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Abbreviations and Acronyms

GDP	Gross Domestic Product
PESTLE	Political, Economic, Social, Technological, Legal & Environmental
PSI	Political Stability Index
EPU	Economic Policy Uncertainty
SWOT	Strength, Weakness, Opportunities & Threats
VRIO	Value, Rarity, Inimitable and Organization

1. Introduction

This report is prepared for Nissan, a renowned global automobile manufacturing company, which is going to enter Germany with its new energy vehicle factory. The report will utilize various models such as PESTLE, Porter's 5 Forces, VRIO, and SWOT to assess the opportunities and challenges that Nissan may encounter.

2. PESTLE Analysis of Germany

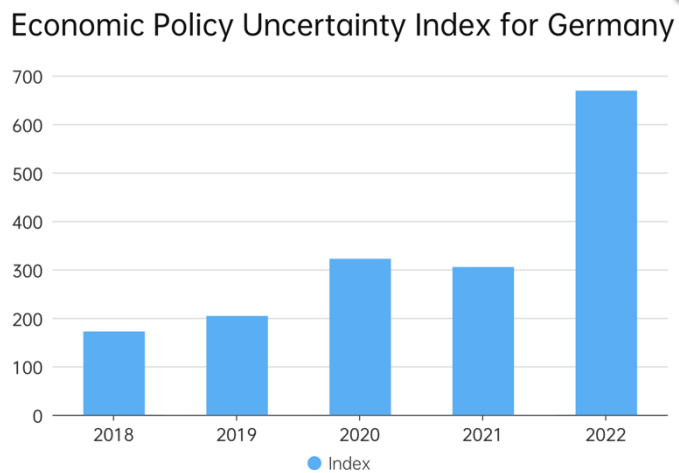
In the PESTLE analysis, we aim to identify the key external factors that have shaped the German automobile industry. The evaluation of these factors helps the organization to understand and react to the competitive environment. (Perera, R., 2017).

2.1. Political Factor

Germany is a federal republic with a parliamentary democracy system. In 2021, the policy uncertainty index of Germany saw an increase of 26.5% in March 2023 compared to the previous month, reaching a level above the historical average (FRED, 2023).

Note. From Economic Policy Uncertainty Index, by FRED, 2022.

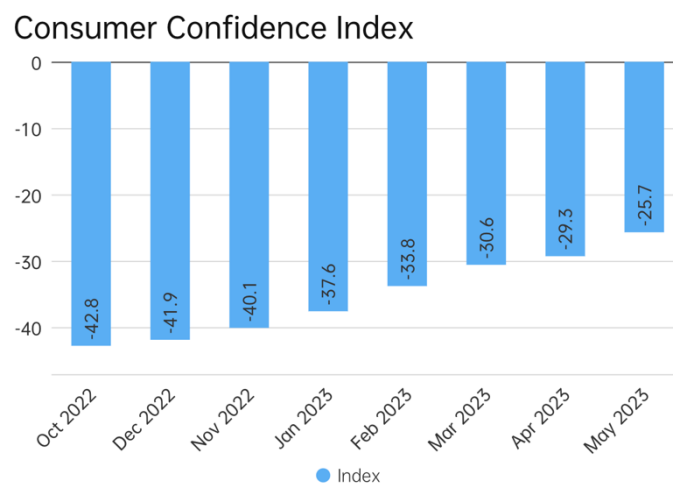
(<https://fred.stlouisfed.org/series/DEEPUINDEXM/#0>)



2.2. Economic Factor

In 2021, Germany's GDP growth rate was 2.62%. However, in 2022, influenced by factors such as the Russia-Ukraine war and energy prices, the growth rate declined to 1.8% (Trading Economics, 2022). Although the overall trend remains sluggish, there are signs of optimism. The consumer confidence index has also been rising for eight consecutive months, although it remains relatively low.

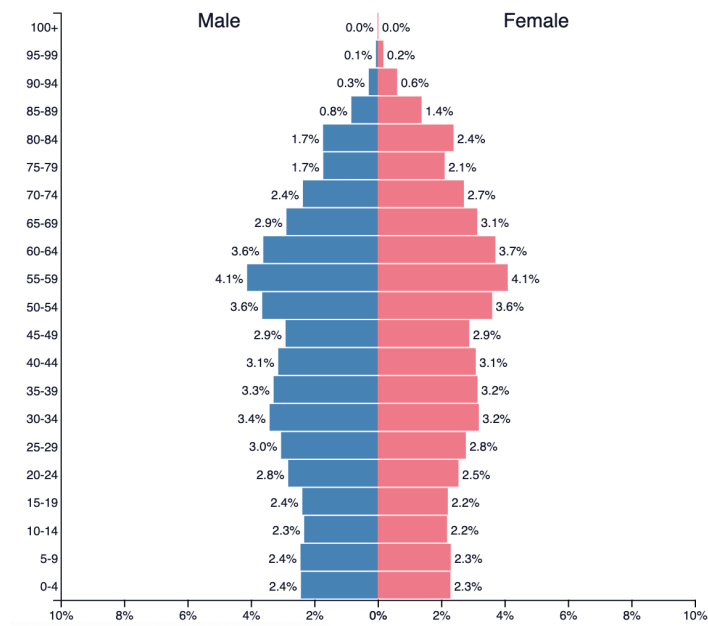
Note. From Consumer Confidence Index, by Trading Economics, 2022.



(<https://zh.tradingeconomics.com/germany/consumer-confidence>)

2.3. Social Factor

By the end of 2022, the total population of Germany reached a record high of at least 84.3 million, representing an increase of 1.1 million compared to the end of 2021 (Population Pyramid, 2022). This strong growth can be attributed to a record net migration figure. However, the number of births in Germany decreased by approximately 7% compared to 2021.



Note. From Population Pyramid in Germany, by populationpyramid, 2022.

(<https://www.populationpyramid.net/germany/2022/>)

2.4. Technological Factor

German tech has long been the leader in continental Europe. Currently, there is a growing number of unicorn companies in the business sector. These include Celonis (valued at \$13 billion), N26 (valued at \$9.2 billion), Personio (valued at \$8.5 billion), Republic (valued at \$5.4 billion), and Flink (valued at \$5 billion) (Sifted, 2023).

2.5. Legal Factor

Erneuerbare Energien Gesetz (EEG) was enacted in 2000. It has undergone multiple supplementary revisions since then. In 2022, the latest amendment to

EEG2023 and other comprehensive energy legislation were passed by the German Federal Parliament.

2.6. Environmental Factor

Germany is abundant in biodiversity, boasting a diverse range of native species. It encompasses around 48,000 animal species, 9,500 plant species, and over 14,000 species of fungi. (Norton Rose Fulbright, 2023). The German government considers the protection of biodiversity as a "human task and moral obligation" and actively supports the goals of the European Union's biodiversity strategy.

3. Porter's Five Forces Analysis of NISSAN

The main drawback of PESTLE analysis is its focus on the external environment while overlooking the potential impact of internal factors. To further analyze and gain a comprehensive understanding of Nissan's competitive advantage in entering Germany with its new energy vehicle factory, we will now employ Porter's Five Forces analysis.



Note. From Porter's Five Forces Analysis

3.1 Bargaining Power of Buyer-Low

At present, consumers have relatively strong bargaining power. In Germany, there are still subsidies available for purchasing new energy vehicles, which lowers the entry barrier for consumers. As new energy technology improves and production costs decrease, consumers' bargaining power is expected to gradually weaken.

3.2 Bargaining Power of Suppliers-Medium

Starting from 2020, in order to strengthen the competitiveness and profitability of the three companies, Nissan-Renault-Mitsubishi Alliance introduced a new business collaboration model. This enables all alliance members to gain access to core technologies.

3.3 Threats of Substitutes-Medium

Nissan automobiles have the advantage of mature electric motor technology and a smooth and comfortable driving experience. However, they also have drawbacks such as poor sound insulation, insufficient power reserves, and lower configurations. Most Nissan vehicles still lack advanced intelligent features and comfort options.

3.4 Threats of New Entrants-Medium

There is a significant threat from new entrants in the market. Tesla has already started production at its factory in Germany, while BYD is also assessing the feasibility of establishing a factory in Germany. Additionally, domestic German automobile brands such as Volkswagen and BMW are also introducing new energy vehicle models, posing a serious competition to Nissan.

3.5 Industry Rivalry-High

Nissan has established its own independent production line for electric vehicles. Additionally, they have built a battery pack packaging facility. Nissan

applies the same standards and expertise to the production of new energy vehicles.

4. VRIO Analysis of NISSAN

The Five Forces analysis model is designed to analyze the competitive position of an individual company within an industry. It does not take into account the synergies and interdependencies between organizations.

Therefore, for a more comprehensive analysis, we will now employ the VRIO framework.

VRIO of NISSAN

Resource/Capabilities	Valuable	Rare	Inimitability	Organisation	Impact Competitive Advantage
Branding	Yes	No	Yes	Yes	Sustained Competitive Advantage
Financial Strength	Yes	Yes	No	Yes	Temporary Competitive Advantage
Talented Employees	Yes	Yes	No	Yes	Sustained Competitive Advantage
Product Innovation	Yes	Yes	No	Yes	Sustained Competitive Advantage

a) Branding

Nissan Motor Company, established in 1933, is one of the earliest automobile manufacturers in Japan. Nissan has been committed to technological innovation and product development. The company has a strong sales network and market share in Japan, the United States, Europe, China, and other important markets.

b) Financial Strength

According to financial data, Nissan Motor achieved a consolidated net income of 10.6 trillion Japanese yen, representing a year-on-year growth of 25.8% in 2022. Through business transformation to strengthen its operational foundation, Nissan anticipates a 38% growth in operating profit for the fiscal year 2023 compared to the same period in the previous fiscal year.

c) Talented Employees

Nissan focuses on four key pillars: "embracing diversity as a fundamental part of their management strategy," "providing career development and learning opportunities," "ensuring employee safety and well-being," and "enhancing internal communication." (NISSAN Global 2016).

d) Product Innovation

Nissan has been steadfastly promoting electrification since 1947, leading the transformation of electric mobility. They have continuously innovated in core components such as the "three electric", maintaining a leading advantage. Among them, the future development of all-solid-state batteries (ASSB) technology for electric vehicle models is highly anticipated.

5. SWOT Analysis of NISSAN

The earlier section of the report had identified several internal and external factors which may affect the company's objective. Using the SWOT analysis (Strategic Management insight, 2023), allows NISSAN to evaluate the viability of its objective using these factors. As there are many factors involved, the factors are ranked and only the key factors affecting the objective are used for the evaluation.

Selected SWOT

Strength	Weakness	Opportunity	Threats
Mature Technological Expertise	Poor marketing and advertising capabilities	Demand for emission reduction in Germany	Low fuel prices could negatively impact Leaf sales
Successful Experience in UK Factory	Environmental concerns	Improving Germany economy	Increased competition
Advanced Company Management Experience		Timing and frequency of new model releases	

5.1 Strength

These strengths include their mature technological expertise, successful experience in their UK factory, and advanced company management practices. Nissan possesses a wealth of accumulated technological expertise in the field of new energy vehicles. Successful experience in UK serves as a valuable reference for their expansion into the German market. Nissan has a track record of effective and efficient company management, which help itself to optimize resource allocation and foster a culture of innovation.

5.2 Weakness

Two areas that can be identified as weaknesses are poor marketing and advertising capabilities and environmental concerns. Nissan may face

challenges in effectively promoting their products and building brand awareness in the German market due to limited marketing and advertising expertise. Additionally, given the increasing emphasis on environmental sustainability, Nissan will need to address and overcome any concerns related to their environmental impact.

5.3 Opportunities

Several opportunities can be identified. Nissan's focus on new energy vehicles aligns with Germany's increasing demand for emission reduction and sustainable transportation solutions. The improving economy in Germany provides a favorable business environment with increasing consumer purchasing power and potential market growth. The timing and frequency of new model releases can be leveraged by Nissan to introduce innovative and competitive electric vehicles that cater to the evolving needs and preferences of German consumers.

5.4 Threats

We identify two threats. Firstly, the existence of low fuel prices poses a potential challenge as it may discourage consumers from considering new energy vehicles like Nissan's. Additionally, the market faces increased competition, with other manufacturers also introducing their own new energy models. These factors emphasize the need for Nissan to effectively differentiate its offerings and develop competitive pricing strategies to mitigate the impact of these threats and maintain a strong position in the German market.

6. Limitation of the Analysis

While the analysis suggests that the objective is feasible with proper management of the key factors involved, it does not guarantee success. In the past, companies may have focused more on cost and quality, while nowadays

companies tend to emphasize organizational processes. Companies need to consider whether to adopt an opportunity-driven growth strategy or a capability-driven growth strategy in order to achieve strategic objectives that were previously unattainable.

7. Conclusion

From the report, we can generally analyze the strategic situation of Nissan's entry into the new energy factory market in Germany. Although different analytical frameworks have their own strengths and weaknesses, an overall assessment can provide a comprehensive analysis. Based on the analysis, Nissan demonstrates both internal and external strengths, making the strategy of entering the new energy factory market in Germany a favorable choice.

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