

Market Environmental Analysis for US Automotive Industry

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Overview of the United States Automotive Industry

The international auto industry is a multi-billion industry with numerous big carmakers in competition to achieve a greater market share. Ever since the 19th century, this industry has become vital to generating revenue for any economy. The revenue and growth of such a large-scale worldwide industry depend on several market forces, owing to their nature. Statistics show that the number of cars sold in America decreased from 7.9 million to 6.3 million units from 2014 to 2017.

Major Manufacturers and Electric-Vehicle Growth

Ford, The Detroit Three, Chrysler, and General Motors are the main manufacturers in the US. With an increasing reception of electric and battery-operated vehicles, Tesla's market share is also on the rise (Facts, n.d.). Recently, Asian markets have demonstrated themselves to be highly profitable for automotive investment. Nowadays rapid changes in technology and increasingly innovative solutions, Fuel efficiency, emissions, and environmental friendliness have all become an important deciding factor. (Pratap, 2016).

Technological Innovation and Consumer Expectations

The automotive industry has gone through various stages of innovation since its inception. With shifting technologies, customers have become more aware of many trends and increasingly look towards modern features, accessories, and technology-savvy innovations before deciding on a vehicle. Environmentally [friendly cars](#) with reduced CO2 emissions are preferred over cars with more torque and horsepower. The race towards achieving low carbon emissions and increasing focus on fuel efficiency has shifted the market towards a higher trend for hybrid and electric vehicles. This is affecting the sales and profitability of the [car manufacturers](#) who lean towards more traditional types of vehicle production. The increasing development of electric cars and the introduction of new market players focusing solely on this variation are also becoming essential factors. Innovations like integration with smart devices and self-driving technology are also responsible for the market shift. (Young, 2017)

Political and Regulatory Influences

Several political factors profoundly impact the profitability and sales of the automotive industry. Most governments now provide incentives for low-emission cars while increasing taxation for gas guzzlers and luxury vehicles. Climate change policies have resulted in higher support for vehicles with low environmental impact. The promotion of better public transport systems by governments and more traveling alternatives such as Uber also has an impact, as traveling on public transport has become cheaper and more convenient, while advances in communication technologies allow people to move without owning a car quickly. Thirdly, aggressive tax policies by the administration reduce profits as the costs go up. Euro Standards regulations have become the norm to be adopted (Balan, 2014). Outsourcing or moving plants in the U.S. auto industry also creates a shift as it affects labor and production demographics, which leads to political disagreements on trade policies, or changes in employment practices (Joel Cutcher-Gershenfeld, 2015).

Competitive and Socioeconomic Factors

Competitive factors that influence the US automotive markets include internal and external factors. Socioeconomic factors in developing countries affect their choice of automobile. In developing markets, there is rising competition from regional and local manufacturers producing more market-friendly vehicles. Many manufacturers to boost deals have turned to various promotion incentives, and packages, for example offering cash rebates, A car loan period increase, dropping interest charges, sponsoring leases, and vending package vehicles (Young, 2017). Other competitive factors include supply chain, parts interoperability, availability, and expansion of parts manufacturing and distribution networks, in which Japanese manufacturers have taken the lead by introducing similar parts for different lineups of their vehicles. (Cusumano, 1988)

Conclusion on Market Opportunities and Risks

The market environmental analysis shows the importance of reforms in the US automotive Industry's growth and expansion strategies. Rapid growth rates of developing countries and several external factors present an excellent opportunity for US carmakers to sustain their growth. The threats US companies face from increasing regulations and [consumer awareness regarding emissions calls for evolving](#) tactics. Recommendations to maintain the industry include generic recommendations that apply to most all US-based car makers to compete efficiently and gain market share in the next five years.

- Channel more investments in R&D for development and enhancement according to the latest technological requirements, especially in producing electric, battery-operated, or hybrid fuel vehicles, and reducing emissions. The Electric Vehicle market worldwide has a forecasted growth rate of 18.96% from 2017-2023. 2016 for example, China sold 507,000 more [electric](#)

vehicles and plug-in hybrid electric vehicles, a 53% rise from 2015. (WiseGuyReports, 2018)

- To use their rapid growth, US carmakers must grow their dealership and parts distribution networks, especially in developing countries such as China, Indonesia, India, and Pakistan. They also need to introduce more demanding vehicles, according to their socio-economic conditions. Investing in developing smaller vehicles will help as 30% of global sales are for smaller cars, which could go up to 30 million vehicles by 2020. 60% of the market is in these emerging economies where the industry is expected to grow 6% per annum as forecasted for 2020. (Detlev Mohr, 2013)

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