

Problems facing bmw company marketing essay



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Globalization diversifies markets for vehicle manufactures where regions like Japan, North America and Western Europe are established big manufactures with over 18 vehicle manufactures across the board. This accounts for almost 90 percent of vehicle produced thus a scramble for available markets, attention now turns to upcoming economies like Russia, Latin America and Eastern Europe, Governments in developing economies aware of the value of their prospective growth auction off their market share to the highest bidders, like BMW, this investors hoping to increase manufacturing capacities so as to build their intended market bid away their economic returns and in so doing multiply the overcapacity problem on a large scale (Griffin & Pustay 2009). Risks involved in venturing into new markets weigh in and most companies aware of the consequences of losing a market place bid, this either plays out in the company over bidding or throwing in the towel and losing the market.

Differentiation

Successful ECO-Specialties must emphasize their differentiation.

Differentiation means that the marketing mix is distinct from and better than what is available from the competitor; product differentiation is the core to a healthy market share. An abundance of option for the vehicle buyers exists with vehicle models with almost similar functional characteristics, BMW is now forced to manufacture unique products for a particular region at a point in time, and this is to cope with tastes and fickle needs of consumers. This differentiation wanes on their budget heavily since financial consequences of missing a market are disastrous (Prahalad & Hamel 1990).

Innovation

Commitment to innovation and product variety has brought on the greatest challenge in the companies history, the intricacy and complexity of the functions offered in BMW's premium luxurious cars has burgeoned making manufacturing costs increase. Product development is the most financially taxing for BMW, the cost of developing a new models and model parts is enormous, time consuming and carries major risks. where the ford and general motors GM experience of 1970s and 1980s implies that commonization among manufactures leads to consumer backlash and confusion, BMW is now faced with expensive process of innovating prototypes and going through rigorous expensive and risk prone testing phases (Hollensen 2007).

Competition

Competition from other vehicle manufacturers dictate company strategies, with 69% of the market controlled by six companies its more difficult for a manufacturer to maintain his buyers without raids from rivals, this has the most direct effect on prices. Slow growth in automobile industry intensifies competition and has affected the BMW strategy leading to the BMW brand acquiring the merger partners (Tata Motors Inc. 2009).

Substitute Products

Substitute products threat on the auto market relates to products, materials or resources that may cause the demand for a product to shift. BMW targets premium buyers with whom quality matters, however other manufactures

targeting this premium car market like, Mercedes, Audi, and the Porsche consequently become a close substitute to BMW.

Global Warming

With Global Warming a great concern in the modern world, environmental activists, non governmental organizations and governments are pushing for manufacturing companies to go green, BMW The carmaker, whose stable includes its core BMW brand along with the compact Mini and the super luxury Rolls-Royce, which hopes to deliver over 1. 8 million vehicles a year by 2012 is faced with stricter regulation to conform, the company warned it is also likely to be confronted in the future by stricter emission standards in many countries. This implies further costs in innovation of more environmentally friendly engines, fuels and investment into alternative sources of energy to drive their cars.

Proposed Solutions

On globalization

BMW can solve this over taxing problem through carefully calculated mergers and acquisitions, this allow the company to gain market share and penetration as well as access to already existing technology, local professionals and local brands. Furthermore, reviewing policies to improve the ratio of profitable to unprofitable customers which tends to run 20: 80. Developing a global view of the brand and the buyers' portfolio will reveal uncharted regions for expansion. And the use of existing plants in suitable locations to manufacture or assemble vehicles maintaining the quality of the BMW brand will greatly cut operational start up costs.

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Differentiation

BMW has adopted advanced technology used to increase engineering and the quality of the models which are the route to competitive advantage. Mainly the major areas of differentiation are in alternative energies and security features, ensuring the brand maintains uniqueness, the BMW's 2002 (sports sedans) ensured differentiation was achieved, BMW use of advanced electronics make their cars luxurious as well as sporty to drive

Innovation and product variety

The use of technologically announced Intel Xeon processor 5500 series helps BMW Group to balance hardware, energy and application licensing costs, while also increasing its performance. This allows for new applications to be run, prototypes can be virtually created and tested virtually, Dr. Burkhard Goeschel, member of BMW board explains key areas of innovation incorporated in product development, this key areas include, Connected Drive which allows for an innovative and comprehensive concept networking the car, the driver, and the surrounding world, by-wire technology and iDrive control, all these concepts are available in the new BMW 7 series.

Competition

BMW has introduced new models, the x5, x3 and z4 with advanced electronics to make them sporty as well as luxurious, BMW has also acquired the Mini Cooper and Rolls Royce car manufacturers and the new models have boosted their competitive edge.

Substitute products

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BMW prioritizes quality and product differentiation such that for its targeted premium market the BMW standards remain top and the car is still prestigious.

Environmental challenges

To combat this BMW along with other motor companies have tried to use some of the emerging technologies to make money, lower costs and ultimately help in reducing pollution. Toyota, Ford and BMW have incorporated this mentality in manufacturing of three lines of their cars, the new BMW 7series and the greatly awaited z4 are all projected to embrace these environmental friendly features, in future innovation of electric cars and alternative fuel sources are being considered.

Major Strategic Alternatives

BMW has established a basic supply chain in order to improve its load planning, this aids in determining its allocation strategies to cope with globalization; this supply chain ensures putting up of new manufacturing plants in suitable foreign countries and dedicated assembly lines for every product with few variants and thus increases productivity and reduces costs. With the market full of options for the buyer, the chain allows BMW to establish its brand in emerging anomies before competitors bid for market shares.

Mergers and acquisitions of key brands of premium brands of cars have further solidified BMW market dominance. Beginning with the BMW – Rover merger, the company has newly acquired MINI, and Rolls Royce cars. Its products cover the full range of size classes and car types but consist

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exclusively of premium-class cars, this allows the company to venture into new markets use the facilities used by former brands to re model new cars thus reducing operational costs while fostering growth. Unlike former mergers like the vole-Renault deal of the early 1990s which collapsed because the company cultures were incompatible, BMW integration with their new acquisitions have proved profitable, most vehicle manufactures have resulted to creating entirely new vehicle segments, and BMW hit home run with its 2002 sports sedan which generated returns to its innovator by fending its differentiated position, the company has designed and always built cars with exponentially greater responsiveness to a driver's actions, this has been greatly attributed to the companies' product differentiation policies (Teece et al 1996). The BMW engine roaring sound is music to the ears of sports and performance car lovers, outside the box thinking like the BMW sedans and convertibles give BMW a competitive advantage over other manufacturers. New and advanced technology like greatly improved safety features, advanced control features have led to market dominance.

BMW cars typically have product life cycle of seven years. and according to Jim McDowell, vice president of marketing at BMW' If a product is declining, we would prefer to withdraw it from the market, as opposed to having a strategy for dealing with the declining product' this awareness ensures that BMW ventures are only profitable ones, the rover case shows how failing mergers operate and instead of working on it BMW sold it to UK venture capital firm Alchemy Partners (Siciliano & Zuvich 2006). To foster growth BMW instead acquired profitable mergers like with luxury cars rolls Royce.

This ensures the company always remains relevant to the market and trendy to its buyers

With advancing technology and introduction of fiber optic cables in developing economies, the world has become a global village where car enthusiast can order in their premium BMW cars online, check features and ask questions on performance, : BMW Car maker uses web mostly to drive its brand, taking the phrase ‘ beyond the banner’ seriously, online adds like the Marketing Channels Internet 468×60 banners, appear on equal rotating basis with each search result, with BMW targeting 26. 5% the percentage of viewers between age group (25-34) , this along with E-mail Marketing, Brochure test-drive Registration for Mail alert message, and e-catalogue, enable more availability of information anywhere to prospective buyers, BMW has launched an email marketing campaign for the release of the long awaited Sporty new Z4 Convertible, Z4 BMW (Key General Motors Financial 2007). This guarantees availability to buyers who don’t have to attend gallery shows at the dealership.

BMW has established Numerous Overseas Subsidiaries in countries like, south Africa, India, china Canada and Egypt, where BMW vehicles are assembled, 2003 saw the signing of a deal the production of sedans in China, this subsidiary firms are well equipped to build cars for export to specific markets like, the south Africa plant builds left hand drives for the Taiwan market, and also right hand drives for sub Saharan Africa, Malaysia and Singapore. This shows a great understanding of the market and understanding of the buyer needs in different regions,

Predictions

If put in place supply chains will enable the company to greatly take advantage of existing infrastructure in different regions, this will allow for strategic allocation of plants in areas where the BMW brand will not be compromised, this areas will preferably have skilled professional workers, laid out infrastructure which the company will exploit. This aids in reduction of start up costs in new markets. Integration with already existing local brands allow for easy market penetration (Franey 2008).

E-commerce is a must have for companies in the modern world and will increased emphasis on e marketing, BMW stands to break into markets far and wide, most upcoming economies have low income citizens without many premium luxurious cars available, the internet brings the BMW experience closer to them, thus when the market is established the concept of luxury cars wont be so alien, this allows for easier market penetration and preparation of a ready market (Juslin & Hansen 2003).

Product differentiation among premium car market is a key to successes, with the targeted buyer giving more emphasis to quality and uniqueness and elegance as opposed to pricing, BMW seeks to offer intricate designs and features to these new models allowing for elegance that buyers crave. In reaction to the differentiation major competitors like Volkswagen, Porsche, Mercedes, have released new models like the jeep Cherokee luxurious SUV, and the mustang pony cars so as to try and keep up.

Establishing of overseas subsidiary in developing markets in the Latin America, and parts of eastern Europe, and Africa BMW will be able to put up assembly plants closer to the buyer, sales are predicted to sore with introduction of this new markets, the subsidiary firm are able to carry out research in respective Regions and integrate the outcome in their strategic plans to give the buyers exactly what they desire, this bolsters sales,

Strategy outcome Prediction

When implementing E- Marketing as a basis for extending growth and penetration to market regions, various risks are involved especially when the internet is being used to launch details of new vehicle series being manufactured, BMW had a case in 2004 when there were cases of website incursions, theft of vehicles and a constant threat of arson even in its UK head offices in Bracknel (Hambrick & Fredrickson 2001).

In addressing all these, the company specified a self-sufficient security solution that was cost effective and that required minimal human supervision and intervention. Reliance securities implemented a state of the art security solution including CCTV surveillance with intelligent detector activation, to avoid future incursions.

Mergers and acquisitions are effective in breaking into new markets through acquiring and integrating an already existing brands, great risks are involved in such takeovers, having seen the BMW-Rover merger record massive losses, in light of this failure BMW has learnt to plan its mergers with companies whose cultures are compatible, this has seen successful mergers

with luxurious car manufactures rolls Royce and the mini (Pearce & Robinson 2009).

Production of entirely new brands is the most expensive aspect of car manufacturing with average of 2 models released in a decade, across the wide range of car manufactures, though this allows for product differentiation and preferences to the buyer, great risks are involved, since the sports sedan in 2002, only the 2seater roadster and coupe have been sold since 2002 (Marshall & Stuart 2008). The company has however heavily invested in technology when intricate applications are put in place to virtually make desired prototypes, and virtually test the models this greatly reduces costs of manufacturing a car and having it fail.

Many countries have enacted stricter environmental restrictions on pollution and emissions, BMW, has greatly put in place measures to manufacture more fuel efficient cars, this comes with elevated costs and consequently the cost is projected down to the buyers, more fuel efficient engines are expensive, electric cars which are regarded as the future are even more costly even to premium market target manufacturers, The 2011 BMW Active Hybrid 7 and the vision Efficient Dynamic Concept car which was unveiled during the September 2009 Frankfurt Auto Show are projected to offer fuel economy of 62. 6 mpg.

BMW also has a recycling policy where they use the shredded parts of the cars in their yard, this reduces pollution, and the foundation for the environmental friendly recycling of vehicles is laid during the production of each vehicle (Bayerische Motoren Werke Aktiengesellschaft 2008).

Supply chains overall levels of integration ensuring a reduction to fixed costs of assets and labor, they also serve to reduce the number competitors supplying into the same market, for instance India is a viable market but has competitors such as, Audi, Daimler Chrysler, Tata, Mahindra and Hyundai looking to invest in that market by putting up assembly units, the supply will ensure such a flooded market is avoided or a more appropriate means of entry is effected (Thompson & Strickland 1996).

Globalization leads to governments of up coming economies take advantage of their growth potential and thus bid off their markets to the highest bidders amongst the major vehicle manufactures. But there is growing unwillingness within the supply community to invest in plants that might not reach potential in over a decade, this leads to investors pulling out instead of bidding away, this markets form good grounds for take over and acquisitions of already in place plants (Kiley 2004).