

Bayerische motoren werke (bmw) report sample

[Business](#), [Company](#)



Introduction

The Bayerische Motoren Werke (BMW) began during the World War I. It specialized in engines manufacture. The company broadened into its current two principal product ranges: automobiles and motor cycles. BMW is one of Germany's prominent and most successful companies today. BMW cars are not the most reliable, the most powerful, or the most luxurious on the market. They however, score well against all these criteria. BMW's products are not exceptionally innovative although it rightly stresses the advanced nature and quality of its technology. The design of its cars is conventional and models styling is decidedly traditional.

Generic Strategy

BMW has used the Generic strategy, which is concerned more with how it intends to position itself to create value for its clients in different ways from the ones used by competitors. The objective of a generic business-level strategy is to establish a competitive position that distinguishes the organization from competitors and creates value for customers. BMW pursues competitive advantage by offering product and services that are different from those of competitors, where customers value those differences. It offers products that serve customer needs in ways that competitors do not. This creates a strong proposition for customers and superior financial returns for the firm. Any number of firms might be pursuing the same broad strategy, but each firm tends to pursue it in different ways, and with varying degrees of success (Murray, 1988, P. 390).

BMW has employed one of the Generic Global Strategies to expand outside

its domestic market and compete internationally. The generic global strategies include; one country production base exporting to multicountry strategy, foreign markets, global strategy, and license foreign companies to use company technology or produce and distribute company products, and strategic alliances with foreign companies. BMW has used the focused broad – line strategy. BMW has a global focused strategy. It focuses on the luxury automobile global market segment. A broad – line strategy can originate from a focused strategy. A company begins to compete in a section of the industry, which is poorly served by broad line competitors. The generic strategy types are differentiation, low cost leadership, and best cost. (Levitt, 1983, p. 92)

Differentiation

BMW has particularly majored on differentiation. Differentiation means developing differences in a product the target customers can pay a premium for. Differentiation is achieved through brand image or prestige, proprietary technology or state of the art product natures, or outstanding service networks. This strategy is dominant in much of the auto industry. Most automakers attempt to create unique value by influencing customer perceptions and providing real differences or each automobile make and model. They use various strategies, including BMW innovative product design.

In differentiation strategies, the emphasis is on creating value through sustainable uniqueness. Unique attributes are things such as quality, sophistication, prestige, and luxury. Uniqueness can be achieved through product innovations, superior quality, or superior service, which is then

sustained and leveraged through creative advertising, brand building, and strong supply chain relations. Another requirement for a successful differentiation strategy is that buyers must be ready to pay more for the product's uniqueness that the firm paid to create it. BMW has used differentiation strategy through its styling and performance. When comparing automobiles, Mercedes stands for engineering, BMW is the driving experience, and Volvo is safety.

The ability to charge higher prices enables differentiators to outperform competitors unable to do so. BMW is now filling the gaps by adding the new 1- and 6- series. For differentiators such as BMW, research and development is an important functional area through which new features can be experimented with and introduced. Another key function is marketing and sales, focusing on both capturing customers' psychological desire that lure them to buy and satisfying their needs after the sales through excellent services (Hill, 1998, p. 403).

The less a differentiator like BMW resembles its rivals it gets more protected. The bargaining power of suppliers is not a problem since differentiators could pass on price increase to customers while cost leaders cannot. Similarly, the bargaining power of buyers is less problematic because differentiators tend to enjoy relatively strong brand loyalty.

Although cost may not be BMW's principal focus, it cannot overlook the differentiation strategies pursuing cost. When costs are too high in relation to competitors, a firm may not be in a position to recover all the additional costs through higher prices. BMW have carefully controlled costs across its complete production process. This is from inception of the idea to deliver

particularly, in the areas having no direct relationship with the sources of differentiation. A differentiation strategy increases a firm's performance. This occurs only if the buyers value the features that contribute to the uniqueness of the service or product. The feature should be able to make the customers to pay a higher price for it. The customers can also choose to buy from that firm preferentially.

BMW is evolving to achieve the final stage of development, which is broad differentiation. According to Moon's model, BMW was at the differentiation focus stage where it used to sell to a limited, high - end customer segment. However, rather than dwelling and solidifying its competitive advantage in that position, BMW has introduced the BMW 1 series to target less high - end consumers.

Consequently, the major risks associated with a differentiation strategy center on the difference between added costs and incremental price. One risk is that customers will sacrifice some of the features, services, or image of a unique product because of high price. Another risk is that customers will no longer perceive an attribute as differentiating. For example, customers may come to a point at which they are so familiar with a product that brand image is no longer important.

A few of the requirements for implementing the differentiation strategy include strong marketing, effective integration among functions, creative and innovative employees, continuous development of new or improved products and services, and a reputation for quality and a commitment to continuous improvement in it.

Value Chain

BMW's ability to differentiate its offering is how its value chain relates to the buyer's value chain. Value for the consumer is created when an organization is able to lower the buyer's cost or improve differentiation for the buyer.

BMW has been good in improving differentiation. The buyer's perception of the value to be derived from a product determines BMW's ability to charge a premium price. This in turn provides BMW with competitive advantage (Sidgwick and Jackson, 1991).

In seeking to influence the value chain of its suppliers, distributors, and consumers, BMW needs also to address the make or buy decision. That is, does an organization want to undertake all the activities of the product itself, or might it prefer to outsource some of the activities in its value chain? This evaluation should be integral to the analysis it undertakes as part of its assessment of its own value chain. Many organizations in both the public and private sectors make a conscious choice as to the value activities they perform internally and those value activities that they are prepared to purchase. Case Study: Managing Linkages in the value chain system illustrates how BMW is making use of partners who add greater value through their expertise in logistical activities. Greater reliability in the supply chain has allowed BMW to reduce the inventory in its Spartanburg warehouse from a fortnight's supplies to just three days' worth (Norburn, and Schoenberg, 1990).

When evaluating value chain BMW is able to point out to different activities where it is clearly differentiated from its competitors. That is, design or brand image. Although the main aim of a differentiation strategy is not to

focus primarily on costs, it is clearly important that the organization has some knowledge of its cost structure such that any differentiation achieved can be set at a price customers will be prepared to pay, and that easily covers the cost of differentiation (Hybrid Drive, 1997)

Suitability, Acceptability and Feasibility

BMW executives view long - term sustainable development as a major element in the company's collective strategy. The BMW Executive board adapted the resolution concerning sustainability on Feb 21, 2000. They said that sustainability is evolving to become a principal advance to social and economic thrive. It facilitates the interaction between democracy and the market. The BMW group continues to apply sustainable increment as a principle of corporate strategy. BMW incorporated sustainable development into the mainstream of its corporate life. It pursues a corporate culture that merges the determination to achieve economic success with trust, transparency, cosmopolitanism, and responsibility for its environment (Monnich, 1989).

The serious challenges engage concerns about the sustainability of the automobile itself. With highly industrialized and densely populated countries, Europe has seen a rise in social and political movements that view the automobile as a significant contributor to the world's environmental problems. Proposed solutions extend beyond legislation affecting disposal costs and recycling mandates. BMW's most critical concern is the impact of social and political pressures on its customers and the possibility of a decline in the social and economic acceptability of the luxury sport sedan. BMW believes that mobility and ecological responsibility are more than ever

interlinked with one another (Douglas and Wind, 1987, p. 19).

BMW's acceptability has increased due to its uniqueness. It has had constantly revamped its advertising campaigns. Introduction of cheaper cars by the company has also assisted in its acceptance since it no longer belongs to the rich.

Conclusion

BMW is a company with well performed strategies. Its retail margins are relatively high. The company retains tight management over its network of distribution. BMW cars are priced very differently and placed differently in various national markets. It is a company, which began after some false begins to identify its distinctive capabilities and choose the market, which has enabled it, realize its full potential. Its dealings with its distributors and suppliers, it's branding, it is pricing approach, and advertising strategies, are all constructed around these choices and recognition. BMW's success is not an accident.

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