

Probable government laws and regulations marketing essay



**ASSIGN
BUSTER**

Introduction

The word “ automobile” has a unique identity. Automobiles execute an important role in defining people’s life and are seen as a status symbol even today. The evolution of automobiles over the period has a success story of its own. With technological advancements, stylish designs and products automobiles have gained a very special and respectable position in the market.

Bayerische Motoren Werke AG (BMW), is a German car, motorcycle and engine manufacturing company since 1916. It also owns and produces MINI brand, and is parent company of Rolls-Royce Motor Cars. BMW manufactures motorcycles under BMW Husqvarna and Motorrad brands. BMW is known for its performance and luxury vehicles.

This case revolves around BMW group- a prominent European carmaker and its three prepositions wiz. Increasing the output of production, the production of smaller cars and maintaining quality. BMW a renowned car manufacturer was in the maturity stage of its industry life cycle and needed modifications strategic implications to retain in the race. The automobile industry was suffering from lethargic economic growth coupled with geopolitical dilemmas that was having an adverse effect on the industry globally.

Environmental Analysis

The PESTEL Analysis:

Political factors:

Political factors highlight the probable government laws and regulations, security measures and restrictions that can apply to the industry as a whole.

The probable factors that affect the automobile industry are:

Laws and regulations had affected the automobile industry since its outburst. These laws generally revolved around the environmental norms that were to be fulfilled by any car industry. Thus the car manufacturers had to take care of the environmental issues during manufacturing of cars.

Taxes and government foreign policies are critical for the automobile industry. The foreign policies help us to decide the probability of success in the global market.

Introduction of new schemes in the US and Europe automobile industry wherein regulations were led to produce high mileage cars along with increase in automobile sales and production (Hill, 2008).

Economic factors:

Economic factors relate to the exchange rates, economic growth globally and the business setting prevailing in the industry. Economic factors for the industry are:

There was excess capacity of cars produced thus giving rise to high amount of revenue in marketing and new product designs. Thus there was lot of revenue withheld even though demand was less than supply. For example <https://assignbuster.com/probable-government-laws-and-regulations-marketing-essay/>

the UK auto market had 80% excess capacity in 2003 which freeze 1.3 billion euro of the automobile industry (Autofacts, 2004).

The total increase in the GDP globally from 2.0% to 3.1% in the year 2008 (Statistics, 2009)

Decrease in the exchange rate of Euro has hampered the European car makers in a big way (Allen, 2006)

Economic downturn in the US market (Copper, 2008)

Surplus capital and buying power in the developing economies like India and China and their personal emergence in the Global market-place.

Social factors:

Social factors include the changes in cultures and demographics globally apart from change in the buying pattern and capacity of the consumer.

Social factors having an impact on the auto industry are:

Changes in the customer predilection from car being a status symbol to fuel efficiency and low emission cars

Changes in buying pattern of the consumers due to recession in mature markets.

Environmental issues and awareness of the harmful emissions through automobiles

Technological factors:

Increase in use of technology to gain a clear competitive advantage

<https://assignbuster.com/probable-government-laws-and-regulations-marketing-essay/>

Use of new and sophisticated design to overcome the decreased margins in the industry

Modifications or restriction on technology causing environmental pollution.

Environmental factors:

Increasing effect of awareness of global warming, greenhouse effect and burnout among patrons (Organization, 2008)

Shift in consumer's tastes and preferences towards use of more eco-friendly cars, hybrid cars, fuel cell cars etc.

Stern application of the EURO norms set up to curb pollution in developing countries

Legal factors:

Restrictions and strict pollution norms set up in European and US markets

Strict implications of the EURO norms in developing countries e. g. formation of BHARAT norms on the lines of EURO norms in India (CEN, 2006)

Porter' Five Forces Analysis:

Potential entrants

(Threat of Entry)

Competitive rivalry

Bargaining power of suppliers

Bargaining power of buyers

Threat of substitutes

Threat of new entrants:

Threat of new entrants is dependent on the challenges faced during entry into the industry or entry barriers. The threat of new entrants in 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, GM and Toyota. Thus the threat of substitutes for BMW is high.

Bargaining power of buyers:

BMW and its competitors are positioned as in exclusive product range. Here 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 ample substitutes available.

Bargaining power of suppliers:

BMW had a 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 dictate the price tag for the raw materials. Though long time associations with suppliers can prove fruitful, the final word lies more or less with the suppliers.

Competitive rivalry:

The industry has cut throat competition for its products, with its products targeting the same 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.

Key drivers of change:

From the PESTEL analysis and the five force analysis, the key drivers of change are:

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

Technological advancements

Environmental issues

Increase in the implication on brand management rather than product excellence.

The Industry Structure and The competitive Environment

The BMW Group's basic organizational structure has remained mostly unchanged since 2000. Due to the new strategy, however, complexity of tasks is expected to increase considerably. This means that all divisions will have to shoulder significantly more challenging workloads. " Strategy implementation requires a high-performance organization capable of handling the complexity of our activities and generating growth," stated Dr. Norbert Reithofer, Chairman of the Board of Management of BMW. (Ref. 1)

Resources and Capabilities

Resources

Every organization or a firm need and possess certain resources and competences required to endure and thrive globally. In other words every firm has its own strategic capability to survive against all odds (Gerry Johnson, Kevan Scholes, Richard Whittington, 2008).

The resources consist of –

Tangible resources underlining the physical chattels like plant, people and finance of the organization

Intangible resources underlining non-physical chattels like information, reputation and knowledge (Gerry Johnson, Kevan Scholes, Richard Whittington, 2008)

Resource based analysis of BMW:

RESOURCES CATEGORIES

BMW RESOURCES

PHYSICAL RESOURCES

BMW's technology, conventionally designed and styled, effective segmentation according to the market, supply chain and dealership management

FINANCIAL RESOURCES

Turnover of € 41. 53 billion in 2003, gross margins of € 3. 2 billion in 2003, annual surplus of € 3. 2 billion in 2003, 7. 4% profit margins in 2003

HUMAN RESOURCES

Highly qualified labor force, Young and affluent professionals

INTELLECTUAL CAPITAL

Reputation for engineering excellence, brand identity of being powerful , reliable and luxurious, 1104. 3 deliveries in 2003, sales of 277000 in 2003

Strategic capability of BMW

CATEGORIES

BMW RESOURCES

THRESHOLD RESOURCES

Integrated supply chain, young and well heeled employees, wide spread production and assembly units

THRESHOLD COMPETENCIES

Quality, reliability, dealings and relationship with supplier

UNIQUE RESOURCES

Engineering excellence, high quality labor force,

CORE COMPETENCIES

Technology, speed of production, the ultimate driving machine

External resources and value adding network

Customer value chain

Channel value chain

Range of products and designs

Design

Suppliers

Suppliers

Suppliers

Suppliers

Location 1

(Assembler)

Price variation dependent on the product specifications

Organizations

Value Chain

Price

Core location

(Assembler)

Suppliers

Suppliers

Suppliers

Suppliers

Product design and price according to the location

Location**Suppliers****Suppliers****Suppliers****Suppliers****Location 2****(Assembler)**

It is difficult for a single organization to manage all the value based activities right from the design of the product to delivering the final product or service to the customer. This process is generally carried out with the help of a value network. A value network can be termed as a combination of inter-organizational process that proves beneficial to create a product or a service (Timmers, 2008).

The value network of BMW is as shown. BMW has various assembly locations as well as manufacturing units with each assembly unit having its own supplier of raw materials needed to create a product. Also there exists an internal value chain of the assembly liners within themselves. The finished product is again reciprocated to the suppliers and collectively it gives rise to the organizations or the firm's own value chain. The organization has its own channel value chain. The channel value chain for BMW is divided on the basis of design, price and location. BMW offers its potential customers products ranging from a "Mini" to the higher end "Rolls Royce". These products are priced differently and segmented effectively in response to the target market. BMW also has price variations according to the locations it is striving

in. For example BMW is priced on a slight lower side in the Asian markets as compared to the UK or US market. The consumer value chain is based on the channel value chain BMW offers namely price, design and location.

Structure, Culture and Organisational Knowledge

With over 100 events worldwide the BMW Group Cultural Communications has been an essential integral part of corporate communication for more than 30 years now. Whenever the BMW Group becomes culturally involved, it attaches the utmost importance to total freedom of creative potential, this being equally as much a guarantee of ground-breaking achievements in art as it is for the most crucial innovations within a successful business enterprise. The BMW Group Cultural Communications focuses predominantly on contemporary art, music, architecture and design.

BMW group is an automotive giant Bayerische Motoren Werke, A marquee, a fable, a style, a legend, with its origins in the aeronautical engineering, as shown by its logo, a blue and white propeller blade, BMW has gained fame as both an engine producer and the maker of luxury cars who doesn't know the masque's 3, 5 and 7 series or fiendish names such as the M5, synonymous with raw power, or the Z8, a daringly beautiful coupe not to mention its ability to revive legends, thus resuscitating the mythical Mini, symbol of a generation, not to mention the acquisition of the legendary Rolls-Royce brand. while the group's headquarters are still found in Munich in Germany, it has 10 production sites across the world – 7 in Germany, 1 in Austria, 1 in South Africa and 1 in the United States, and sales agencies in 16 major countries where the cars are brought (Germany, France, Japan, the United States, Canada, Australia and South Africa among others). Other than the <https://assignbuster.com/probable-government-laws-and-regulations-marketing-essay/>

automotive sector, it remains one of the major European manufacturers of engines for civil aviation, via its joint venture with Rolls Royce. Power combined with beauty and respect for the environment: a certain idea of luxury.(Ref. 4)(Ref. 5)

Strategic Synopsis

The BMW has forever been identical to high performance automobiles & precision technology. With brands such as BMW, Mini & Rolls Royce in its store; the group possesses enough to keep the competitors at their best all the times. In view of industry; the impact of the recession & the apparent desperate situation of GM & Chrysler are likely to modify the entire structure of the global automobile industry. The emerging scenario will completely depend on how the automakers respond to the situation. This report aims to take a strategic review of the BMW's businesses in the light of the prevailing uncertainty in the economic & industry environment. BMW Financial Services empowers staff in their subsidiaries to analyze and optimize business processes themselves. The first implementations in the various countries are rapidly showing success and are supporting the BMW Group on its course for growth.

BMW's allocating of various products to the international production sites over a 12 year planning period. It will include the supplying of materials as well as for the distribution of new cars to global markets. It determines the investments required in three production departments and body assembly and paint shop, and final assembly for all sites and financial impact on cash flows. The BMW Group, corporate office in Munich, Germany, manufactures and sells the BMW, MINI, and Rolls Royce cars. The product range covers a <https://assignbuster.com/probable-government-laws-and-regulations-marketing-essay/>

full variety of sizes, classes and car configurations but consist exclusively of premium-class cars. During year 2004, it sold 1.25 million cars. Right now, BMW produces cars in eight manufacturing plants in Germany, UK, US, and South Africa, and the partner, Magna Steyr, operates a plant in Austria. Furthermore, it manufactures engines at four different sites. The product program is expanding steadily. (Ref. 2)

At BMW, long-term planning of products and manufacturing is a primary task. BMW had extensive strategic-planning processes when we started the project in 2000. In this planning process, the horizon extended up to 12 years, divided into yearly periods, so it contains the total life-cycle of products starting in next five years. Managers add up the products to the level of the derivatives of the product series, sedan, coupe, touring car, or convertible. They revise the 12-year plans many times a year, and the board of directors must approve the results. Naturally, in the planning process, BMW plans its products and sales before production planning capacities. In two initial steps, which we will not consider in detail, the company decides on to set of future products and, for every existing or future product, the year or infact the month of start-up and the shutdown, and estimated sales figures during the life cycle, for different geographical markets. The results of those steps and the flexibility the firm considers important based on its experience are made available as the data for the third step of plant loading. (Ref. 2)

Strategic Options

a) OPTION GENERATION FOR STRATEGIC DEVELOPMENT

BMW has announced about testing of a new hydrogen fuel-cell hybrid powertrain that can be utilized by the next-gen Mini and the front wheel-drive BMW cars decided for 2014. The system is a combination of a front-wheel-drive architecture, a hydrogen fuel-cell system, an electric motor and a small gasoline engine. Engineers believe that the system is configured to allow compact cars to travel smoke-free in city areas. The company has already built functional prototypes based on 1 Series hatchbacks re-engineered to front-wheel-drive architecture. Power comes from gasoline engine, 5 kW (7-hp) hydrogen fuel-cell drive-train and 82 kW (110-hp) electric-motor. The hydrogen fuel-cell system, which fits in BMW and Mini models those are at least four meters in length, has yet to get the green light by BMW executives. The company is still required to make sure that the hydrogen fuel-pumps would be available in large city areas.

The number of BMW models fulfilling the EU5 emission standard is increasing in spring 2010 to no less than 127. The range is also being enhanced by models featuring optional BMW Blue Performance technology to fulfill the EU6 emission standard not even coming into force until 2014: The new BMW 530d Saloon, the BMW 320d Saloon and the BMW 320d Touring are now joining the BMW 330d Saloon, the BMW 730d and the BMW 730Ld to offer a range of no less than six models complying in full with the EU6 standard and its most demanding requirements.(Ref. 6)

In spring 2010 the BMW 320d Efficient Dynamics Edition is becoming the most fuel-efficient, lowest-emission model within the BMW range. This outstanding saloon is powered by a 120 kW/163 hp four-cylinder diesel combining the Sheer Driving Pleasure so typical of the brand with outstandingly low fuel consumption of just 4.1 litres/100 kilometers (equal to 68.9 mpg imp) in the EU test cycle and a CO₂ emission rating of 109 grams per kilometer. With its engine optimized for maximum efficiency, optimized features, the BMW 320d Efficient Dynamics Edition is by far the most efficient car in the midrange segment. The new BMW 3 Series Coupe and the new BMW 3 Series Convertible are entering the market in spring 2010 with appropriate modifications in design, a thoroughly upgraded range of engines as well as innovative equipment and features. Both the Coupe and Convertible are available from the start in the guise of the BMW 318i powered by a 105 kW/143 hp 2.0-litre four-cylinder petrol engine. The overall range of models within the BMW 3 Series is also being enlarged by the BMW 316d Touring with its 85 kW/115 hp 2.0-litre four-cylinder diesel. The top-of-the-range BMW 335i available with all body variants in the BMW 3 Series is now powered by a 3.0-litre straight-six featuring BMW Twin Power Turbo Technology, High Precision Injection and VALVETRONIC. The car's superior output of 225 kW/306 hp is combined with further significant optimization of both fuel economy and CO₂ efficiency.

b) TEST AND EVALUATION OF OPTION FOR DEVELOPMENT

The BMW will launch its battery-electric operated MINI E (earlier post) at the Los Angeles Auto expo in November. Based on the present MINI, the car will

<https://assignbuster.com/probable-government-laws-and-regulations-marketing-essay/>

initially be made available as a two-seater. The space taken up by back-seat passengers in the series model has been blocked for the lithium-ion battery pack. The 380V lithium-ion battery consists of 5, 088 cells grouped into 48 modules. These modules are packaged into three battery elements that are compactly arranged inside the MINI E.

C) ARTICULATION AND DESCRIPTION OF SELECTED STRATEGY

BMW Group strives to strike the best balance between hardware costs, energy costs and software licensing

Costs, while maintaining high performance in the past BMW Group used large proprietary RISC-based high-performance computing (HPC) server systems. Since these specific environments are rather inflexible, the average workload could not run at much over 50 percent capacity without adversely affecting users and business processes.

Starting in 2006, BMW Group decided to move and consolidate HPC applications to a multi-purpose clustered server environment based on the Intel® Xeon® processor 5100 series with two cores. This allowed BMW Group to increase the workload to more than 80 percent and to significantly decrease the total cost of ownership (TCO). Due to the expensive per-core license schemes for some of the applications used on the cluster, BMW Group's TCO calculation showed that in some cases it is more cost effective to run certain applications only on one core instead of using the multi-core technology – although the server utilization and energy consumption in this case is not desirable.

Seeking to optimize the TCO of its HPC clusters, BMW Group decided to evaluate the performance of the Intel® Xeon® processor 5500 series with four cores. Using its own benchmarking standards, BMW Group evaluated performance versus cost running a range of typical engineering applications such as Computational Fluid Dynamics (CFD) and crash simulation.

Recommendations for Action

These are four strategic priorities that would allow BMW Group to maintain its lead.

1. Segment Leadership
2. Volume Leadership
3. Operational Efficiencies
4. Customer orientation

BMW Group's retail partners are doing what it takes to uphold the lead. They began to invest in their business and facilities despite a slow economy. BMW Group is proud to have such strong and reliable retailer network, in specific here in Quebec. And BMW Group is glad to announce that the retail network will grow furthermore, right here in Montreal. Globally BMW have another very important task - to become the sustainability leader in premium automobile industry.

The BMW Active Hybrid X6 is the first Sports Activity Coupe with full hybrid drive and is BMW's first hybrid vehicle. Equipped with a V8 gasoline engine and electric drive, the Active Hybrid X6 offers a driving experience quite

unique both in the segment of BMW X models and in the hybrid segment as a whole. Conventional hybrid drive systems were developed exclusively to reduce fuel consumption, generally only under certain load conditions and restricted to city driving. The BMW Active Hybrid X6, on the other hand, with the two-mode active transmission offers greater efficiency throughout a far larger speed range and ensures a thrilling new driving experience. (Ref. 3)