

Bmw analysis essay sample

[Technology](#), [Cars](#)



Abstract

The automobile industry is the most interesting and complex business sectors in the global framework for analysis. The Japanese cars are now supplemented by luxury models, such as Lexus, Infinity, and Acura to compete with European cars made by BMW, Mercedes, and Audi. In this analysis, I'm going analyze BMW and its competitors using Porter's Five Forces Model and other marketing tools and determine if BMW has a competitive advantage in the market.

History

The Bayerische Motoren Werke also commonly known as BMW is the world's most renowned automobile brand. BMW was founded in 1916. The company's headquarters is in Munich, Germany and the current CEO is Norbert Reithofer. Today, the company is one of Germany's largest and most successful car and motorcycle manufacturers. BMW Group owns three of the leading premium brands in the automobile industry: BMW, MINI and Rolls-Royce. They set the highest standards in terms of aesthetics, dynamics, technology and quality, born out by the company's leading position in engineering and innovation.

The company also has a strong position in the motorcycles industry and also offers a full range of financial services. Today, BMW's two biggest competitors are Toyota's Lexus and Daimler's Mercedes. The company has adopted a strategy to differentiate from others by being the number one in the industry. Great leadership and long-term thinking have been the cornerstones of business success. The BMW Group has been a sector leader in the DJI Indices for the last seven years. The company has a total of 23

production facilities around the globe in 12 different countries with representation in more than 140 countries. The company is famous for its world class luxury cars offered to international customers. BMW is considered as the world's leading premium manufacturer.

BMW vs the Competition

One of the reasons why BMW and Audi have been outselling Mercedes is their stronger foothold in the fast growing Chinese luxury vehicle market. China is the world's second largest premium vehicle market behind the U. S., selling just over 1.5 million units in 2013 by the estimates. The country is expected to overtake the U. S. as early as 2016, in terms of luxury volumes bolstered by increasing disposable incomes and less penetration of luxury vehicles at present. China has only around 79 vehicles per 1,000 inhabitants, whereas the figure for the U. S. stands at 791 vehicles per 1,000 inhabitants. In addition, only 7% of the total vehicle sales in China at present are constituted by the luxury segment, compared to the consistent 10-11% for the U. S. Both Audi and BMW accounted for around 60% of the net volumes in China last year, with Audi selling more than twice the volumes sold by Mercedes in the country.

Slower volume-growth compared to its chief competitors in China has somewhat hampered Mercedes' aggressive growth strategy aimed at regaining the luxury sales crown by the end of the decade (Forbes, 2014). The company is still ahead of its competitors Daimler and Volkswagen in terms of market share and customer satisfaction. In 2012, Forbes announced BMW as the most reputable business in the world. BMW is following a local

production strategy; BMW is highly committed towards its long term strategy of market penetration, while at the same time escaping high duties on imported foreign produced cars. Another production and sales strategy used by the company is the (CKD) process which is known as completely knocked down process in which different components and parts are imported from different local and international assemblers (Ferber, 2014). Today, BMW obtains a very competitive position on the market.

At the very beginning the strengths included high potential to growth and profitability of the company, and professional management team, customer loyalty and excellent service. BMW has a hard core of loyal supporters. It develops lines of services to satisfy the needs of wide audience, low-cost of the services. BMW has maintained high-speed growth through continuous optimization of its product mix and constant technological innovation. New Innovation

The competition between BMW, Ford, and Mercedes has been going on for a long time to be the best Automotive Brand in the world. Recently, many automotive companies have established a new design car with electric energy to replace the fuel. The BMW Motor Group also has developed a less expensive charger the size of a small suitcase that could lead the charger market for the electric cars. Recently, BMW motor group has been encouraging third-party companies to step in and set up a system similar to Tesla's nationwide Supercharger network, which has their own station to recharge the electric cars that Tesla produced. However, unlike Tesla's chargers, which are not suitable for other car brand but only to Tesla owners,

the BMW-branded chargers also can be used to recharge EVs made by competitors such as Ford Motor Co., General Motors and Volkswagen. This could give BMW a competitive advantage in the electric car market.

Competitive Sales Analysis

In the year 2007, the company reported a net profit of more than 3 billion, with more than 222, 875 mini units, 1, 276, 000 BMW brand cars, and 1, 010 Rolls-Royce cars. Today, in terms of volumes, the three German automakers are ranked in China as Audi, BMW and then Mercedes, in that order.

However, the rankings turn upside-down when considering the U. S. premium market. Mercedes fended off growing competition from BMW to hold the lead in the U. S. luxury auto market last year, selling over 312, 500 units in the country. However, led by a 25. 5% increase in sales of light trucks, including sports utility vehicles, BMW has overtaken Mercedes in the first five months of this year, selling 127, 181 units in the U. S., up 12% year-over-year. In contrast, the brand Mercedes has sold 125, 118 units in the country during this period, up 6. 5% from 2013 levels.

Toyota Motor Corp' s Lexus has also made a steady recovery in the U. S., following the earthquake in Japan in 2011, with volumes growing by an impressive 18. 7% to 115, 171 units through May in the country. Mercedes launched the compact CLA-Class last year, along with the refreshed models of the E-Class and S-Class, and followed it with the launch of the SUV GLA-Class and revamped C-Class this year. The company aims to launch 30 new or refreshed models through 2020. However, Mercedes faces stiff competition from BMW and Lexus in the U. S., and could lose out on the

number one spot in the country at the end of this year. Through May, BMW had a 23.6% market share in the U. S. luxury segment, followed by Mercedes' 23.2% and Lexus' 21.4% share (together making up 68%), by our estimates (Forbes, 2014). PORTER'S FIVE FORCES ANALYSIS:

Threats of new entrants:

Threat of new entrant is dependent on the challenges faces during entry into the industry or entry barriers. The threat of new entrants I case of automobile industry is less as large capital cost is required to set up a manufacturing plant and assembly liner. Also it takes time for new entrants to get a place and the reputation in the minds of the consumers. Threat of substitutes:

BMW has a brand image of being powerful and luxurious. It is positioned in the exclusive car range where there exist many substitutes for BMW like Mercedes, Audi, Porche, GM and Toyota. Bargaining Power of Buyer:

BMW and its competitors are positioned as luxury brands in an exclusive market. This means that the bargaining power of buyers is high because the consumers can decide the product according to the price range and buy the products accordingly. Also with environmental issues hovering over the industry the buyers have the last say with sample substitutes available.

Bargaining Power of Suppliers

BMW has good supply chain management system and had long relationship with suppliers. The bargaining power of suppliers is high in this industry as the suppliers can dedicate the price tag for the raw materials. Though long

time associations with suppliers can prove valuable, the final word lies more or less with the suppliers. Competitive Rivalry

Industry has cut throat competition for its products with its products targeting the segment and positioned in a similar way. Competitive rivalry was high in the industry with the dominant US and European markets facing stiff competition from the Asian market. SWOT Analysis:

Strengths

Brand Reputation

Environment friendly vehicles

Quality products

Highly skilled workforce

Corporate Social Responsibility

Strong brand presence in China

Weaknesses

High Cost Structure

Weak brand portfolio

Perception of high prices

Too few acquisitions and strategic partnerships

Opportunities

Increasing fuel prices

Positive attitude towards “ green” vehicles

Expand brand portfolio

Changing customer needs

Threats

Intense competition

Rising raw material prices

Decreasing fuel prices

Growing euro exchange rate

Key Drivers of Change

Huge deployment of infrastructure and manpower concentrated on automobile industry after the dusk of the Second World War. Consumer preferences for product excellence and cost of ownership Use of design as a chief asset

Environmental issues

Increase in the implication and brand management rather than product excellence. Cycle of Competition

Cycle of competition underlines the various drifts between competitors with time. BMW had a consistent increase in its annual sales and had the technology at will to counter its competitors in the market. BMW's competitive advantage lies in its integral processes and its designs. The use of scientific technology that BMW restores to, can be implemented to gaining higher economies of scale. In terms of competition BMW has Lexus, Mercedes, Toyota, GM, Volvo group etc. as its rivals in the automobile industry. BMW has its product range from a MINI to a Rolls Royce.

Thus, its product range varies from a luxury segment to a premium segment in the auto industry. In the cycle of competition, any core competencies or competitive advantage is temporary and in this scenario the closest competitor of BMW is Toyota group. Toyota group has technology,

production capacity; profit margins and product range that can give BMW a run for their money. Thus, BMW can strive in the cycle of competition through its core competencies and competitive advantage. Shift in the Market

Mercedes has already lost the luxury market lead to BMW in the early part of this year, and could continue to lose share, owing to the new model launches in the pipeline for BMW. The new BMW M3 and M4, high performance versions of the compact luxury sedans 3-series and 4-series respectively, were launched in the U. S. this year. With emphasized focus on the budding compact luxury segment, BMW could cut into Mercedes' market share. The global compact premium segment is expected to grow to 1.3 million units this year, and further grow by over 30% to reach 1.7 million unit sales by the end of this decade.

BMW launched the new compact crossover SUV X4 in July, in a bid to gain from the rise in demand for luxury SUVs in the U. S. While the luxury car segment grew by 4.5% year-over-year through May, the luxury SUV segment witnessed an increase of 9.5% in volumes during this period. In addition, the electric car BMW i3 also went on sale last month in the U. S., and could make inroads in the fast growing electric vehicle market in the country, which grew 30% through May to 42,570 units, contributing around 40% to the global electric vehicle sales. The BMW i3 is already the best-selling electric vehicle in Germany, following its launch late last year.

Conclusion

After analyzing the luxury brand automotive market, I have concluded that BMW has a slight competitive advantage over the competition. BMW has built its brand over the years and is recognized as a pioneer in excellence when it comes to premium vehicles. Although BMW faces stiff competition from Mercedes, Audi, and many others the company has had increasing sales, and continues to be ahead of the competition. Because this market is highly competitive, BMW Group will have to continue to be innovators of technology and use its leadership and great management to maintain its position as being one of the top brands in the industry.

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