

Running Head: PESTLE Analysis

Drone Delivery In UAE

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Executive Summary

UAE is striving hard to become the top location in world in terms of technological advances. Eniverse Technologies is a firm based in Dubai who has partnered with Skycart which is a company based in a San Francisco that develops drones. Eniverse Technologies has planned to launch latest technologies such as drones in UAE to achieve efficient revolution in the logistics and delivery industry (Abbas, 2017). These drones will be responsible for delivering products to people that has weight less than 5 kilograms initially in Dubai, which will be conducting its operations in the areas of Jumeirah, Umm Suqaim, Emirates Hills, The Greens and The Meadows. These drones will enhance the customer experience by delivering important products such as documents in no time. A pestel analysis is a strategic tool that analyses the of external environment of the country from the perspective of company is stated in the report which needs to be considered by the company for its effective operations. In addition, these factors are further examined in the report to provide a clear understanding to the company. At last recommendation are mentioned which help the company to plan its future strategies to succeed.

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PESTEL Analysis

PESTEL analysis is a framework that is used to analyze and evaluate the external environment and its effect on the company. This analysis provides a theoretical as well as a conceptual perspective about UAE's external environment.

Political

The government of UAE is very stable, where every Emirate has its own government, this attracts several companies to invest in UAE. As stated by Westerband (2016), UAE possess open trade policies with the Gulf Cooperation Council which provides no duties within the region. Moreover, UAE is a member of World Trade Organization that gives opportunity to new markets and eliminate export barriers. According to Heerkens (2015), the Government of UAE provides a stable framework for business and well-defined ownership policies. In addition, UAE has businesses centric policies which consist of protecting the intellectual property rights. UAE is known as the leading political region of Middle East as the policy implementation is very strong. However weak relations of Dubai with Iran can cause a political unrest in the country and further commercial sector to suffer.

Economic

The economy of UAE is very strong. The GDP is very high. Moreover, the unemployment rate is also low due to high salaries being paid. UAE welcomes Foreign Direct investment, and comes in the list of countries with highest FDI rate. According to research presented by Ragauskas, Bručas and Sužiedelytė Visockienė (2016, p.160), the infrastructure of

UAE is of high quality in terms of roads and aviation. Many authors stated that, majority of financial revenue of UAE is generated from oil and gas exports, however oil prices fluctuations and complete dependence on oil and gas has resulted in government of UAE to think about investing in other businesses to strengthen its economy in future. Moreover, UAE does not charge any tax on personal earnings and profits earned from businesses that encourages more new companies to startup. The international trade has been increased by 11% in 27 years (Kerr, 2014).

Social

The crime rate in UAE is very low. A diverse population lives in UAE. The rate of skilled labor and literacy in UAE is very low and the citizens of UAE does not do labor work, as a result a UAE relies on expatriates for labor tasks such as goods delivery, these expatriates have to follow very strict laws and unstable living conditions. The rate of expatriates is more than 80%. As per the analysis of Van (2014), some people from this population are not aware of technological advances and they have raised concerns regarding the privacy of people being violated due to these advances such as drone cameras.

Technological

UAE has very robust communication which is based on latest technology that attracts many new entrants to its IT markets. Most of the revenue earned is invested on technology such as drones for commercial use. The departments in technology has GPS and telecommunication has progressed significantly where telecommunication alone generated \$6 billion profit in 2009

(Kannan, 2014). Moreover, UAE is focusing on working on establishing high-quality GPS systems to facilitate new technologies to work smoothly. In addition, UAE has a technology park in Dubai known as The Dubai Silicon Oasis that includes top technological firms in the world, and more are being invited to have their research and development design centers to work on new technological innovations.

Also, a venture capital is also initiated in UAE who is willing to provide investments to the new start-up organizations who wants to make advancements in the IT sector to help people. Furthermore, the market of IT is developing very rapidly in UAE and this development is becoming a profitable spot for companies who are planning to invest. The increasing population UAE is welcoming investments in the technology sector (Ravich, 2014). UAE's closeness to Asia has provided access to market of around 2 billion as the IT sector has distinctive benefits in UAE. Moreover, the youth of UAE is inclined towards technology that gives a bright opportunity to introduce latest technology systems in UAE as it is accepted widely (Alkaabi and Abuelgasim, n.d.).

Environmental

The climate of UAE is very dry and hot that affects the productivity of several firms. UAE is a deserted region with very heavy sandstorms which hinders the movement of technology such as drones (Sayler, 2015). Moreover, UAE is doing measures to reduce pollution by harmful vehicle emissions by introducing modern technologies such as drones which works through electricity and is will replace deliveries via truck and other vehicles.

Legal

The laws are strictly followed in UAE and any violation to these leads to severe punishments. Moreover, clicking unauthorized pictures of the government and military buildings is strictly prohibited in UAE and if anyone is found to do it can face severe consequences. In addition, according to Thacker (2016, p.19), the General Civil Aviation Authority of UAE has made an announcement that it will impose difficult laws on usage and sales of drones. The legal authorities of UAE are protective about safety and privacy of its people and has set laws to protect them. However, not enough presence of intellectual property laws affects the operations of companies.

Examination Of PESTEL Factors

The above-mentioned Pestel analysis clear picture of the of the external environment of UAE. Further examinations of these Pestel factors will help to evaluate the market attractiveness to support Eniverse Technologies decision to enter UAE market and what factors it needs to consider.

Political Factor

The government of UAE is recognized for its support to innovation, the government has announced to initiate a program to launch drones for commercial use and has organised a worldwide competition which has a prize of one million dollars for outstanding usage of drones to enhance lifestyle of its population. As per the report by Gallacher (2016), the government has stated that with help of drones, they want to save time of people and reduce the distances to

provide quality services to people. Moreover, the government has also released a statement regarding experiments to test drones and is considering the models which are able to carry out delivery of important documents such as identity cards to people. The government firms such as RTA (Road and Transport Authority) along with DFA (Department of Foreign Affairs and Trade) are doing efforts in employing best technologies and digital practices to provide convenience to its people such as air taxi. These efforts will help the government to respond to requirements of its people rapidly and giving opportunities and support to new companies to introduce such technologies.

In the light of study carried out by Heerkens (2015), the government of UAE has recognized the benefits of drone technology such as secured delivery of products which are required on emergency basis for this purpose they have doing investments in this fields and providing capital to such companies to encourage them to continue development in this regard (Abbas, 2017). In addition, the government of UAE is anticipated to become the first government to deliver fundamental service via drones and gain a competitive edge in the international market as a result doing several efforts to be successful. However, some drone companies are waiting from government to begin its operations as government is striving hard to upgrade its services to attain customer satisfaction which will allow companies to seize the opportunities emerging from these efforts.

Economic Factor

As stated by Kerr (2014), the competitive nature of the market is getting intense, where all companies are striving hard to sustain its position in the market by focusing on two main factors that are customer service and quality. Commercialized use of drones is acting as a

substitute to company's operations for competing in the market. According to a report by Thacker (2016, p. 19), it is estimated that demand for drones is going to rise around 1.5 billion dollars in 2022 as shown in Figure 1. UAE sees this as a fantastic opportunity to boost its economy as it has realized that drones can also partner with delivery organizations of UAE such as DHL and Aramex. This collaboration can take the economy to growing state by earning profits. According to Kreps (2016), UAE also plans to reduce the fuel cost in UAE near to zero which is used in delivery by traditional vehicles by developing a new market and options in the logistics industry. The economy of UAE is driven by oil exports and revenue generated is used for technological advances, it is estimated that drone industry will acquire 35%-45% market share.

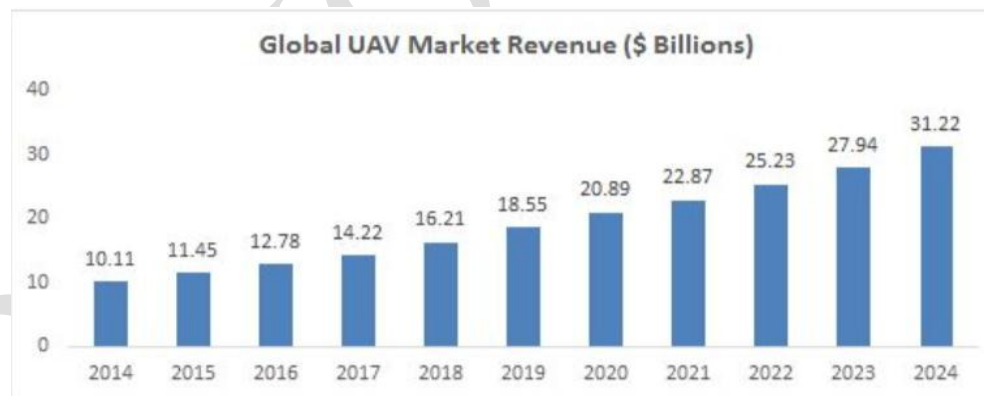


Figure 1: Global revenue of drones

Source: Author (2014)

Legal Factor

Severe damage can occur in case of drone encountering airplanes and recently the air traffic of UAE was stopped for around 55 minutes because of unauthorized drone, as a result the General Civil Aviation Authority has setup a law that “any man-made object” cannot enter in the region of space that is 200 feet above the ground and stay in the limit of 8km of an airport in UAE. Violations of these laws can result in penalties and punishments. Ravich (2014) mentioned in his report that, the General Civil Aviation Authority is creating alliances with the companies developing drones to setup a traffic control center for drone for the safety of people as drones can be damaged and lose control and fall which can cause potential harm to people in such circumstances the companies are asked to compensate the affected person according to civil law of UAE (Abbas, 2017).

There are safety rules set by Federal Aviation Administration (FAA) of UAE for working of drones which are needed to be followed by all the companies to acquire approval and a license for operating drones (Gallacher, 2016). As per the report of Sayler (2015), a proper review is being conducted by FAA since 2009 before approving drones for commercial use such as delivery purposes. In addition, as these drones have camera fitted onto them, so the laws are enforced to protect the taking pictures of the government buildings and military sites and has punishments for someone caught doing so under the UAE copyright law. Also, there is a law in UAE to prevent privacy of people on clicking unauthorized pictures. Furthermore, additional laws will be enforced in the distribution of drones.

An advanced technology will be used for development of these drones and they will be operated by themselves, which will be happening for the first time. This invention will decrease the costs as compared to traditional deliveries (Alkaabi and Abuelgasim, n.d.). These drones are

set to launch in mid of 2018 till 2019 after seeking approval from UAE government. The CEO of the company is confident, as this invention will be offering a distinctive experience to the people and raise the quality level to a significant level and will be providing services 24/7 (Bonazzoli et al., 2015).

Recommendations

The analysis and examinations of pestel factors has given an insight about the factors which need to be considered and are a source of benefits the company. However, it is recommended that Eniverse Technologies should seek benefits from the opportunities provided by the UAE in a strategic manner. Moreover, Eniverse Technologies should consider the legal factors of UAE very seriously to avoid any violation of law and design its drones according to the code of conduct of UAE. Eniverse Technologies should hire a team of expert engineers who will be responsible for closely monitoring the working of these drones while they perform their operations for successful operations of the company and to flourish in future as well as to acquire a good market share in the UAE market.

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