**Project One: Executive Summary**

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BUS 225: Critical Business Skills for Success

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## Problem

As an engine manufacturing company, diversifying is a strategic move to stay competitive and secure long-term growth. The automotive industry is evolving rapidly, with trends like the rise of electric vehicles (EVs), stricter environmental regulations, and shifting consumer preferences. These changes could impact demand for traditional internal combustion engines. By branching into new areas such as producing components for electric or hybrid vehicles, or exploring markets like motorcycles or off-road vehicles the company can tap into emerging opportunities and reduce its reliance on declining engine types. Diversification will not only create new revenue streams but also allow the company to adapt to industry changes, ensuring its relevance and resilience in a transforming market. The goal is to position the company as a forward-thinking leader in the evolving transportation landscape. With company’s diversification strategy, we can use Quantitative data which includes trends in average weekly earnings across franchised dealerships, highlighting industry challenges and potential for diversification into higher-margin sectors like electric vehicles (EVs). Dealership financial trends and sales data by state provide insights into profitable regions and vehicle types, such as strong demand for EVs in states like California, guiding decisions on market entry. Qualitative data involves knowing consumer preferences, particularly the growing demand for eco-friendly or high-tech vehicles, which can direct us toward hybrid or electric engine markets. In addition, regional market trends help identify areas where specific vehicle types, such as EVs or motorcycles, are gaining popularity, allowing us to tailor our products to local needs. Combining these data points enables informed decisions on where and how to diversify effectively.

## Automotive Manufacturing Industry

The U.S. automotive industry is a significant sector with a total market value of approximately $613.8 billion in dealership sales as of 2023 (NADA, 2023). New light-duty vehicle sales have seen fluctuations in recent years. In 2023, total sales reached 7.66 million units, with light-duty trucks comprising about 79.4% of total sales, a continuing trend of increasing preference for trucks and SUVs over passenger cars (Wards Intelligence, 2024). This shift is evident as the share of light-duty trucks in total vehicle sales has grown from 52 % in 2014 to 79.4% in 2023.

Sales data reveals regional disparities, with states like California and Texas seeing the highest dealership revenues, with California dealerships reaching nearly $69.4 billion in 2023 and Texas close behind at $58.5 billion (NADA, 2023). These markets show strong demand for both traditional and specialized vehicles, including electric vehicles (EVs), which are gaining momentum, especially in states with higher environmental awareness, like California.

In terms of fuel types, traditional gasoline-powered vehicles still dominate the market, but the share of electric vehicles (EVs) is expanding. The popularity of EVs is particularly strong in regions like California, which consistently leads in EV adoption. In addition, hybrid vehicles, which combine gas and electric powertrains, have also seen growth as consumers seek more fuel-efficient options.

The industry is experiencing a transition, with new players like Tesla increasing their market share while traditional manufacturers like Ford, GM, and Toyota are investing heavily in electric and hybrid vehicle production. This shift in technology and consumer preference for more sustainable and fuel-efficient options offers significant opportunities for companies to diversify into electric vehicle components, hybrid engines, and related technologies.

Motors and Fuel Types- Trends:

Historically, the market was dominated by gasoline-powered vehicles. However, there has been a marked shift toward electric vehicles (EVs) and hybrids. In 2023, EVs captured an increasing share of total vehicle sales, particularly in states like California, where EV adoption is strong. Hybrid vehicles are also gaining traction as consumers seek fuel-efficient options amid rising fuel prices and environmental awareness. This shift is evident as traditional automakers like Ford and General Motors ramp up investments in electric and hybrid powertrains. Projections indicate that EVs could account for 30% of new car sales by 2030 (BloombergNEF, 2024).

Trends in Body Types:

The market for light-duty trucks and SUVs continues to grow, now dominating sales. In 2023, light-duty trucks made up 79.4% of total vehicle sales, a significant increase from 52% in 2014 (Wards Intelligence, 2024). This trend is driven by consumer demand for larger, more versatile vehicles, offering more space, better towing capacity, and increased safety. In contrast, sales of sedans have been declining as buyers increasingly opt for the higher utility of trucks and SUVs.

Trends in Customer Demands:

Customer preferences are shifting toward safety features like advanced driver assistance systems (ADAS), adaptive cruise control, and automatic emergency braking. In addition, fuel efficiency remains a top priority, fueling the demand for EVs and hybrids. In terms of aesthetics, neutral vehicle colors such as white, black, and gray dominate the market, as they are perceived as timeless and versatile.

## New Industry

The electric vehicle (EV) and hybrid vehicle component manufacturing industry is very popular due to its strong growth trajectory. The shift toward sustainability and the growing demand for cleaner, more fuel-efficient vehicles have positioned this sector for significant expansion. According to BloombergNEF (2024), electric vehicles are projected to account for 30% of new car sales by 2030, signaling a rapid market transition. Factors such as government regulations, including stricter emissions standards and incentives for EV buyers, further drive industry growth. The technological advancements in battery efficiency and charging infrastructure continue to improve the viability of EVs.

Key players in the industry include Tesla, General Motors, and Ford, who have been successful by investing heavily in electric powertrains and battery technologies. Tesla, for example, has led the market with its advanced electric motors and strong brand appeal. As competition intensifies, companies that can innovate in areas like battery range, cost efficiency, and manufacturing scalability will have a competitive advantage.

Given the market's growth potential, supported by regulatory support and consumer demand for greener vehicles, this industry is an excellent opportunity for diversification, especially for companies with expertise in precision engineering and manufacturing, like ours.

In 2023, EVs made up an expanding portion of the automotive market, with sales particularly strong in states like California, where rates exceed national averages. Nationwide, sales of light-duty trucks and SUVs, which now often include hybrid or electric models, continue to rise, accounting for 79.4% of total sales in 2023 (Wards Intelligence, 2024).

Sales are expected to grow rapidly, with electric vehicle sales projected to represent 30% of all new car sales by 2030 (BloombergNEF, 2024), driven by government regulations, consumer preferences for sustainability, and technological advancements. Geographic regions with stronger incentives and better infrastructure, such as the West Coast, will likely see faster adoption.

Investing in this industry also presents additional value through government incentives, improvement in battery technology, and the growing global shift toward decarbonization. As automakers and suppliers adapt to these changes, companies in the EV component sector stand to benefit from long-term growth, especially in the development of efficient electric motors, batteries, and charging solutions.

The electric vehicle (EV) and hybrid vehicle component manufacturing industry is experiencing significant growth, driven by technological advancements and evolving consumer preferences.

1. Trending Products and Services:

Electric Powertrains and Motors: As demand for EVs increases, manufacturers are focusing on developing efficient and high-performance electric motors and powertrains. These components are critical to the overall performance and cost-efficiency of EVs.

Batteries and Charging Infrastructure: Advancements in battery technology are key to improving range, reducing charging times, and lowering costs. There’s also increased investment in charging infrastructure to support widespread EV adoption.

2. Customer Demand Trends:

Consumers are increasingly seeking sustainable, fuel-efficient vehicles. Key demands include longer battery range, faster charging, and more affordable pricing. In addition, safety features such as advanced driver assistance systems (ADAS) are becoming essential.

3. Industry Evolution:

The EV market has shifted from niche, high-cost vehicles to mainstream offerings. Major automakers like Tesla, General Motors, and Ford are rapidly expanding their EV and hybrid lineups. This shift will likely accelerate, with more affordable EV options entering the market in the coming years.

Government incentives and regulations supporting clean energy and emissions reduction are further driving industry growth. These policies are expected to strengthen as countries move toward stricter environmental targets.

4. Future Outlook:

Industry forecasts predict that EVs could account for 30% of new car sales by 2030 (BloombergNEF, 2024), supported by continued technological innovation and consumer adoption.

With its promising growth trajectory, driven by consumer demand for sustainability and regulatory support, the EV and hybrid component manufacturing industry offers substantial opportunities for diversification, making it an ideal area for expansion.

## Porter’s Five Forces Analysis of the New and Automotive Industry

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|  | **New Industry** | **Automotive Manufacturing Industry** |
| **Rivalry Among Existing Competitors** | Rivalry in the electric vehicle (EV) and hybrid vehicle component manufacturing industry is intense, driven by established automakers like General Motors, Ford, and Volkswagen, alongside specialized EV manufacturers such as Tesla and Rivian (NADA, 2023). Traditional automakers are rapidly transitioning to electric powertrains and batteries to meet consumer demand and regulatory pressures, while Tesla leads with cutting-edge technology in electric motors and battery efficiency. Competition is further fueled by battery manufacturers like LG Chem and Panasonic, whose advancements in high-capacity, cost-efficient batteries are crucial for EV success. Key competitive drivers include innovation in technology, cost efficiency, and government incentives, as companies strive to reduce production costs, improve vehicle performance, and meet stringent environmental standards. | The automotive engine manufacturing industry is very competitive, with major players like Toyota, General Motors, Ford, Honda, and Volkswagen holding significant market shares (NADA, 2023). These companies compete intensely on engine performance, fuel efficiency, and innovation, often lowering prices in the mass-market segment to gain market share. In addition to price competition, there is a strong focus on technological advancements, such as hybrid and electric powertrains, and offering add on perks like warranties and financing to build customer loyalty. |
| **Threats of New Entrants** | The electric vehicle (EV) and hybrid vehicle component manufacturing industry is significant but tempered by high barriers to entry. While the growing demand for EVs presents opportunities, new companies face substantial challenges, including the need for significant capital investment in advanced manufacturing facilities, battery technology, and supply chain infrastructure. In addition, established players like Tesla, Ford, and General Motors have strong brand recognition, economies of scale, and extensive R&D capabilities, making it difficult for newcomers to compete on both price and innovation (NADA, 2023). However, the rise of startups in specialized niches, such as battery innovation and charging infrastructure, highlights that certain segments of the market are still accessible to new entrants. Despite the competitive advantage of incumbents, the growing EV market offers openings for innovative companies with disruptive technologies, especially in battery efficiency and sustainability. | The threat is low due to high barriers to entry, such as large capital investment, complex supply chains, and the need for specialized technological expertise. Stable automakers dominate the market, benefiting from economies of scale, brand recognition, and established distribution networks, making it difficult for new companies to compete on price and production volume. The regulatory requirements around safety, emissions, and environmental standards present substantial challenges for newcomers. However, the rise of electric vehicles (EVs) has opened niche opportunities for startups focused on innovation, such as Rivian and Lucid Motors, though these companies still face intense competition from established brands and must secure substantial investment to scale production (CFI, 2023). |
| **Bargaining Power of Suppliers** | The bargaining power of suppliers in the electric vehicle (EV) and hybrid vehicle component manufacturing industry is relatively high, particularly for key components like batteries, electric drivetrains, and semiconductors. Suppliers of lithium, cobalt, and nickel important l materials for EV batteries hold considerable leverage due to limited global supply and increasing demand driven by the EV boom. Also, leading battery manufacturers like LG Chem, Panasonic, and CATL control much of the supply chain for EV batteries, making automakers highly dependent on these suppliers. However, as the industry grows, automakers are investing in securing long-term contracts, diversifying their supplier base, and even developing in-house manufacturing capabilities to reduce supplier dependency. While suppliers play a critical role in the industry’s success, the increasing number of players entering the market could potentially reduce their bargaining power over time. | The bargaining power of suppliers in the automotive manufacturing industry is high due to their control over essential components like engines, batteries, and raw materials. Suppliers of specialized parts, such as battery manufacturers for electric vehicles, have significant leverage because automakers depend on their technologies to meet production and regulatory requirements. While large automakers can reduce this power by diversifying suppliers or vertically integrating, the growing demand for advanced and eco-friendly components continues to strengthen supplier influence. |
| **Threat of Substitute Products** | The threat of substitute products in the electric vehicle (EV) and hybrid vehicle component manufacturing industry is moderate but growing. While traditional internal combustion engine (ICE) vehicles remain a dominant mode of transportation, their share of the market is gradually shrinking due to increasing environmental concerns, stricter regulations, and shifts in consumer preferences toward cleaner alternatives. The rise of hydrogen fuel cell vehicles and alternative fuels (e.g., biofuels) poses a potential substitute threat, especially as fuel-cell technology advances. However, these alternatives currently face significant challenges in terms of infrastructure, cost, and technological maturity compared to the rapidly expanding EV sector. As a result, while substitutes like ICE vehicles and hydrogen-powered cars remain viable in some markets, the dominant shift toward electric drivetrains and the growing investment in EV technology minimize the threat of widespread substitution in the near term (GlobalData, 2024). | The threat of substitute products in the automotive industry is moderate, with alternatives like public transit, car-sharing services, and electric bikes offering options for consumers, especially in urban areas. However, personal vehicles still provide greater convenience and utility, and the shift towards electric vehicles (EVs) is more of an evolution within the industry rather than a direct substitute. Despite these alternatives, the demand for personal cars remains strong. |
| **Bargaining Power of Buyers** | The bargaining power of buyers in the electric vehicle (EV) and hybrid vehicle component manufacturing industry is increasing as consumer demand for EVs grows and more options become available. Buyers are becoming more informed and have greater choice, not only among established automakers like Tesla, Ford, and General Motors, but also from new entrants offering innovative, cost-effective alternatives. Also, as battery prices decrease and government incentives make EVs more affordable, consumers have more leverage over manufacturers. However, the bargaining power of buyers is somewhat tempered by the limited availability of key components, such as advanced batteries and electric drivetrains, which are still largely controlled by a few suppliers. As the market matures and competition intensifies, consumers will likely continue to drive demand for higher efficiency, better range, and lower prices, pushing manufacturers to innovate and improve the value proposition to stay competitive. | The bargaining power of buyers in the automotive manufacturing industry is moderate to high, as consumers have access to a wide range of vehicle options and can easily compare prices, features, and brands. The rise of online platforms and car-buying services has made it easier for buyers to research and shop around, increasing their power. However, this power is somewhat tempered by the significant investment required to purchase a vehicle, which limits the frequency of buying decisions. Also, brand loyalty, financing options, and features like safety or fuel efficiency still play a strong role in consumer choices, making the market less price-sensitive at times (GlobalData, 2024). |

## Comparison of the Industries

The automotive manufacturing industry and the EV and hybrid vehicle component manufacturing industry share similarities in high rivalry among competitors, significant supplier power, and medium buyer power, with both industries heavily relying on key components (like batteries for EVs) and innovations to maintain market share. In both, the threat of substitute products is medium, as alternatives like public transport and car-sharing services challenge traditional vehicle ownership but can't fully replace it.

The main difference lies in the threat of new entrants, while the automotive industry has high barriers to entry due to established brands, large-scale production, and high capital requirements, the EV component manufacturing industry faces medium entry barriers. This is because technological advancements and niche opportunities in electric vehicle components, like battery innovations, offer a more accessible entry point for startups.

## Summary of Findings

My research supports diversifying into EV and hybrid vehicle component manufacturing by showing that the automotive industry is undergoing a significant shift toward electric vehicles, driven by growing consumer demand and regulatory pressures. The EV market is expanding, creating opportunities for innovation in batteries and powertrains, with medium barriers to entry and high supplier power indicating a competitive but promising environment. By entering this sector, our company can capitalize on these trends, reduce reliance on traditional markets, and position itself in a growing industry with substantial long-term potential.

## Porter’s Five Forces Analysis Chart—New Industry

**Rivalry among existing competitors**

HIGH because major automakers and new EV startups are aggressively competing in a rapidly growing market with substantial investments in innovation and production capacity.

**Threat of new entrants**

MEDIUM because high capital requirements, technological barriers, and strong competition from established players make it difficult for new companies to enter, though niche segments remain accessible.

**Threat of substitute products**

MEDIUM because while traditional internal combustion engine (ICE) vehicles and alternative fuel technologies pose a substitute threat, EVs are gaining dominance due to stronger consumer preference and regulatory pressures.

**Bargaining power of buyers**

MEDIUM because as the market expands and consumer choices increase, buyers have more influence, but dependency on specific technologies like batteries and drivetrains limits their power to negotiate.

**Bargaining power of suppliers**

HIGH because key suppliers of critical components, like batteries and rare materials, control much of the supply chain, and automakers depend heavily on them.

## Porter’s Five Forces Analysis Chart—Automotive Manufacturing Industry

**Rivalry among existing competitors**

HIGH because numerous large automakers, including Tesla, Ford, and General Motors, constantly compete on innovation, pricing, and market share, driving intense competition.

**Threat of new entrants**

MEDIUM due to high capital requirements, established brand loyalty, and significant technological barriers, although emerging EV startups like Rivian pose some challenge.

**Threat of substitute products**

MEDIUM because alternatives like car-sharing services, public transport, and electric bikes offer options but cannot fully replace the convenience of personal vehicle ownership.

**Bargaining power of buyers**

MEDIUM due to the availability of a wide variety of vehicles and information, allowing buyers to compare prices, but high purchasing costs limit frequent buying.

**Bargaining power of suppliers**

HIGH as suppliers of critical components, especially in the EV sector (e.g., battery manufacturers), have significant leverage over automakers.

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