

## PESTEL ANALYSIS OF INDIAN PASSENGER CAR MARKET

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### **Abstract**

*PESTEL analysis is a framework or tool used by marketers to analyse and monitor the macro-environmental (external marketing environment) factors that have an impact on an organisation. The result of which is used to identify threats and weaknesses which is used in a SWOT analysis.*

**Keywords:** *PESTEL analysis, SWOT analysis, Political factors, Social indicators, GDP, political environment*

### **Pestel Analysis**

Politics plays a key role in business. This is because there is a balance between systems of control and free markets. As global economics surpasses domestic economies, companies must consider several opportunities and threats before expanding into new regions. It also applies to firms identifying optimal areas for production or sales.

Political factors in many situations may even help decide the location of corporate headquarters of a multinational company. Economic factors are metrics that measure the health of any economic region. The economic state will change a lot of times during the firm's lifetime. You have to compare the current levels of inflation, unemployment, economic growth, and international trade. This way, you can carry out your strategic plan better. Social factors assess the mentality of the individuals or consumers in a given market. These are also known as demographic factors.

Social indicators like exchange rates, GDP and inflation are critical to management. They can tell when it is a good time to borrow. These factors help find out how an economy might react to certain changes. This step entails recognizing the potential technologies that are available. Technological advancements can optimize internal efficiency and help a product or service from becoming technologically obsolete. Role of technology in business is increasing each year. This trend will continue because R&D drives new innovations. Recognizing evolving technologies to optimize internal efficiency is a great asset in management. But, there are few threats. Disruptive innovations such as Netflix affect business for CD-players. The best strategy is to adapt according to the changes. Your strategies should sidestep threats and embrace opportunities. Both consumers and governments penalize firms for having adverse effect on the environment. Governments levy huge fines upon companies for polluting. Companies are also rewarded for having positive impact on the environment. The consumers are willing to switch brands if they find a business is ignoring its environmental duties. Legal Factors are critical for avoiding unnecessary legal costs.

**Table - 1: Pestel Analysis of Indian Passenger Car Market**

Political	<ol style="list-style-type: none"> <li>1. Solid democratic setup</li> <li>2. Corruption and scandals</li> <li>3. Focus on State Elections 2016</li> </ol>
Economic	<ol style="list-style-type: none"> <li>1. Emergence as manufacturing hub of small cars</li> <li>2. Growing domestic car sales</li> <li>3. Weak Indian Rupee</li> <li>4. Increase in Interest rate</li> </ol>
Social-cultural	<ol style="list-style-type: none"> <li>1. Burgeoning middle class</li> <li>2. Urbanisation</li> <li>3. Composition of population</li> <li>4. Increasing aspiration level</li> </ol>
Technological	<ol style="list-style-type: none"> <li>1. Increasing R&amp;D spend by car manufacturers</li> <li>2. Large pool of semiskilled and skilled workers available</li> <li>3. Lower cost advantage</li> </ol>
Environmental	<ol style="list-style-type: none"> <li>1. Communal clashes</li> <li>2. Terror attacks</li> <li>3. Labour unrest</li> </ol>
Legal	<ol style="list-style-type: none"> <li>1. Value Added Tax to Goods and Services Tax regime</li> <li>2. Outdated Labour laws</li> <li>3. Recent amendments to Company Law</li> <li>4. Undue delay in judicial system</li> </ol>

**Political**

In the political environment the positive side is the solid democratic setup that has been flourishing since independence. The democratic setup provides stability. On the negative side the country is plagued by corruption and mega scandals in the recent past. This corrupt and scandalous environment in the long run will offset the advantage of solid democratic setup. As the country is gearing up for the state elections 2016, it is expected that the regional parties will have a vital role in formation of Government.

**Economic**

India has the potential to become the hub of small cars, with surging domestic demand. But the recent slowdown is casting doubts about the future of the sector. Weak Indian rupee and increasing interest rate are of great concern

**Social-cultural**

Burgeoning middle class, urbanisation, young population and increasing aspiration level of youngsters are positive factors which will accelerate the growth of passenger cars in India.

**Technological**

Car manufacturers like Maruti Suzuki, Hyundai Motors India, Mahindra and Mahindra and Tata Motors have increased their Research and Development expenditure. And many

manufacturers are building their Research and Development centre in India. This is will go a long way in developing the home-grown technology.

### Environmental

Increasing number of communal clashes across the country coupled with terror attacks will make all global companies think twice before finalising their expansion plans in India. Added to this all the major car manufacturers have some kind of labour problems continuing for a prolonged period.

### Legal

In the legal front the tax regime is moving from Value Added Tax (VAT) to Goods and Services Tax (GST). Most of the labour laws in the country are legacy of British Rule and needs major overhaul to suit the conditions of the new millennium. At least a beginning has been made recently by making amendments to Indian Companies Act. Also, the judicial system in the country is very slow.

### Conclusion

The result of Pestel analysis can be summarised as follows:

- Economic, socio-cultural and technological environments are favourable for car manufacturers in India, with most of the developments in those environments having a positive impact on the sector
- Political environment can be labelled as neutral as it has both positive and negative developments
- Environmental and legal developments are not favourable to car manufacturing sector

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