

# Example of bmw business strategy report

[Business](#), [Marketing](#)



## **BMW business strategy**

### Introduction

BMW is one of the leading manufactures of luxury automobiles all the world. In the first quarter of 2011, the group sold up to 382, 758 units which were an increase from the previous years. Despite its great achievement, it is facing various challenges like competition. A particular threat is the Chinese automobile company that increased its market to around 32. 4% in 2010( BMW group 2012). the paper seeks to analyze and evaluate the business strategy that BMW has pursued using Porter's Generic Strategies framework, identify the unique resources and capabilities that underpin the value chain and Assess BMW Group prospects in terms of the criteria suitability, acceptability and feasibility.

### **Business strategy that BMW has pursued using Bowman's strategic clock**

With the emerging of many automobile companies, for example, Hyundai and Ford, BMW has to put in place strategies to counter competition and increase its market share. Organizations goals are the determining factor in choosing a business strategy. To fulfill the goals, competitive strategic advantages must be implemented (Finley 2000). The biggest attribute to BMW success is its focus on manufacturing of luxury automobiles and not overlooking the current market trends. Its major center of attention was on their customers, improvement and brand.

For BMW to remain in the market and to be above its competitors, it had applied different strategic choices. One of the best strategic choices they have ever used is Porter's Generic Strategies framework.

Developing strategic goals that only you can understand and implement them enables a business to be always on top of its competitors (Afuah 2009).

The three key Porter's concept of competitive are low cost, differentiation and cost leadership. Implementation of either one or all the concepts leads to a successful company.

#### - Cost leadership

The objective of the strategy is for the manufacture to be able to produce products at the lowest cost. This can be achieved through use of latest technology and cheap labor, minimize on overhead cost and get favorable access to sources of supply. This reflects to higher unit profits than the manufacture's competitors when they compete on prices. The structure of BMW could not allow it to apply this strategy because the strategy puts its attention on mass market which is not the case with the BMW. This has therefore, led to high market prizes of its automobiles because of the high cost of production.

#### - Differentiation

A business can remain on top of its league if its product is unique and can easily be identified. Despite the high cost incurred, the value and demand of the product will still be high leading to high profits (Patrick, G. 2012). BMW make use advanced technology, innovation and customer preference hence manufacturing automobiles that are comfortable and luxurious. The accomplishment of programs like individual mobility and efficient dynamics has helped MBW to achieve the competitive advantage.

#### - Stuck in the middle

This strategy is attained when a business tries Porter's three concepts and

does to achieve any of them. The business therefore does not have any competitive advantage. The strategy is as a result of a company failure to decide on one of the strategic choices (Starkey 2004). For example, BMW acquisition of Rovers at the same time focusing on the premium automobiles in order to achieve higher differentiation led to misunderstanding between the Germany and the UK.

- Focus

Choosing a specific concept or segment and putting all your attention there. BMW strong hold is its focus on the niche small automobile market. This acted as a replacement of the failed Rover acquisition.

### **Unique resources and capabilities that underpin the value chain and support the identified strategy**

Value chain concept is a step by step technique of classifying activities. The technique was developed by Michael Porter in 1985. Each stage has some activities that have a positive contribution to the business competitive strategy. The objectives of value chain analysis are to identify strategic aptitude and know how value is created or lost.

### **Porter classifies value activities in to primary and support activities (Porter 1998). The primary activities include**

- Inbound logistics
- Operations
- Outbound logistics
- Marketing and sales
- Services

## **Support activities include**

- Procurement
- Technology development
- Human resource management
- Firm infrastructure

## **Some of the value activities employed by BMW are**

- e-business solution

E-business solution entails strategy, process consultation, development of new systems and concepts implementation. Use of e-commerce by BMW creates strong sales channels where it searches for automotive suppliers and provide customers with logistics service providers.

- Firm infrastructure

Infrastructure for BW suppliers was improved to hasten the production process. This was made possible using supply chain management technology components. The improved infrastructure has led to easy delivery and availability of auto parts (Storrie 2000).

- Application Service provider(ASP)

ASP solution is a built in application that provides admission to the latest and new technology hence make use of the technology as it emerges. The solution can be used to move and coordinate data electronically between the suppliers and BMW. ASAP can also send data or information to a group of suppliers.

- sXtensible Markup Language (XML) technology

Sharing of information is essential for business growth. BMW use XML technology to share specific and common information among the dealers.

- Meta data
- SAP R/3 application

**It provides a platform of checking automobile prices, types of automobiles available and auto parts.**

Assess BMW Group prospects in terms of the criteria suitability, acceptability and feasibility

After identifying the competitive strategic objectives of the business and putting in place the steps to attain them, it is vital to assess strategies to make sure they are attained in the right way (Patrick 2009). The three key ways of assessing competitive strategies are suitability, acceptability and feasibility.

- Suitability

**Suitability is the aptness of the laid down strategies to a particular environment and the fulfillment of the customers' expectations.**

BMW makes use of innovations and technology to make sure there automobiles are unique and luxurious hence meeting the customers expectation. The strategy is appropriate since it has seen BMW remain among the top automobile vendors all over the world.

Its strategic focus on mini cars has enhanced its market share . also, its marketing strategies for instance use of websites ensures that it has protected its market. Its diverse market search not only in developed countries but also in developing countries leads to its market development strategy to be readily accepted.

- Acceptability

It entails the risks, returns and customers reaction of the anticipated outcome of the strategy. Despite spending too much on making a unique model, financial performance of BMW is still encouraging. The development strategy of BMW should although be reviewed so as to minimize on the cost of production so as to minimize financial risks in the future. It is therefore advisable for the BMW to do a thorough research on market penetration to make sure they maintain or improve on the profit.

#### - Feasibility

Feasibility is the availability of resources and competence to carry out a strategy. The market share and sales of BMW Company are increasing since the past few years. This means that its financial performance is quite pleasing hence the development strategies were well outlined.

With completion given a key challenge in automobile industries, BMW should strengthen its completion strategy in order to maintain its lead in the market share and sales.

## **Conclusion**

Despite its excellent performance, BMW is facing various challenges like completion and lack of markets. BMW has therefore, put in place measures to counter its challenges. Some of the measures are to produce unique automobiles that will be eye catching and comfortable to the customers and to provide online services. Although they have evaluated and seen that most of the strategies have been achieved, BMW must strengthen its performance by searching for more markets especially in some of the developing countries (Hamel, G. 1994).

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