

Strategy of mercedes and the external market marketing essay



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Introduction

The first part of this paper employed marketing theory and concept to examine the marketing strategy of Mercedes and the external market in which it operates. It also assesses its use of information and how it has embraced e-business in its marketing strategy.

The second part is a marketing strategy for Mercedes Benz A-Class in the Nigerian market. The strategy employs marketing concepts such as segmentation and targeting to enable the company enter into the Nigerian market.

PART ONE

Mercedes Benz background

The history of Mercedes is entirely on automobile design and manufacture. They are acknowledged as the inventor of the first auto car in 1886 and globally recognised as the world's oldest car company. This prestige is a key asset to the company. Ref

Mercedes' parent company, Daimler-Benz and America's Chrysler in 1998 merged to create the world's fifth biggest car manufacturer, employing 385,000 workers worldwide. Since the Daimler brand is also licensed to other automobile companies in Europe, the brand Mercedes-Benz was created to distinguish the new merger.

Mercedes-Benz cars are a good example for quality. The fundamental reasons for this appear to be cultural. Germany is characterised socially by high levels of organisation and efficiency. In addition, Germans unlimited <https://assignbuster.com/strategy-of-mercedes-and-the-external-market-marketing-essay/>

speed limit requires that cars are well engineered so that they can cruise at very high speed without strains or internal noise. Facts as this as noted by Barney (1991) is a significant reason for the companies sustained competitive advantage.

The organisation have manufacturing plants in South America and South East Asia and take advantage of the lower labour costs in the region.

Mercedes-Benz has a long history of competing in motor sport. The then separate Benz and Daimler company where both involved in the first ever automobile race in France in 1894. This history is an asset to the firm's brand. Furthermore, the learning curve effects of producing high performance engine are an important commercial resource for the company (Barney 1991).

Use of information in marketing strategy.

Drucker (1950) suggests that customers should be viewed and treated as a strategic asset of a fire and that the sole purpose of a business should be to create a satisfied customer. This is in line with Levitt (1960) who suggested that customer oriented rather than product oriented concept of marketing is the key to an organizations success.

In order to create a satisfied customer, it will require marketing research to get the data required for decision making, especially information on customer behaviour (Hanssens et al. 2001)

Mercedes Benz has always relied on statistic forecast of the market in which it operates. Mercedes uses modern information and communication

technology to drive the process of documenting and tracking customer's transaction and characteristic and using the information in decision making.

Mercedes reliance on research by Market-Share Partners (MSP) in decision making is an important signal of the strategic importance of customer database. Through the research Mercedes have been able to identify that new designs, enhanced technology and styling are some of the factors that affect sales. It also highlighted that Model-specific advertising is more effective than brand advertising. REF

The payback time, net present value and rate of return calculations found in Mercedes financial statements is a suggestion that the company will not allocate resources to project until it have extensively analyzed financial information data.

Mercedes Benz have been able to develop Marketing Response Model based on historic movement in market performance and the marketing mix and are using them in making critical marketing decisions.

In South Africa, Mercedes was able to predict its marketing and advertising strategy on promotion and discounts despite a clear superior product. A Market Response Model indicated that getting the best deal was not the paramount issue for customers in South Africa. Those insights lead to the decision to avoid discounting and instead stress on advertising and communication strategy. In the end the company cut its advertising budget in half without scarifying sales. This is a 100 percent improvement in marketing productivity. REF

Marketing information's from researches and Market Response Models have allowed Mercedes to design and execute highly information intensive marketing strategy that simultaneously satisfies customers need and reduce marketing cost.

However, the draw back to the Market Response Model is that its success depends on the underlying data. Correct prediction can only be guaranteed with quality data input.

Organisational strategy in relation to marketing strategy

Mercedes Benz corporate strategic goal as adopted from its parent company DaimlerChrysler is to achieve superior customer experience with high performing engine.(DaimlerChrysler, 2006). The two dimensions of the corporate strategy and its deliverable is shown on Appendix x

As competition is growing in the auto industries, there is the need for an effective marketing strategy that is in line with organisation strategy so as to achieve organisational goals. (Kotler 2003).

As can be seen in figure 1 below, Porter (1985) suggests that there are three " Generic Strategies": Cost Leadership, Differentiation and Focus. In line with porter's generic strategy, Mercedes-Benz has employed focused market generic differentiation strategy as its competitive strategy to outperform other firms in the auto industry (Thompson et al., 2007: 153). Mercedes makes their cars to appear more luxurious than the models of rivals in the same range.

Figure 1: Porter's Generic Strategies

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Differentiation

Cost

Narrow

Broad

Cost

Leadership

Differentiation

Cost

Focus

Differentiation

Focus

Source of competitive advantage Adapted from Porter (1985)

The focused differentiation strategy is intended to aid the organisations strategic goal of achieving superior customer experience. This strategy appeals to exceptional customer needs and preferences of a narrow buying segment with the least competition (Perner 2007).

Parment (2000) argues that ‘ those who buy premium brands seek superior value and that justifies the significant price premium. Parment (2008) states that luxury brands is desired by all but consumed only by the happy few.

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Implementing the strategy of differentiation by Mercedes has been at the expense of cost leadership and efficiency. Between 1998 and 2003 the Mercedes Benz model made headlines for the wrong reason as they defaulted on quality while attempting a dual strategy of cost leadership with high quality differentiation. This is in line with Porter's (1985) view that cost and differentiation strategy cannot be pursued simultaneously. The built quality of Mercedes cars suffered severe backlash that it was forced to revert to a pure luxury strategy again, at the expense of cost.

Global context in market planning

Over the years Mercedes-Benz brand has become powerful as it is identified with the creation of motor car itself and the production of high quality, luxurious cars. The luxury status of the Mercedes-Benz company is a vital element of its competitive advantage over Toyota and Honda and many other companies, which struggle in this sector. It is therefore crucial that Mercedes-Benz maintains this strategy so as not to hurt its brand. Relate to theory

Furthermore, Mercedes-Benz has a broad strategy covering a huge model range. It has the largest range of cars compared to other companies. This evidently aids global sale as they have a model for almost every type of customer.

Porter (1980) in his five forces framework states the five most significant competitive rivalry forces in an industry in order to determine the industries profitability. These forces as shown in figure 2 below are identified by Porter as; the rivalry between existing firms in the industry, the bargaining power of

suppliers, the bargaining power of consumers, the barriers to entry and the threat of substitute industries.

Figure 2 Porter's (1980) Five Forces Model.

<http://1.2.3.9/bmi/www.whatmakesagoodleader.com/image-files/porters-five-forces-copy.gif>

Internet

Porter's five forces model has its roots in Lancaster (1975) industrial organisation paradigm. It explains why some industries are more profitable than others.

Porter's five force analysis of Mercedes Benz is described in Appendix Y. It reveals that barriers to entry into luxury car market are high, substitute industries are few, and buyer and supplier powers are weak. The biggest threat to profit making comes from rivalry within the industry itself.

Mercedes may be obliged to drive down costs or prices in order to gain a competitive edge over rivals, or raise research costs in pursuit of product differentiation and advertising. This explains why BMW outsells Mercedes as they offer lower prices, while having more powerful engine leading to better performance and efficiency than Mercedes in all segments.

Furthermore, government regulation may well play an increasing role as environmental regulation requires firms to explore more efficient and alternative means of powering their vehicles. This has a mixed effect: higher research and development costs may reduce profit levels but, in the long

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run, firms meet consumer preferences for “ greener” vehicles and so may see a rise in sales and profitability.

Mercedes-Benz practises an internal culture of continuous improvement that ensures that employees across all production plants continually strive to improve output to meet Mercedes-Benz’s quality benchmarks (Kuhn 2000).

Hessenberger et al. (1997) explain that continues improvement culture is an essential feature of a company’s sustainable competitive advantage over rivals.

Mercedes-Benz also has a reputation as a world leader in safety and is renowned for its huge expenditure in Research and development (R&D). In 2006, it spent \$3 billion in R&D at the expense of profitability and competitive advantage. The various versions of its flagship executive saloon S-Class model was the first ever road cars to feature seatbelt pre-tensioners, airbags, traction control and electronic stability programs (ESP).

Mercedes-Benz has won numerous industry awards for safety and technological innovation. These have strengthened its desire to continue producing the most technologically advanced cars on the market in order to differentiate itself from rivals, and improved the reputation of its brand.

Incorporation of e-business in marketing strategy

E-business is basically exploiting the internet and web technology by organisations in order to extend market reach, improve performance and gain competitive advantage in the global market place (Merz 2006). The significant of Information and Communication Technology (ICT) in a market

environment driven by consumers can not be over-emphasized. In developed nation as well and developing nations, consumers rely heavily on electronic media for product and service information (Deimezi 2003).

Currimbhoy (2004) suggests that continuous development of technological solutions, especially in the area of digital and communication technologies create new operating opportunities such as new marketing mix channels, new purchase environment (e-commerce) and new market research tools. E-business has helped to facilitate decision making, payments, documentation, communication, and advertisement (Buhalis and Deimezi 2003). Firms have long realized the need for an information strategy that conforms with and supports their business strategy.

Mercedes Benz has successfully incorporated ICT technology in all aspects of its business transactions and has been working with Google and media mix modelling agency to establish an effective strategic e-business model. REF

The web site for Mercedes Benz is a professionally designed site with current vehicle listings and details, including multiple photos and videos. Relevant, thorough content and multiple touch points, such as contact forms, payment requests and live chat, are all strategically placed to maximize conversion and gain competitive advantage.

Mercedes has effectively implemented internet media platforms which will allow more interaction and increased dialogue between existing customers, prospective customers and the company and will encourage participation within these platforms. Connecting with existing customers after the sale promotes loyalty and can result in repeat business and referrals. These
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platforms also give the sales team a means to communicate with prospects in order to convert them to sales. These platforms have created brand awareness and increase brand recognition for Mercedes Benz.

Mercedes Benz is employing E-Business to facilitate the interaction between the company, its suppliers and its customers. The internet and online space is increasingly important for Mercedes Benz strategy. In terms of its 2010 strategy, Mercedes Benz is much focusing on drive to web. Ref