

# A porters five forces analysis of bmw



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Bavarian Motor Works (BMW) was founded in 1917. It is one of the leading companies and a premium brand in the automobile industry. It is known for its quality, efficiency and innovation. It is associated with high performance engineering excellence and services. It is one of the most competitive and powerful brands in the whole world with BMW, Mini and Rolls-Royce with all of them being one of the top brands and they are cited as one of the best in the world with their wide range of products.

### **Porter's Five Forces:-**

Now we will discuss all the Porter's five forces in detail:-

#### **Substitutes:-**

It is very tuff for the customers and the market to think about the substitute for BMW, because it is has a very strong brand image and is known for its reputation in the world. However the threat of substitutes may come from the manufacture of leading car manufacturing companies and sports bike

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companies. The threat may as well come from the Government with its awareness about fuel emissions and environmental issues. It encourages citizens to use public transport and reduce traffic issues. But the effect maybe low because due to BMW's strategic environment and most of them prefer driving Luxurious cars.

### **Competitors:-**

Since the automotive industry has a very competitive environment, BMW has so many global companies as competitors who are equally competitive. In the car manufacturing companies Audi, Mercedes Benz etc and the bike manufacturing companies like Ducati, Yamaha etc give intense competition. However now there is an increasing competition and demand over hybrid cars since there is a lot of technology development and factors such as increase in the fuel efficiency and environmental friendly cars are attracting the customers and developing the automotive market. BMW is developing in the hybrid category, while Toyota is ahead and has a good share market in this category with its hybrid car “ PRIUS”.

### **Buyers:-**

Marketing and advertising are the important aspects to influence and attract customers in this intense market and a lot of money is spent on these factors. Nowadays the customers depend on Reviews from magazines, websites etc. These reviews give a lot of information about the cars and they also compare the same segment cars and this information is widely useful for the customers and the information about pricing, features and models of the cars play a vital role on the customer's decision of purchasing cars and most of them depend on these reviews. All these knowledge sources

gradually increase the bargaining power of customers. The company designs attractive catalogues and brochures which attract many customers.

### **Suppliers:-**

Suppliers play a major role in manufacturing the products of the company. The company needs raw materials, labour, parts and services. The delay in any of these may affect the delivery of the customers. The cost of supplies affects the profitability of the company and they may also affect the cost of the products and the distribution of the products. Not all suppliers can have an effect on the prices. In many parts manufacturers show a lot of interest in supply of the materials to such a reputed company which provides quality products. BMW is very concerned about the quality of its products so it is very particular about the suppliers and their costs. The achievement of BMW also directly influences supplier's profits and their businesses.

### **BARRIERS TO ENTRY:-**

It is very difficult for a company to get into the Automobile industry and compete with one of the best companies in the world. There is intense competition in this market and for competing with a company like BMW; any new firm needs a lot of capital, investment, funding, highly skilled technicians and engineers. It needs to spend a lot of money on marketing and advertising. Most of the companies don't risk their business in such a competitive environment and very few take the risk and set up a new firm. BMW has one of the best technicians, engineering and designers who help in developing new model cars and more innovative methods.

**CONCLUSION:-**

Therefore Porter's five forces analysis for BMW reveals that the company is retaining its strong brand image and standard in a very intense competitive environment with its highly experienced technicians and designers release new products and the company is known for its reliability. It is developing its hybrid technology on cars since it is facing a tough competition with its rival companies. The customers are attracted by reading magazines, reviews and websites. BMW also spends a lot of money on advertisements and marketing to increase the awareness of its products and it attracts more customers. Although this assignment on the strategy of BMW has been an amazing experience which involves a lot of reading and in-depth analysis of the company's strategy.