

# Planning and development of bmw in malaysia



BMW Group is one of the world's largest premium carmakers and BMW is also the parent of the company of BMW MINI and Rolls-Royce car brands, and, formerly, Rover. BMW headquarters in Munich, Germany. The company slogans in English are " The Ultimate Driving Machine" and " Sheer Driving Pleasure." BMW was founded by Karl Friedrich Rapp in October 1913. Automobiles, motorcycles and financial services are three segments that operate by BMW and they manufactured the first passenger car running by hydrogen.

BMW manufacturing is plant in Germany, Austria, UK, USA, Mexico, South Africa, Egypt, Brazil, Malaysia, Indonesia, Philippines and also Vietnam. BMW's main competitors include Acura, Alfa Romeo, Audi, Cadillac, Infiniti, Jaguar, Lexus, Mercedes-Benz and Volvo all of this are consider luxury brands of the car products. Nowadays, BMW is support by 11 different types of series.( Knozolvilag, no date)

According to the research, shown that there are 2 new divisions for BMW been introduce in October 1, 2007. Which are corporate and brand development will be lead by the director of corporate planning this is focus on the vital for brand management, corporate planning, and strategic implementation BMW. Second, purchasing and supplier network that headed by Dr. Herbert. Diess. The purpose are to reduce the material cost and expenses factor. (Nina Mendioli, no date)

## **1. 2 LATEST FINANCIAL SITUATION**

2010 BMW Malaysia economy continue to growth and sales up to August growing by 7. 1% from 2, 635 units to 2, 893 units and are expected that

reaching a total sales figure of 4, 000 vehicles by the end of the year. So the financial overview BMW Malaysia consider in a well and positive situation.

(Wemotor. com, 2010)

\*All in euro million

\*Sales: unit

2007

Net profit: 1, 184 sales (automobiles): 1, 551, 490 cost of material: 36, 638

(BMW, 2008)

2008

Net profit: 384 sales (automobiles): 1, 446, 055 cost of material: 34, 044

(BMW, 2009)

2009

Net profit: 202 sales (automobiles): 1, 231, 893 cost of material: 28, 300

(BMW, 2010)

Overall the company performance, let see from net profit for automobile BMW from 2007 until last year 2009 are decreasing, especially around year 2008 in UK and US BMW company are hits by credit crunch (Chris Reiter, 2010); this are the reason of decreasing of net profit. But the sales for automobile are actually decreasing but not tat much are around 5 to 10% from 2007-2009. Next, for the cost of material for year 2008 to 2009 are decrease around 15 to 20%.

### **1. 3 BMW MISSION STATEMENT**

BMW worldwide mission statement is:

“ The mission statement up to the year 2020 is clearly defined: the BMW Group is the world’s leading provider of premium products and premium services for individual mobility.” (BMW education program, 2001-2010)

### **1. 4 BMW CORE VALUE AND MARKET SHARE**

BMW is a world top’s luxury car maker so they have their own financial core value which is ULTIMATE CARE to build up and maintain the customer relationship by offering all-sided financial and insurance service.

Uniqueness through diversity

Leadership

Teamwork

Involvement in community

Mutual respect

Associate growth & development

Taking risks

Excellence through quality & innovation

Courteous

FAir

Responsive

Efficient (BMW financial service, 2007)

2010 of April managing director of BMW Malaysia announced: they are confident with 2010 years sales and market share and will be better than 2009 because BMW already perform very well on 2009 although economy is downturn and BMW730Li and BMW Individual 760Li is launching so this make them more confident. (Nurul, 2008)

## **2. 0 MARKET SITUATION**

### **2. 1 SECTOR TREND**

In Malaysia, BMW's main competitors are Mercedes, Audi and Lexus. In 2008 have been reported that sales are rise 32% compare with 2007. First seven months of 2009, BMW Malaysia sold 2, 048 units compared with 2008 is 2, 133 during the same period. So on for the first quarter 2010, Malaysia sale 967 and increase 14. 0%. Malaysia BMW is doing very well for the moment. (Business time, no date), (EUGENE MAHALINGAM, 1995-2010), (Horatiu, 2010)

### **2. 2 PESTEL**

The external audit are contain with PESTEL which are political change, environmental effects, socio-cultural change, technology change, Economic, and also legally in Malaysia. (FRANCES and STEPHEN, 2003.)

The political change effects for BMW are actually not much. Overall of the political are actually have no impacts for BMW in Malaysia. Unless if we assume that the Malaysia politic suddenly become worst and confusion like:

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Thailand as an example, then it will directly effect BMW as no people will buy this luxury car at the suffering time while politic in the country is not stable. Because if the politic is not stable and always demonstrate everywhere in Malaysia, Malaysian will feel very dangerous and like taking a risk driving so expensive car while the car may just sacrifice on every time.

Environmental automobile companies have to show that they responsibly use the available resources and care about the environment, so that wont pollute or damage the environment. In Malaysia, people are starting to have awareness of environmental issues and many company start to do “ go green” for their company. BMW reduced plant emissions and vehicle consumptions, which required improvements in engine technology and aerodynamics. The BMW Group has a program call EfficientDynamics are to reducing the consumption. (Anonymous, 2000-2010)

The socio-cultural are all about demographic, culture and attitude. In Malaysia, nowadays the age that the new generation starting working are mostly after college or University that mean age around 22 to 23 year old. So most of the people only start working and have specific amount of saving after working. So, it will be quite a time for younger people to buy BMW's car. The occupation is very important that because of the highly cost to purchase BMW's car, so people must have a successful job and image to afford before buy the car. The genders who afford to buy BMW's car are mostly male because quite many % of female in Malaysia are housewife so impossible to consume BMW's car without income. Location where have more people buy BMW's car are citizen because the income are optimize compare with villager.

Technology for BMW in Malaysia its shows that the fields of security and alternative energies, e. g. hydrogen, electricity are the part that they focus on now. It also shows that in the automobile company we need to put a lot of efforts and invest into the R&D. Technology is becoming the reputation of the vehicles and automobile manufacturers employ the use of technology by adding gadgets into their motors as an example are the BMW 7 series iDrive. To increase the engineering and the quality of the models, BMW use an advance technology on it. (Anonymous, 2000-2010)

Economy is first about the reducing of the car demand because of the increasing of the petrol price. Next, if the economy in Malaysia goes down this will also affect BMW indirectly because will happen unemployment. The economy goes down and many peoples loss their job and have no income so that is impossible for Malaysian to purchase BMW luxury car during economy make everyone suffering. But for this moment Malaysia are not facing this problem yet. Apart of that, the inflation is also giving effects for BMW.

Legally the legal factor is all about environmental protection law, employment law, and taxation policy. It is pollution control and remediation and to protect the environment and ensure that the BMW's car is not giving any negatives impacts to the environment in common sense. The employment law also very important in which it is all about relationship between employee and employer, and is to protect the right of the employee. Example: woman law, working hour's law, labour medical law and etc. Any changes of the employment law that are not fair may affect the workers and directly affect BMW organization operation.

## **3. 0 COMPETITOR SITUATION ( BMW AND COMPETITOR SWOT ANALYSIS)**

### **3. 1 BMW SWOT ANALYSIS**

Strength:

The product development on the core platforms keeps its various brands distinct.

BMW is one of the most successful multi-national brand premium car manufacturers.

It is independently owned by BMW.

BMW is the only car manufacturer possessing three non-overlapping premium car brands in the portfolio.

BMW always want to be the best and keep focus on R&D by number of the new models the group has released over few years.

Weakness:

Fail to enlarge the range because of the pricing are expensive and majority of the consumer are fail to afford it.

BMW Company is associated with luxury price product.

Highly cost in Germany headquarter manufacturer that affect the company profitability, and BMW still have not that much manufacturer in lower cost country such as Thailand, Vietnam and etc as what we can see now many of



the competitor most of their manufacture are moving to the lower cost country.

To maintain the BMW car's maintenance cost is heavy.

Opportunities:

Based on secondary data, China is ranks as third largest market for BMW 7 series luxury limousines.

Dealers expand to many countries.

Huge demand for smaller car in market

Globalization expand and entering into the new market.

Many potential in the Asian for the BMW market.

Threats:

The pricing of the oil is going up higher and higher once upon the time.

The price of the raw material of the car is increasing and then offset the company earning.

Dropping of the dollar against the euro being threaten to undercut BMW top line and so that decrease the profitability.

The government policies of exchanging rate.

Quite strong competitor like: Mercedes, Audi, Lexus.

### **3. 2Competitor SWOT analysis (Mercedes-Benz) most direct competitor**

Strength

SUV bumper

Famous brand name like BMW

More than 80% of the model still on the road

Mercedes car resale are still valuable

Successful F1 team

Mercedes have roadside assistance connection

Fuel cell concept to increase range and power for earlier version

Weakness

Building time

Pricing too “ premium”

JIT (just in time)

Waiting time

Opportunities

Joint venture

Development of the new model

Professional sport sponsor

Environmentally car concept

Maybach design concept

Threats

Entrance to new market

Little to no experience

BMW competitor, luxury small car with cheaper price

## **4. 0 OBJECTIVE**

### **4. 1BMW SMART objective Malaysia**

Specific, measurable, achieving, realistic and time-based for the objective of BMW are seek to where would we want to go. It is very specific to example: profitability objective and promotion objective. BMW clear that what specific that they want to achieve, quantify the objective, it must be achievable and also realistic for the resources like money and people to achieve the objective and when do BMW want to achieve.

#### FINANCIAL OBJECTIVE

Sales volume objective 2010: Increase to around 10% to over 1. 4 million units.

Full year EBIT margin: Over 5% expected for automobile.

Financial service: Earning more than last year (2009). Return on equity over 18% in 2010.

Sales volume objective 2012<sup>1</sup>/<sub>4</sub>šfive-year plan of achieving annual sales of 1.8 million vehicles.

#### CUSTOMER AWARENESS

For individual customer service: Provide premium services for individual mobility.

Customer relationship: Ultimate care and build up customers' relationship by starting provide all-sided financial and insurance service.

#### SOCIETAL OBJECTIVE

Societal objective: Take care of the environment by doing more on R&D, create car which are environmental friendly which are now the whole world concerning.

Objective until 2020: BMW Group is the world's leading provider of premium products.

2020 objective BMW: Reach annual sales of 2 million by 2020.

## **5. 0 STRATEGY**

### **5. 1 CUSTOMER ANALYSIS BMW IN MALAYSIA**

There are three steps in the customer analysis which is fall into segmentation, target market, positioning. In the segmentation section BMW Company need to do for the psychographic segmentation, behavior

segmentation, and profile characteristic to help the company to do the targeting more effective. The lifestyle and personality is group into the psychographic segmentation. Lifestyle and profile in Malaysia is depending on what are the person's occupation, and the family background. If they are professional and paid by the company very high salary or the family is rich and the parent can afford to buy the BMW car, and BMW rank as one of the top luxury carmaker. Research shows that the main market for the BMW is actually more than 65% of sales at Europe and North America, but Asian market is actually a big market. So this show that not most of the Malaysian can afford to buy the car but only some of the Malaysian that who can afford and the BMW lovers will be able to buy BMW's car. Behavior segment are benefits sought and perceptions and beliefs. The person who able to purchase BMW's car may have successful image or very high income monthly, or they may want to have a modern, sport and luxury looks. Some of the Malaysian that who can afford to buy BMW's car are because of BMW brand superiority, performance, reliability and quality. (SlideShare, 2010).

Furthermore, in Malaysia driver who can afford to drive BMW also depend on their place, in the city we can see more Malaysian driving BMW rather than rural location. It will still have but lesser if compare with city.

Targeting is come after segmenting and it is very vital in the segmenting, targeting and positioning. BMW have a high competitive, the main manufacture that BMW compete with are as discussed before to name a few are Mercedes, Jaguar, Audi, Lexus, Porsche and etc. The products that other competitors manufacture produce have similar price, product, quality and image. Most of these competitors are special and valuable brands, and they

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use differentiated strategies to produce large ranges of cars and have same product life cycle with BMW. Each of these companies sells car with different brands image, Jaguar is seen as a luxury, reliable and quality producer that BMW also do the same thing but on the other hand Alfa Romeo is famous with their stylish and performance breed but unreliable car from the research. (SlideShare, 2010).

Inside Malaysia we can see most of the gender who drive BMW still male more compare to female and the design are more suitable to boy compare to female although we can still see female driving BMW as long as they able to purchase it.

In the positioning stage, we can position that in Malaysia most of the male can purchase BMW than female depend on their successfully of their occupation or image and also family background are one of the big reason. In the city of Malaysia have more people drive BMW than village and the competitive is actually not a very big affect for BMW because BMW brand have already build up for quite a long time and most of us can identify BMW logo on the road and BMW have it good reputation and high and trusted quality in Malaysia as well. So BMW operate has seen as a good and loyal consumer at the market they operate.

## **5. 2 MARKETING MIX IN MALAYSIA**

The marketing mixes are 4p's (product, price, place and promotion). The most important thing in marketing mix is product. In an organization, to ensure their successful, they must first have product that can satisfy consumer desire and satisfaction like: BMW is car. As a marketing people, we

need to develop a product into the brand and create single position in mind of customer.

BMW present models are:

BMW 3 series: sedan, coupe, convertible, touring and compact.

BMW 5 series: sedan and touring

BMW 6 series: coupe and convertible

BMW 7 series: sedan

BMW Z4 : Roadster

BMW X3 : SUV

BMW X5 : SUV

BMW M : convertible and coupe

(BMW Assignment, 2010)

When each BMW product have been developed and introduce to market, we need to know a product life cycle. Any of the products are actually have a life cycle including car. So, we need to develop a car clearly know that where and when the product will be growth, mature and decline.

PRODUCT LIFE CYCLE CURVE

(NetMBA, 2002-2010)

BMW know that the importance to making sure not all the product will at maturity level, so this might be result in the products beginning to decline which at the same time. Normally the product has a period of time to launch and take several years. When this series car going to mature level and the company will start to get something new to delivering the consumer new satisfaction. As an example: BMW company launches X5 at year 2000 and they launch new series of X5 at 2006. Next, BMW 3series, it 7 years life cycle and 7series for 7 years only for the first models life cycle was longer to 9 years. It is clear that BMW is spread over a period of time a life cycle of his 3 products. Many of the BMW cars need to manufactured, designed, and launched to ensure the car is attractive within the quality.

Next, is the pricing for BMW's car in Malaysia. The pricing are from approximately RM203, 800. 00 to RM1, 388, 800. 00. There are many factors that can affect the car price of car because of the engine size, motor sport version and etc. Example: the pricing strategies that have been used by BMW for the 3 series version.

BMW 320d M SPORT price from 255, 800. 00, BMW 320i from 236, 800. 00, BMW 320i COUPE from 289, 800. 00, BMW 320i M SPORT from 248, 800. 00, BMW 323i from 275, 800. 00, BMW 325i CONVERTIBLE from 439, 800. 00, BMW 325i M SPORT from 309, 800. 00, BMW 335i COUPE M SPORT from 498, 800. 00. According to the research, most of the competitor like: Audi, Alfa Romeo their 3 series are also around the same price. The reasons are car industry is too big and not so important for the production cost and it is not necessary to earn a large profit. (CAR PRICE GUIDE 1995-2010), (SlideShare, 2010)

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The placement for BMW is also very vital. There are more than 10 dealers that we can find in Malaysia. Auto Bavaria ( Glenmarie, Johor Bahru, Kote Kinabalu, Kuantan, Kuching, Penang, Segambut, Sungai besi) , Ingress Auto, Lees Motor Auto Care, Sapura Auto, Seong Hoe Premium Motors and Tian Siang Premium Auto. The dealer which is nearer to the consumer place will be chosen and give the best services. BMW operates in more than 100 countries and with approximately 4000 plus dealers which are authorized to sell BMW new& used car, parts and after sell service product are provided for all the BMW customers. (SlideShare, 2010), (BMW Malaysia, 2004).

The process of BMW distribution:

Manufacturer Dealers Consumers

To do the promotion for BMW, on 28 October 2010 BMW have already introduce New Auto Bavaria which is the largest premium automotive dealership in the Southern Corridor of Peninsula Malaysia. By adding more dealers in Malaysia will also helping in promote BMW brand indirectly. (Sashi Ambi, BMW Malaysia, 2004)

Malaysia BMW also does product planning, advertising and promotional activities. Planning campaign done to increase the sales volume. Event launches for the new models car. Below shows the advertising/campaign slogans that used by BMW:

Slogans used:

Positioned itself as the brand with the unique benefit of “ a luxury car that provides an exhilarating driving experience with advertising.

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The Ultimate Driving Machine. (Ezzy Get A Car, 2008-2009)

Time frame:

Established itself over time from its introduction in US market in 1974.

Ran for 15years, overall brand-focus on prestige. (Ezzy Get A Car, 2008-2009)

Next, promotion have been done also example: limited edition on 24 January 2010 are offered for the coming Chinese new years it involved (3 series and 5 series). In 2009 January 10and 11th, the open house is also invite all the peoples to join and offering attractive financing packages, cultural delights and ' Ang Pow's worth up to RM888 (terms & conditions apply) and BMW also offering interest rates from as low as 1. 38% as a promote activity.

Unbeatable interest rate of 1. 38% from BMW Credit also offered by BMW if purchase limited BMW 5 series editions, BMW 523i Executive Edition and etc. (Ezzy Get A Car, 2008-2009)

## **6. 0 FORECAST AND IMPLICATION**

### **IMPLICATIONS**

According to the BMW annual report shown that, from 2003- 2006 the net profit after minus the lost for last year is increasing. From 2005 to 2006 the net profit is increase around 28% and 2003 to 2004 are increase around16%. (BMW Group, no date).

Only come to year 2007 to 2009 the company net profit is decreasing because of credit crunch issues. (Chris Reiter, 2010) But come to 2010 year assume that company margin can be increase around 10 %; and believe that <https://assignbuster.com/planning-and-development-of-bmw-in-malaysia/>

after the economy straighten up 2010, their annual report for coming year 2011 and 2012 will be slightly increase from 5% to around 10% for their net profit and sales for automobile. I assume that on 2010 BMW Company sales of automobile (unit) will achieve to 1.4 million and until 2012 they hope to achieve to 1.8 million. So I assume that on 2009 to 2010 the sales (unit) automobile will increase 15% to achieve this 1.4million number and on 2011 to 2012 it will be increase around 16% to make it 1.8million for the sales (unit) of automobile. In short, will became the leader in the premium car manufacturer industry soon and create car which are more environmental friendly within 5 years.

## **Conclusion**

In short, BMW is multinational companies that are considering very successful in the market. Many country have their dealer that already listed on the essay and their car are consider famous and premium concept are already key in to the whole world consumer concept.

BMW car are now represent the status of a person, so they should have a very good marketing plans, strategies and new concept to compete with their strong competitor and continue to improving and make them better. In addition, with all the different PESTEL and 4p's as well that need to analysis deeply accordingly to the differences of country and so meet the local culture and local people need.

Apart from that, it is very important for a company to do a proper company strategy. A company need to do a good segmenting of which segment of their products should fall into and then targeting who is their target market.

Positioning come after targeting, a very good company needs to have a very good position in the target market. Following by the forecast their objective, must they clearly define what objective they need to achieve on which year (what and when). Next, work together with all the staff in the company and so the dealer to achieve it if possible.

Lastly, by doing this all ways to make sure that BMW can stand last longer in the market and continue to produce quality car for the consumers in the market all around the world.