part of the giant automotive group, Volvo can share the cost

involved in Research and Development program. Hence this can be one of the key advantages for Volvo to be cost effective. Volvo is also popular for its innovations in the car industry which developed and produced different ranges of cars and hence Volvo has made large profits to FORD motors. The core positioning strategy of Volvo is the Safety and longevity. In order to compete with the luxury brands of Toyota and Lexus, Volvo produced the premier cars which are symbol of luxury. Volvo brand was primary key aspects are Big estate cars, and Safety. Hence Volvo is the symbol of safety and innovations which helped the FORD financially.

Macro environment:

The macro environment gives the clear picture of the changes in the external environment and how these changes in the external environment have an effect on the performance of the company. The macro environmental factors include Political, Economic, social, technological, environmental, legal factors, which are lose but external to the society.

- Political factors:

There has been an increased regulation on the car industry and also automotive industry is facing a huge taxation on trade.

- Economic factors

There is rise in the fuel prices, and this economic factor has hit the automotive industry fiercely and leads to reduce the performance of the company. Due to this rise in the prices of the oil, most of the customers have started choosing fuel-efficient cars, which has reduced the demand for luxury cars in the market.

- Social factors:

The major problems Volvo is facing is shift in the consumers preferences from a luxury, large engine cars with huge carbon emission to a fuel-efficient, and small cars, due to many reasons like rise in the prices of oil, and also governments are providing tax incentive to those who buy fuel-efficient and eco-friendly cars and other incentives include free parking and road tolls. This shift in the consumer's preferences which is a Social factor has downturn the performance of the company. There is also Volvo much emphasis on family sector but in Europe there is decline in the number of families. Hence Volvo market segmentation is wrong and may not be useful for sales growth.

- Technological factors:

Toyota has occupied a major share in the market, with the adaptation and implementation of new and advanced technology into its product strategy, and hence has met the needs of their changing environment with fuel-efficient cars with low carbon emissions into the atmosphere. This technological change of the external environment of including many advanced features into the product was not adapted by Volvo. Volvo has advanced only in safety but did not understand the need for the other features of the product which have become the center of attraction in the market, and those advanced features are fuel efficient, eco-friendly, etc.

- Environmental factors:

Due to the emission of large carbon from the big size cars increased the pollution and hence have caused many problems like polluting air, etc.

- Legal factors:

New laws on the protection of the environment have started rallying and this has hit the whole automotive industries. Due to these environmental protection acts and Clean air Act, which was passed by the legislation, brought about a changes in the preferences and shift the needs and hence as discussed above choosing for eco-friendly cars.

Volvo asset was and is also is only Safety, but the external challenges are seeking for more reliable, eco-friendly, fuel-efficient cars as the government is putting heavy taxes on the large cars, who emit large carbon into the atmosphere, and more over the governments are proving more tax incentives for those who choose fuel efficient cars, like free road tolls and parking etc. Volvo has introduced flexi-fuel cars but they did not show a good sign on the profits of the company.

2) Conduct a SWOT analysis on Volvo cars.

Strengths:

- Safety of both the environment and driving is the main strength of the Volvo cars, and hence the Governments policies on safety in driving will not have much influence on the performance of Volvo.
- Volvo has a reputation for big estate cars and last for long periods of time.
- Goteberg safety center which is a world renowned, and hence after the acquisition, Volvo has introduced ten new models for its customers, and hence earned more profits for FORD.
- Volvo has 2400 dealers worldwide and has its presence in 120 countries of the world.

- Huge investments in safety research and development programs.
- Volvo is a wholly owned subsidiary of ford motor company which is a world famous company and this helps the Volvo can draw synergies of technical innovations and improvements for its parent company. And also the buying power.
- 90 years of brand heritage, where Volvo has gained much expertise in manufacturing a car which is very safe in driving and this is the core-competence which has played a vital role which has brought glorious years to Volvo's brand.

Weakness:

- No change management programs in its product strategy. There has been no innovations and improvements in the product, improvements like fuel-efficient, best performance, etc, which is quite important for Volvo to meet the intense competition.
- There is a decline in the sales of the Volvo's bi-fuel cars.
- Cannot meet the customer requirement of fuel-efficient cars.
- Even though the prospective customers of Volvo are shifting their interests from the big engine cars to fuel-efficient cars, Volvo still stress only on the safety in their mission statement, where its core positioning strategy to face the present changed perceptions of the consumers and external environments demands should be fuel-efficient and reliable cars.
- Moreover the mission statement aims at providing safest and more exciting car experience for modern families, the brand concentrating on the family sector. But in Europe there is decline in the number of

families and many couple is opting to be childless, hence this mission of Volvo would badly hit its performance in future.

- Most of the market for Volvo is in US and Sweden and consequently it is open to irregular economic and political circumstances of those markets.
- Volvos most of the production is from the Belgium and hence, the cars produced in Sweden is very expensive for the US consumers. This is due to the less facilities of production of Volvo cars in US.
- Volvos flexi-fuel cars only in certain geographic markets.

Opportunities:

- There is a hope for further growth for the business due to new business in china and India, with a forecast of sales in china of 10, 000 a year.
- The penetration into new markets has an opportunity for improvement in the performance of the company.

Threats:

- Has the Volvo only concentrates on the Safety in its product design, and ignoring on the other aspects like eco-friendly and fuel efficient cars (Toyota Lexus), performance, styling, reliability, handling and value for money, which are all vitally important.
- Low restriction on imports and trade will increase the competition from the Japanese companies in the Asia pacific regions.
- Volvo's safety may not have any importance as safety is integrated by almost all the car manufacturers. Hence safety which is the main asset for Volvo has no role to play for the improved performance of the company.

3) Outline the strategic options available to Volvo cars, recommending what you believe to be the best option available, give reasons for your answer?

The main problem Volvo cars is facing is the external pressures and changing perceptions and requirements of its customers. Volvo who strategy of “ Safety” was very popular during 1990’s but with the changing needs of its customers and external environmental factors, the strategy of Volvo did not change hence Volvo has faced such a downturn in its sales during the period of 2004 to 2006. The external challenges are demanding for a more reliable, fuel-efficient and eco-friendly cars, which Toyota have understood the need of its customers and hence have concentrated heavily on fuel-efficient and eco-friendly cars, and therefore have become the world largest and most successful car manufacturer. Moreover, most of the car manufactures have integrated safety into their product design and hence “ safety”, key element or the core positioning strategy can no more help Volvo to retain its position in this fierce competition.

To outline the strategies for the Volvo cars Ansoff product/ market grid (Ansoff, 1957). This model would help the business identify the strategy that gives business the way to grow their business. The four strategies proposed by the Ansoff let us find which would help the Volvo cars to improve their business. This model helps to identify what have to be marketed and at what time and risk involved in marketing these products.

The alternatives available to the Volvo cars are:

- Price strategy, as the cars of Volvo is unaffordable for the common man and hence has to introduce such a model of car for the middle class people. This is the market penetration strategy

where with the same product and same market the company has to reduce the cost and hence in turn can reduce the price of its products compared to its competitors.

- Market development strategy, where the same product is sold in different markets.
- Product development strategy, where a new product is developed and is sold in the current and existing markets, extensions in the product features which make it different from its competitors and this can also be called as product differentiation.
- Diversification strategy is one where the new product is sold in new markets, but this is more risky than the market penetration.

Let us find which will be best strategy for Volvo cars from the available alternatives from the Ansoff matrix.

- Market penetration strategy, this strategy of selling its same products in the same market, for lower price by reducing the costs may not be useful for Volvo cars, this is because challenges Volvo is facing is the price rises of complimentary goods and environmental protection laws, which have changed the preferences of its customers from large engine luxury cars to the fuel-efficient cars because of government taxation policies, etc. hence, reducing the price of the cars will not be the best solution to face the challenge.
- Market development strategy, If Volvo adopts this strategy may not succeed as most of the current markets of Volvo is the developed countries and hence the consumers are in position of afford to buy a

premium car. But, if Volvo looks for a market in developing and under developed countries, there is much risk factors involved for the growth of the industry.

- Diversified strategy will not have a positive effect on the growth of the business as this is risky, and Volvo which is facing a huge performance crisis should not be risk taker but should be risk averter.
- Product development strategy, this might be the best strategy for Volvo, as in this strategy there is product development according to the changing trends and requirements and hence this would help the Volvo for growth, if it produces cars not only safety and reliability its cars, but integrating safety, fuel-efficient, styling, performance and this leads to differentiation among the players in the industry. If the company integrates all the requirements of the demands of its customers, would automatically increase sales and will enjoy a rapid growth for the business. Volvo being the wholly owned subsidiary of Ford motors enjoys shared research and development. Therefore an investment for further product development is easy and hence it can meet the requirements of the customers. There are Volvo's flexi-fuel cars which distributes only to certain geographical areas, and hence Volvo should even have to perform certain product development programs and innovations in these flexi-fuel cars and there should make improvements in distribution networks for these cars so that they are available to all the 120 countries, where Volvo has its network.

The reasons for choosing the product development strategy as the best alternative for Volvo cars is, because product development is the only alternative which meets the target customer's (especially Volvo's target segment of last 15 years) needs and this is the only possible solution to withstand with the challenges Volvo is facing, and Volvo should also consider the some of the aspects like the competitors of Volvo has already met the needs of the customers who are seeking fuel-efficient cars, and hence Volvo have to integrate all the aspects like safety, performance, reliability, fuel-efficient, with low carbon emissions and comfort to compete with their competitors, as Volvo is already reputed for safety and reliability, Volvo has to some other elects in list of product design to provide a best alternative for its customers. Volvo's introduction of Flexi-fuel cars to reduce the sales shrink as the customers are moving to fuel-efficient cars shows a positive sign in its performance in the future. Future Product development programs also helps Volvo to achieve its programs like Volvo 2020, where it is trying to differentiate itself on two factors safety of both the environment and driving. Volvo should conduct a budgetary process on the available resources as product development process requires an excess investments into many aspects like research and developments and raw materials and advertising campaigns.

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