

# Motorcycles developing a strategy for distribution channel



Our corporate ethos finds its expression in the uncompromising pursuit of the private. The result? Outstanding brands with an unmistakable profile. Automobiles and motorcycles which fascinate people all over the world and which win legions of new admirers every day. And a degree of success which sees the BMW Group go from strength to strength. With the three brands, BMW, MINI and Rolls-Royce Motor Cars, the BMW Group has its sights set firmly on the premium sector of the international automobile market.

To achieve its aims, the company knows how to deploy its strengths with an efficiency that is unmatched in the automotive industry. From research and development to sales and marketing, BMW Group is committed to the very highest in quality for all its products and services. The company's phenomenal success is proof of this strategy's correctness. " BMW Motorcycles provides a robust product line following three general categories: Touring, Sport, and Endure. Touring bikes are built for the long haul, with rider comfort as the premium.

These are the motorcycles you would take on a cross country trip. Sport bikes satisfy the " need for speed" and styling trends for the younger crowd. Endure bikes are for the adventurer is us all; these bikes are built for on or off road travel. BMW Motorcycles' main competition comes from Japanese motorcycle companies. Most American motorcycle companies produce cruiser style bikes; BMW offers little choice in this style of motorcycle. However, each of the main Japanese manufacturers (Suzuki, Yamaha, Honda, and Suki-yaki) offers motorcycles that are very similar in style and performance.

Although BMW has historically had its own niche in the market, that of the older male, it has recently branched off into more dedicated off-road and super-sport bikes. These are categories that have been historically dominated by the Japanese manufacturers. Throughout the years, BMW motorcycles have been renowned for their durability and engineering. BMW has always been on the forefront of motorcycle engineering. BMW was the first motorcycle manufacturer to offer ABS on a motorcycle. They have also parallel single-arm suspension. Although BMW are more costly, that price is offset by the life cycle of the motorcycle.

Until recent years there hasn't been much of a rivalry between the Japanese manufacturers and BMW motorcycles. BMW had its small place in the market and was not a threat to the Japanese firms. BMW motorcycles were not known to be stylish or fast, the two categories that attract the majority of motorcycle buyers. BMW attracted more mature owners who were impressed by the machine's reliability and durability, and who had more money to spend on a new bike. The lack of power was partly due to BMW self-imposed limitations on horsepower in motorcycles.

However, these limitations were lifted in the late 1980s, and BMW began to produce super-sport bikes that rivaled the Japanese bikes, and even surpassed the Japanese competitor's performance. Up to this point, young males were rarely interested in acquiring BMW. They cost twice as much as the closest Japanese bikes, they were slower, and they were less attractive. In essence they were the Volvo of the motorcycle world. However, like Volvo, once BMW redesigned their product line into more powerful and stylish

motorcycles, they began to quickly cut into the Japanese manufacturers' market share.

BMW motorcycles have consistently won “ Best Bike” awards in various categories within the past few years. Several of these awards include “ 2005 & 2006 Best Touring Bike” for the RI ART, and “ 2005 Best Adventure Bike” for the FESSES. BMW Motorcycles reported December 2006 sales up 36. 8% over the same period in 2005. In 2005, annual sales worldwide for BMW topped 100, 000 motorcycles. In 2004, approximately 5. 7 million motorcycles were sold in the US, of which 12, 825 were BMW. Estimates of market share for 2005 show Honda in the lead with 24% of the market, followed by Harley-Davidson and Bubble with 22. %, Yamaha at 15. 9%, Suzuki at 11. 8%, Sukiyaki at 9. 1%, KIT at 1. 7%, BMW with 1. 2% and “ Other” at 13. 7%. Although BMW gains less than 2% of total US motorcycle sales market, they only reflect less than half of Bum's worldwide sales. BMW sold more motorcycles in Italy (13, 651 bikes), than in the US, and Spain was a close third with 10, 002 bikes. The BMW RI ASSES has been the top selling bike worldwide for the past several years. As a result, Japanese motorcycle manufacturers have recently introduced large engine dual sport bikes to their lineups to compete with the BMW.

The BMW RI ART has been increasingly sought after by police departments as their bike of choice, replacing the mainstay Sukiyaki. With their ever increasing popularity and sales, BMW is becoming a threat to the Japanese manufacturers and the rivalry is growing. Two of the primary attributes for motorcycles are durability and performance. Durability is defined as the capability of withstanding wear and tear, it is measured by a products ability <https://assignbuster.com/motorcycles-developing-a-strategy-for-distribution-channel/>

to perform or compete over a long period. For a motorcycle this can include engine life, the ability to conduct repairs, and retention of market value.

Performance is defined as the way in which someone or something functions.

For speed. Target Marketable Market 1 : Young Males 18-25- Generally college age males, style and performance are the biggest factors for this group. Cost could be an exclusionary retention, as this group may not have a large cash base. Target Market 2: Adult Males (25-40)- Established professionals. Performance not as big a factor as durability or economy is. This group is willing to spend more for a higher quality product. They are style conscious, but style is not necessarily a prime factor.

Target Market 3: Females (all ages)- Female motorcycle buyers are a growing market, but still small enough to treat all ages as a singular group. Female riders generally are looking for something economical and stylish. Performance is low on the list of criteria. Primary Product Categories. Endure . These are dual purpose motorcycles that are built for both on and off road. -High Performance. Specialized off road motorcycle. -Tour. These are bikes built for long distance rides. Comfort is number one on these bikes. -Sport. These are your speed bikes. They are built to go fast and look good. Urban. These are the bikes built to cruise the road and get good gas mileage while they are at it. This is the commuter bike category, not flashy but dependable. Undergoing PerformanceTouringSportUrbanYoung Male / adult Male / females Core productively sold to these individualistically purchaser of teams in this extemporaneously Cells: Young Male [Sport. This is the primary product line for this target market. They are looking for style and speed. This

is the category that provides those. This line is very important, as this is the largest share of the entire market.

BMW has been behind in this line, and only recently become competitive within the past few years. Although they now have one of the highest performing motorcycles, it is difficult to overcome the brand recognition the Japanese motorcycles have built up in this line. The competitive advantage in this line is aimed through a mix of performance and appeal, with cost also a major factor. Perceived performance and style may be more important than true performance and style. Young Male / Urban. This is a growing market the past few years. BMW is neck and category.

This is important, because getting the recognition and sales in this product line can affect the sales of the other lines. No company currently has an advantage. The advantage can be achieved by offering a motorcycle with excellent handling, great gas mileage, at a low cost. One of Bum's products, the PUFF, has been seeing robust sales due to the high MUG. BMW is poised to gain an advantage in this market, the key will be to ensure the BMW name recognition is realized within this target market. Adult Male Endure. BMW has had the leading product in this market since the introduction of their R - GAS line of bikes.

This award winning product has been continually recognized and awarded for its attributes. It is the king of the hill of endure bikes, with no true competition in sight. This bike has become one of the cornerstones of BMW motorcycles, and thus its continued success will be a direct reflection of the company. BMW has been able to sustain their advantage in this racket / line

by continually improving the product. Adult Male / Touring. This category has seen large growth in the past few years. BMW is poised to gain an advantage here, due in large part to the recognition they are gaining by the police forces.

Police forces have been buying their R-ART models in increasing numbers for the past five years. This has had a direct impact on the sales volume of not only this product, but the touring line as a whole. The police usage has given BMW greater brand recognition. Keeping the bikes visible within police forces will be the key to maintaining their competitive advantage. There are only two real competitors in this category, the Sukiyaki Concours and the Honda Glowing. The Honda has been the leader in this line until several years ago when BMW sales began to overtake them.

BMW provides better durability, performance and comfort than the competitors. These are all key attributes for this target market. BMW has been pursuing new markets and products; they also have opportunity to develop both, especially in the female rider market. In the past few years, BMW has introduced improved models of their existing motorcycles to increase their appeal to monger markets. They have greatly increased their performance and styling, both key attributes sought after by this largest target market. As a result of developing this market, profits in the young male market have soared.

In addition, BMW has introduced all new models of motorcycles. Of these new models, the most notable are high performance sport bikes to appeal to the young males, and less powerful, smaller frame bikes to increase appeal

to beginners and females. Since 1999 BMW has developed close to 15 new motorcycle products for introduction. Each of these bikes has seen brisk sales. BMW does not hold a competitive advantage in the motorcycle market; this is due to several factors. BMW motorcycles are expensive. In many cases they cost more than \$10,000 more than their market competitor.

Although BMW are more durable than their less expensive competition, the prime market does not appear to be willing to company holds a sustained competitive advantage. The Japanese motorcycle companies, with their powerful, inexpensive motorcycles share the competitive advantage over the American and European motorcycle companies. However, this advantage tends to shift to a different company each year as new bikes are introduced. The price points for Honda, Yamaha, Sukiaki, and Suzuki are all similar for each comparable product; with generally only several hundred dollars difference.

Any competitive advantage among these companies will rarely last over a model year or two. Thus there is no sustained competitive advantage among these rivals. Due to the similarities in the product offerings between all these companies, unless some revolutionary technology is developed, it will be nearly impossible to sustain any competitive advantage. Customer satisfaction is a high priority with BMW; in 2001 BMW Motorcycles introduced the “Customer-oriented Sales and Production Process”. This process is used from customer order to delivery.



It begins with an online ordering system which allows a BMW Motorcycle dealer to send a customer's order directly to the manufacturing plant, eliminating wholesalers or resellers and providing instant delivery status. This system also allows the customer to change any detail of his order, up to the minute that production is begun. All BMW motorcycles and parts are built at the BMW plant in Berlin, Germany. BMW motorcycles were originally built in Bum's historic Munich plant until the asses. BMW concentrates all motorcycle related production, to include many component parts in the Berlin plant.

This plant can build up to 500 motorcycles a day. BMW motorcycles are built to general specification and also may be custom designed from anywhere in the world. The Berlin plant builds motorcycles to the specific requirements of the over 20 countries they deliver to. The BMW motorcycle plant in Berlin uses state-of-the-art technology. It has been recognized as the most modern motorcycle manufacturing plant in the world. Like their motorcycles, the production plant is focused on ergonomics and efficiency. In addition, the factory incorporates numerous environmental friendly processes.

Many of these processes, including production water recycling, also help to cut production costs. The BMW logistics division is responsible for organizing the motorcycle production. Together with marketing, sales and production departments it plans the production schedule, generates the best production sequence and ensures timely delivery of the motorcycle to the customer.

Logistic specialists plan and coordinate the delivery of material to assembly and make sure that quality parts are cost-efficiently delivered to he

production line. Parts and components. These parts are delivered to Bum's Berlin plant on time and in the correct quantities.

Most of the suppliers specialize in motorcycle parts for BMW. 65 % of the suppliers are located in Germany, 34 % in Europe and 1% in USA and Japan. In 2001, BMW reengineering its distribution process to reduce costs and improve response time for dealers and parts vendors. Once the motorcycle is completely assembled, it is transported from the factory direct to the retailer who placed the customer's order through a "Retailer Channel" method. BMW uses a variety of remonstrations methods including truck, rail, and sea lift ; depending on the destination of the product.

In the USA, BMW motorcycles are received and distributed out of two warehouse locations in New Jersey and California. From there, they are delivered direct to the retailer. BMW Motorcycle dealers are authorized by BMW to sell the motorcycle product line, and to also provide an after sales service to BMW customers. To maintain brand image and ensure customer satisfaction is met, the dealers comply with corporate requirements and guidelines in the presentation of their facility. BMW considers reportage identity and brand image to be paramount to maximize awareness of the differences between it and its competitors.

These guidelines establish standards for interior and exterior design, levels of customer service, signage, typefaces and advertising. The goal of these requirements is to maintain Bum's prestigious reputation. In addition, BMW provides management support, training courses for all dealer staff, recruitment assistance, marketing support, and an internal comprehensive

online reference system which gives immediate access to up-to-date product and corporate information. Bum's dedication to customer service, both service visible to the consumer and services which are transparent, give it a decisive advantage within its distribution channels.

By striving to provide the customer the exact product desired, in a timely manner, they have streamlined their distribution processes. In addition to providing satisfaction to the consumer, this retailer channel process has cut transportation and resale costs to the benefit of both BMW and the customer. The benefits of Bum's "Customer-oriented Sales and Production Process" are that the consumer can get an individualized BMW motorcycle without having to purchase cookie-cutter motorcycle and numerous after-market products.

The customer gets his one of a kind motorcycle right off the production line. In addition, he can order his customized motorcycle and receive it in a comparatively short period of time, with instantaneous production progress status available upon request. These are benefits to the consumer that the competitors cannot provide. With Japanese manufacturers, they sell the base motorcycle with very limited options. It is a dice roll that the This level of customer service, along with the high quality of the motorcycles, creates rabid dedication to the BMW brand.