

Example of research paper on the automobile industry

[Business](#), [Company](#)



The automobile industry is an evolution that dates back to 1891 when there was an invention of the first application of an electric motor coupled with a battery to propel a vehicle. The development of the electric motor and the battery to propel a vehicle in market the pioneer and significant step in the steam and locomotive industry between 1893 and 1894. Nicholas-Joseph Cugnot remains to be the father of full scale mechanical vehicle since 1769. Beecroft (2009) argues that from the onset, there have been significant changes and development within the automotive industry. Indeed, the industry has advanced from ancient to modern vehicles.

Despite remarkable contributions that the automobile industry has brought to various economies, there are circumstances where economies have suffered a serious blow from the industry (Haugh, Mourougane, & Chatal, 2010). For instance, the US economy suffered a great blow in 2008 with the collapse of the housing market, which caused the stock market to crash hence huge losses to the banking industry. During this time three of the major US auto companies Chrysler, Ford and General Motors experienced a significant reduction in sales hence profitability (Haugh, Mourougane, & Chatal, 2010). Haugh, Mourougane, and Chatal (2010) add that the first half of 2008 was a bad year for the automobile firms, which experienced a reduction in sales by approximately 35%.

Chrysler and GM are considered to have been hit the hardest amongst other automobile firms in the USA. It is amazing how the drop in sales affected even the shares of the automobile firms. For instance, Haugh, Mourougane, and Chatal (2010) point out that during 2009 the GMs share of the US automotive market fell to approximately 19.7% from 22.2% a year earlier,

whilst the shares of Chryslers fell to 9% from over 10% in the earlier years. Evidently, the sales in Ford also dropped from the previous year (Haugh, Mourougane, & Chatal, 2010). Amazingly, Ford employed a strategy of picking up customers from the hardest hit competitors, which included Chrysler and GM. Such strategies enabled Ford to experience a gain in the market share where the percentage share commanded rose to 15.3% from 14.4% (Haugh, Mourougane, & Chatal, 2010). These figures prove that despite the significant and tremendous changes experienced within the automobile industry, automobile firms have had to pay specific prices on the same.

One of the serious and immediate causes of the economic down turn within the American automobile industry was the great economic and financial recessions or crises (Haugh, Mourougane, & Chatal, 2010). However, it is believed that even though the economic down turn was associated with economic recession, the problem stems back from the classical period (Niewenhuis, 2003). One such cause was poor decisions made by the managements of the automobile firms within the industry. It is even shameful for the automotive firms in America to claim that it is due to the economic recession in 2008 that made them perform poorer than their foreign competitors. The fact is that every automobile industry across the globe was affected by the economic recession in 2008 (Haugh, Mourougane, & Chatal, 2010). Therefore, it is reasonable to explain that American car companies had started experiencing the problems based on other factors such as poor management.

Amazingly, despite the economic recession of the 2008 that hit the global

economy, foreign automobile firms had less debt, more cash, and better sales than their American counterparts (Haugh, Mourougane, & Chatal, 2010). Better management within the foreign automobile firms made it possible for the firms to continue experiencing better revenues compared to their American counterparts. According to Haugh, Mourougane, and Chatal (2010), the foreign automobile firms had adequate money to cater for their costs and other forms of expenses, thus explaining why they were able to perform better than the automobile firms in America. For instance, Japanese companies such as Toyota and Honda have had strong reputations for making quality vehicles, which was a good quality that made them go through the economic recession without any troubles unlike their American counterparts (Haugh, Mourougane, & Chatal, 2010).

Indisputably, the crisis for the automotive industry was also derived from the inability of the industry and its firms to confront the twin threat of economic and environmental pressures (Niewenhuis, 2003). Even though these two forces are not distinct, they are intimately connected to one and the other. Moreover, the relentless consumption of petroleum by cars in use has been a key factor behind the growth of CO₂ emissions to the atmosphere, and consequent global climate change (Niewenhuis, 2003).

Niewenhuis (2003) strongly believes that the automotive industry has evolved significantly. Such significant evolutions coupled with changes in technology have been the major aspects of the automobile industry causing the tremendous and immense changes. The tremendous and immense changes attributed to the evolutions and technological developments and advancements include the development of different models with companies

innovating more sleek cars to accommodate different market niches (Niewenhuis, 2003).

Furthermore, the tremendous and immense changes within the automobile industry have led to increased market growth in addition to changes in the models produced by different automobile firms (Niewenhuis, 2003).

Therefore, in order to keep up with the tremendous and immense changes, there is need to review the market strengths, weaknesses, opportunities, and threats that can assist in improving not only the active firms but also the industry at large (Niewenhuis, 2003).

SWOT Analysis of Automobile Industry

As identified earlier, keeping up with the pace of tremendous and immense changes within the automobile industry requires a review of the strengths, weaknesses, opportunities, and threats of the industry. The following discussions provide a deeper analysis and review of the various strengths, weaknesses, opportunities, and threats within the automobile industry.

Strengths

According to Wells (2010), the main strength of automobile industry and their respective firms is the large home market. Indisputably, the EU is the largest single market for passenger cars and the second largest for commercial vehicles in the global economy (Wells, 2010). In addition, the industry also boasts of low cost with good technology base coupled with improved technology. Such strengths have made it possible to reduce the cost of production and the amount of time required to assemble the car (Wells, 2010). The automobile industry continues to benefit from the

upcoming base for research and development. Based on a well established R&D department within the automobile industry, participating firms have the ability to improve on the quality of the cars hence reaching out to different market niches besides discovering new markets within the global economy (Wells, 2010).

Weaknesses

Despite the numerous strengths that automobile industry continues to enjoy, there are weaknesses that pull down their performance and productivity.

Amongst the weaknesses include multiple tax components in the cost of the vehicles, lack of economies of scale, and myopic demand feedback. Notably, the tax components vary from one country to another and economies with higher taxes make lesser profits thus creating possibility of their downfall (Niewenhuis, 2003). Moreover, Niewenhuis (2003) explains that as the market expands the supply chain model has to be established, without which major blockages are created thus requiring more of structure to improve the supply of automobiles, which is a major hindrance (Niewenhuis, 2003). It is important to understand that while demand in the home market is a strong unassailable competitive advantage, European customers might not be the best proxy for demand in emerging markets (Niewenhuis, 2003).

Opportunities

Heneric (2005) points out that automobile industry has opportunities in respect to the strong market positioning. Notably, success in trade within the automobile industry exhibits trends of valuable knowledge in respect to assessing, opening, and servicing foreign markets (Heneric, 2005). Heneric

(2005) also adds that engagement in China is an opportunity given the rate at which the economy is growing. Market size, terms of investments and an improved infrastructure are the base for foreign automotive companies, which are evidently available within the Chinese economy (Heneric, 2005). Trend towards free trade is another opportunity that automobile industry enjoys. As the world trade organizations expands its membership and activities are underway for new round of trade liberalization. Europe as a major player in automotive trade is amongst the prime beneficiaries from the opening of new markets and the intensification of existing relationships (Heneric, 2005). New technologies also create more opportunities. For instance, the technology of fuel cells opens up a lot of opportunities for business and environment. Nevertheless, the fact that the motor vehicles play a dominant role in causing air pollution calls for the manufactures have to develop products which could address the challenge of reducing CO₂ emission and increasing oil prices (Heneric, 2005).

Threats

Within the automobile industry, there are regulations, which jeopardize the flexibility of the value chain. Changes in taste and technology require constant reconfiguration in the automotive value chain in some countries where regulations make the process more difficult and costly (Wells, 2010). Besides, deficits in road infrastructures in some economies continue to cause dilemma on the basis of congestion and lacking road maintenance in combination with increasing traffic volumes. These aspects pose significant threat to the productivity and activities of the automobile industry (Wells,

2010). Lastly, Wells (2010) continues to confirm that macroeconomic trend in Europe continues to experience a downturn hence causing further threat to the industry and its products.

The downsizing (the need to reduce the size of components or to fit) and increased complexity in cars bring farther pressure on the supply base. With such major changes, it is important for the automotive industry to have a well informed research and development department. The scale of production needs to be in the same process with the demand of cars in the market this creates a well matched demand and supply. The automotive industry has improved over the years through the change of engine types and improvements in technology which has gone a long way to ensure consumers are satisfied (Haugh, Mourougane, & Chatal, 2010).

Major Trends within the Automobile Industry

Some of the major trends in the automotive industry have been penetration of global markets. The first tier companies in the automotive industry are renowned with some of the best designs of vehicles. Moreover, the Japanese markets soar into the automotive industry with introductions of newer car models. Japanese have pioneered the hybrid car, which does not emit carbon monoxide. This has put them in the world wide market with companies focusing on the Asian countries for more innovation. The strengths and weaknesses in the automotive industry have become well exhibited and cleared by the consumers (Haugh, Mourougane, & Chatal, 2010).

Conclusion

The automotive industry has improved trade among other foreign countries on the basis of fair trade within the foreign markets. With such expansion in the market more cars are shipped from one continent to the other. The automotive industry rose above the consequences of the financial crisis by being more open to resources and listening to the public. The trends exhibited in the new set of cars enhance flexibility and enhancing social status. These have also been improved through the increased body parts of certain vehicles to improve the way cars precede on terrains. Such new technologies have been controlled and examined with better forms of innovations. Consequently, automobile companies continue to grow in a well distributive manner that will improve on the makings of the market.

References

- Beecroft, D. (2009). History of the American Automobile Industry. Lulu. com
- Freedman, J. (2010). The U. S. Auto Industry: American Carmakers and the Economic Crisis. The Rosen publishing Group.
- Haugh, D., Mourougane, A., & Chatal, O. (2010). The Automobile Industry in and beyond the Crisis. Organisation for Economic Co-operation and Development.
- Heneric, G. L. (2005). Europe's Automotive Industry on the Move: Competitiveness in a Changing World. Springer.
- Niewenhuis, P. E. (2003). The Automotive Industry and the Environment: A Technical, Business and Social Future. Woodhead publishing.

Wells, P. E. (2010). *The Automotive Industry in a Era of Eco-austerity: Creating an Industry As If the Planet Mattered*. Edward Elgar Publishing.