

Brand analysis of bmw



The automotive industry is distinguished by a highly competitive market. Thus, the actors on the market struggle with increasing cost of production, development and mature markets. The mature markets are constituted by the western countries such as the North American and European markets. Hence, the producers face challenges in decision-making to manage continuous business operation and profitability. Among the market leading companies can recognize different strategies to maintain competitive positions.

Toyota has concentrated on comparatively low price cars, high quality and efficient production also known as Kaizen: continuous improvement of production. Toyota has in many ways been pointed out as a bench maker in the automotive industry and there are many other companies who try to imitate Toyota's way of working.

A development that also can be seen is investments in the Asian markets as well as the east European markets. These markets are not considered as mature and many analysts predict that these markets will be in highly expansive states and significantly grand new segments are to be conquered. The development in these markets is also signified by new production allocation of the market leading companies in try to find low price labour and manufacture costs.

BMW, Bayerische Motoren Werke AG, is one of the leading manufacturers of premium cars in the automotive industry. The company is well known for its distinctive design, high quality and luxurious approach. Despite threats of low price substitutes and other threats from competitors, BMW has yearly

shown strong financial results and has retained its market shares. This becomes of interest to study more profoundly, in order to find the factors behind a successful company and a strong brand.

Purpose

The purpose of this study is to analyse the development of BMW during the past five years. The intention is to find the factors adding value to the company, in terms of products and business advantages. This study is to sort out the key factors behind a successful company and a highly valued brand in the automotive industry.

Hypotheses

BMW is a successful company that has kept its market shares due to high quality, distinctive design and a luxurious approach.

BMW has not adjusted their car models after different markets and has therefore obtained a legitimate and solid brand well recognized by the customers irrespective of nationality.

BMW will continue its success due to unremitting innovation and segment differentiation concentrating on customers with higher purchasing power.

BMW will at intervals face difficulties due to higher volatile raw material market contributing to high costs of production.

BMW will face a higher competition in the automotive industry due to increased environment awareness among the customers requiring cars with low emissions.

METHODOLOGY

Choice of Study

A company analysis could be formed as a case study which implies that the investigation is carried out for instance on a smaller group, on an individual or on a company. In a case study one examines a phenomenon in its real environment or in its context where the boundaries between phenomenon and context are not given. Because of this, case studies are often considered especially applicable in evaluation where the objectives often are very complex. In that way one tries to explain, understand or describe large phenomenon, organisations or systems that could not be investigated with another methodology. It is especially appropriate to use case studies when one has the intention to study a process or a change. The purpose is to get a comprehensive picture of what one is studying, aiming at obtaining full information.

Data Collection

An investigation could be based on two types of data, primary and secondary data. The primary data is information that has to be collected. Secondary data is data that is already accessible. In the study of BMW secondary data are used.

Primary Data

Primary data could be collected mainly in three different ways, which is interviews by visit, interviews by phone or by questionnaires. Every method has its advantages and disadvantages.

Since primary data are collected specially for a particular survey. Extra care is taken to collect all the required data with the required degree of accuracy.

Primary data are reliable, complete and fresh.

Primary data are costly. Their collection consumer's more time and labor than the collection of secondary data.

Techniques of collecting primary data

Direct personal interview.

Indirect personal interview.

Information through correspondence.

Method of questionnaire.

Method of schedule.

Telephone interview method.

Secondary Data

Secondary data are the data, which the investigator borrows from others who have collected the data for some other purpose. Since the data is collected for some other purpose, it may not contain all the required information. They are not as dependable as primary data. The collection of secondary data consumes less fund, time and labour than the collection of primary data.

Sources of secondary data

1. Published sources

Reports and publications of international bodies.

Reports and publications of government departments.

Publication of banks, research institutions, Administrative officers, etc.

Magazines and Newspapers.

2. Unpublished sources

Records maintained at Government offices and municipal offices.

Records maintained at research institutions and research scholars.

Criticism of the Sources

It is important to notice that secondary data is more frequently affected by values and purposes from the originator than primary data. A great deal of the information used in the study is obtained from BMW and other automotive manufacturers' websites.

COMPANY DESCRIPTION

The History of BMW

BMW or Bayerische Motoren Werke G. m. b. H, came into being in 1917.

From the very beginning it was founded in 1916 as Bayerische

Flugzeugwerke AG and became a stock corporation (Aktiengesellschaft) in

1918. In the nineteenth twentieth BMW started producing cars when they

bought the car manufacturer Eisenach.

It was in the 1970's that the foundation for today's cars and model program were born. A strong and consequent investment strategy in the beginning of 1970 led to strong improvement in sales. This investment started with all new 5-series model. In the middle of 1970's BMW had a strong participation in standard racing and they had a lot of victories with the 2002 turbo. This car was also produced for regular customers and become a real classic among enthusiasts. It was now the famous colour combination that represents the M-models was introduced. The M, which stands for motorsports is one of the most important brands in the BMW Group today. The M symbol stands for cars with extremely high performance (for instance M3, M5 and M6).

It was also in the 1970s that BMW became more international. One example of this was the overtaking of the assembly factory in South Africa and the strong investments in North America with the establishment of BMW of North America. This was also the case in Europe where BMW established subsidiaries instead of agents that sold their cars. This led to a more uniform picture of the company around the world.

In 1972 BMW's new main office with its "four cylinder" design was inaugurated. In September this year, the all new 5 series was introduced in the market and three years later the new 3 series were introduced. These two models would come to play a very important role for the BMW growth and made the strong improvement for the sales statistics. The models were designed by Frenchman Paul Bracqs and this design element is still in use in today's BMW cars. One of its characteristics is the so called kidney grill in the front of the car. In 1976 the all new luxury 6-series coupe was launched. To <https://assignbuster.com/brand-analysis-of-bmw/>

complete the model program the company launched a large luxury sedan called 7 series. All the terms of the series and the sizes of the cars are the same today as the one used in the 1970s. Thus, one could argue that it was in the 1970s that the foundation of the BMW model program was made.

In the 1980s BMW started producing stations wagons of the 5 and 3 series. These station wagon models were called Touring. BMW also started the production of the 3 series which was the model manufactured in the new plant in Regensburg. In 1985 the high performance car M5 was introduced. Due to high performance, the model became very important for the image of BMW, and still remains to be. It was also in the 1985 that BMW started with four wheel drive system models and these cars got the designation iX, which is the same on today's cars. This was also important to the future trademark. At the same time BMW started the development of new diesel engines which got the designation tds. BMW launched the new 7 series in 1986 and the new 5 series in 1988. The 7 series got very high attention from the customers of large luxury cars and the cars won several road tests in car magazines over its biggest rival Mercedes- Benz S- class.

During the 1980s BMW invested large funds on research & design centres. BMW Technik GmbH centres were founded to create future BMW's. BMW M1 was created here and begun to be produced in 1989. This was a little sports car with very futuristic design. The successes of this car never occurred and the productions stopped in 1991. Nevertheless this car was the foundation of the famous Z3, a little roadster and a large success for BMW, introduced some years later, in 1995. This car got large attention when James Bond drove it in the Golden Eye Movie.

BMW started the planning of production in the US during 1990's to meet the large demand in the North American market. In 1992 the building of a new factory plant in Spartanburg in South Carolina started and the first produced car left the plant in 1994. 1994 became an historical year. This was the year when BMW's total production was bigger than that of the competitor Mercedes Benz. It was also the year when BMW bought the British car manufacturer Rover. This turned out to be a great loss. BMW sold the company in 2000.

To enhance the production BMW started to seek new segments. In the end of 1990s there was a great demand of large so called Sports Utility Vehicle (SUV). Mercedes Benz was already established on the market with its ML series. To compete in this market, BMW introduced the X5 series, in 1999, that at initially was thought to satisfy the demand on the North American market. But this American produced SUV had also a lot of success on the European market. Some years later the X5 came out in a smaller version called X3 which was based on the 3 series.

In 2001 BMW inaugurated the new plant in Hams Hall in the UK. This plant stood for a large part of the engine production. The same year BMW introduced the new exclusive handmade roadster called Z8. This car was famous from the James Bond movie " Tomorrow Never Dies" and became a classic. BMW also started its participation in formula one series and had cooperation with the Williams Team where BMW made the engines.

During 2002 a lot of large changes could be denoted in the design of BMW. The new 7 series was launched. This car was designed by the new chief

designer Chris Bangle. His design would be implemented in all new cars that would be presented during the coming years. Chris Bangle made a new interpretation of the classic BMWs. The new 7 series had a lot of new techniques that had never been observed before in a common vehicle, like the I-drive, an onboard computer. Four year after the introduction all the models in the BMW program now have this new technique and a lot of the competitors have adapted common systems.

In 2003 the first BMW produced Rolls Royce were presented to the market. During 2004 and in 2005 the new 5 series and 3 series were also introduced. To widen the model program further BMW developed a smaller car called 1 series which was introduced during 2004. Even these cars had the new design and a lot of the new techniques that was presented in the new 7 series. The large luxury coupe and convertible called 6 series had premiere during 2004.

2004 was a record year in production for BMW. This year BMW produced over one million cars. The productions in 2004 were 1059978 units. This was to be seen against 164000 units that were produced per year during the 1960s. during 2005 BMW started producing cars in its new plant in Liepzig.

BMW Today

BMW is arguably today one of the most admired car manufacturer in the premium segment in the world. Its financial performance is very strong compared to many competitors and the products raises loyalty among customers. BMW is successfully ranked among the best car manufacturers in majority of satisfied customer indexes around the world. Today when many

large car manufacturer struggles with falling market shares, profits and sales, BMW just continues its growth and expansion in its production.

BMW group is today one of the ten largest car manufacturer in the world and possesses three very strong brands, BMW, Mini and Rolls Royce. These three are regarded as some of the absolute strongest brands in the world. The BMW group has also a strong market position in the motorcycle sector and operates successfully in the area of financial services.

In 2005 BMW sold 11122308 cars of BMW, 200119 of Mini and 692 Rolls-Royce. BMW is today producing cars that are in several kinds of segments. The company is also a large producer of motorbikes. Common for all BMW products is high quality and high purchase prices.

Corporate Strategy

“ Identifying potential and encouraging growth. Knowing what we represent. Recognizing where our strengths lie and making the best use of every opportunity. Following a clear strategy. Goals we have attained are in essence the point of departure for new challenges.”

The above quoted strategy of BMW indicates in what way the business in run. In the annual reports different events point out how the strategy in many ways is carried out. For instance, investments in new merging market have been made throughout the years. Furthermore, BMW has a clearly defined segment in which they produce cars, the premium segment. In combination with the strong brand, the product segmentation make up clear definition of what the company stands for.

Collaborations

BMW Group and PSA Group (Peugeot and Citroen) have developed a new developed a new petrol engine family in a joint cooperation project. These engines are intended to be used in future versions of MINI cars. This is the only significant collaboration that BMW is involved in according to Matts Carlsson. In addition, he claims that BMW could handle the future very well without any collaboration as long as the brand is as strong as it is today. With the Rover affair in mind he thinks that BMW will be fairly reluctant to strategic alliance and collaborations with another automotive manufacturer. Another collaboration, in aim to develop hybrid cars, is established with GM and Daimler-Chrysler.

SWOT ANALYSIS

Analysis in terms of strength, weaknesses, opportunities and threats (SWOT) will assist in gaining an understanding of where BMW is currently in terms of strengths and where improvement is required within the business and what outside environmental threats it may face as well as what new opportunities are available to the company in the short and medium term.

The history of BMW certainly is one that exhibits strengths, weaknesses, opportunities and threats. Being one of the most reputed of our time BMW showed some of the following strengths:

They employed the highly skilled Germany workforce at the time and through this BMW was able to build a perception of valuable difference in the mind of buyers and thereby becoming a source of competitive advantage.

Their close proximity to buyers of their products allowed BMW to effectively segment the market.

BMW also established a tightly controlled distribution network in effect benefiting its brand management and communications

They build a reputation for product quality and a brand name that identifies with the aims and aspirations of the customer.

They pursued a product strategy to compliment their skills and broaden the market when they attempted an acquisition with Rover UK.

They designed and were keen to control technological developments such as the air bags, ABS and fuel injection systems.

BMW were keen to exploit the concept of internet and e-commerce to help them get a more accurate assessment of volumes, kind of vehicles and the optional extras the market required.

By using the internet BMW also was able to significantly reduce the lead time for the manufacture of an automobile.

Inevitably some of these strengths served as opportunities as well for example the designing and control of technological developments such as the air bags, ABS and fuel injection systems already put BMW ahead in terms of user safety offering them a competitive advantage. This was also an opportunity for them to expand into frontiers where automobile safety standards had not exploited these new technological advancements.

A number of weaknesses are evident from the case study as well and included:

BMW was interested in pursuing a maximization of shareholder value since 46% was basically family owned. In so doing this policy was a hindrance especially in countries where policies stipulated otherwise. This denied BMW venture opportunities in such areas.

Outsourcing reduced automobile assemblers such as BMW's scope for design thus impairing their ability to add value to the product.

While wanting to defend family share holding BMW unceremoniously disposed Rover UK which may have affected their credibility.

Poor profitability at BMW and a strong sterling pound contributed to BMW Rover UK failed merger

BMW's management indecisiveness during the Rover UK merger crisis

Rover UK's high break even point which affected the profitability of this venture.

Similarly a number of threats are clearly evident from this case study some of which include:

Quality level attained by automobile manufacturers among them BMW meant that product differentiation opportunities became fewer while the cost structure and the degree of rivalry made price competition a strategic factor.

Increased automobile production resulted in oversupply and a mismatch between demand and capacity increased the price competition.

Environmental concerns and increasing petrol prices generated demand for smaller automobiles.

Demand for cost reduction and pressure on regulatory compliance brought in trends of standardization of automobile across regions which threatened BMW's brand management campaign.

The desire of governments to minimize disruptions caused by mergers and acquisitions further reduced the likelihood of any successful mergers.

The most obvious opportunity was the increase in consumer demand for newer products, greater choice and value for their money opened a door for diversity.

SWOT analysis strategy developed will be effective only after the strengths, weaknesses, opportunities and threats have been identified as what has been done above. The categorization of strategies may follow a number of combinations of these factors. According to the BMW case study we can identify a strength and opportunity strategy, a weakness and opportunity strategy and strength and threat strategy.

Strength and Opportunity strategy

Effective brand management and communication will continue to ensure that BMW is one of the best selling brands in Europe. Maintaining a reputation for the brand name and product quality through establishment of the latest standards in automobile manufacture and the development of these

products to the aspirations and aims of the customer will be desirable. Exploration of acquisitions and mergers by BMW through the revival and enhancement of their product strategy is vital. BMW will also look at maintaining close proximity to prospective buyers in order to promote market segmentation. The promotion of automobile technologies geared towards producing safer products is also a matter of consideration.

Weakness and Opportunity strategy

The restructuring of BMW's top brass and the relinquishing of the Quandt's controlling stake within allowing for consolidations across Europe effectively ensuring that BMW competes for markets with brands such as Toyota. This flexibility will open doors for a broader market scope and may in turn improve profitability.

Strength and Threat strategy

The standardization of the BMW products will open new doors for market across Europe and eliminate regulation slapped on non-compliant products.

Read more: <http://www.businessteacher.org.uk/free-business-essays/bmw-swot-analysis/#ixzz28XkOo3NE>

Read more: <http://www.businessteacher.org.uk/free-business-essays/bmw-swot-analysis/#ixzz28XipmvH2>