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THE CASE ANALYSIS

ANALYSIS REPORT FOR

The Case Competition in Hong Kong, 2017

WRITTEN BY

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ABOUT

US

The Freestyle Team Hong Kong

We are Group C named Freestyle of the case competition on 23rd July in 2017 which made of 9 members.

WHAT WE DO

This report is written to analyze the marketing and financial situation of Aston Martin Company and table some proposals to help the company solve its problems and develop its status. The detail information of responsible parts of our members are as following.(NO PARTICULAR ORDER.)

- Xiaoyu Zhao: Vedio, Marketing, Report
- Chen Xing: Overview, Transition, Lecture
- Nan Zhang: Financial, Lecture
- Jinjin Wu: Marketing, Lecture
- Ziyang Zhang: Financial
- Zhixing Su: Marketing
- Qingshan Lin: Marketing
- Mo Zhang: PPT
- Masiqi Li: Transition

We are from: (In the same order)

University of Hainan

Sun Yat-sen University

Wuhan University of Technology

Wuhan University of Technology

Central University of Finance and Economics

Zhuhai College of Jilin University

Agricultural University of South China

Central University of Finance and Economics

Ningbo Institute of Technology, Zhejiang University

ANALYSIS OF ASTON MARTIN

OVERVIEW

Aston Martin Lagonda Limited (later will be represented as AM) is a British manufacturer of luxury sports cars and grand tourers.

Since its founding, AM had been owned and run primarily by auto enthusiasts who were passionate about creating high-performance luxury driving machines. It was a low-volume manufacturer that catered to a small but profitable market of wealthy collectors and hobbyists. However, despite its history and storied reputation, the company never achieved consistent profitability and has experienced a winding development process.

CEO Andy Palmer hoped that AM can hold on to a healthy development during its second century's course. This means that AM must find out a change in business mode, since a car company with annual sales of 4000-7000 cannot develop for a very long time. The interests cannot support the update of the vehicle models or come up with the next generation model series. Just like the performance was not as successful as today during the sales of the Porsche 911 model. However, Cayenne's appearance changed the situation. Therefore, AM needs to find a new business model to achieve a larger success.



ANALYSIS OF ASTON MARTIN

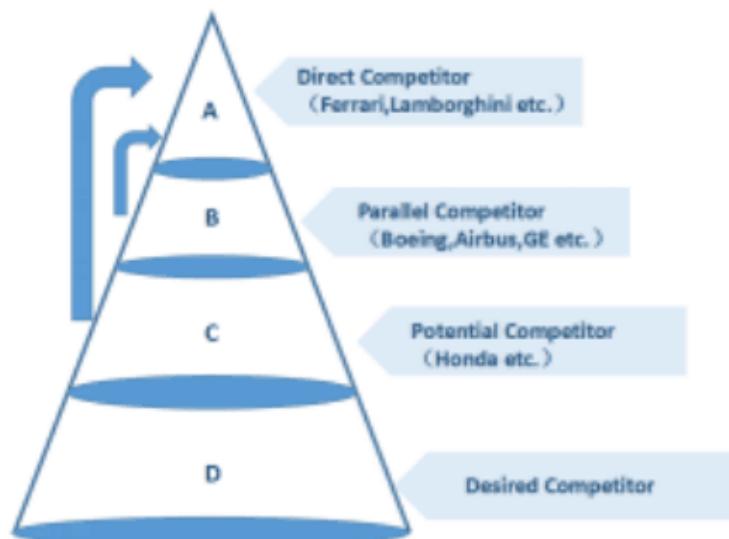
PEST ANALYSIS

From PEST analysis, the background of development of AM can be seen clearly. There are some strict limitations in policy. Strict emissions standards, like CAFE, standards. U.S. federal regulations had put into effect. Europe, China and India all have heavy tax fuel. They are all challenges. However, as automotive manufacturing industry was global and highly concentrated, AM has a high reputation in the world, insisting on serving with high performance and luxury. From social and culture, most luxury brands often produced items of cutting-edge design that expressed the owners' identity rather than focusing on utilitarian or functional qualities. However, most customers prefer their treasures grow in value. Though AM did not make a good selling interest, it also tries to keep its tradition, devoting to keep the high performance, high service for customers. Meanwhile, there are three technology trends that have a profound impact on the auto industry more broadly: Hybrid and electric engines and progress toward zero-emissions vehicles, autonomous driving capabilities and network-connected features. The technology trends devote to innovation. Innovation creates more chance in AM with new changes, new life and new power.

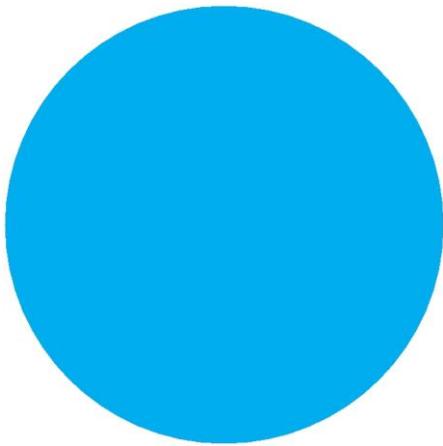
For a long time, AM has always located itself as extravagant sports car and its aiming customers are the top 1% richest people. AM's markets are still in the circle of super-high luxurious brands and with the limited sales. (To use the ANSOFF matrix to analyze AM's competitors.)

Ansoff Matrix

Product \ Market	same	different
	same	A
different	C	D

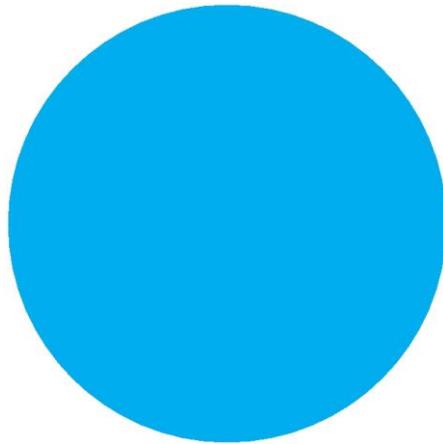


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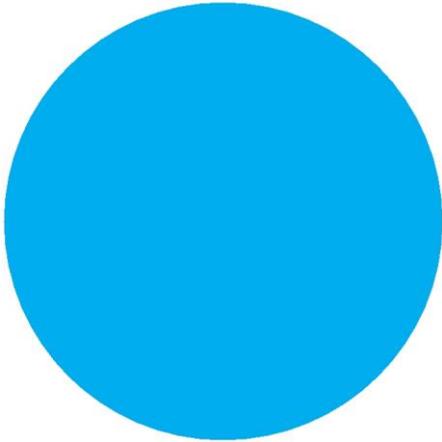
A-TYPE

Competitors have same service and face to the same users as AM. Such competitors are direct competitors.



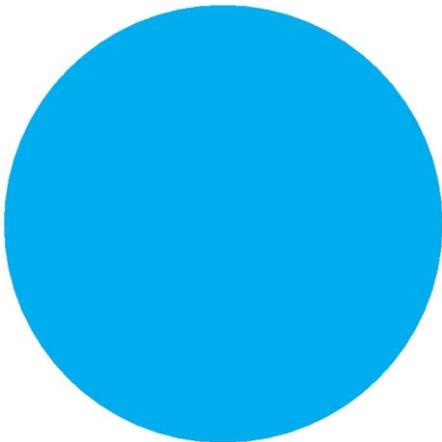
B-TYPE

Competitors provide different service to the same type of users. This type of competitors is called parallel competitors. If they utilize the relation or reputation built by users to provide the same products as AM, they will become direct competitors. These competitors include aircraft manufacturers, engine manufacturers and so on. For instance, companies such as Boeing, Airbus transform to sports car manufacturing. As a result, they will become direct competitors to AM.



C-TYPE

Competitors provide similar service but face different users. These competitors are potential competitors because of the existence of market barriers. Once the market barriers disappear, these competitors will turn into direct competitors. This type of competitors includes car companies used to face to the middle and the bottom part of customers. With the change of market positioning, some companies extend their service to customers targeted by AM. In this way, the market barriers in cars selling become weaken for them to easily transform into type A.



D-TYPE

Compered to the AM, D-type competitors provide different service and the users are also different, so it is difficult to become a direct competitor in the short term. Such competitors may be Desired competitors.

AM faces so many strong competitors, its market shares decrease year by year. Instead of focusing on top market, AM turns to less high customers accompanying the quality problem. The most disappointed thing is when facing the complaint about quality, AM turns to be irresponsible and shift the blame onto others.

So does AM would move into new segments?

ANALYSIS OF ASTON MARTIN

SWOT ANALYSIS

From SWOT analysis, advantages and disadvantages of the development of AM will be showed in the following.



1. A long history and a unique company culture. AM has a 103-year history. Since its founding, AM had been owned and run

primarily by auto enthusiasts who were passionate about creating high-performance luxury driving machines.

2. The beautiful look and excellent vehicle performance. The product has a high quality of engineering design, particularly its bonded-aluminum bodies and bespoke, handcrafted assembly. The car displayed meticulous attention to style, from a models silhouette to its manually-stitched

Scottish leather interiors. The company experts at material sciences, crafting beautiful, lightweight bodies using aluminum, composites, carbon fiber, sheet molding, and other compounds. The unique know-how is in the bonded aluminum body structure.

3. Digital car brings a good driving experience. Autonomous driving and network connections allow the car to become a platform for drivers and passengers to use their time in transit to consume and novel forms of media and

services of dedicate the freed-up time to other personal activities. The all-wheel drive, better traction, and auto-command seat let customers sit high up and feel more in control than in a sports car.

4. Personalized custom. Customers had the opportunity to customize virtually every feature of their individual vehicles, from the specifics of the mechanical systems to the most detailed design feature. And they can use proprietary software at local

dealerships to start the process of designing their own unique car. The company has an online, highly graphical configurator which enabled customers to select the model and derivative what they want, optimizing specific features.

W

1. The high price will weaken the purchase desire of customers.

As AM locating itself a high-end car brand, it always has a high price to keep its brand

2. High recall rate causes bad reputation.

There are many news reports said that the poor quality of AM had caused many accidents which may threaten people's safety. Because of this kind of reports, AM will get a bad reputation and face a challenge that

image, which, however, separates the most of markets. And this will cause the decrease of the sales amounts and the sales market.

customers do not want to buy the cars produced by AM and instead they will choose auto industry company which will make them feel safer. So, AM will lose a large amount of turnover.





1. The new technique

In 2016, three technology trends were having a profound impact on the auto industry more broadly; hybrid and electric engines and progress toward zero-emissions vehicles;

autonomous driving capabilities; and network-connected features. So the new high technique will stimulate the development of AM, giving the customers a better experience.

2. A big amount of female customer groups

In the old days, there were few female being interested in cars. But now there will be a new product that suits female customers, so

it will open the market of female customer groups. We all know that female customers have a strong consumption ability which will bring a big profit.

3. The large market in Asia and Middle East

Sales of high-end vehicles were increasing especially in Asia and the Middle East. From 2001 to 2014, China saw premium and luxury

car sales grow by 50%. So there must be a large market for luxury cars to find their consumers.

4. Installment

The high price of the car is a weakness. However, customers can choose a budget plan to buy this product.



1. The intense market competition

There are many luxury brand and at the same time they may have the better

technology and sales technique, such as Porsche, Ferrari, Benz. What's more, they may have a higher visibility.

2. The threat of reducing brand image

This plan wants to help the company enlarge their market, so it needs a cheaper

price which may reduce the brand image. Also AM need increase the quality of their cars.

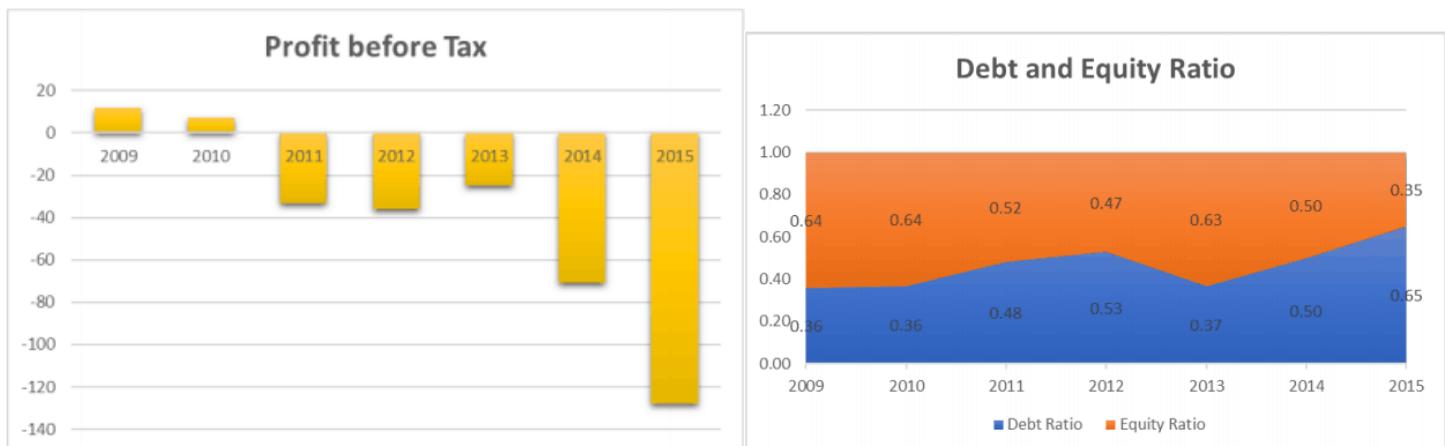
3. The strict limitation of emission demands on highly technological equipment, which would increase the cost.

Things mentioned above are all about the elements influence the development of AM nowadays. Besides, past performance was of great significance to new changes.

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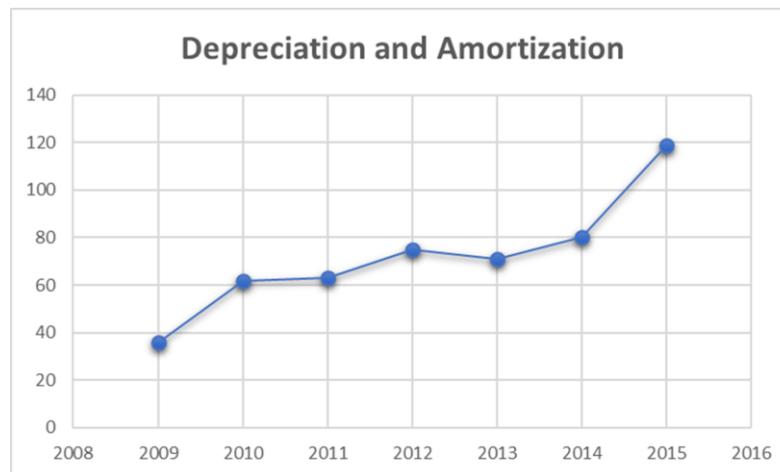
FINANCIAL ANALYSIS

According to the balance sheet and income statement from 2009 to 2015, AM's financial situation was not very well.



As can be seen in the first bar graph, after 2010, asset prices fell and businesses failed gradually. To analyze their finance from three aspects, it is significant to see the working capital line chart which reflects Liquidity and Efficiency.

And according to the second one, most figures are subzero. It means Liquidity is not in a positive position and AM are facing difficulties inside the enterprise. Suffering a severe cash-flow shortage, it lacks of the ability to meet current obligation. Next, how about the solvency?



In the second line chart, the debt ratio is very high, besides, some percentage numbers are beyond 50%. That means AM having a lot of debt which is still expanding. Considering AM can not make profit these years, it is dangerous to have such a big number of debt.

After talking about its awful profit situation, here comes the reasons.

The last two can perfectly illustrate that financial expense, depreciation and amortization are all increasing, which shows that although AM has a lot of debt, it still wants to develop itself. And within this, the interests from bank become higher. Moreover, the depreciation of what it needs to develop the company, such as workshop or some other things, require even more expense.

From the data and analysis, the approach of a second country of performance and luxury is not a wise choice for AM.

ANALYSIS OF ASTON MARTIN

SOLUTION

At last, here conclude the countermeasure and measure about applying the improve project, advance the rationalization suggestion.

1 SUSPEND EXPANDING ITS SCALE

Although develop the enterprise is of great importance, even it is the grassroots solution to make a profit, now the company loses every year, with a lot of debt. Before it finds its way to make a profit, maybe stop expanding its scale is the best choice. Otherwise, it would cost more, and their responsibilities would become more.

2 IMPROVE THE QUALITY OF PRODUCTS

This brand is facing the high-end consumer group, which put more emphasis on the products' quality. However, AM always recalls its products due to quality problems, impressing their customers that their products are not safe. As we mentioned in the first advice, they must find its own way to success, to make a profit. Besides, they need strengthen the management. For instance, they can apply the advanced ERP management system to devote time to indie management and product quality management.

3 TO MAKE MORE ADVERTISEMENTS

As one of the most famous sports car brands, it is far less well-known than other brands, such as Ferrari, Lamborghini, Maserati and so on, which largely depends on the advertisements. Extensive advertising can cause a factitious demand for the product.

4 TO IMPROVE THE SALES

First, cooperate with the sales plan of layout department, draw up sales program of the department, break down the sales target, coordinate with all departments to advance the whole sales activities. Second, put more emphasis on exploring the market, popularizing new products will be helpful. Third, plan for marketing combinations, pricing, sale promotion, and advertisement. Don't forget enhancing the soft power of the enterprise.

5 ATTRACT MORE FEMALE CUSTOMERS

From sales data, it is clear that most sales are contributed by men. It seems that women are not the target customers. However, in our opinion, the firm should attract more women to purchase their cars. Therefore, they can open a new market and then, earn more money.

6 INVENT SMART CARS

As the technology develop so fast these days, we suggest Aston martin to invent more automatic and smart cars, so maybe it can lead a new trend like iPhone.

(Words count without title: 2016)

THANK YOU FOR READING!

THE CASE REPORT

HONG KONG 2017

The Freestyle Team