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by Pppp Ppp

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Analysis of the Automotive Industry

Student Name:

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¹ The United States possesses part of the biggest automotive markets around the globe. In 2018, a record 17.2 million light vehicle sales were realized within the U.S. In overall, the U.S turns out to be the second-largest vehicle sales and production market around the world. the American affiliates of most of the ¹ foreign-owned automotive firms directly support not less than 400, 000 U.S jobs. In addition, majority of the automakers have engine, as well as, transmission plants located within the U.S and carry out research and design development, as well as, testing within the country. Total foreign direct investment within the automotive industry in 2018 reached 114.6 billion U.S dollars. The industry can also be said to be within the forefront on matters concerning innovation. New R&D initiatives have greatly transformed the industry such that it reacts better to the 21st C opportunities (Ahlstrom, 2010).

¹ In accordance to Auto Alliance, out of the billions spent with R&D internationally, around a fifth ends up being spent within the U.S. THE United States in 2018 exported around ¹ 1.8 million new light vehicles, as well as, 131, 200 medium together with heavy trucks (whose value was over \$60 billion) to around 200 markets all over the globe, with extra exports of automotive parts of value of \$88.5 billion. Putting into consideration that the industry has a big consumer market, operates on an open investment policy, possesses greatly skilled labor force, and enjoys both local, as well as, state government incentive, it is set to turn out ² as the premier market for the automotive industry in the 21st Century.

For many years, through the boom, as well as, bust years that were experienced through the 20th C, the U.S automotive industry is considered to have had great effect on the country's economy. The number of motor vehicles sold each year was a notable indicator of the country's economic health. However, once the recession struck within the years of 2007 to 2008, there was a notable decline in new car sales, which reflected a general decrease within consumer spending.

Even though Ford possesses billions in cash reserve as a prevaricate against hard times, other vehicle manufacturers such as Chrysler, as well as, General Motors faced bankruptcy and the government chipped in by offering them bailout money through the TARP (Troubled Asset Relief Program) that was meant to rescue the troubled firms.

Nonetheless, getting to 2012, after the repercussions of the recession had come to an end, the available news reports indicated that the multi-billion automotive industry was on its path to the recovery as both Chrysler together with General Motors managed to pay back the bailout loans that they had been offered by the government. This was a clear indication that the firms were again posting profits and were actually flourishing. The American auto manufacturing firms reigned globally in 2012 as not only the biggest but also the most profitable. Only a few would have forecasted the industry colossus that emerged from its inauspicious origins several decades ago (Train & Winston, 2017).



(Train & Winston,

2017).

One of the issues that have great impact on the growth of the automotive industry in the past decade is the introduction of regulations, particularly the emission laws. The emissions laws are said to have led to a significant increase in the production costs. Typically, the emission laws have impact on the car manufacturer's bottom line. The catalytic converters in addition to other devices which are designed for the purposes of reducing cars' emissions cost much money to design, test, as well as, mass-produce. Even though the expense is passed typically on to the end users, the environmental regulations have notable impact on the automotive industry's daily operations. It is of great essence to note that the government regulations are not simply restricted to the U.S. Majority of the automotive firms manufacture cars that are exported to other nations around the world (Wells, 2010). It is within the best interests to produce standardized vehicles which do not need modification prior to being delivered to the foreign market. Consequently, most vehicles are designed in such a manner that they meet the U.S regulations, in addition to regulations of other nations. This aspect introduces additional expense and is considered to hamper the design procedure due to the fact that many diverse criteria has to followed for the produced vehicles to be legal within diverse regions around the globe.

In future, the automotive market of the U.S is expected to shift towards the service oriented model whereby new players are set to focus extensively not only ³ on customer experience but also consumer data. Transitions within automotive markets are offering opportunities for certain parts whereas others are facing stiff decrease over the forecasts. Firms across the industry will have no option other than adapt to the emerging market changes for the purposes of sustaining revenue, as well as, profits. In future, the manufactured vehicles will have to be aligned to the prevailing states of technology in addition to the consumer preferences.

References

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