

Mercedes benz swot and bcg matrix



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Mercedes-Benz is a German manufacturer. The company manufactures the luxury automobiles, buses, coaches, and trucks. It is currently a division of the parent company, Mainly Mercedes Benz is very famous in the world for its variety of car models

BACKGROUND OF INDUSTRY:

The evolution of the automotive industry has been influenced by various innovations in fuels, vehicle components, societal infrastructure, and manufacturing practices, as well as changes in markets, suppliers and business structures. Some historians cite examples as early as the year 1600 of sail-mounted carriages as the first vehicles to be propelled by something other than animals or humans. However, it is believed by most historians that the key starting point for the automobile was the development of the engine. The engine was developed as a result of discovering new energy carrying mediums, such as steam in the 1700s, and new fuels, such as gas and gasoline in the 1800s. Shortly after the invention of the 4-stroke internal combustion gasoline-fuelled engine in 1876, the development of the first motor vehicles and establishment of first automotive firms in Europe and America occurred.

IMPORTANT MILESTONES IN THE HISTORY OF MERCEDES BENZ:

Mainly Mercedes Benz is very famous in the world for its variety of car models. In the year 1886 it produced the world's first true internal combustion engine powered three wheeler automobile vehicles. In the year 1894, Mercedes Benz produced world's first single cylinder four stroke engine powered four wheeler vehicle " Benz Velo". In the year 1899, an

automobile enthusiast dealer of Germany Mr. Emil Jellinek successfully raced the Daimler Motoren Gesellschaft (DMG) vehicles by painting his daughter's name Mercedes on all these test vehicles for good luck and later this very name became the brand name of all the DMG vehicles. The first DMG make four wheeler vehicles bearing the brand name Mercedes rolled out of the factory in the year 1902.

The Mercedes 35 hp four wheeler vehicles which were produced in 1902 became an important mile stone in the advancement in the automobile design. While focusing on the land surfing vehicles Mercedes Benz also produced both civil and military boat and aircraft engines and even Zeppelins. Since 1920, Mercedes Benz regularly started producing limousine vehicle models. During that period Mercedes Benz also started producing sports car models. Explicitly for the American market Mercedes Benz started producing vehicles during the period of 1950s. Iconic 300SL sports car model was showcased in the New York automobile show in 1954, which was produced particularly for the American market. Mercedes Benz made rear engine cars produced that time had been rather unsuccessful attempt but later on it successfully produced similar category less expensive and higher volume cars. Recently Mercedes Benz made small 139 hp car has not been very successful in the market. Since 1994 Mercedes Benz has been successfully producing compact city cars along with in-expensive A-class range cars.

MERCEDES BENZ MOTOR SPORT HISTORY:

Mercedes Benz motor sport history began in 1894 by participation in the world's very first automobile race Paris to Rouen. Since then the automobile motor sport cars manufacturing had been a unique feature of Mercedes Benz till late 1930. In 1955 the Mercedes Benz race car 300 SLR collided with another racing car and killed around 8 people. Since then up to the year 1980 Mercedes Benz had not participated in the motor sport racing, but in 1980 Mercedes Benz returned in the frontline motor racing contests with its Sauber racing car.

MERCEDES BENZ CAR MODELS HISTORY:

Mercedes Benz car model production significantly started from the SSK racing car model produced in 1928. Since then Mercedes Benz has been successfully producing a variety of luxury car models till the latest car models like GL320 Bluetec, R320 Bluetec, E320 and ML320 Bluetec, produced in 2007.

ENVIRONMENTAL REVIEW:

In environmental audit, two factors that give the organization right place where it is lye and that are

1. MICRO ENVIRONMENT 2. MACRO ENVIRONMENT

There are different measures to find out the organization market position for current and future, but i will apply only three of them out of five.

BCG Matrix

GE

Porter's Five Forces

Value Chain

Product Lifecycle

BCG Matrix:

It's a popular approach to produce portfolio planning.

The matrix is defined by two factors.

Relative market share 2. market growth

The matrix has four distinct quadrants:

Dogs (Low market share/ Low market growth)

Cash Cow (High market share/ Low market growth)

Stars (High market share/ High market growth)

Question Mark (Low market share/ High market growth)

BCG Matrix

Stars. A star is a product in a high growth market that controls a sizeable share of that market. Stars tend to generate strong revenues. Over time, as growth slows, stars become cash cows if they hold their market share and dogs if they don't.

Cash cows. A cash cow commands a large share of a slow growth market. The more the company invests in cash cows, the greater the return. Cash

cows tend to pay the dividends, the interest on debt and cover the corporate overhead.

Dogs. A dog has a low share of a slow growth market. Dogs often report a profit even though they are net cash users. They are essentially cash traps.

Question marks (sometimes called wild-cats). A question mark is a product with a low share of a high growth market. Their cash needs are great because of their growth, but generate little in return because their market share is low. Question marks are difficult to turn into stars because the cost of acquiring market share compounds the cash needs. They may be big winners if backed to the limit, but most often, they fail to develop a leading market position before growth slows and become dogs.

The purpose of this tool is to help you balance your product portfolio. Ideally, you would eliminate any dogs, while keeping the others in a kind of dynamic equilibrium. The cash generated by cash cows can then be used to turn question marks into stars, which, in turn, may become cash cows. As noted above, many of the question marks will become dogs which means I'll need to compensate for these failures by improving margins on the stars and cash cows.

GENERAL ANALYSIS:

When I compare all market position I have found that Mercedes Benz is in cash cow position which is the second category of BCG, as the company has no need to establish their brand and no need for heavy investment which cash they invest on any new model they get it back with big amount of profit, It represents the market position and the share of product how much

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is it strong in an established industry. It generates very slowly and get high rate of market value, it also depend on cash, and the Mercedes Benz has too much opportunities to get incentives for market, this product is no need for marketing to get high share.

Market share of Mercedes Benz is very high share as compare to other brands and has very long and strong heritage in history of all brands in the industry and is widely recognized for the reliable product. Mercedes Benz specially made for corporate sectors. And now it's working like cash cow. In this segment Mercedes Benz has limited marketing for attract the customers, because the brand value is the actual worth of any company. In cash cow the other brands exists in market but the actual position of the product not down and it makes the money.

Mercedes Benz has many competitor in the car manufacturing market it means the company has the limited opportunities in the market. But the market of automobile can't be stopped; it grows with customer's demand.

PORTER'S FIVE FORCES MODEL:

In his classic work, *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (1980), Harvard professor Michael E. Porter presents an analytical framework for understanding industries and competitors, and formulating an overall competitive strategy. The model describes the five competitive forces that determine the attractiveness of an industry and their underlying causes.

According to Porter, developing a winning competitive strategy requires a sophisticated understanding of the rules of competition that determine an

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industry's attractiveness. The rules of competition are embodied in five competitive forces:

- the entry of new competitors
- the threat of substitutes
- the bargaining power of buyers
- the bargaining power of suppliers
- the rivalry among the existing competitors

The collective strength of these five forces determines the ability of firms in an industry to earn, on average, rates of return on investment in excess of the cost of capital. The strength of the five forces varies from industry to industry, and can change as an industry evolves. The result is that not all industries are alike in terms of their inherent profitability.

The five forces influence industry profitability because they influence the prices, costs, and required investment of firms in an industry—the elements of return on investment. Buyer power influences the prices that firms can charge, for example, as does the threat of substitution. The power of buyers can also influence cost and investment because powerful buyers demand costly service. The bargaining power of suppliers determines the costs of raw materials and other inputs. The intensity of rivalry influences prices as well as the costs of competing in areas such as plan, product development, advertising, and sales force. The threat of entry places a limit on prices, and shapes the investment required to deter entrants.

Of course, the five competitive forces and their structural determinants aren't solely the function of intrinsic industry characteristics. Firms, through

their strategies, can influence the five forces. If a firm can shape structure, it can fundamentally change an industry's attractiveness for better or worse. Many successful strategies have shifted the rules of competition in this way.

GENERAL ANALYSIS:

In Porter's five forces the strategy totally depends upon the business stability. It also helps business strength but I apply it on Mercedes Benz and focus on there product rather than public or other company. But no doubt it create more and more competition in the market, there are many brands in automobile company which can minimize the profit.

“ Mercedes Benz Porter's 5 forces framework Abstract the intensity of competition in an industry is neither a matter of coincidence nor bad luck. Rather, competition in an industry is ill rooted in its underlying economic structure and goes well beyond the behavior of current competitors. The state of competition in an industry depends on five basic competitive forces i. e. entry, threat of substitution, bargaining power of buyers, bargaining power of suppliers, and rivalry among current competitors.

(Porter, 1980) Daimler Chrysler's strategy rests on four pillars: global presence, strong brands, broad product range, and technology leadership. The objective is to increased customer service or warranties, Threat of New Entrants New entrants to an industry bring new capacity, the desire to gain market share, and often substantial resources. Prices can be bid down or incumbents' costs inflated as a result, reducing profitability. The threat of entry into an industry depends on the barriers to entry that are present, coupled with the reaction from existing competitors that the entrant can

expect Differentiation Product differentiation means that established firms have brand identification and customer loyalties, which stem from past advertising, customer service, product differences, or simply being first into the industry. Differentiation Mercedes Benz employs a Superior Engineering Technology in relation to other automobile manufacturers. Diversity of product program permits consumers to make product”

Macro analysis:

In Macro Environment it identifies the external behaviour of organization, and STEEPLE is the good tool to check the stability of organization in market.

STEEPLE stands for

Social

Technological

Economical

Environmental

Political

Legal

Ethical

(S)OCIAL:

Income distribution, Demographics, Labour/Social mobility, Lifestyle changes, Work/life balance, Portfolio careers, Education, Fashion/fads, Health/welfare, Living conditions, Poverty levels, Job security.

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(T)ECHNOLOGICAL:

Government spending on research and industry focusing on technological effort, New discoveries and developments, Speed of technology transfer, Rate of technological obsolescence, Energy use and costs, Impact of changes on IT, Internet, Mobile communications, IT spend, New communication channels.

(E)CONOMICAL:

Global economy, Information/knowledge economy, Monetary policy, Government spending, Unemployment policy, Taxation, Exchange rates, inflation, Stages of the business cycle, Economic ‘ mood’.

(E)NVIRONMENTAL:

‘ Green Agenda’, Global warming, Climate change, Carbon emissions, Recycling, Environmental regulation/protection.

(P)OLITICAL:

General election result, Lisbon strategy, White papers e. g. Actions on Competitiveness.

(L)EGAL:

Statutory and regulatory conditions, corporate governance, Compliance, International trade regulations, Compliance, International trade regulations, Competition regulation.

(E)THICAL:

Business ethics, Consent, Client confidentiality, Official Secrets Act, Security access, terms of business/trade, Trust, Reputation.

Mercedes Benz has many competitor in the car manufacturing market it means the company has the limited opportunities in the market. But the market of automobile can't be stopped, it growing with the demand of customers. For this company outside for example Mercedes Benz has strong brand and can establish their own market. It has also better understanding for external growth of the company, in STEEPLE it gives the good understanding for outside the organization, but sometimes simply highlights the obvious.

SWOT ANALYSIS:

In situational analysis it requires the SWOT for Mercedes Benz.

(S)trengths:

- It has good resale value.
- It has strong brand name.
- It has successful f1 team.

(W)eaknesses:

- Company has high price that may be effect the profitability of the company.

(O)pportunities:

- Market offer ample opportunities for the strong market position and can get more market share.
- It can launch new brands.

(T)hreats:

The current economic crises is a threat for Mercedes Benz and continue decline in us dollar is the major effect for the profitability of the company.

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The strong competitor in market is also a threat for Mercedes Benz.

IDENTIFY THE PROBLEMS ;

I have found out the problems in market and derived through SWOT analysis, which are following,

IDENTIFICATION:

Current economic scenario is really very big issue to affect for all business globally, and when I discuss about Mercedes Benz, it's a kind of trouble for this industry, because this whole industry related to stability of world economy and international economic conditions. Due to economic crises the company compels to reduce the prices for increase their sale and due to strong market competition. And the other related problem for this automobile all the parts are very costly that the people can't reach to by the genuine parts and they prefer to buy other brands.

Due to strong competitor for some extent it's directly effecting the profitably for company, it also has due to economic recession. When I see the other friendly atmosphere vehicles with fuel efficiency then it also problematic for Mercedes Benz to introduce the new O2 omission vehicles.

Some market troubles for Mercedes is presenting the diesel hybrid model, that are costly and effect the Mercedes mid size vehicles, when I compare it with Toyota it produce cheap vans than Mercedes, that is the price effect for Mercedes, in luxury models Mercedes c- class are very popular, but price is weakness and standard is the strength for this company.

WHAT ARE THE SMART OBJECTIVES?

SMART stands for

S-Specific

M-Measurable

A-Agreed

R-Realistic

T-Time Based

I have to set some SMART objective for high growth and efficient marketing, that would actually increase the sale of new models under this crucial time period when the whole world facing the economic recession, that are following;

Make the cars with unique style which attract the customers with unique functions.

Move their plants in growing country where they can higher cheap labor for reducing the prices by 2014.

Introducing new cars with extra safety and environmental friendly cars with low price that attract the customer.

Come in market with new techniques like in developed countries; introduce the electric cars that would be the O2 omission and environment friendly cars.

Get 10% of market share by introducing new models in developing countries.

To achieve 25% of sports market before December 2011.

To increase awareness of brand in growing countries from 15% to 20% by June 2013.

EXPLORE THE IMPLICATION OF CHANGE IN THE MARKETING ENVIROMENT FOR THE ORGANIZATION.

IMARKETING STRATEGIC PLAN;

For more of the sale and meet the set of objectives it requires some of new marketing strategies which favorable for their customers.

Mercedes has decided to stress safety over luxury in its new marketing campaign. As the tables have turned in the economic downturn, so have consumer priorities. It is becoming more popular to boast about how little you just spent on a new car as opposed to telling your friends how extremely expensive your new car was.

The new safety technology Mercedes has to offer should play a bigger role in its vehicle sales. In an interview with Automotive News, Cannon said, “ You have to give people the justification that says, ‘ Yes, a Mercedes-Benz is relevant to me — it can save my life.’ “ At a time when hybrids and less expensive cars are hugely popular, Mercedes has to give America a reason to shop for a Benz.

Mercedes has just launched its all new E-class, equipped with several features previously only available in the top of the range S-class. Blind spot

detection, lane-keeping assist, night view, and attention assist, which monitors the driver's road awareness, are a few safety features available on the 2010 E-class. These features set Mercedes ahead of the pack in terms of safety, and the company is banking on its innovation to help it sell some cars.

MARKETING SKETCH;

In market mix it involves some factor that helpful to make the valuable market for their customers and increase the profit for providing the facilities with different angels, and that are following;

Product

Price 4 P's specific for a product.

Place

promotion

People

Process 7 P's specific for service providing

Physical evidence

For this company I will apply for 4 P's.

PRODUCT:

In the market first of all for a product which we have to make, we know the customer requirement and their needs, whether it is tangible item or any service providing by the company, because the Mercedes Benz is the cash

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cow in market it already know the demand of people is the safety and environment friendly, then they focusing the product functions, style, quality and the warranty.

PRICE:

When I compare it with other of Mercedes competitor then its price is high than other brands, that count its weakness.

And for make it compatible the company needs to discount and wholesale price, to make price flexibly by using the seasonal demands.

PLACE:

It's about how the customer can get the product easily and which is the actual customer for this product, because in developing countries they are not afford to buy Mercedes Benz, that's why it is very important to recognize the perfect market.

For introducing and more sale the company make more distribution channels, inventory management, distribution centers, make the easy order processing, and finally the transportation of vehicles.

PROMOTION:

It totally relates to the various market communications, which is the type of product information which represents the goal for positive response of customers; it also includes the marketing strategy, advertising, selling force, public relations, and the marketing communication budget.

SUGGESTION CHANGE IN POTENTIAL RESPONSE:

For getting the higher response from the market Mercedes Benz needs to design the unique policy for existing market like to give the more safety options to their customers and for developing market to create the awareness to the people about their product through marketing channels, by approaching digital media marketing and other way of marketing. In contrast i can say a direct marketing approach is the potential market to retain the existing customers and get more market shares.

In other words the direct marketing is the telemarketing; there is no broadcasting signals use in this kind of marketing. It's like the direct relationship between the marketers and the customers and easy way to get the feedback about the product.

It also offer the four elements for direct marketing,

An offer

An explicit “ call to action”

Sufficient information for the customer to make a right decision whether it is act.

Means of response (typically moves in options, such as the toll free number, web page and e-mailing).

Estimate the market shares.

Geographical view of market opportunity on detailed map.

MARKETING ACTIONS:

Marketing measures can provide you with results oriented strategies and you need to multiply your profit. From concept to completion, one off marketing projects to a complete marketing programme and its impact that measureable impression from bottom line.

In an interview with Automotive News, Cannon said that new owners should be able to justify their purchase of a Mercedes-Benz by saying that the car is relevant because it may just save their lives. As hybrids become more popular, they're also becoming more affordable. Mercedes has to step up and give Americans a reason to buy a Benz. For its recently launched all-new 2010 E-class, Mercedes-Benz wants to bank on safety features that had been only available in the top-of-the range S-Class. These features include blind spot detection, lane-keeping assist, night view, and attention assist, which monitor the driver's road awareness. These safety attributes make this vehicle come out on top compared to the rest of the pack. Cannon was adamant that when faced with its rival brands' marketing strategies, Mercedes would not lower its game and instead will be focusing on innovation and safety.

CONCLUSION;

Company has the strong brand and excellent technology performance and meets the objective it has good relationship with the customer it has strong market share value.