

Daimler Strategic Management and PESTEL Analysis

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Executive Summary

Operating business strategically is the only option for the companies that want to stay and expand in the market. A number of strategic plans and policies are devised by businesses innovatively to get along with the ever-emerging market challenges and to cope with the globalized business environment. The phenomenon of globalization has changed the operating methods of businesses to a great extent, and strategic management has gained critical importance for business firms. The case examines the company formerly known as Daimler AG. It was renamed Mercedes-Benz Group AG on February 1, 2022, after Daimler Truck was spun off.

Applied Strategic Management

Introduction

"People in any organization are always attached to the obsolete- the things that should have worked but did not, the things that once were productive and no longer are."

–Peter F. Drucker

The global economy of today's era is moving differently on an almost daily basis, and businesses need to keep reshaping their strategies and policies to operate effectively according to the changing environment. Strategies and guideline principles are important for a business to establish soundly in the present and grow proficiently in the future in the industry. Industry analysis provides a business with the rules being followed by the sector in particular and overall in general. A strategic examination is crucial for the business's internal and external environment. The010110 strategic analysis provides businesses a background knowledge to devise ways to stay in pace with the industry and economy and operate in a more sustainable way.

Daimler AG

Daimler Ag and its affiliates operate in the automobile industry by manufacturing vehicles such as passenger cars, buses, vans, and trucks. Daimler is a German-based firm operating all over the world with plants in different countries. The major segment of the company is Mercedes B enz Brand

manufacturing Mercedes Maybach and Mercedes AMG and smaller cars under the same brand. The company is divided into functional segments of manufacturing different vehicles such as Trucks, cars, buses, and vans.

Daimler is, to date, one of the biggest market shareholders in the automobile industry, widening its product range from passenger cars to trucks and buses such as Mercedes Benz, Smart, Maybach, Freightliner, Setra, Western Start, and Thomas-built buses.

The company's publicly traded firm is listed on Frankfurt, New York, and Stuttgart stock exchanges. The stock exchange abbreviation for the company is DAI. The company sold 2.1 million Vehicles in 2008, and it employed over 270,000 people, generating revenue of 95.5 billion with an EBIT of 2.7 billion. Daimler in the automobile industry has high ranks and announces itself as committed to excellence, striving for sustainable growth around the world and continuing leadership in the industry ("DAIMLER AG-REGISTERED SHARES (DAI:Brsaltaliana): Stock Quote & Company Profile - Bloomberg," n.d.).

Daimler, being a multinational enterprise, is one of the largest automobile market share holding entities; it has widened its business range by financing, insuring, leasing vehicles, fleet management and innovative international mobility services. Total revenue by the end of 2016 was 153,261 million euros.

Internal Environment Of Daimler

The biggest merger of two major automobile companies, Daimler AG of Germany and Chrysler Corporation of America, took place in 1998. The new company was named Daimler-Chrysler combining the revenue of two companies worth 130 billion US Dollars. Daimler is known for its quality of the engine and is one of the most luxurious brands in the world. The company's share price is high also the acquisition value. The strongest range of products is manufactured by Daimler AG including SLK, Maybach, Mercedes, and Smart. However, Daimler has weaknesses bearing the highest cost of labor and a decline in unit production has been seen in big luxury cars, limited flexibility is there on the board.

The company has a potential growth opportunity worldwide; it is implanting manufacturing units in Brazil, India, and China in the coming decades by exploiting synergies from 1.4 billion US Dollars to 3 billion US Dollars. However, in the European market, the saturation rate is a potential threat to the company. The industry has over-capacities that will affect the production of luxury cars, which may cause Daimler AG to lose its leadership position in the market ("Daimler SWOT & PESTLE Analysis - SWOT & PESTLE.com," n.d.).

Strengths	Weaknesses	Opportunities	Threats
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Brand equity Innovative approach High-budgeted research and development Marketing and advertising	Not good at bus and truck production Japanese market Risk by joint ventures with unrelated businesses	Future innovative skills, i.e., production of hybrid vehicles, electric vehicles, higher market shares in eastern countries such as India Auto driving vehicles	Restructure of NAFTA Brexit impact Increased fuel prices
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External Analysis (PESTEL)

Industry

Industry analysis is a review of the current economic conditions. IBIS World is an organization providing industry-based research reports for businesses. Daimler AG operates in the automobile industry with premium vehicles, Mercedes Benz, also with Mercedes Maybach and Mercedes AMG. The international automobile manufacturing industry over the past decade has trended higher, bolstered by improved economic conditions on the part of consumers especially. The IBIS World report published in December 2017 indicated that the Automobile industry around the world is generating \$ 2 trillion with an annual growth of 3.4% from 2012 to 2017, with 3794 companies operating, employing 4.9 million people around the world.

The past decade's recession made people think that the automotive industry in America will collapse. However, the automobile manufacturing industry avoided the risk, narrowly giving the aftermarket boost. The cars in the aftermarket perform extremely well as opposed to the sales of new cars. The global automobile industry was estimated to hit 78.6 million vehicle sales by the end of 2017. The USA and China are considered among the largest market shareholders of the automobile industry. In 2016, the US automobile industry sold 6.9 million passenger cars; the USA became the biggest automotive market early in the 20th century in the Ford era when the company used in traduced assembly line method to manufacture its T-model on a massive level. Ford till date is one of the biggest manufacturers of passenger cars and holds biggest market share, its new model Ford Focus, a light vehicle was the bestselling brand worldwide in 2016. Daimler, Volkswagen, and Toyota topped in generating revenue in 2016. Bosch, Denso, Magna, and Bosh topped in the automotive supplier industry.

The industry is increasingly shifting vehicles to electric power as prompted by the global emissions controls agreed upon on international forums such as the Paris Agreement. The 1.3 million-unit figure was a source-period forecast for 2021, and the 2030 market-value figure was likewise a long-range projection. Neither should be presented as a current verified result without updated industry data.

Daimler, a German-based Multinational Corporation, is one of the largest global companies parenting

many segments. The company holds significant market shares around the world, such as in the USA, Germany, Europe and the Asian Pacific region ("Daimler AG PESTLE Analysis – Political, Economic, Social, Technological, Legal, Environmental factors of Daimler AG," n.d.). It is crucial for the company to analyze the macro environment to devise feasible and viable strategies for business operations. Economic, socio-cultural, technological, legal and environmental factors are subject to be carefully analyzed to cope with the changing global economy and associated factors. Politically Car manufacturers are less affected by the Western region as they are originated and based there, however, operating in developing countries like India there will be governmental and official policies affecting the business operations' style (Bossink & Blauw).

An era of turbulent and volatility is emerging for businesses. Recessions in the last decade in the USA and UK have fostered an even more turbulent economic situation in the future for all industries, including car manufacturers. Socio-cultural and environmental issues across borders are important to consider by automotive companies, for instance in most of the cultures expensive cars are a symbol of wealth and prosperity of individuals (Jackson, 2001).

Economic

Daimler's Mercedes Benz signed a distribution agreement with a company named Studebaker-Packard Corporation of the USA, based in Indiana makers of Packard and Studebaker brands of automobile. According to the agreement signed, Studebaker was going to give access to Mercedes Benz to its shipment network in the United States of America, would also handle the shipment procedures and deals of the vehicles in the USA and would be sharing a percentage of the revenue generated against each vehicle sold. It also allowed for the Use of Daimler's name in its advertising and marketing campaigns, causing stress on Studebaker's quality over quantity. Lately, Studebaker started to deal with another company named Franco-American automobile manufacturer that was going to launch the Facel Vega excellence model in the United States. Daimler Ag objected to that, Studebaker wanted Daimler to pay for heavy losses happened to drop the further action on a plan that was agreed upon with Daimler ("Daimler SWOT & PESTLE Analysis," 2017).

Daimler, since its commencement, has maintained the quality and durability of brands such as Mercedes Benz. The J.D. Power surveys that looked at passenger vehicles depicted that Daimler's quality and durability faced a downturn in the 1990s and 2000s. However, in later years in 2005 and onwards the company successfully overcame the quality problems and maintained back its initial reputation on the quality of brands, J.D Power surveys in 2007 demonstrated that Daimler happened to improve dramatically with quality by raising its position from number 25th to number 5 in the automobile industry rankings.

Political And Legal

Daimler had to pay a fine amounting to 30.66 million US Dollars in 2009 because of not meeting the Federal Corporate Average Fuel Economy regulations in the United States of America. Some of Daimler's brands, such as Mercedes Benz's S 550, SLK 55, and C63 AMG, also had to pay heavy taxes on guzzler gas. The year 2008 was the worst for Mercedes Benz in Europe as it was ranked 14th out of 14 brands of different companies. It was also the worst brand in the years 2006 and 2007 for Carbon emissions levels, with 181 g per kilometer.

Technology

Daimler's current model range is increasingly implying newer technology by integrating computer systems in passenger cars and other vehicles; it has a range of products from light passenger vehicles to heavy trucks and buses.

Environmental

Daimler, like all other big business corporations, is increasingly realizing the impact of environmental issues on the growth and reputation of the business. Environmental issues for Daimler incorporate some factors such as official regulations, Climate change, infrastructural problems, products that are more environmentally friendly, raw materials and recycling. In particular, the environmental issues for cars and other vehicle manufacturing companies are that they are expected to produce vehicles that are green-friendly. As omission of CO₂ by cars is a big criticism of the industry from eco-friendly organizations and official authorities. As mentioned above Mercedes Benz had to face heavy fines against the omission levels and guzzler gas levels in the United States of America. Being eco-friendly is becoming a global moral obligation for businesses, and the automobile industry is one of the biggest sources of air pollution is criticized the most and is facing the challenge of meeting the environmental requirements and demands for a better life on Earth.

Cultural

The merger of Daimler AG with Chrysler failed mainly because of the cultural clash. Both the merging companies missed the forecast of the cultural impact of the merger and did not arrange any training workshops for the workforce to work in a multi-cultural environment and scope. Cultural training enables the workforce to rearrange and re-manage their working behavior and methods according to the needs of the culture their company is operating in. Daimler AG and Chrysler's merger was a demonstration of the failure of a merger because of cultural problems. Both the American and German nations are distinguishable in their cultural interface; the merger could not meet the cultural needs of the markets and failed to get what was perceived at the time of the merger ("DAIMLER AG-

REGISTERED SHARES (DAI: Brsaltaliana): Stock Quote & Company Profile – Bloomberg,” n.d.).

Daimler is planning to expand across the borders of Germany, such as Brazil, China, and India. These three countries are significantly distinguishable in their culture and have solid cultural identities that are challenging for any business to operate in these cultures. For instance, in India, Suzuki Motors launched a light passenger vehicle named Maruti (the name of a female goddess in India) and the same vehicle in Pakistan is launched with the name of Mehran (the name of a river in Pakistan). The same names cannot be given to the vehicles in other cultures as they don't recognize them and most probably may consider it an offense to their culture. The automobile industry has to realize the cultural differences of the countries and completely understand them to come up with successful growth and marketing plans in various cultures.

Conclusion

The industrial context and external and internal analysis of Daimler AG depict the concern of the business with the world in which it is operating. The formulation of operational policies heavily depends on the strategic analysis of the company. The SWOT and PESTEL analysis of the company gives an overview of the internal and external environment of the company. Daimler one of the leaders in the industry, needs to take revolutionary steps towards eco-friendly manufacturing and designs.

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