MARKETING PLAN

THE AUTOMOTIVE SECTOR AND ITS EXPORTS IN TIMES OF CORONAVIRUS

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ABSTRACT

The automotive industry is one of the most important sectors of the Spanish economy, and one of the sectors that exports the most. In this case, one of the main objectives of this project is to study the evolution of the sector since the beginning of the pandemic, as well as the behavior of exports during the same period. Due to the health crisis, there have been numerous events that have affected its usual evolution, COVID 19 has been a real shock (black swan) that has accelerated numerous changes within the industry, as well as changes in the behavior of society as a whole. Finally, to show the great dynamism of the sector and its capacity to adapt to complex circumstances, through a rapid recovery.

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EXECUTIVE SUMMARY

Description of the sector

Organizations dedicated to the design, production and commerce of vehicles, as well as concessionaires and the production of components and parts. A fundamental sector for exports and the Spanish economy in general.

History

It was born at the beginning of the 20th century. The first manufacturer, called "La cuadra", was characterized by its handcrafted production. However, the real success came in 1953 with the production of the Seat 1400, a new Spanish brand under license from the Italian firm Fiat.

Electric vehicle

A new niche market with high growth potential.

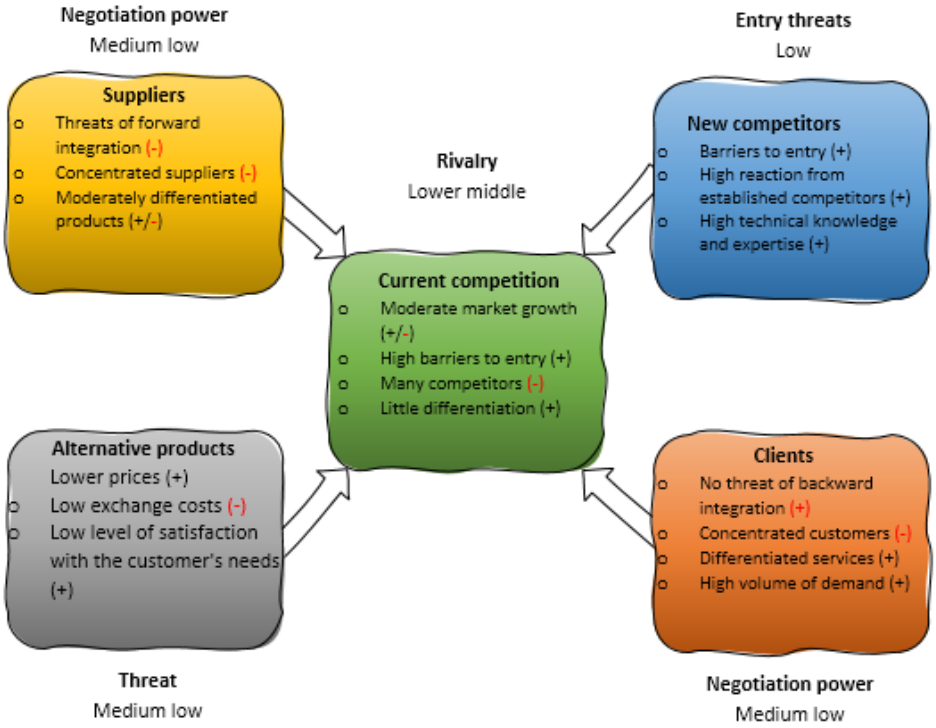
It arrived in the Spanish industry in 2011, with a very small share compared to the rest of the sector, barely 4.8% of new registrations.

Five models are currently produced in Spanish plants. And it is subsidized: Plan Moves III.

Our target audience?

Seniors (18+), companies (concessionaires) or entrepreneurs. In the case of the first group with a medium-high purchasing power. Generally, people who are environmentally aware.

Porter's 5 forces



"Objectives?"

General objectives	Specific objectives
	Description of the short-term objective
Until 2025 Continue to attract investment	Gaining productivity to generate greater added value
	Attracting innovation-related activities
	Attracting investment in low-emission vehicle manufacturing
	Description of the medium-term objective
Up to 2030 Matching the production mix to demand	Adopting new business models
	Strengthen the ecosystem nodes in which we are competitive.
	To occupy a differentiated position in emerging niche markets
	Description of the long-term objective
Up to 2040 Making the deployment of the Spanish mobility ecosystem effective	Digitizing the way mobility is produced and sold
	Becoming information managers
	Capturing value within the mobility ecosystem

Main competitors

Germany
France
Czech Republic
United Kingdom
Italy
...

Exports?

2019 exported vehicles	
Export	National market
82%	18%

Situation diagnosis

WEAKNESSES

- Decision-making centres are located abroad.
- Excessive dependence on exports
- Dependence on components and parts manufactured abroad

STRENGTHS

- Competitiveness
- Skilled labour
- Brand image
- Modernisation of factories
- High Productivity

D F O A

OPPORTUNITIES

- Transition to low- or zero-emission vehicles
- Rapid opening of borders with China and European countries
- Membership of the European common market
- Aid offered by the central government
- Economic improvements in Asian countries

THREATS

- Strong environmental regulation
- Emergence of new low-cost competitor countries
- Trump's restrictive policies
- Growth of the second-hand market
  End and failure of the Plan Renove
- Limited number of recharging points

Programme of actions

Product		Price	
Increased electrification	250.000.000€	Student discount	625.000€
Recharging points	50.000.000€	Gift card	80.000€
Tax benefits	100.000.000€	Price reductions	143.107,5€
Establishing stock	200.000€	Online shopping discount	4.500.000€
TOTAL	400.200.000€	**TOTAL**	5.348.107,5€
Distribution		**Communication**	
Logistics plant in France	50.000.000€	Attending trade fairs	15.000€
New distribution points	3.000.000€	Tax benefits	100.000.000€
Continuous training	30.000€	Charity actions	1.000.000€
		Offering university scholarships	250.000€
		Publicity on Instagram for Plan Renove III	90.000€
TOTAL	53.030.000€	**TOTAL**	101.355.000€

Budget

Total: 559.933.107, 5€

1. Introduction

In this thesis we are going to deal with a sector of vital importance for the Spanish economy. In this case we are talking about the automotive sector and its exports. Specifically, we are going to carry out a series of research and studies on the evolution of the sector during the pandemic, that is, during the period from the beginning of Covid 19 to the present day.

The main idea is to study the impact that Covid 19 has had on the Spanish economy, but specifically on the automotive sector, focusing more on the passenger car sector and its exports during the previous period (2020) up to the present day. We will also analyse the changes that the pandemic may have caused in the ways of working, and to a lesser extent, the behaviour of the domestic market.

It should be noted that Spain is a referent in the production of vehicles and components both at European and world level.

As reflected in the Spanish trade balance data, the automotive sector is extremely important, due to its enormous contribution to national GDP, the generation of quality jobs, both directly and indirectly, and the tax revenue it provides to the administration (a very important point for the maintenance of the welfare state). It is therefore a sector that the government must protect, as a negative impact on it has serious repercussions on the state of the national economy.

In the course of 2019, the automotive sector was already in a somewhat delicate situation, due to the protectionist measures taken by the USA against the European automotive industry. To this, we must add the situation of uncertainty due to the lack of action by the government to attract investors related to the production of low-emission vehicles.

As we will see in the development of our research, the arrival of Covid 19 has dealt a heavy blow to the Spanish economy, causing a historic fall in national GDP. For sectors such as the automotive sector, which are more dependent on exports, with the exception of the food sector, the results have been very negative. This is mainly explained by the almost total paralysis of production plants, limited mobility and the closure of national borders.

Finally, we will briefly comment on the current situation of low-emission vehicles in Spain and their evolution in recent years. We are talking about a sector that has been gaining importance in recent years, and which is expected to become a strategic sector in the coming decades.

2. History

. The automotive industry was born in Spain at the beginning of the 20th century, although during this period production was practically artisanal at the hands of a Hispano-Swiss luxury car manufacturer (LA CUADRA). This manufacturer did not manage to take the step towards mass production as was the case in France, Germany, the United Kingdom, Italy and the USA due to the lack of a series of conditions (auxiliary industry, significant demand, suitable technology, etc.).

The first mass production in Spain took place from 1953 onwards at the hands of the new car brand founded by the state: Seat, which appeared during this period with the aim of making a nationally produced car available to Spaniards at an affordable price. This company was established in Barcelona, then considered the most technologically advanced area in Spain.

Illustration 1. Seat 1400

Source: AutoBild

The first car that the Seat Company produced during this period was the Seat 1400[1], although it was under licence from the Italian Fiat brand, which by then was already an experienced company in the sector (car parts were manufactured in Italy and assembled in Barcelona).

With a price of approximately 14,000 euros, it was a car aimed especially at the Spanish middle class, adapted to the economic situation of a country that was coming out of a

[1] https://www.seat.es/sobre-seat/historia/1950.html

tragic civil war and where the rest of the European countries were in the same situation due to the conflict of the Second World War.

Later on, foreign brands began to produce cars in Spain, such as the French firms Renault and Citroen, due to the existence of a series of factors and optimal conditions such as labour and lower costs.

As for the Spanish manufacturer Seat, the first exports were to Colombia in 1965, and from then on, with the opening of the Spanish economy, it began to sell to more countries, especially in Europe.

3. Automotive sector

Firstly, when we talk about the automotive sector, we are referring to the set of organisations involved in the design, production and marketing of vehicles, as well as dealers and the production of components and parts.

There are many reasons for the establishment and consolidation of the automotive industry in Spain. Although we highlight above all the political stability, skilled labour, the quality of the products, the prestige of "Made in Spain", the competitive costs (competitive in terms of price and quality), and the fact that the Spanish automotive industry has been established and consolidated in Spain for many years. Competitive costs (in relation to the type of vehicles produced, especially in the medium range). Many multinationals such as Ford, Renault, Nissan, Iveco, Opel, among others, have been established in Spain for decades.

According to information obtained from ANFAC[2] (Spanish Association of Automobile and Truck Manufacturers), the main vehicles produced in Spain are first and foremost passenger cars, followed by SUVs, commercial and industrial vehicles.

Furthermore, according to ANFAC data, 82 percent of vehicle production was destined for export during the third quarter of 2020, which shows the importance of foreign trade in this sector. Moreover, these exports represent a value of 18% of the total gross domestic product, which is considered to be the sector with the highest net contribution to the trade balance. Meanwhile, domestic market demand accounts for 18% of total production.

[2] https://anfac.com/blogposts/presentacion-informe-valoracion-logistica-anfac-2019-espana-tiene-potencial-para-ser-vanguardia-mundial-en-logistica-4-0/

The main destinations for these vehicles are the countries of the European Union (mainly France, Germany, Italy and the United Kingdom), while the main non-EU destinations are the USA, Turkey and North Africa (Morocco and Algeria). Table 1 shows the countries in order of importance, their variation over the last year and their share of total exports. It should be noted that the first four countries account for 64% of vehicles exported abroad.

Table 1. Destination of vehicle exports 2020

Top 10 Vehicle export destinations in 2020			
Country	Value	Variation	Quota /Total
France	**6.941**	**0,2%**	**22,0%**
Germany	**6.687**	**-9,7%**	**21,2%**
United Kingdom	**3.395**	**-26,3%**	**10,8%**
Italy	**3.088**	**-19,7%**	**9,8%**
Belgium	**1.531**	**-31,7%**	**4,9%**
Turkey	**1.010**	**133,7%**	**3,2%**
Portugal	**761**	**-27,8%**	**2,4%**
USA	**635**	**-8,6%**	**2,0%**
Netherlands	**598**	**-21,7%**	**1,9%**
Austria	**532**	**-15,8%**	**1,7%**

Source: Own elaboration based on the information provided by www.anfac.es

As mentioned in the previous section, this is a vitally important sector for the Spanish economy, as in recent years it has come to represent 10%[3] of Spain's gross domestic product. On the other hand, of the total exports of the Spanish economy, around 22% are related to exports from the automotive sector. The number of jobs it generates directly is approximately 300,000 and two million indirectly. In addition, the sector contributes approximately 15% of the total taxes collected.

Secondly, the equipment and components sector is also a fundamental pillar of the automotive industry. According to data provided by the state-owned company Invest in

[3] https://www.investinspain.org/es/sectores/automocion-movilidad#:~:text=El%20sector%20de%20la%20automoci%C3%B3n,comercial%20de%2010%2C6bn%20%E2%82%AC.

Spain[4], the sector is made up of approximately one thousand suppliers, belonging to around 720 business groups.

This sector strengthens the current position of the automotive industry as the second largest producer in Europe, after Germany, as it reduces dependence on companies located abroad (as this leads to increased costs, due to paperwork and logistics, as well as an increase in response time).

It is a very competitive sector, and Spain is considered the fourth largest producer in Europe, with 15 technology centres and 10 automotive clusters.

Regarding the situation in 2020, and due to the establishment of a Just in Time production system, which consisted of the production of parts and components as the customer demand is received, they have been for a long time (first total confinement) without the production of parts and components, and with the economic recovery by the government, caused a problem of shortages due to lack of stock, since the rapid recovery of demand (especially external) made it difficult for companies producing parts and components to reach the level of demand.

Finally, the main customers of the Spanish equipment and components sector are, in the first place, the "European Union, the United States, Morocco, China, Algeria, Mexico, etc."

3.1 Electric vehicles in Spain

We refer to the group of hybrids, battery electric and fuel cell vehicles. This variety of vehicles began to have a presence in the Spanish industry in 2011, although the market share at that time was not even 1%, over time it has been growing, especially during the 2020 period, which has come to represent 4.8%.

Despite this growth, experts consider this percentage to be insufficient, as the European average is 7.2%, while the difference is even greater compared to countries such as Norway, where 69% of new registrations correspond to electric vehicles, or Portugal, where the percentage was 11% of all vehicles sold.

As we can see, Spain still has a lot of work to do to improve things. It is worth mentioning that subsidy plans (Plan Moves III) for the purchase of new electric vehicles are currently underway, with 5,000 euros per vehicle. Despite these subsidies, a survey carried out

[4] https://www.investinspain.org/es/sectores/automocion-movilidad#:~:text=El%20sector%20de%20la%20automoci%C3%B3n,comercial%20de%2010%2C6bn%20%E2%82%AC.

by RAC[5] shows that 78% of buyers think that electric vehicles are expensive, in addition to the great uncertainty of the current economic situation and the scarcity of charging points. Therefore, there are still many measures to be taken in order to be at the level of the average European country. With the idea of promoting electrification in our country, the objective set for 2020 is to reach 100,000 charging points and a production of 250,000 electric vehicles by 2023.

This is a sector with great growth potential, which is becoming increasingly important, as the population is becoming more and more aware of the importance of protecting the environment. For this reason, a country like Spain, with a well-established automotive industry, cannot afford to be left behind, as the necessary measures must be taken to encourage domestic consumption, adapt production plants, provide the necessary infrastructures, attract investors, etc.

4. Sector analysis and exports

4.1 External analysis

4.1.1 General environment (PESTEL): Macro-environment

First of all, we will discuss the macro-environment through a PESTEL analysis, which will allow us to evaluate or describe the factors that may affect the industry.

4.1.1.1 Political environment

In this section we are going to look at the extent to which the decisions taken by the administration affect the evolution of the companies that form part of the automotive industry.

In this case, we will study the period from 2019 to the present in order to understand the opportunities and threats of the automotive industry.

The year 2019 was mainly marked by events such as national political instability (due to the inability to form a government), the Catalan independence movement, protectionist policies of the United States (the trade war with Europe and China) and Brexit.

As a consequence of the national political instability and the other factors mentioned in the previous paragraph, several sectors of the Spanish economy were negatively affected, as proof of this we have the decrease in the confidence of consumers, entrepreneurs, self-employed, according to the information resulting from a study

[5] https://motoralicante.com/index.php/14-electricos/1869-el-78-de-los-compradores-cree-que-los-coches-electricos-son-demasiado-caros

conducted by the CIS (Sociological Research Centre) at the end of 2019, where it was observed that the confidence indicator fell by 19%.

As far as the automotive industry is concerned, in addition to the aforementioned factors, we have the approval by the European Union of regulations restricting CO2 emissions, as well as the continuous threats of tariffs by the United States, which led to increased consumer uncertainty. But despite all these negative factors affecting the automotive industry in one way or another, it managed to close the year with positive numbers. According to ANFAC data, production grew by 0.1% (2,822,360 units), with exports growing by 0.2% (2,310,070 units) compared to the previous period.

On the other hand, 2020 was mainly marked by the restrictive measures taken by the government to combat the health crisis caused by Covid 19, such as the declaration of a state of alarm that led to mobility limitations, the closure of non-essential businesses, the closure of borders (land, air and sea), etc. On the other hand, we have measures such as the approval of the ERTE with the aim of strengthening the Spanish labor market, tax deferrals, and deferrals of loan repayments to the most affected sectors.

As a consequence of all these measures, the annual production of vehicles closed the year with negative numbers[6], decreasing by 19.6% (2.27 units produced) which means 554,000 less units produced according to official data from ANFAC. Exports were 17.8% (1,778,866 units exported) less than the previous year. Regarding electric vehicles, production during 2020 was 139,957 units, which means the amount of the previous period multiplied by eight.

4.1.1.2 Economic environment

In this case, in referent to the economic factors that have an effect on the automotive industry, we have in the first place a bad national economic situation, as the uncertainty caused a drop in consumption, sales and as a consequence a significant destruction of jobs.

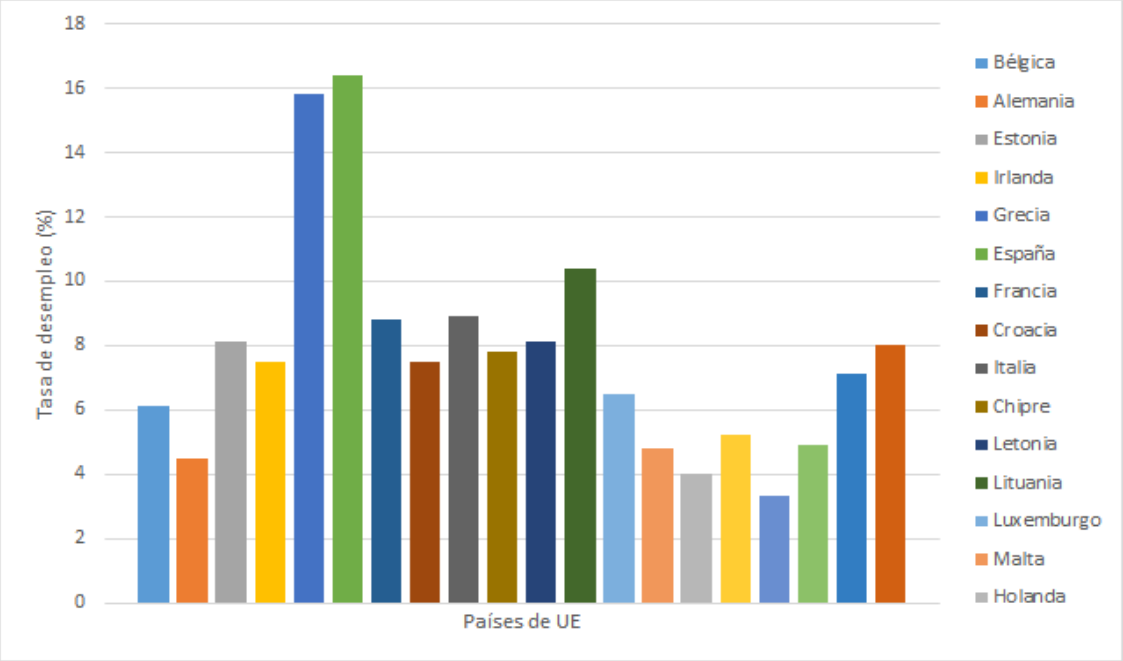
During the year 2020, a total of approximately 360,105 jobs were destroyed, reaching a figure of 3.9 million unemployed, largely due to the restrictive measures taken to deal

[6] https://anfac.com/actualidad/la-produccion-de-espana-se-reduce-un-196-con-227-millones-de-vehiculos-fabricados-en-2020/#:~:text=producci%C3%B3n%20y%20exportaci%C3%B3n-,La%20producci%C3%B3n%20de%20Espa%C3%B1a%20se%20reduce%20un%2019%2C6%25%20con,de%20veh%C3%ADculos%20fabricados%20en%202020&text=La%20crisis%20derivada%20de%20la,fabricaci%C3%B3n%20de%20veh%C3%ADculos%20en%20Espa%C3%B1a.

with the health crisis, putting an end to seven consecutive years of unemployment reduction, placing the percentage of unemployed close to 17 percent.

Rising unemployment therefore negatively affects the purchase of new vehicles, as there is a loss of purchasing power for potential customers.

Graph 1. Unemployment rate in the euro area countries



Source: Own elaboration based on data provided by epdata.

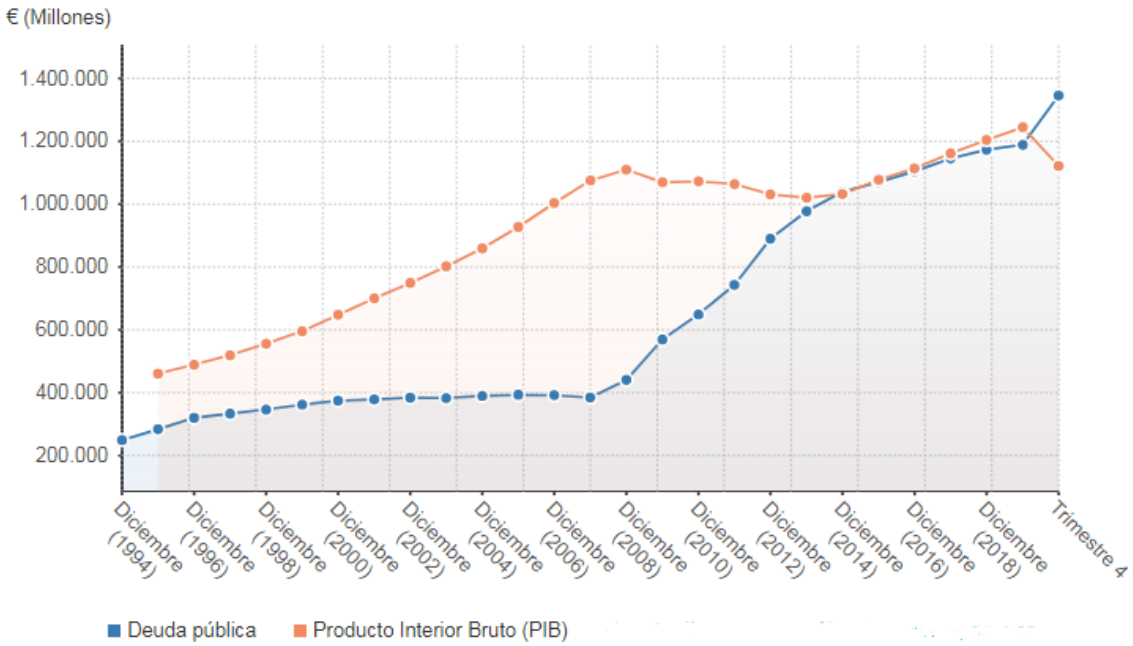
Something similar occurs in the rest of the countries, as the European Union as a whole increases to 8.1%, and in the US, it is close to 7%. Given the characteristics of the Spanish economy, increases and decreases in unemployment are always more pronounced than in other advanced countries, largely due to the high level of temporary employment.

As a consequence of all this, we observe a sharp fall in national GDP, reaching a percentage of 11% compared to the previous period, a very negative figure, while EU GDP falls, albeit to a lesser extent, by around 6.4%.

Finally, with respect to public debt, we observe that there has been an exponential growth since the start of the health crisis, due to the increase in expenditure incurred by the state, due to the increase in the purchase of health material, more health personnel, payment of ERTE, etc., reducing state revenue, as a large part of Spanish companies were unemployed (companies considered non-essential) and due to the deferral of tax payments to the self-employed.

In this case, the public debt suffers a historical escalation not seen since 1902, as it goes from representing 95.5% of GDP in 2019 to around 117% of GDP in 2020, a growth of 21.5% with a value close to 1,400,000 million in a single year.

Graph 2. Public debt and GDP of Spain in euros



Source: epdata

4.1.1.3 Sociocultural Environment

The car tends to be seen as determining the social status of the individual, and companies can segment according to this aspect.

Another social factor to be taken into account in the automobile industry has been the change in citizens' mentality towards a more ecological society, especially in developed countries due to the increase in natural catastrophes, global warming, the disappearance of certain animal and vegetable species, etc. This trend has increased with the pandemic.

This somehow conditions the way cars are produced, as the company, when studying the consumer's needs, also has to take into account their concerns in order to adapt the product to them and thus achieve greater customer satisfaction, as well as improving the company's corporate image.

It is also worth mentioning other factors that can influence the purchase of cars such as; the demographic characteristics of a society (age and sex), the lifestyle of the person (for example: the image that an Audi intends to show is not the same as the one that

Mercedes intends to show, as one is more sporty and the other more of a classic car), as well as the purchasing level of the same, each car is aimed at a specific segment of the population, and therefore, the company has to adapt its products to these factors to satisfy the consumer in the best possible way.

4.1.1.4 Technological environment.

In this case, we will highlight the important role played by digitalization, since during a significant period of time in which there were traffic restrictions, there was a standstill in the sale of vehicles on a face-to-face basis.

Therefore, digitalization helped to alleviate to some extent the bad situation the sector was going through, especially in the case of dealers, as new and innovative solutions were created, such as www.niw.es, which consists of a digital platform that allows the sale of vehicles online. Furthermore, it should be emphasized that one of the effects of the pandemic is that one out of every three Spaniards buys online. This is being exploited by manufacturers such as Tesla and Volvo to sell directly to the customer (B2C) without the intermediation of dealers, thus reducing the distance between the company and the customer, as well as lowering costs.

Finally, it is worth highlighting the important role played by platforms such as Wallapop, Coches.net, etc., which made possible the growth of second-hand car purchases during the 2020 period.

4.1.1.5 Ecological environment

During 2020, the EU approves new restrictive regulations aimed at the automotive sector to limit CO2 emissions, establishing more exhaustive controls in order to avoid the scandal in which the German firm skirted the controls in 2015, which resulted in 30,000 million euros in reparations for the damage caused.

In this case the EU sets the limit for carbon dioxide emissions at 95g/km for cars produced in the EU, while in 2019 the limit was 123g/km. Failure to comply with the new regulations will result in a penalty of €30,000 per car affected.

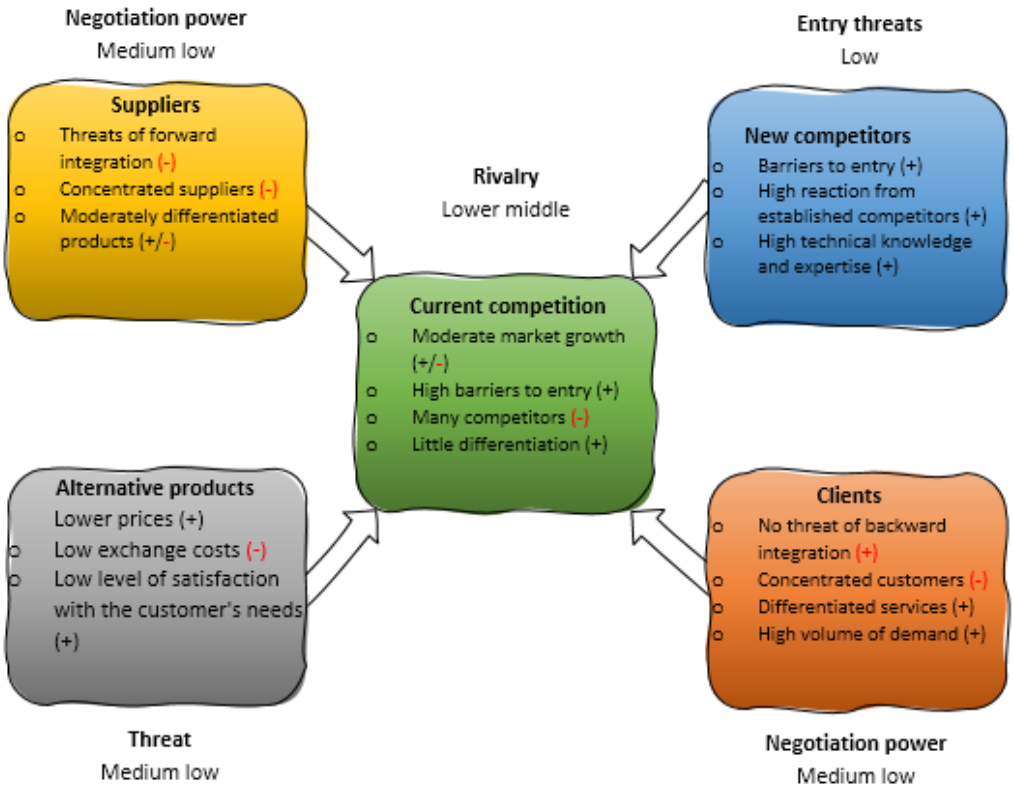
All these regulations, on the one hand, reduce competitiveness with respect to other countries that are not part of the EU, although it can also be a way to differentiate European products from the rest.

4.1.1.6 Legal environment

At this point, the strong regulation of the sector, protecting workers' rights, and the important role played by the trade unions should be highlighted. The coming to power of the PSOE and PODEMOS has led to changes that have made it more difficult to dismiss workers. All these reasons, as mentioned in the previous point, detract from the competitiveness of the sector, although it can also act as a differentiating factor.

4.1.2 Specific environment (PORTER): Micro-environment

Illustration 2. Porter's five forces



Source: Own elaboration

4.1.2.1 Current competition

This is a sector with stable growth over time, as consumers have the need to renew their vehicles both for work and for travelling from one place to another. Although this growth may be an attraction for the entry of new competitors, the fact is that the barriers to entry are very high due to the investments required. To this must be added the high number of competitors already existing in the market. Finally, the differentiation between the different brands (you cannot compare a Dacia with an Infiniti).

4.1.2.2 Negotiation power of the customer

In this case, the customer has a high degree of negotiation power due to the low exchange rate barriers. In addition, and especially in the foreign market, the volume of demand from the foreign market and the concentration of customers is high. On the other hand, there is no threat of backward integration, as this is not a simple process.

4.1.2.3 Supplier negotiation power

Generally the number of suppliers is small, although it depends on what component or part we are talking about, an example being chips (imported mainly from South Korea, Taiwan and China). This is mainly due to the relocation of companies to Asian countries, mainly China, which has led to a significant degree of dependence on supplies from these countries. Finally, changing supplier in these cases is not a simple task, as supplier relationships are usually long-term.

4.1.2.4 Substitute products

In this case, there are many substitute products, such as public transport or car rental. In well-connected cities, the consumer is more inclined to use public transport because of the costs of owning a car (purchase plus maintenance), and to reduce pollution.

4.1.2.5 New competitors

Although there are significant barriers to entry, the number of new competitors is increasing. An example of this is the relocation of production to Eastern European countries (Hungary, Romania, Serbia, etc.) or countries such as Morocco. These areas are characterized by cheap labour and better tax conditions.

4.1.3 Competitive analysis

It consists of identifying the main competitors in a given industry, knowing their objectives, the strategies carried out to achieve them, as well as their weaknesses and strengths, taking the necessary measures to protect their interests.

The traditional competitors of the Spanish automotive sector are: the German, French, Czech, British, Italian and American industries.

These industries are characterized by innovation and investment in R&D&I in their production plants, as well as by the qualified workforce and continuous training of their workers, to increase their efficiency. It should be remembered that Spain used to be the second largest car producer in the EU, and the third most competitive automotive

industry, made up of Germany, France, China, the United Kingdom, the Czech Republic and others.

But in recent years, there has been a growing threat of new automotive industries characterized by lower costs and efficiency that are quite competitive with the domestic industry.

In recent years there has been an increase of competitors from Eastern European and North African countries, such as Morocco, with a competitive cost advantage and less demanding on environmental issues (regulation of CO2 emissions).

Illustration 3. Exports from Morocco

Source: atalayar

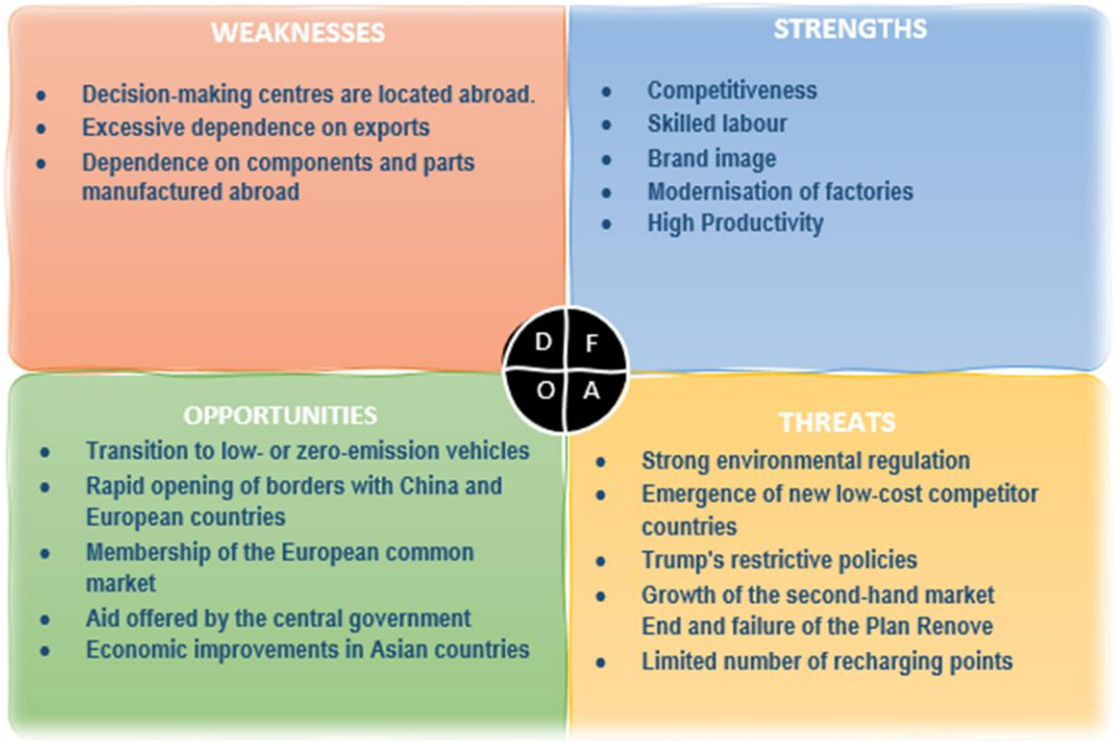
These are countries that attract many foreign investors thanks to low costs and a very flexible market (labor, raw materials) and in the case of Morocco with strong investments in vocational training related to automotive and aeronautics technologies. Therefore, a good way to protect oneself against this type of market and more advantageous conditions would be differentiation.

4.2 Internal analysis

4.2.1 Diagnosis (SWOT analysis)

SWOT "(an acronym for strengths, weaknesses, opportunities, threats and opportunities) culminates the strategic analysis phase by synthesizing the key issues about an organization's business environment and strategic capabilities that are most likely to affect strategy development. It can also be useful as a starting point for generating strategic options and assessing possible courses of action in the future" (Johnson, Scholes and Whittington, 2006, p. 146).

Illustration 4: SWOT



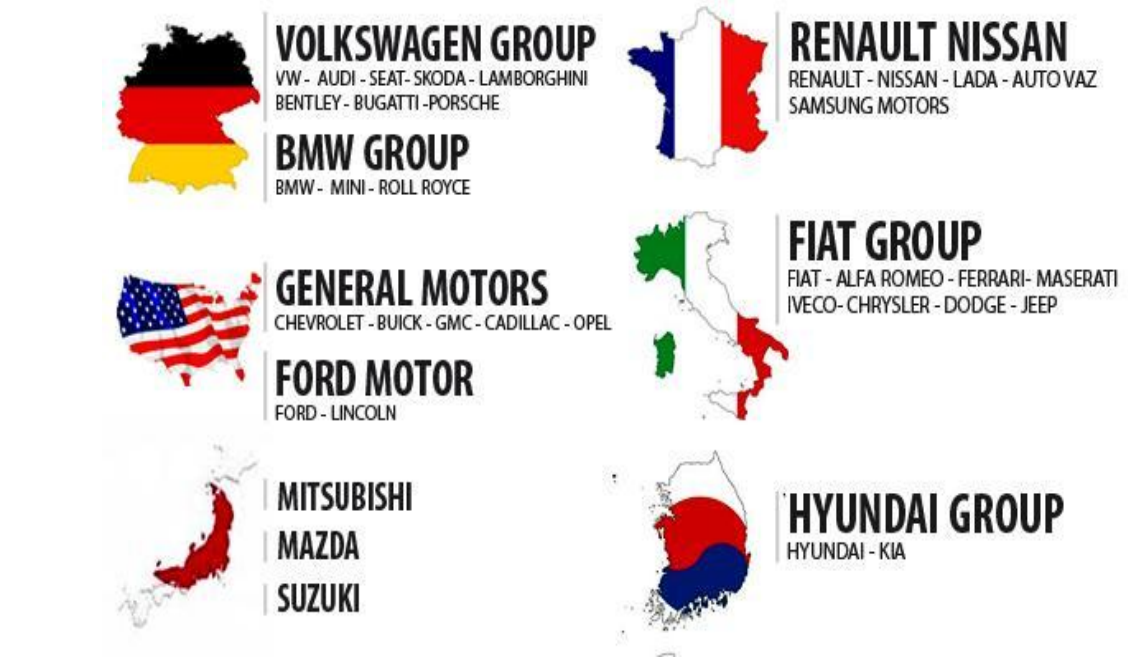
Source: Own elaboration

4.2.1.1 Weaknesses

Weaknesses "include what the firm lacks or does poorly (compared to others), as well as any condition that places it at a disadvantage vis-à-vis the competition" (Thompson and Strickland, 1994, p. 99).

- **The decision-making centers are located outside the national borders**, i.e. we depend on the orders and decisions of third parties. Spain does not currently have a national car brand, and all cars produced in the territory are foreign brands.

Illustration 5: Origin of the automotive groups



Source: autocosmos

- **Difficulty in estimating demand**, as the environment is too unstable due to the restrictive measures constantly taken by governments. An example of this is the problem of chip shortages that the industry is witnessing due to an error in forecasting demand.

  Faced with a possible increase in demand, the company does not have the capacity to react quickly, as many of the employees are in the ERTE.
- **Dependence on components and parts manufactured abroad**. A clear example of this weakness has taken place during the current 2021 period, with the shortage of strategic components such as chips, to which we have referred.
- **Excessive dependence on exports**, accounting for more than 80% of production. With the closure of borders, demand is far from the total production capacity. It is important to have a stable domestic demand, as this always ensures a source of income and stability for the industry. In addition, if relations between two countries enter into crisis, the demand for our products will fall, and this will have negative effects on our industry.

4.2.1.2 Strengths

Here we will talk about the main strengths of the Spanish automotive industry, the reasons that make it so competent and a global referent.

- **Productivity:** Spanish production plants are characterized by their high productivity and efficiency, with technologically advanced production equipment and machines and a high level of automation that allow the company to reduce costs.
- **Competitiveness:** Despite the fact that the decision-making centers are foreign, Spain is the second largest producer in Europe, and this is mainly due to its high competitiveness and ability to adapt to the needs and changes in our industry's environment and not fall behind.
- **Qualified workforce:** car manufacturers offer quality continuous training for their employees. As these are quality jobs with a high rate of permanent contracts, the number of rotations is low, and this somehow incentivizes companies to invest in human capital, on the other hand it motivates employees to progress and recycle their training continuously.

  It is also worth noting that Spanish salaries are lower (weak) in comparison to northern countries such as France, Germany, the United Kingdom, etc. This together with the qualified workforce is a great incentive for attracting foreign investment (opportunity).
- **Modernization of factories**: enabling rapid adaptation to the environment. An environment characterized mainly by its complexity, uncertainty and turbulence. Spain's automotive production plants are considered some of the most automated. Although it is worth mentioning that there is still a long way to go in terms of electrification and digitalization.
- **Brand image:** Spanish industry has managed to boost the image of "Made in Spain" by associating it with quality products, giving the customer greater confidence when purchasing a product. In general, it is a way of differentiating the products of the Spanish automotive industry from those of the rest of the world.

4.2.1.3 Opportunities

Refers to the set of factors or conditions in the environment in which an organization competes that increase the attractiveness of a given industry.

- **Transition to electric cars**: The market for electric cars is growing, so a successful transition of the industry towards increased production of electric cars is vital for the future of the industry. This requires training employees and investing in the right machinery and infrastructure to be a referent for decision-makers when it comes to the location of production plants.
- **Rapid opening of China's borders**: China's rapid recovery from the health crisis and the opening of its borders made it possible to maintain a certain level of production, avoiding a total shutdown.
- **Opening of the border with the main European customers**: during the summer of 2020, in view of the drop in Covid incidents, the borders were opened, especially with France, Germany and Italy, which provided an opportunity to increase production. It should be remembered that the main customers of the Spanish automotive industry, together with the United Kingdom, are these countries (64% of exports).
- **Belonging to the European common market:** This allows companies to trade within the EU with the elimination of trade barriers to reduce the costs of exporting the automotive industry to EU member countries and their partners. This increases competitiveness among the different industries and drives our country to continue innovating and improving.
- **Central government support (ERTE**): The subsidies offered by the central government to companies to counteract the impact of the health crisis allow companies to better withstand the crisis caused by the pandemic.
- **Better living standards in East Asian countries**. Decreasing poverty and rising living standards in this region (especially China) will lead to an increase in demand for European automotive products.

4.2.1.4 Threats

Refers to the set of factors or conditions in the environment in which an organization competes that diminish the attractiveness of a given industry.

The following is a list of factors or conditions that threaten the Spanish automotive industry.

- **Strong environmental regulation[7]:** Increasing environmental protection policies and laws, where CO2 emissions from new vehicles are limited to exactly 95 g/km, may result in higher costs, and make them less competitive with countries such as Japan (122 g/km), China (117 g/km) and the US (125 g/km) where environmental regulation is more flexible.
- **Emergence of new low-cost competitors:** a clear example of this is the rapid growth of the Moroccan automotive industry, which also has a free trade agreement with the European Union that allows the entry of industrial products without any tariffs, whose government has been able to attract foreign investors by offering a qualified and low-cost labor force, as well as providing greater flexibility with regard to workers' rights.
- **Protectionist policies during Trump's mandate**: Until the end of February 2021, the US administration has been considering the option of imposing tariffs on cars imported from Europe.
- **Growth of the second-hand car market**: the fear of using public transport during the pandemic and the preventive measures taken by Spanish families have reactivated the purchase of second-hand cars (12% during October 2020), while the registration of new cars has decreased.

  Other reasons for this increase are that the price of these vehicles is lower, the cost of insurance is lower and there is access to a wider choice.
- **Decreasing demand** given the current uncertainty, economic crisis and job instability, demand is clearly decreasing, both in the national and European markets.
- **Few electric vehicle charging points:** In Spain we have less than 8,000 charging points, while in France the objective is to reach 100,000 charging points by the current period. This situation therefore makes the development of electric cars in our country even more difficult.

4.2.2 Sector objectives

According to information provided by ANFAC[8] (Asociación Española de Fabricación de Automóviles y Camiones) the sector has established a series of strategic objectives to be achieved between 2020 and 2040.

[7] https://noticias.coches.com/noticias-motor/normativa-europea-co2-automovil/357909
[8] https://anfac.com/wp-content/uploads/2020/03/Informe-Ejecutivo-AUTO-2020_40-ANFAC.pdf

The main objective of the sector is to "maintain the competitive position of the Spanish automotive industry".

Table 2. Sector strategic objectives

General objectives	Specific objectives
	Description of the short-term objective
Until 2025 Continue to attract investment	Gaining productivity to generate greater added value
	Attracting innovation-related activities
	Attracting investment in low-emission vehicle manufacturing
	Description of the medium-term objective
Up to 2030 Matching the production mix to demand	Adopting new business models
	Strengthen the ecosystem nodes in which we are competitive.
	To occupy a differentiated position in emerging niche markets
	Description of the long-term objective
Up to 2040 Making the deployment of the Spanish mobility ecosystem effective	Digitizing the way mobility is produced and sold
	Becoming information managers
	Capturing value within the mobility ecosystem

Source: own elaboration based on data provided by www.anfac.es

4.2.3 The four Pes

4.2.3.1 Product

> "Refers to anything that can be offered to a market to satisfy a want or need, including physical goods, services, experiences, events, people, places, properties, organizations, information and ideas" (Kotler and Keller, 2016).

The portfolio of products that make up the Spanish automotive industry is mainly made up of nine vehicle brands and these in turn are made up of several models produced in

Spain. To this, we must add the entire components industry that serves the vehicle production factories.

A car can represent a way of distinguishing the different social classes of a society. The vehicles produced in Spain are aimed at customers with a medium and medium-high purchasing power.

Classification according to the different types of vehicles produced by Spanish factories:

- Passenger cars and off-road vehicles.
- Light commercial vehicles (small vans).
- Industrial vehicles (vans and buses).

Secondly, we can classify them according to their use.

- Vehicles intended for the transport of persons.
    - Private vehicles (passenger cars, SUVs, etc.).
    - Public vehicles (Buses).
- Vehicles for the transport of goods (vans).

Once the product portfolio of the Spanish automotive industry has been analysed, we are going to comment on the main needs and desires that these products satisfy. Firstly, we have the satisfaction of the need to move from one place to another, then the need to transport people and goods. Finally, we can highlight that driving a vehicle can be a hobby for a certain type of customer.

We will refer to the aspects that differentiate our industry from that of the rest of the countries, and in some way justify the enormous capacity to attract foreign companies to produce in Spain. Some of the reasons for this are the country's high level of experience in the sector (accumulated experience), qualified workforce, adaptation of the training system to the dynamic needs of the sector, low salaries compared to countries such as Germany, Belgium, France, etc. And finally, Spain's geographical location, a strategic point that links the European continent with Africa, as well as its membership of the European Union, which facilitates inter-community transit, should be highlighted.

Another aspect that makes us different from the rest is the high efficiency of the Spanish production plants, thanks to the high investments in R&D.

The product is a fundamental part of the marketing mix, as it is the first thing that attracts the customer's attention and provokes the desire to buy it. Therefore, investment in R&D and continuous improvement against the competition is a very important part, satisfying

the needs of our customers, having a wide portfolio of products to attract national and international customers.

4.2.3.2 Price

> Refers to the monetary amount (currency in circulation in each area) or non-monetary amount (object or service that has value) that must be paid to acquire a good or service.

Concerning pricing in the Spanish car industry, it depends primarily on the performance offered and the (low cost/prestige) brand concerned (e.g. difference between Mercedes-Benz and Opel). Thus, Mercedes-Benz vehicles will be priced based on perceived customer value, while other lower level brands will base pricing on a value proposition, also taking into account competitors' prices and to a certain degree the costs incurred.

Cars produced in Spain (Made in Spain labels) are synonymous with good price and quality.

Table 3. Vehicle registrations by value of the registered vehicle

	INFORMACIÓN ECONÓMICA									
	Vehículos		Emisión Media	Valor Vehículos (base imponible) (1)		Base Imponible Reducida (2)		Porcentaje Reducción (2)/(1)	Precio medio del Vehículo	
Tramos Base Imponible (euros)	Número	Distribución	CO_2 en g/Km	Importe	Distribución	Importe	Distribución	%	sin IEDMT	con IEDMT
Total	967.326	100,00%	113	18.336.451.150	100,00%	43.833.154	100,00%	0,24%	18.956	19.341
<= 10.000	104.737	10,83%	130	727.848.924	3,97%	893.735	2,04%	0,12%	6.949	7.103
10.000 - 15.000	273.572	28,28%	109	3.479.922.900	18,98%	2.928.802	6,68%	0,08%	12.720	12.817
15.000 - 20.000	267.449	27,65%	110	4.632.789.510	25,27%	5.467.413	12,47%	0,12%	17.322	17.503
20.000 - 25.000	147.841	15,28%	110	3.279.289.306	17,88%	9.276.646	21,16%	0,28%	22.181	22.536
25.000 - 30.000	77.090	7,97%	109	2.104.518.597	11,48%	8.151.239	18,60%	0,39%	27.300	27.875
30.000 - 40.000	59.822	6,18%	115	2.025.757.938	11,05%	9.121.773	20,81%	0,45%	33.863	34.981
40.000 - 60.000	28.037	2,90%	127	1.324.139.997	7,22%	6.085.942	13,88%	0,46%	47.228	49.509
> 60.000	8.778	0,91%	142	762.183.979	4,16%	1.907.603	4,35%	0,25%	86.829	93.017

Source: agenciatributaria

The offer of a wide variety of vehicles makes it possible to better adapt to the needs of different market niches, making it possible to increase demand from countries with very different economic situations.

During the Coronavirus health crisis, the price of both new and used vehicles increased in response to government restrictions.

4.2.3.3 Distribution

An efficient distribution system will be one that makes available to the market the products it demands, at the right time and in the right quantity.

The most common distribution channel for vehicle sales is through dealers, who act as intermediaries between the manufacturer and the end customer. April 2020 saw a decline of more than 95% in vehicle registrations in Spain and throughout the year there continued to be a significant drop in vehicle sales.

Online vehicle sales continue to rise but are far from being able to replace face-to-face sales in dealerships, a system more appreciated by consumers to be able to appreciate the characteristics of the chosen model in situ. The "Capgemini report"[9] indicates that more than 80% of Spaniards would opt for the hybrid purchase experience, presence-online purchase.

In recent years, the direct distribution channel, i.e. eliminating dealers as intermediaries in the transaction and selling directly to the end customer (online) to reduce both costs and delivery time, has been gaining momentum.

According to a study by Carwow[10], "online shopping can reduce consumer costs by more than 16% and allows the company to access a much wider market without any physical limitations (borders, distance, etc.). One aspect to improve is the average time until the purchase is closed, which is 32 days, depending on the vehicle we are talking about.

With regard to components and spare parts, they mostly use online distribution channels or through garages.

Therefore, the right choice of vehicle distribution channels adapted to the current environment, characterized by high uncertainty and complexity, can significantly improve companies' revenues.

4.2.3.4 Promotion

The fourth P of the marketing mix is the use of certain techniques and media to make consumers aware of our products. This is a very important function, otherwise it will be difficult for potential customers to learn about the different options and innovations in the industry.

[9] https://www.capgemini.com/es-es/el-futuro-del-trabajo/
[10] https://motor.elpais.com/actualidad/ahorrar-buscar-coche-internet/

Depending on the range of vehicles we are talking about, the need for advertising is greater or lesser. In our case, given the range of vehicles produced in Spain, generally mid-range vehicles, vehicles intended for the transport of people or goods, the media have a relevant role to play in encouraging sales.

Some of the media most commonly used by the automotive sector are: television, social networks, magazines, newspapers and radio. Depending on the established target, the type of vehicle and the segment the company is targeting, one media will be used or another.

The automotive sector is one of the sectors that invests the most in advertising, the investment forecast for 2020 was more than 387 million euros, i.e. 11.4% of total advertising investment. However, due to the Pandemic, advertising investment has decreased across the board in almost all sectors, as can be seen in the following illustration.

Table 4. Investment by sector

	SECTOR	Investment 2020 (millions of €)	% evol.
1	AUTOMOTION	387,4	-31,4%
2	DISTRIBUTION AND RESTORATION	374,4	-16,0%
3	FINANCE	350,1	-10,9%
4	TELECOMMUNICATIONS AND INTERNET	295,4	-2,6%
5	FOOD	293,6	-2,8%
6	PUBLIC AND PRIVATE SERVICES	283,1	-8,4%
7	BEAUTY AND HYGIENE	233,7	-27,1%
8	CULTURE, EDUCATION	227,6	-30,8%
9	DRINKS	124,7	-33,7%
10	GAMBLING AND BETTING	121,3	16,8%
11	HEALTH	120,9	-5,7%

Source: Own elaboration based on information provided by InfoAdex.

5. New strategies to adapt to the effects of Covid 19

To cushion the effects of the health crisis on the automotive sector, the national and global economy, automotive groups have taken measures to survive and remain competitive, reducing to some extent the impact of the pandemic.

Some of the measures include the promotion of teleworking, with the aim of avoiding a complete shutdown of the industry. This has involved equipping automotive groups with all the necessary electronic devices to cope with future waves of Covid19, as well as training and preparing staff to cope successfully with the current dynamic environment, and in some way reducing the dependence on the presence of certain groups of workers.

On the other hand, given the increase in unemployment (in addition to the significant percentage of workers in ERTE) and the reduction in salaries as a consequence of the fall in company income, it has encouraged an increase in flexibility in the form of payment, making monthly instalments and similar measures that adapt to the capacity of each client more and more common. A measure that can provide an incentive to buy.

In addition to the above, health measures have been taken to prevent the spread of the virus in the workforce in case of a positive person in Covid 19. Some of these measures are temperature control of employees, weekly or fortnightly Covid tests, as well as avoiding physical contact and meeting between shifts.

With regard to the strategies carried out by the different groups in the sector to face the current economic situation, we highlight the following;

Firstly, to increase efficiency, as car prices are expected to fall, so companies have to reduce their costs if they want to remain competitive. A clear example of this is Nissan, which is currently in the process of closing its factories in Barcelona, which will affect around 10,000 jobs directly and indirectly. The Japanese company is carrying out reforms to increase its efficiency and for this reason it is sacrificing those factories that it considers to be inefficient or unprofitable. In this case, part of the production is being moved to Sunderland, UK, despite Brexit. The reason is that this British factory is more modern and does not need a high investment like the Barcelona factories to be more efficient, and it is prepared to produce electric cars.

In addition, it should be noted that the Nissan group, as part of the Renault-Nissan-Mitsubishi Alliance, is planning to produce different models of the different brands in the same factory in order to be more efficient. Thus, making the production machinery more flexible.

Secondly, the different groups are strengthening their presence on the Internet, due to the rise of e-commerce as we have already mentioned, although it should also be said that this has been favoured even more by the current health situation.

Thirdly, the vast majority of car manufacturers are allocating significant sums of their revenues to the production and innovation of electric, hybrid and hydrogen vehicles, as well as the electrification of their production plants. At a time when citizens are very conscious of the environment, many automotive groups are pursuing strategies aimed at developing the electric car, which is considered a potential market that promises much for the future despite the resistance of a large part of the world's population (potential customers), proof of which is that during the 2020 period, despite the restrictions and the poor global economic situation, a growth of 14% has been achieved.

Finally, we have the case of the chip shortage that has occurred during the current period, 2021. In this case, the poor sales forecast for the current period and the increased demand for electronic devices during the pandemic due to the increase in teleworking and online education has led to chip shortages for all automotive groups worldwide, but especially in Europe. It is worth mentioning that in this case the producers of electronic devices have more customer power, as their demand is much higher than that of the automotive sector.

The consequence of this shortage has led to a drop in plant production as well as in exports due to the impossibility of assembling a significant number of vehicles. As a result, extensive supply chains are increasingly being called into question. European countries are taking steps to increase the production of these chips in Europe to reduce dependence on foreign production.

6. National consumption and its evolution in recent years

After the financial crisis of 2009, Spanish national consumption was recovering at a steady pace until the beginning of 2020, where the restrictions imposed broke this trend, and for the first time in many years saw a sharp fall in national consumption, estimated at 12.4%.

As expected, national consumption has been hit hard by the circumstances of the current economy, as explained in the previous sections.

We observe that the savings rate has experienced exponential growth, surpassing the 2009 period. It is worth noting that depending on the sector, the pandemic has had a greater or lesser effect on it, especially in the case of the agroalimentary sector, where

it has even grown more than the previous year (2019), proof of this is that during the second quarter the contribution of this sector has gone from contributing 2.7% to GDP, to have a contribution of 3.8% according to studies[11] by CaixaBank. At the other extreme, the most affected sector was the hotel and catering industry, which was forced to close for a long period of time, and after opening with limited capacity in the premises.

The economic uncertainty and the sanitary restrictions implemented by the government have been one of the main causes that have led to the current situation. Compared to the period of 2019, national consumption has decreased by approximately 13%.

However, the reality is different: there is a significant percentage of the population that is suspicious, some vaccines are causing problems, and to this we must add the appearance of new variants of the virus that cast doubt on the efficacy of current vaccines.

Regarding the automotive sector, we observe that new passenger car registrations have decreased due to the causes mentioned in the SWOT and PEST analysis. Among these we highlight the restriction of mobility, paralysis of the automotive industry and to this, we must add the 4.75% increase in registration tax, which has come into force during the current period 2021.

7. Exports of the Spanish economy

7.1 Exports of the Spanish economy during the pandemic

7.1.1 Trade balance

The trade balance is the difference between total exports ant total imports of goods from a particular country or area during a specific time period (does not include shipments of money or provision of services.

TRADE BALANCE = ∑ EXPORTS - ∑ IMPORTS

Historically, Spain has been a country characterised by a trade deficit, as imports have generally been higher than exports.

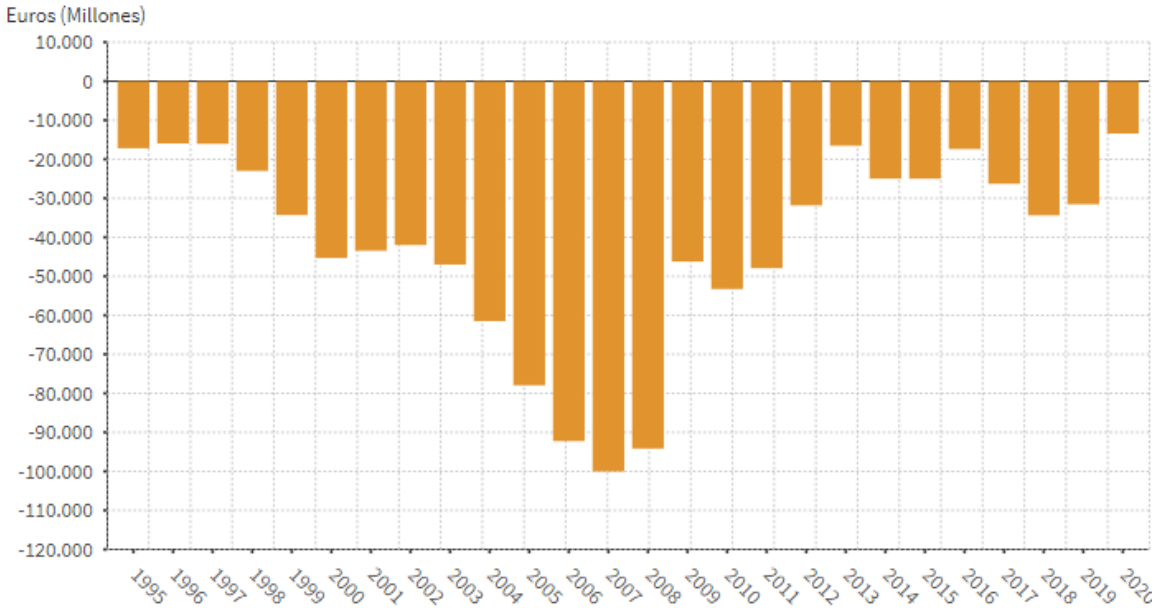
In graph 3, we observe that in the last twenty-five years, the results obtained by the Spanish economy conclude in a clear trade deficit, although it should be noted that since

[11] https://www.caixabank.com/comunicacion/noticia/el-sector-agroalimentario-clave-en-la-economia-espanola-durante-la-pandemia-de-la-covid-19_es.html?id=42450#:~:text=El%20sector%20primario%20gan%C3%B3%20peso,7%25%20que%20registr%C3%B3%20en%202019.

the 2008 crisis, Spain's trade deficit has been decreasing exponentially, especially between 2008 and 2009, when it fell by approximately half.

In large part, this fall is due to the increase in exports by Spanish companies and lower imports of foreign products. As a result of the fall in domestic consumption due to the economic crisis that hit the country, companies began to increase their presence in foreign markets (internationalisation), a clear example of which are the companies in the ceramics sector, which, faced with the drastic fall in construction in 2008-2009, had to change their strategy and open up to the foreign market. Currently, a much higher percentage, around 75% of production, is exported abroad compared to domestic consumption. On the other hand, domestic consumption has been eroded by the loss of purchasing power of the Spanish population, due to a huge destruction of employment, falling wages, less job stability (high temporary employment) and the uncertainty that has been witnessed.

Graph 3. Evolution of the trade deficit Spain



Source: Epdata

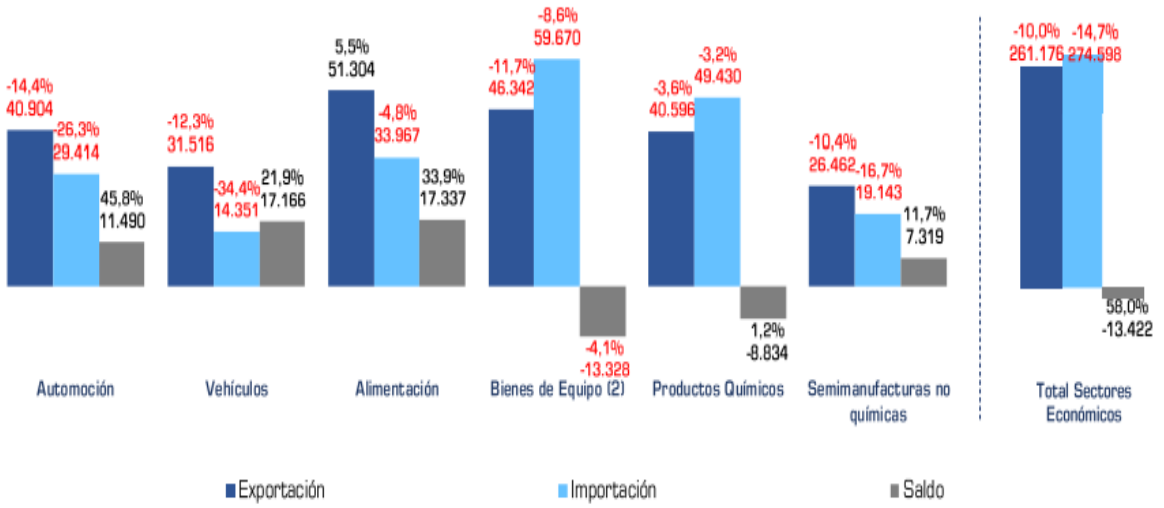
As can be seen in graph 3, another important fall in the trade deficit occurred during 2020, a 58% drop of 14,443 million euros between January and November compared to the previous period.

In this case, the decrease in the deficit is not accompanied by good economic health, i.e. there is not a decrease in the deficit because national companies increase exports abroad, but rather, it is due to a situation similar to the one discussed above, this decrease is related to a slump in national imports. The impact of Covid on the Spanish economy is being felt, as unemployment has risen rapidly, there is a decrease in wages,

job instability (ERTE) and the situation of uncertainty about the future is causing a loss of consumer confidence.

On the other hand, exports also fell significantly, although to a lesser extent than imports, and depending on the sector we are dealing with, the fall is more or less severe. In the following sections we will go into more detail.

Graph 4. Trade balance during 2020



Source: ANFAC

We can see in graph 4 that the evolution of exports and imports have suffered significant falls, although depending on the sector the fall is more or less precipitous. The food sector is particularly noteworthy, as it has even grown by 5% during the 2020 period. This is an important sector for Spain's GDP as it generally always has a trade surplus, which to some extent offsets the other sectors with deficits. This growth can be explained to some extent by the fear of shortages, which made families fill their pantries more than usual.

We also note that the automotive sector and specifically the vehicle sector has been one of the most affected. As explained above, this is mainly due to the border closure and the almost total paralysis of the industry. It should also be borne in mind that we are not talking about a product of prime necessity, so at such an unstable time families prefer to wait to see how the situation evolves before deciding whether to buy a vehicle or not.

After that, there are significant drops in exports of capital goods and non-chemical semi-manufactures, with a decrease of more than 10%.Finally, the sector of the Spanish economy least affected by the pandemic is chemicals.

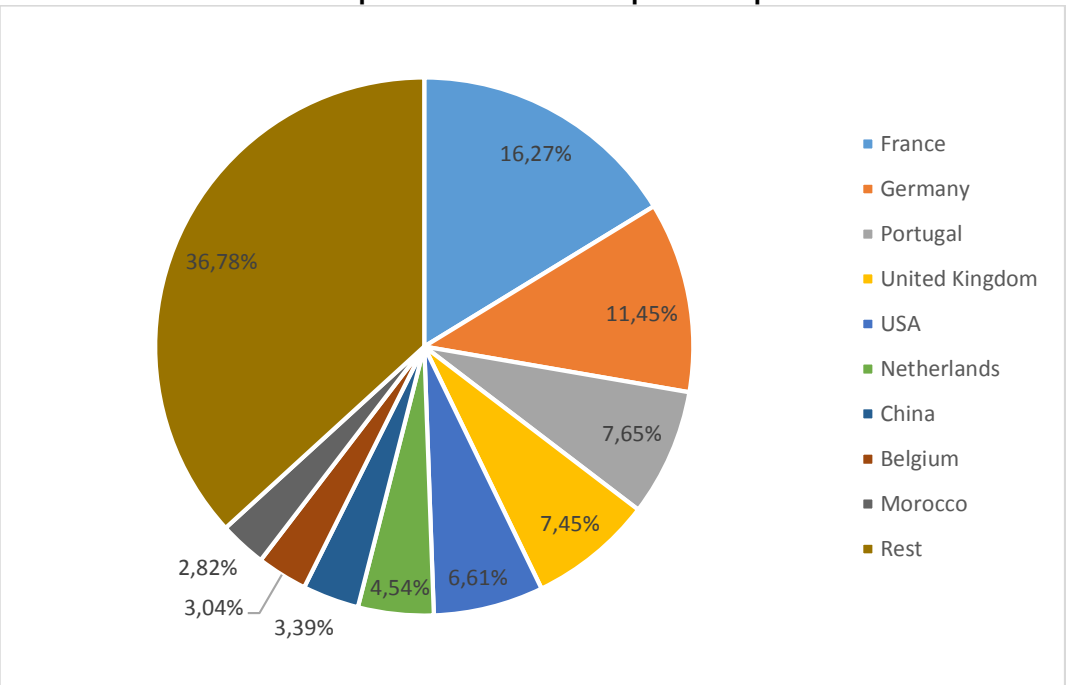
Regarding imports, these have declined in all sectors of the Spanish economy, although some sectors have been more affected than others. In this case, we again highlight important decreases in the automotive sector and especially in the vehicle sector with falls of 26% and 34%, respectively. The final result is a balance of payments deficit.

7.1.2 Main export countries

Based on the information obtained in the first part of this project, where exhaustive research has been carried out on the Spanish economy and its characteristics, we have the main destinations for Spanish exports. Firstly, we have the member countries of the European Common Market. The volume of exports destined for these countries represents a percentage of more than 50%, hence the importance of belonging to the European Common Market.

As can be seen in graph 5, the two main socio-economic countries that import the most Spanish products are France and Germany. Meanwhile, with respect to countries that are not members of the European Common Market, we can highlight clients such as the United States, China and Morocco.

Graph 5. Destination of Spanish exports



Source: Own elaboration based on ICEX information.

France and Germany

These are Spain's two main customers, due to lower prices and competent quality of goods and the accumulated experience of the Spanish automotive sector. These

countries mainly import goods manufactured from chemical products (such as plastics, medicines and drugs), vehicles, vehicle components (auxiliary industry), as well as food and beverages. In both cases, the most relevant exports are related to the automotive sector and its components.

According to data obtained by Datoscomex[12], during the period of 2020 the Spanish economy has once again obtained a trade surplus with France, as Spanish exports to the Gallic country have been quantified at 42,177.2 million euros, while imports were 28,522.2 million euros. Hence the importance of deepening trade relations with France, given that 10 percent of Spanish exports go to this country.

During 2020, Germany imported Spanish products with a total value of 29,567.1 million euros, while exports to our countries had a value of 34,148.0 million euros, so the deficit of the Spanish economy was 4,581.0 million euros.

USA

Among the products that are most imported from Spain are machinery, antisera, fuels, mineral oils, vehicles and vehicle parts.

During 2020, Spain had a trade deficit with the USA of 18,557 million euros, because while imports were quantified at 12,196.1 million euros, exports represented 14,051.8 million euros.

Turkey

In a context marked by the health crisis, volatile environment, falling demand worldwide, etc. that has caused the reduction of Spanish exports by 10%. Spanish automotive industry exports to Turkey after years of decline due to the economic crisis plaguing the country, have witnessed an exponential growth of more than 133% during the 2020 period.

Turkey, a developing country with a population of more than 80 million people, is considered a good opportunity to diversify Spanish exports and not depend solely on a few countries (Germany, France and the United Kingdom).

[12]https://comercio.gob.es/ImportacionExportacion/Informes_Estadisticas/Historico_Informes/Mensuales/2020/2020-12_Nota_ejecutiva.pdf

7.1.3 Exports per sector

As can be seen in graph 4, with the exception of the food sector, whose exports have grown by 5.5%, reaching a figure of 51,304 million euros and obtaining a surplus of approximately 34%. The rest of the sectors have suffered a generalised decline:

- **Automotive sector:** exports are approximately 14% lower than in the previous period, reaching a figure of 40,904 million and a positive balance of 11,490 million (surplus).
- **Capital goods sector**: in this case we are facing a trade deficit, where exports decrease by almost 12%, reaching a figure of 46,342 million euros. The resulting balance is negative (13,328 million euros).
- **Chemicals sector**: with a trade deficit of almost 9%, exports decreased by 3.6% to 40,596 million.
- **Non-chemical semi-manufacturing sector**: Regarding this sector, we have a trade surplus of almost 12%, reaching a figure of 7,319 million euros. Exports have been quantified at 26,462 million, 10.4% less than in the previous period (2019).

7.2 Automotive exports during the pandemic

7.2.1 Balance of the automotive sector

In this section we will compare exports of domestic cars with imports of cars from abroad.

The value of car exports during the 2020 period in Spain was 40,804 million euros, while accumulated imports during the same period amounted to 29,414 million euros, resulting in a positive balance with a value of 11,490 million euros.

Therefore, for one more year, exports of national cars exceed imports of cars from abroad.

7.2.2 Main exported automotive products

Spain is a referent in the automotive sector, both at European and world level. The Spanish automotive sector specializes above all in the production of cars and their components.

Regarding car production, the sector is made up of 17 production plants spread across the different regions of Spain, mainly located in the northern part of the country (with the exception of Seville).

The main car brands produced in Spain are nine[13], consisting of Ford (Almussafes), Iveco-Pegaso (Madrid and Valladolid), Mercedes-Benz (Álava), Nissan Motor Ibérica (Barcelona, Ávila and Cantabria), Opel España (Zaragoza), Peugeot Y Citroën (Vigo and Madrid), Renault (Palencia and Seville), Seat (Martorell) and Volkswagen Landaben (Pamplona). Illustration 5 shows the distribution of the different production companies in Spain.

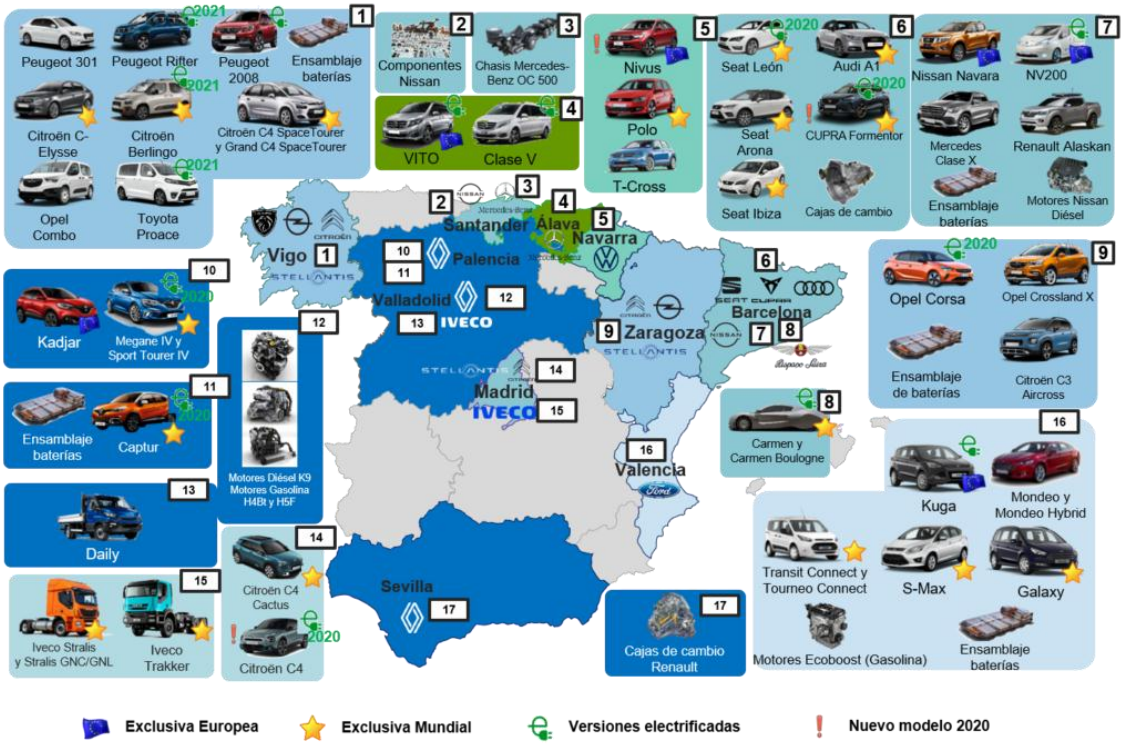
On the other hand, as far as the component sector is concerned, it is considered a key sector for the industry, as it works in coordination and harmony with the car production plants, adapting, improving and innovating the components to the changing needs of the manufacturers. According to information provided by the Senauto association[14], this sector is made up of a thousand companies dedicated to the manufacture of equipment and components. It is also an ecosystem made up of 15 technology centers and 9 clusters.

It is a highly competitive sector characterized mainly by high investment in R&D&I, as evidenced by the high percentage of exports to third countries. In this case, we have that around 60 percent of sales come from the foreign market (around 170 countries). In the following illustration (5) we have a series of components in which each part of Spain specializes.

- Battery packaging
- Gearboxes
- Diesel and petrol engines
- Mercedes-Benz chassis
- Nissan components

[13] https://anfac.com/cifras-clave/produccion-y-exportacion/
[14] https://www.sernauto.es/storage/infografias/infografia_agenda_sectorial_automocion_180118-7283.pdf

Illustration 6. Vehicles and cars produced in Spain

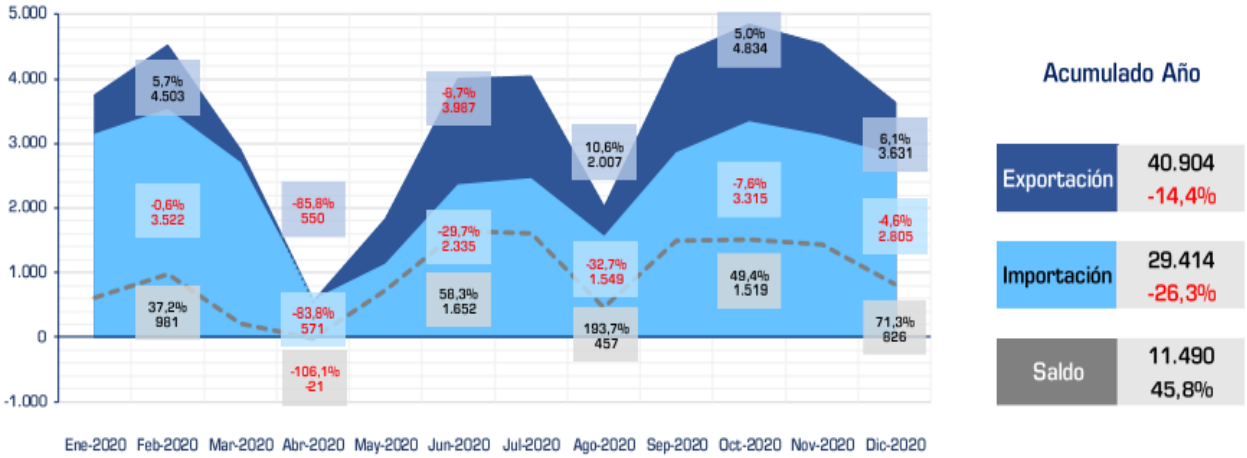


Source: ANFAC

7.2.3 Evolution of car exports and imports

As we can see in graph 6, we can clearly observe the evolution of exports and imports in Spain during the 2020[15] period, as well as the resulting balance.

Graph 6. Evolution of vehicle exports and imports 2020



Source: ANFAC

The automotive sector was already coming from a difficult year (2019), affected by Brexit and the trade war between the EU and the US. Today, the consequences of the UK's

[15] https://anfac.com/wp-content/uploads/2021/02/12_Ficha_Diciembre_2020.pdf

exit from the EU are already beginning to be felt. This has resulted in border controls, causing delays in distribution and an increase in the cost of components and parts exported by Spain, due to the obligation to follow a bureaucratic process. On the other hand, we have Donald Trump's threats to impose tariffs on cars imported from Europe if the UK, France and Germany did not break with the nuclear agreement established with Iran.

According to Anfac, in a matter of two months exports have gone from around 200.000 to 3.750 units exported, a quite radical change, as this period coincides with the strongest period of the pandemic, the level of economic activity was very low globally, the plants had a minimum production. During the following months the situation improved exponentially, due to the reactivation of the economy, both production and exports increased until the arrival of the second wave (approximately mid-August), where production and exports again decreased significantly, although less than in the first wave. From September onwards, the upturn in production and exports is high, due in part to the improvement in the health situation in the different countries as a result of the experience accumulated in tackling the current health crisis.

This once again shows the strength and dynamism of the Spanish automotive sector, and therefore its importance for the Spanish economy.

This instability in the sector is expected to continue until a significant percentage of the population has been vaccinated, as an increase in positive cases leads to preventive measures by both the administration and the companies, and this has a direct influence on the level of production and therefore of exports, as well as imports.

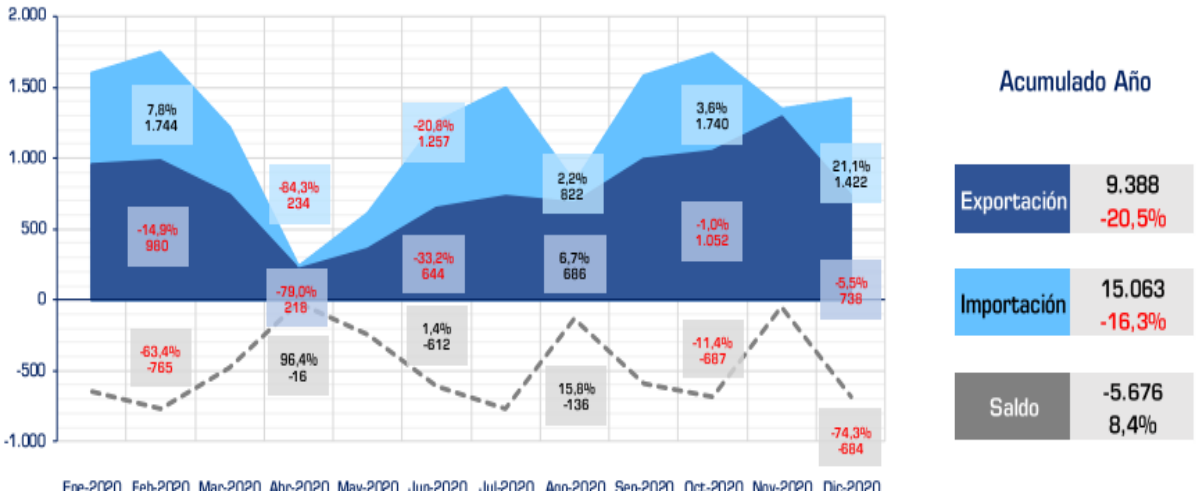
Regarding imports, we observe that it presents a behavior quite similar to exports in terms of the variations in presence, although less drastic, since imports are much lower than exports.

The reasons for this evolution of exports are almost identical to the reasons for the evolution of imports, with the exception of the last month of the year 2020 where imports continue to grow while exports decrease.

Moreover, as we can see in the following illustration, regarding the ancillary part of the sector, the part dedicated to production and parts and components, we have that during the 2020 period the balance was negative with a value of approximately 5,676 million euros, as one part we have that the value of exports was 9,388 million euros, while imports have been valued at 15,063 million euros.

As we can see, both exports and imports have been adversely affected by the instability of the world economy, with exports suffering a greater impact (-20.5%) than imports (-16.3%), which aggravates the balance of payments deficit.

Graph 7. Evolution of exports and imports of components 2020



Source: ANFAC

8. Action plan

Having analyzed the evolution of the automotive sector and its exports during the pandemic, we will propose a series of actions aimed at improving the sector's situation.

Code	Details of actions	Objective
Actions on the product		
A.1	Increased electrification of production plants	- To increase the share of vehicles produced in Spain from 3% to 8% over the next 18 months. - Move from 5 electric models to 8 over the next 24 months.
A.2	Increased investment in recharging points	- Increase electric vehicle sales by 15% for the next period - Attracting new investors
A.3	Launch a proposal for the creation of a new Spanish brand specialised in low-emission cars.	- Increase market share by 5% over the next 48 months.
A.4	Establish stock of components	- To have component reserves that

		allow to operate for 2 months avoiding stock-outs.
Price actions		
B.1	Student discount	**-** Increase of 5% in sales in 12 months.
B.2	Gift card	**-** Increase vehicle sales at vdealerships by 3% in the coming months.
B.3	Price reductions of a maximum of 10% and 15%.	**-** Encourage domestic demand, reaching 10% of production in the next 12 months.
B.4	15% discount for online purchases	- Increase the share of vehicles sold online by 8% in 12 months.
Actions on distribution		
C.1	Continuous staff training	**-** Increase productivity by 5%.
C.2	Creating a logistics platform in France.	- Reduce costs by 5% for next year. - Reduce the average delivery time by 3 days. - Reduce CO2 emissions from the activity
C.3	New distribution points	**-** Increase sales in China by 15% in the next period.
Actions on communication		
D.1	Publicity on Instagram for Plan Renove III	**-** Increase the application for this aid with the objective of increasing the sale of zero or low-emission vehicles by 15% over the next 12 months.
D.2	Staff retraining every 6 months	**-** Adapting better to change.

		- Increase efficiency by 3%.
D.3	Attending international trade fairs	- 10% increase in sales in 12 months. - Increase market share by 5% in the next 18 months. - Increase presence in China and Latin America by 10% over the next 24 months.
D.4	Participate in charitable actions.	- Increase sales to the more traditional customer by 3% over the next 12 months.
D.5	Tax benefits to attract new component companies.	- Reduce our external dependence by 5% over the next 12 months. - Satisfy 10% of the national demand for chips in 12 months.

8.1 Actions on the product

ACTION 1	Increased electrification of production plants

In this case, the government should incentivise further electrification of Spanish plants by financing 10%t of the estimated investment, as well as support its financing at a low interest rate (1 percent). These actions are aimed at increasing the share of electric vehicles produced in Spain from 3% to 8% in 18 months. It also aims to attract new electric models from companies established in Spain such as the PSA group, Seat, Volkswagen, etc. This type of subsidy will be valid until 2025 and will come into effect from 1 June of the current period.

On the other hand, the objective is to increase the number of electric cars produced in Spain from the current five models to eight models in the next 24 months.

The cost of this operation will not have a fixed cost, as it depends on the plant, the years it has and the innovation received in recent years. An example to estimate the approximate cost is that of Seat, where the investment is estimated at 250 million.

ACTION 2	Increased investment in recharging points

The government has to create the ideal conditions for the automotive sector to prosper with a focus on electric vehicles and the like. Therefore, one of the actions I propose is to increase the number of charging points, as we are currently still far from the European average as we can see in the following illustration.

At a cost of 50 million, the number of new charging stations is expected to increase by 30,000 by 2022 (currently there are approximately 8,000 charging points).

Illustration 7. Electric car recharging points

Source: Actualidad Motor

ACTION 3	Spanish brand specializing in low-emission cars

As we know from the analysis carried out during this work, Spain currently does not have its own car brand and one of its weaknesses was its dependence on external decisions. Nowadays, given the growth in demand for electric vehicles and taking advantage of the experience of the Spanish automotive sector, the government could create a Spanish electric car brand (shared with another country or group of vehicles) and eventually liberalize it. An example to follow was Turkey with the TOGG designed and manufactured in Turkey.

In this case, depending on the partner, its experience and its presence in our country, the costs will be more or less high. The launch of this proposal would take place once

the necessary studies have been carried out. However, the estimated date is 1 June next year. And the estimated cost to carry out this action is approximately 4,000 million euros.

ACTION 4	Establish stock of components

Until today, companies used the Just in Time production system by almost completely eliminating stock (components) in order to reduce costs. In times like the present this has caused many production plants to run out of stock. In order to avoid this situation, my proposal is that each plant should have an estimated reserve stock to operate for two months in case of border closures or the supplier's inability to meet our demand.

Depending on the company's demand, size and the machinery required, the cost will be higher or lower. In this case it is estimated that the cost will be approximately 200,000 euros.

8.2 Price actions

We will now propose a series of actions related to the price variable in the marketing mix to improve the current situation of the automotive industry in Spain.

With respect to the discounts on the purchase of non-electric cars proposed below, they are excluding, i.e. the discount that reduces the price by the greatest proportion will be applied, but different discounts will not be applied to the same price.

ACTION 1	Student discount

This action aims to encourage demand from young Spaniards, a type of customer whose purchasing capacity is limited. In this case, the action consists of applying a discount for the purchase of a car according to the average grade of the university entrance exam.

In this case the number of students during the academic year 2020 - 2021 is approximately 680,000, we assume that less than half of them can access the PAU (university entrance exam), from these we subtract approximately 25% who decide to finish their studies or opt for vocational training. Therefore, the final number of students would be approximately 255,000 who would be eligible for this discount. We still have to subtract the estimate of the part that does not plan to or cannot purchase a new vehicle at that age, estimated at 50%.

Teniendo en cuenta que las notas más comunes están en el rango de 6 y 8. El coste estimado es de: (45% x 127.500) x 1.000 + (55% x 127.500) x 2.000 = 197.625.000 euros de coste estimado que se repartiría entre los diferentes grupos que operan en

España. Por último, esta acción estará disponible entre ***Julio y Septiembre del año actual.***

Average mark	Discount
5 - 6,5	1.000 euros
6,6 – 8	2.000 euros
8,1 - 10	3.500 euros

ACTION 2	Limited number of gift cards

This action aims to encourage the sale of vehicles produced in Spain at dealerships and consists of a draw for 20 gift cards worth 4,000 euros for the purchase of any automotive accessory or service (discount on the purchase of new cars, accessories, maintenance, repairs, etc.). In this way, the aim is to increase the purchase of domestically produced cars by 5 percent.

In this case, in order to have a more immediate effect, the raffle has a limited time interval for participation. This action will run from 01/09/2021 until 01/10/2021. The cost of carrying out this action will be 80,000 euros.

Illustration 8: Gift Card

Source: own elaboration Canvas

ACTION 3	10% reduction in prices

Considering the significant drop in demand for vehicles in recent months due to the instability of the market and the uncertainty that this means for the customer, my proposal is to encourage the purchase of vehicles through a series of discounts on the price of the vehicle. My proposal is to encourage the purchase through a series of discounts on the price of the vehicle.

A 10% discount for vehicles priced under 15,000 euros and a 15% discount for cars priced over 15,000 euros. This price reduction will be maintained until the end of 2021.

For this we will calculate an approximate cost based on data[16] from the tax agency which states that the average cost of vehicles registered in Spain was 19,081 euros.

The action will take place between 15 January and 15 February 2022, as these months are characterized by low demand.

Example → 19.081 x 0,15 = **2.862,15**

It is estimated that 50 units will be sold, therefore the cost will be **143.107,5 euros.**

Example: Opel Crossland X has a recommended retail price of 22,700 euros. In this case a 15% discount would be applied and the final price would be 19,295 euros.

While for a Citroën Elysee with a recommended retail price of 13,190 euros, a 10% discount would be applied and the final price would be 11,871 euros. As we can see, the cost varies depending on the type of car and its price.

ACTION 4	15% discount for online purchases

This action is aimed at increasing sales through the online sales channel by 8% in the next 12 months, as well as reducing the dependence on face-to-face sales for the survival of the business. To this end, my proposal is to apply a 15% discount for all purchases made online.

In this case, depending on the type of car and its price, the cost of the action will be higher or lower. To make an estimate, for a car priced at 15,000 euros, the discount

[16]https://www.agenciatributaria.es/AEAT/Contenidos_Comunes/La_Agencia_Tributaria/Estadisticas/Publicaciones/sites/matriculaciones/mes/jrubikf39ace37689b1b2a0448f79ac6c9f4ad53186d6c9.html

would be 2,250 euros per unit. This type of discount will be available during the month of August and during the month of December.

With an estimated 2000 units of cars sold online per year, the approximate cost would be 4.500.000 euros.

8.3 Actions on distribution

ACTION 1	Continuous online staff training

In a sector as dynamic as the automotive industry, it is important for staff to be constantly retrained. My proposal is that companies should offer employees at all stages of the distribution chain (intermediaries, wholesalers and dealers) continuous training to keep them up to date.

The cost of this could be quite low. The company could create a training section on its website accessible only to its employees, with the content it deems necessary, created by the company's own experts. The total cost is estimated to be approximately 30,000 euros. And the training will be available throughout the year.

Furthermore, in order to strengthen human capital and avoid falling behind our competitors, the government is making 95 million euros available[17].

ACTION 2	Creating a logistics platform in France

Given the importance of the French market for the Spanish automotive industry, my proposal is to create a logistics platform in France, with the aim of improving the delivery service (reducing delivery time), as it allows us to be closer to our customers. In addition, in the long term, this action will reduce costs and, very importantly, it will have a positive impact on the environment.

The action will involve an estimated outlay of 50 million euros. The estimated timeframe is approximately 6 months.

[17] https://www.lamoncloa.gob.es/serviciosdeprensa/notasprensa/transportes/Documents/2020/15062020_PlanAutomocion2.pdf

ACTION 3	New distribution points

In order to increase our presence in China, my proposal is to increase the number of distribution points. In this case the action consists of looking for and establishing alliances (cooperation) with companies in the Chinese automotive sector. Companies already established in the area (with the necessary knowledge of the market) and with sufficient experience to distribute our products.

The cost for these actions can vary considerably depending on the partner (experience, market share, status, etc.) but the estimated amount is 3 million per year.

8.4 Actions on communication

ACTION 1	Publicity on Instagram for Plan Renove III

It consists of carrying out an advertisement in accounts related to mobility such as Formula 1 based on publications, which also has fans of all ages. Publicise storie in the accounts of well-known sportsmen in Spain such as Rafa Nada, Raul García, Fernando Alonso, etc. where the importance of the change is explained.

The cost of these operations depends on the number of followers of the different accounts. However, we estimate an approximate cost of 90,000 euros. And the action will take place during one month, specifically during the month of December 2021.

Illustration 9: Announcement Plan Renove III

Source: modified from a publication by Rafa Nadal

ACTION 2	Publicity on Instagram for Plan Renove III

This action consists of offering 600 Erasmus scholarships to university students with academic excellence in branches related to industry and mathematics, with the aim of improving the company's reputation by participating in social activities that are important for society, such as education. This has a positive impact on the company's results and builds a closer relationship with future consumers. And that is why the objective of this action is to achieve a sales growth of 3% within 12 months.

In this case, the academic record will be taken into account as a requirement. The amount granted by the company will be 2,500 euros per student, and the application period is from 01-09-2021 to 01-01-2022. Therefore, the estimated cost will be 250,000 euros.

ACTION 3	Attending international trade fairs

Be present at the Automechanika trade fair in Argentina. One of the most important trade fairs in South America. This fair is more focused on components and spare parts, so it is a good way to increase the presence of the Spanish automotive sector in Latin countries. The main objective is to increase sales and market share.

The event will take place from 14/09/2022 until 17/09/2022. And the approximate cost to register for this event is 15,000 euros.

ACTION 4	Participate in charitable actions

In order to get closer to our customers and to improve our corporate image, my proposal is that the company participates in humanitarian causes. In this case, given the bad situation that many Spanish families are going through, I propose that companies in the sector financially support organizations such as Caritas to ensure that no one goes hungry and has a roof over their heads.

The cost of carrying out this action is approximately 1 million euros, and it will take place at Christmas, a special time to bring a smile to those most in need.

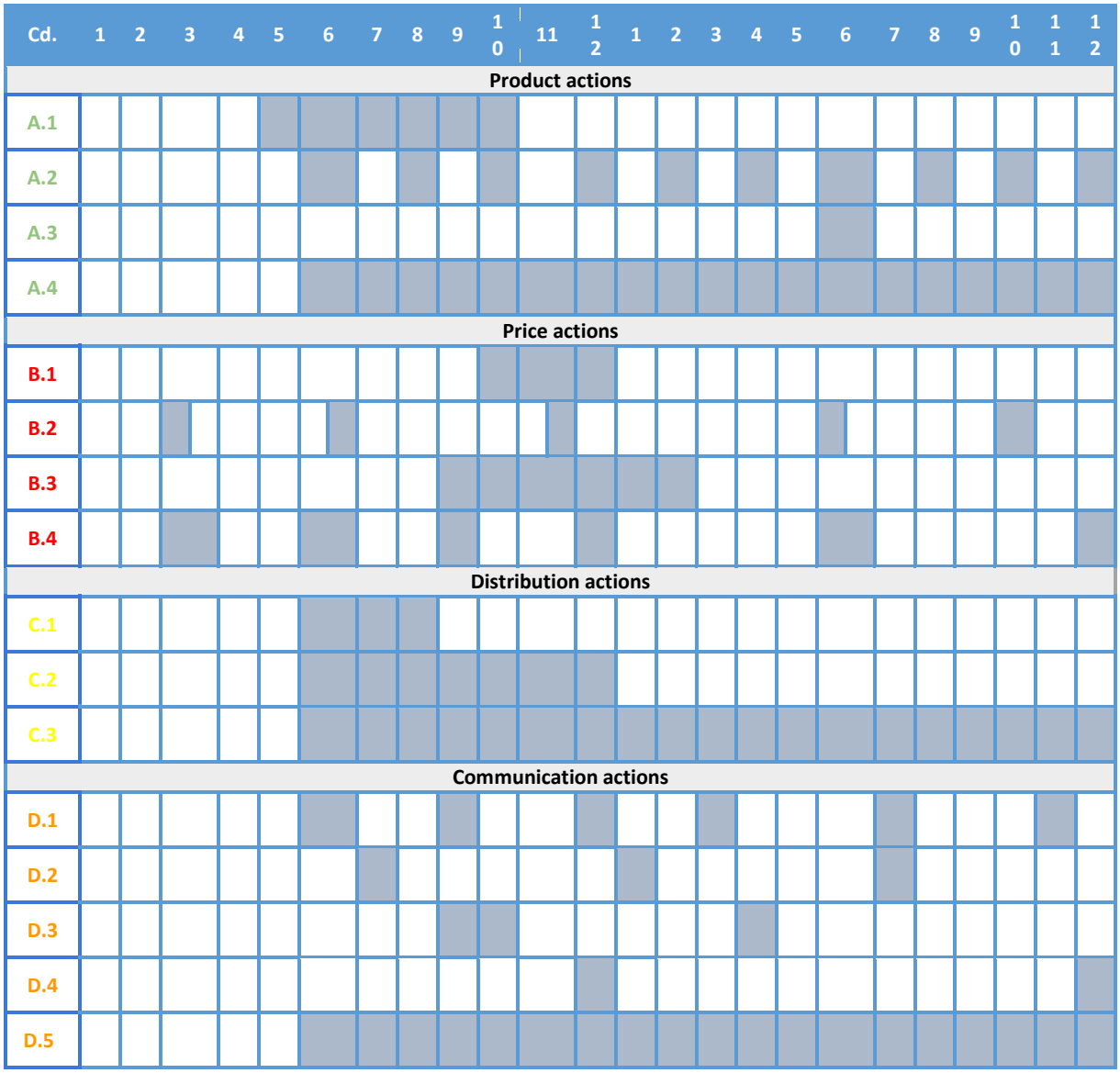
ACTION 5	Tax benefits for component companies.

In this case, my proposal is that the government should reduce the corporate tax rate for component companies by 5%, with the aim of strengthening established companies and attracting new companies dedicated to chip manufacturing. The idea is to reduce our dependence on foreign countries, especially for those components considered "strategic" such as chips, and thus avoid the shortages witnessed in the first quarter of 2021.

These tax incentives to encourage investment in Spanish industry will cost the government approximately 100 million euros. This action is focused on the medium long term, it will be in force for the next 3 years.

9. Timetable of actions

The following table graphically specifies the time at which each of the marketing mix actions set out in the previous section are expected to be carried out. The table has been divided into 24 months.



10. Budget

The below is a summary of the approximate budget required for the implementation of the proposed Marketing Mix actions.

Code	Details of actions	Budget
Actions on the product		
A.1	Increased electrification of production plants	250.000.000€
A.2	Increasing the number of electric charging points	50.000.000€

A.3	Launch a proposal for the creation of a new Spanish brand specialised in low-emission cars.	2.000.000.000€
A.4	Establish stock of components	200.000€
Price actions		
B.1	Student discount	625.000€
B.2	Gift card	80.000€
B.3	Price reductions of a maximum of 10% and 15%.	143.107,5€
B.4	15% discount for online purchases	4.500.000€
Actions on distribution		
C.1	Continuous staff training	30.000€
C.2	Creating a logistics platform in France	50.000.000€
C.3	New distribution points	3.000.000€
Actions on communication		
D.1	Publicity on Instagram for Plan Renove III	90.000€
D.2	Offering university scholarships	250.000€
D.3	Attending international trade fairs	15.000€
D.4	Participate in charitable actions	1.000.000€
D.5	Tax benefits to attract new component companies.	100.000.000€
Total Budget		**559.933.107,5€**

11. Control

We are now going to establish a series of control techniques and methods with the aim of finding out whether the objectives set in the action plan are being achieved.

Code	Details of actions	Control technique
Actions on the product		
A.1	Increased electrification of production plants	Analyze the percentage and number of electric car models produced in Spain. - **Frequency: yearly**
A.2	Competing through differentiation (customer care, after-sales service, etc.)	Compare current sales with those of the 2019 period - **Frequency: yearly**
A.3	Launch a proposal for the creation of a new Spanish brand specialised in low-emission cars.	Compare with the quota for 2019 - **Frequency: after five years**
A.4	Establish stock of components	Compare the average consumption in two months with the stocks we have in storage. - **Frequency: bimonthly**
Price actions		
B.1	Student discount	Compare sales with the previous period - **Frequency: yearly**
B.2	Gift card	Compare sales with the previous period - **Frequency: yearly**
B.3	Price reductions of a maximum of 10% and 15%.	Compare electric vehicle sales with the previous period. - **Frequency: yearly**

B.4	10% discount for online purchases	Compare with previous period's online sales - **Frequency: yearly**
Actions on distribution		
C.1	Continuous staff training	Analyze the average production time - **Frequency: yearly**
C.2	Creating a logistics platform in France	Analyze delivery time and compare sales achieved - **Frequency: yearly**
C.3	New distribution points	Compare to previous period's sales achieved in China - **Frequency: yearly**
Actions on communication		
D.1	Publicity on Instagram for Plan Renove III	Comparing sales of low-emission vehicles with the previous period. - **Frequency: yearly**
D.2	Offering university scholarships	Compare sales with the previous period - **Frequency: yearly**
D.3	Attending international trade fairs	Compare sales in China and Latin America to the last periods. - **Frequency: yearly**
D.4	Participate in charitable actions	Compare sales with the previous period - **Frequency: yearly**
D.5	Tax benefits to attract new component companies.	Analyze the percentage of demand satisfied by domestic parts and components companies.

		- **Frequency: yearly**

12. Conclusion

In conclusion, the Spanish automotive sector is a strategic sector for the Spanish economy, due to the percentage of GDP it represents, the number of quality jobs it offers to society, the taxes it generates for the state, as well as the importance of exports for the balance of trade, etc.

The current pandemic has had enormous repercussions on the automotive sector as we have shown throughout the project (repeated supply chain interruptions, border closures, etc.), leading to numerous and in some cases irreversible decisions. It is true that it has had a negative impact in terms of numbers, but it can be a real opportunity to accelerate the necessary measures to continue to position itself among the largest vehicle producing countries in the world.

The national automotive industry has known how to deal with the changes in the environment that have been taking place (COVID 19) by adapting its strategies to the circumstances. This dynamism of the sector has been achieved by investing in innovation to maintain high productivity and competitiveness with respect to competing countries. Proof of this is that Spain is the second largest car producer in Europe, when in fact it has no national car brand. Despite this, there is still room for improvement in many areas (e.g. reducing the need for employees to come to the factory when they can work from home) in order to better withstand events such as the pandemic and its consequences (restrictive measures).

Regarding the sector's exports, there is a certain dependence on demand from the European market, especially France and Germany. On the other hand, exports to Asian countries (especially China) and Latin American countries are low. Therefore, measures should be taken to further diversify the destination of exports. This could further increase our market share. Finally, it is important to increase national demand and thus reduce to some extent the excessive dependence on foreign trade.

The automotive sector is currently witnessing a dizzying pace of change especially in the last two years (especially since the onset of the pandemic), changed related to customer behavior, customer priorities, etc. Some of these changes have been one of the main drivers of the accelerating growth of the niche market for low or zero emission vehicles.

This growth has been driven in recent years by increased awareness in society, as well as the acceleration of climate change (rising average temperatures, increased natural disasters, water scarcity, etc.). We are therefore at a critical moment to adopt the appropriate and necessary measures to continue or even further strengthen the Spanish automotive sector and its role in foreign trade. The next few years will be critical to attract new investments related to the production of electric vehicles.

Considering the importance of the sector for the economy, it should be noted that the measures taken by the government so far have not been sufficient, both in terms of increasing domestic demand and attracting more foreign investment. With regard to the digitalization of production plants, measures are starting to be taken, although in my opinion they are a little late. One example of this is that Spain has attracted few new and important models. Spain must take advantage of its current position as Europe's second largest producer to attract more low-emission vehicle models by taking the necessary and timely decisions.

In order not to be left behind in this new phase, we must plan carefully and be characterized by our adaptability, we must invest more in innovation (such as researching new ways of working remotely) and in the promotion of technologies that encourage digitization. Another important point is investment in education, as it is necessary to create new degrees related to the automotive industry (more practical and less theoretical degrees) that are less bureaucratic and last less than four years.

Finally, it should be noted that inactivity or late action on the part of the government could lead to the decline of the Spanish automotive industry in the future. This would have serious repercussions on the national economy given the weight it represents.

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