



Determinants: Drivers and inhibitors of automobile industry development

- ***Drivers***

These factors which can influence and change the direction of automobile industry development could be numerous and divided to external and internal factors. The external factors could be:

Political/regulatory drives: Most of the recent policies and legislations presented by various governing bodies of UK & EU, deal with improving the environmental standards by which cars are developed, operated, and disposed of. For instance, governments struck an agreement to cut down emissions of fluorinated gases as part of the Kyoto protocol on climate change in 2006.

Economical drives: in the UK, change in exchange rates, economic growth and inflation will directly affect Toyota and other carmaker and their strategy development accordingly.

Social- cultural drives: Any change in demography of UK Society would influence Toyota strategy. Recently, Society pressurise the automobile industry and governments to take responsibility for the environment and to take steps to help preserve it.

Technological drives: Technology has begun a shift towards sustainable sources of power and more efficient modes of production and innovation in car industry. This would affect Toyota accordingly.

Environmental drives: climate-change, prevention and preservation of the nature are the underlying issues and important drives to shape Toyota business strategy.

Internal drives could be highlighted as change in buyer's behaviour, suppliers, substitutes, new entrants, incumbent rivals and inevitably involve interaction with external factors.

- ***Inhibitors***

These numerous rigid factors influence the direction of automobile industry development. Some sources of rigidity in automobile industry which make rules more inflexible are:

- **Economic**

Changes in economic conditions affect the business environment in which Toyota operate. The recent global recession had negative impact on the economy worldwide and the carmakers as the part of it. Drop in GDP has led to downturn in the UK economy as demand for new cars slumped presumably along with drop in disposable income of buyers and tremendous insecurity this recession had resulted. However, According to ONS (2010), the GDP grew increased by %0.8 in the third quarter of 2010 and is now %2.8 higher than 2009. This means the British people will have more real disposable income to spend on consumable goods such as Toyota cars. The currency exchange rates puts Toyota UK at a disadvantage when export to countries that use the Euros as GB Pound has been more valuable than the Euro for the past few years (finance. Yahoo, 2010). Because vehicles produced in the UK are evaluated in GBP, but when sold in the EU, are evaluated in Euros. Global Economic factors are potential threats for Toyota. For instance, Oil crisis affects the price of fuel and fluctuate economic & political conditions of global markets.

- **Social**

Social factors always affect company's business in a particular market. Eco-concerns have connection with ethics and corporate social responsibility. Many of the policies implemented by the EU concerning automobiles are voluntary, not mandatory. However, it will be up to the corporations to be ethical in their compliance to new policies (Howarth, 2006). Climate-change and environmental concerns are the most significant issues As today's social trend emphasis on preserving environment. Thus, changing social mentality towards being climate conscious, change in demography and expectation of UK Society and availability of potential expert local workforce could be social factors which Toyota could possibly face in the UK.