

# BUS 225 Milestone One Template

## Executive Summary

18/04/2024

### Problem

As the respected sales department manager at a prominent U.S.-based engine manufacturer serving the automotive manufacturing sector, I have been tasked with conducting thorough research and identifying a profitable industry into which our distinguished organization might consider expanding. Diversifying our product line allows us to broaden our brand's influence and attract a broader customer base. Such a strategic expansion is crucial for enhancing our portfolio and increasing company revenue.

The automotive manufacturing industry has recently encountered several challenges. Significant among these has been the sharp rise in fuel costs and a shifting preference towards more environmentally friendly fuel options. Strategically, diversifying into the generator market could be wise for our company. By introducing our high-quality generators, we could access the commercial and residential sectors, creating numerous new sales opportunities and enhancing profitability.

Getting data that is qualitative as well as quantitative becomes essential for any diversification strategy. This ensures your findings are precise concerning the automotive and generator sectors. Your proposal appears to be well-conceived. We must concentrate on specific quantitative data to gather all essential information for making well-informed decisions. Numbers broken down by fuel type and vehicle type, top industry participants, rival financial assessments, prospective growth projections for every sector, and any other pertinent metrics should all be included in this report.

Furthermore, gathering qualitative data is essential. This kind of data provides priceless insights into the behavior of customers as well as other specific characteristics that can increase sales. Remaining competitive requires staying up to date with the latest trends and preferences of consumers. Through an in-depth examination of every data collection, we can extract vital information required for our business's successful diversification.

### Automotive Manufacturing Industry

Based on my analysis, the market value of the car manufacturing industry is \$100.9 billion at this time. However, research by Pantaloni indicates that it is expected to undergo a negative growth rate of -2.3% from 2017 to 2022. The sector has faced downturns primarily due to COVID-19 and decreased travel activities. Nonetheless, a rebound is predicted by IBISWorld's (2022) Forecast, with an increase of \$107.7 billion by 2027 or % increase rate of 1.3%.

Any strategic business plan must include an analysis of regional sales. Offering insights into customer behavior, economic conditions, and the environment for rivals assists businesses in evaluating the effectiveness of their goods and services in various contexts. Refinement of marketing tactics, improvement of product offers, and entry into new areas all depend on this data; therefore, regular evaluation of sales regional data is required to stay competitive in the market.

With noticeable sales growth, the California Pacific Coast Region has shown to be a lucrative market for automobiles and the automotive sector. As reported by Knoema in (2022), the total revenue from car sales in California reached \$136.8 billion in 2021, accounting for 11.74% of the total U.S. car sales. The report also highlights that Texas, Florida, New York, Pennsylvania, and other regions collectively accounted for 40.31% of U.S. sales.

Entering 2022, California continues to lead in sales with an estimated revenue of \$21.7 billion, followed closely by Ohio and Illinois, which generated \$17.1 billion and \$15.3 billion. (IBIS, 2022). These figures underscore significant contributions from these states to the overall U.S. automotive revenue, with California, Ohio, and Illinois significantly impacting the national total.

Vehicle sales are categorized by fuel type, including electric, hybrid, and gas. Patrick Manzi's 2023 analysis shows diverse engine preferences among consumers. Internal combustion engines lead 86.2% of sales, while electric vehicles represent 6.5%, hybrid vehicles at 5.8%, and plug-in hybrids at 1.5%.

Consumer trends increasingly favor environmentally friendly energy sources over traditional fossil fuels, a shift amplified by rising fuel prices that make buyers hesitant to purchase traditional gas or diesel-powered vehicles. This shift is pushing manufacturers to align their offerings with the evolving preferences for hybrid and electric vehicles, which, as noted by Pantaloni, have seen substantial demand growth over the past five years and are expected to dominate future market revenues.

Moreover, there is a noticeable shift in consumer preferences towards vehicle colors, additional features, and styles, indicating a broader change in consumer demands and providing an opportunity for companies to adapt their offerings accordingly. Armstrong's recent study (2022) Highlights that fuel efficiency has overtaken safety as the primary concern for U.S. vehicle buyers since 2018, with design being considered the least significant factor.

During high gasoline prices, there is a trend toward choosing compact cars and sedans that offer better fuel efficiency over more significant, less economical vans and trucks. Pantaloni's (2022)

Data suggest that midsize sedans and compact cars, known for their fuel efficiency and adequate space, generate the highest revenue percentages, unlike compact and subcompact cars, which offer limited space despite their fuel economy.

### **New Industry**

The COVID-19 pandemic has significantly impacted the generator industry, yet the sector is poised for growth in the coming years. According to a Fortune Business Insights report, the generator market is expected to grow from \$4.89 billion in 2021 to \$6.94 billion by 2028, achieving a compound annual growth rate (CAGR) of 5.13% during this period. This industry is noted for its substantial potential for expansion, driven by factors such as rapid industrialization, rising construction costs, increasing investments in new industrial developments, and more lavish national spending on energy-efficient infrastructure. A 2023 report by Future Market Insights noted an increase in U.S. public building investments from \$332.8 billion in 2019 to \$353.3 billion by mid-2020.

The generator market categorizes its products based on different fuel types, which include gasoline, diesel, propane, natural gas, and other alternatives. The 2023 Future Market Insights report highlighted that the "other" category includes generators that run on fuel oil, wood gas, and biofuels. Although the less optimal efficiency of these generators has slowed their growth, the increasing environmental awareness among consumers is expected to bolster demand going forward.

The market's expansion is also influenced by external factors similar to those affecting the automotive sector, particularly the rising demand for sustainable energy solutions. Challenges may arise from regulatory aims to reduce greenhouse gas emissions, impacting the trajectory of clean energy solutions.

Key industry players like Cummins Inc. and Caterpillar Inc. dominate the generator market. According to the analysis by Fortune Business Insights (2022) These companies' success is driven by substantial investments in developing reliable generators that meet the diverse needs of various end-users and power specifications. Ongoing research aims to enhance these generators' performance, durability, effectiveness, and ease of use.

The entire generator industry is valued significantly, with projections showing an increase from \$4.68 billion to \$6.94 billion by 2028. The demand for these generators is fueled by their use across various sectors, including mining, oil and gas, construction, residential, marine, manufacturing, pharmaceuticals, commercial, and telecommunications. Generators are particularly vital in areas prone to severe weather, such as the Great Plains, often referred to as Tornado Valley, where they are indispensable during power outages caused by frequent storms. (Nester, 2023).

The market is expected to grow due to heightened activities in oilfields and a boom in construction in both residential and commercial sectors. The evolving market trends point to a rising demand for hybrid, bi-fuel, and inverter generators, spurred by a preference for environmentally friendly options. Adopting advanced manufacturing technologies that reduce environmental impact will likely offer promising opportunities for market stakeholders in the

U.S. generator sector, responding to the consumer shift towards sustainable energy practices. The market also sees a growing demand for generator sets with capacities like 75kVA, driven by their cost-effectiveness and the increasing need for backup power solutions in remote areas, as detailed in the latest Fortune Business Insights report from 2021.

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

	New Industry	Automotive Manufacturing Industry
<b>Rivalry among existing competitors</b>	<p>Prominent companies such as Generac Power Systems, American Honda Motor Corp., and Caterpillar Inc. dominate the generator sector market. This industry is marked by significant consolidation and fierce competition among these key players. According to a recent market analysis from Research &amp; Markets (2020), it has been noted that these firms are intensifying their marketing efforts and introducing very competitive pricing models. However, these aggressive strategies have led to a decrease in their overall profit margins.</p>	<p>The automotive manufacturing industry is crowded, with 561 active competitors in the engine supply sector. Here is how the market share breaks down among some of the key players:</p> <p>Ford Motor Co., 34.4%</p> <p>Toyota Motor, 13.3%</p> <p>General Motors Company, 12.8%</p> <p>Magna International, 10.0%</p> <p>Stellantis, 7.9%</p> <p>All other companies combined, 21.6%</p> <p>The competition within this sector is notably fierce. Rather than engaging in price wars to gain market share, these companies focus on enhancing their market research, maintaining robust marketing strategies, and fostering solid customer relationships. By consistently engaging in detailed market analysis, companies can stay in tune with consumer demands and evolving market trends. They are committed to continuous innovation in their product offerings, which drives revenue growth and maximizes profitability.</p>

<p><b>Threats of new entrants to the market</b></p>	<p>According to a 2023 market analysis by IBISWorld, the primary hurdles to entering this market are heavily centered around legal compliance, substantial initial capital outlays, the need for unique product offerings, and labor-intensive processes. Given the strict emission regulations enforced by the EPA, newcomers must meticulously meet these standards (IBISWorld, 2023). Non-compliance could lead to severe financial repercussions for the company.</p> <p>The industry in focus requires considerable investment to set up operations, acquire raw materials, and manufacture products for consumer delivery. Additionally, I have pinpointed substantial opportunities for our organization to establish itself within the generator market strategically. With barriers similar to those in the automotive industry, I believe our organization is well-equipped to manage this transition smoothly. It is plausible to suggest that other companies in the automotive sector have similar levels of expertise and readiness as ours, facilitating a successful market entry with minimal obstacles.</p>	<p>Entering the automotive manufacturing market involves significant challenges, primarily due to the stringent legal requirements, high initial investments needed for setup, distinct product offerings, and labor-intensive manufacturing processes. Regulatory compliance, especially with standards like the Corporate Average Fuel Economy (CAFE) and the Occupational Safety and Health Administration (OSHA), is non-negotiable, with severe penalties for non-compliance. These high barriers suggest that new entrants need substantial resources to compete effectively. Continuous market analysis is crucial for understanding this complex industry and forecasting its developments.</p>
<p><b>Bargaining power of suppliers</b></p>	<p>The supply chain for the generator industry's raw materials is marked by various distributors, reflecting the diverse needs for generator</p>	<p>The automotive industry relies on a global supply chain to source many materials, such as steel, plastics, aluminum, rubber, oil, and petroleum.</p>

	<p>production. Among the many companies, notable suppliers include Southwire Co, Global Brass and Copper Holdings, Eaton, and East Penn Manufacturing.</p> <p>Given the broad array of suppliers, only a few key players are highlighted here. While the market is intensely competitive and hosts a multitude of suppliers, these mentioned companies constitute a small portion of the overall market landscape. The competitive environment among these suppliers can influence price changes, which might lead to either a reduction or an increase in costs. However, despite these fluctuations, suppliers in the generator industry have generally managed to maintain price stability.</p> <p>Specific raw materials show stable pricing, but the industry faces potential price volatility from other sources. Notably, having a single supplier for specific crucial materials could create a near-monopoly situation, potentially driving up prices for those materials.</p> <p>The cost structure of businesses is heavily influenced by the bargaining power of suppliers, which can cause significant price variations. The impact of these dynamics depends on the</p>	<p>The industry is supported by a wide array of suppliers, which allows for establishing collaborative pricing strategies to manage costs effectively across the board. However, the chance of these strategies significantly impacting the market is low due to the vast number of suppliers, which enhances competition and reduces any single supplier's market control. A significant supplier holding a monopoly over essential raw materials could potentially drive up prices, but the likelihood of this affecting the entire industry remains minimal. The diverse supplier base helps keep suppliers' bargaining power in check, facilitating more strategic sourcing and cost management.</p>
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	<p>uniqueness of the materials, the importance of the industry, and the ability to effectively manage supplier relationships. The bargaining power of suppliers dramatically affects the ability to secure necessary resources for entering the market, setting the barriers new entrants might face. Current market conditions, characterized by rising prices, present considerable challenges for newcomers due to elevated initial costs. However, if prices were to fall, market entry could be more feasible for new competitors.</p>	
<p><b>The threat of substitute products</b></p>	<p>The generator sector is known for its substantial barriers to entry, deterring the formation of new businesses. Nonetheless, the established entities within this industry are intensely competitive and recognized as leaders in the market.</p> <p>Maintaining a competitive edge is crucial for top companies, achieved through launching innovative, technologically superior product lines regularly. Although the production costs for generators have risen due to these advancements, the advantages for consumers are considerable, as these products offer simplified solutions to formerly complex tasks.</p>	<p>In transportation, vehicles remain unmatched in accessibility and convenience compared to alternatives like air travel, railways, and watercraft. The automotive industry's continual integration of advanced technologies into their products typically comes with higher costs. Nevertheless, these enhancements significantly boost the appeal of their vehicles compared to those of competitors, providing a substantial competitive edge.</p>

	<p>The threat of competing industries and their products could potentially lead to market exit risks for our company and others. However, strategic actions can mitigate these risks. We can tap into substantial growth opportunities and enhance profitability by tailoring our product development strategies to align with prevailing market trends and consumer expectations.</p>	
<p><b>Bargaining power of buyers</b></p>	<p>Many sectors rely heavily on generators, including agriculture, water and wastewater treatment facilities, rail systems, data centers, etc. In urban and rural settings, the demand for generators continues to grow, underscoring their increasing importance.</p> <p>According to the 2023 IBISWorld report, the competitive dynamics within the generator industry are primarily shaped by pricing strategies. The generator market is known for its robust competition. My findings indicate limited collaboration among companies within this industry to manage pricing. In such a fiercely competitive environment, the approach to pricing critically affects a company's success. Factors such as manufacturing costs, labor contracts, distribution logistics, and the cost of materials significantly impact product pricing. Therefore, to ensure that our company makes</p>	<p>The automotive industry features prominent companies such as Ford Motor Company, General Motors Company, Toyota Motor Corporation, and Honda Motor Company, which all boast extensive in-house engine production capabilities. This internal capacity limits the customer base for external engine suppliers, making the financial stability of suppliers dependent on the purchasing power and demands of these large manufacturers. Accurate and ongoing market analysis and a clear understanding of economic resources are essential for adapting pricing strategies and maintaining competitive strength in this dynamic market.</p>



	well-informed strategic decisions, we must carefully examine these cost considerations to determine whether to raise or lower our rates.	
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### Comparison of the Industries

High buyer negotiating power is a key attribute shared by both of the examined sectors. This is mainly because consumers are better able to evaluate features and costs before making a purchase. The emergence of online platforms and increased pricing transparency have made it possible for customers in various industries to compare options, putting pressure on businesses to provide improved product features and competitive costs. Furthermore, both businesses have high entry barriers, making it difficult for new competitors to make an impression on the market. Significant financial outlays, stringent legal restrictions and the demand for an established chain of custody and distribution networks are some of these obstacles.

There are several significant distinctions between the two industries despite these commonalities. Price competition and steady market trends are the main drivers of moderately severe competition amongst currently operating firms in the new industry. On the other hand, established businesses in the car manufacturing sector compete fiercely, resulting in a highly competitive marketplace. To obtain an advantage, businesses fight fiercely in this challenging market, emphasizing price tactics and vital distinctive characteristics like innovation, quality, and client care.

Because of its elements' distinctive characteristics and the industry's significance, suppliers' bargaining power is seen as modest in the New Industry. The Automotive Manufacturing Industry, on the other hand, experiences reduced supplier power. This implies that due to their greater size or purchasing power, businesses in the automobile industry may have access to a broader range of competitors or more clout when dealing with them.

There are differences in the risk of substitutes between industries. Due to variables including cost concerns and product differentiation, the New Sector faces an average to minor risk of substitution. However, there is less of a risk of alternatives in the automotive manufacturing sector. Convenience and accessibility are two distinctive values of autos that are hard for other items to match.

In conclusion, both industries have strong consumer bargaining power and high entry barriers. However, they differ significantly in terms of supplier power, risk of substitutes, and level of competition, which reflects the particular dynamics of each market and the pressures of competition.

### Summary of Findings

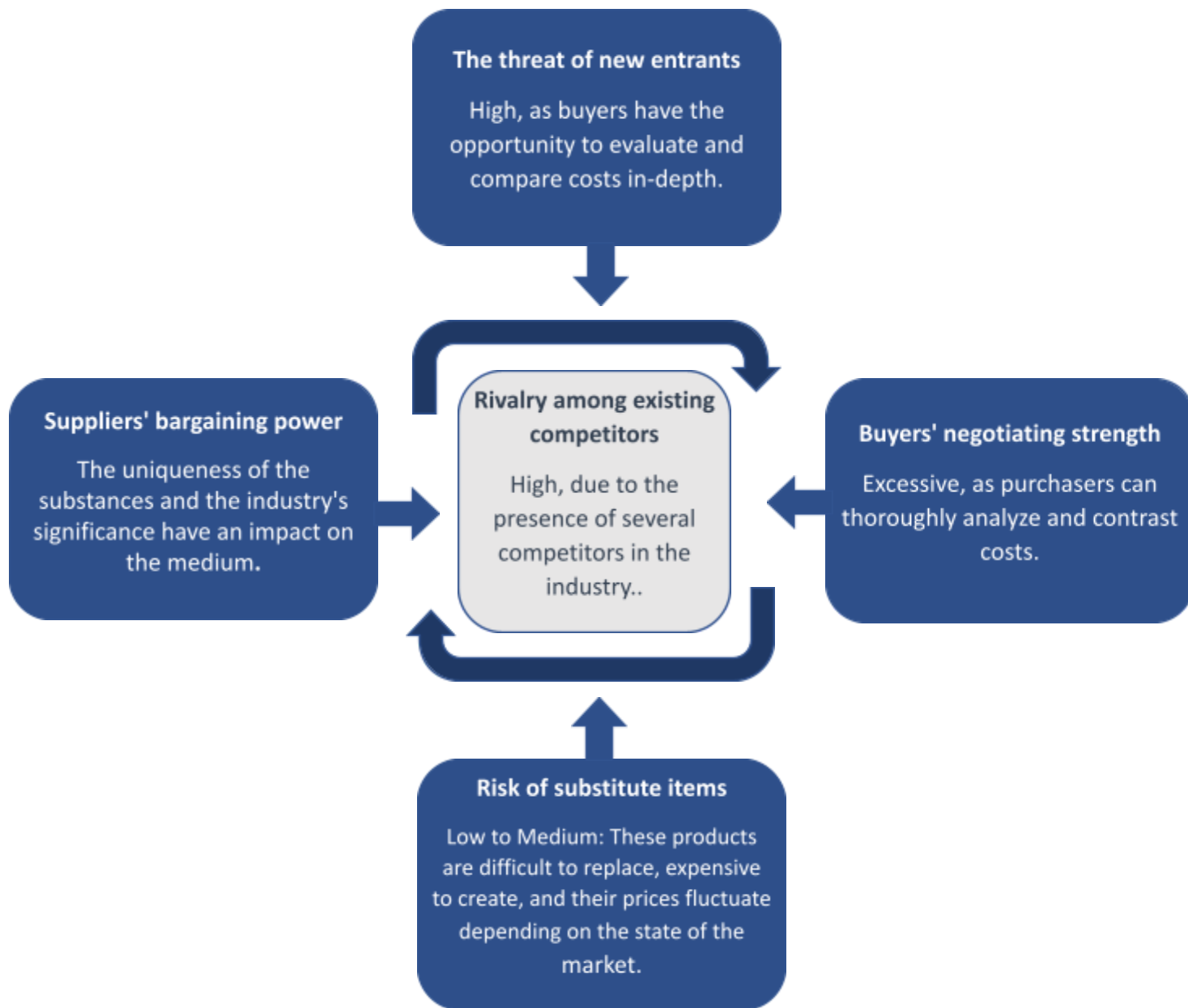
The main objective was to assess the viability and possible advantages of venturing into the Automotive Manufacturing industry. Using Porter's Five Forces assessment yielded insightful results.

Both industries have high entry barriers and mighty buyer bargaining power. This resemblance implies that a business that can effectively navigate these obstacles in the New Industry may be able to do the same in the Automotive Production Industry. Significant upfront costs, complex regulatory requirements, and complicated supply chain management are all part of entry hurdles.

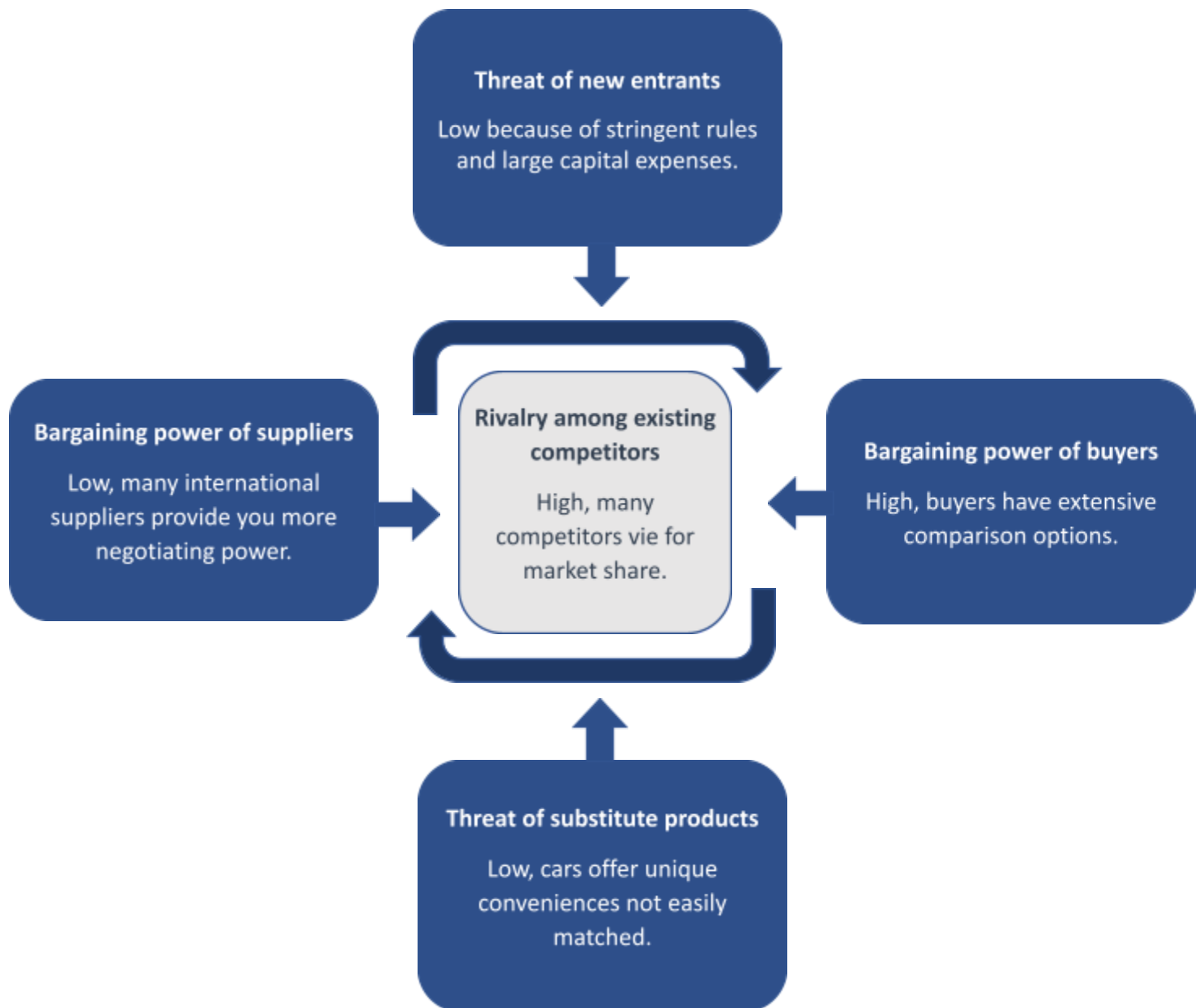
The car manufacturing industry is characterized by intense rivalry and competitiveness among established businesses. Moving into this industry might be difficult and require significant investments in customer service, quality assurance, innovation, and competitive pricing. In the automotive production sector, suppliers generally have little bargaining power, which might benefit a company looking to diversify by potentially cutting costs and improving material sourcing flexibility. It is possible to view the low danger of alternatives as both beneficial and restrictive: it stabilizes the market but prevents the entry of drastically new items.

It is advisable to exercise caution while considering diversifying into car production in light of these circumstances. A well-thought-out strategy and substantial resources will be needed to manage the intense rivalry and high entry hurdles. However, there may be advantages due to the weak supplier bargaining power and the minimal threat of substitutes. To make an informed choice, the business must carefully assess its skills, supplies, and strategic goals before pursuing diversification.

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



### Porter's Five Forces Analysis Chart—Car Production Industry



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