

The strategic analysis of daimler-chrysler

[Business](#), [Industries](#)



1. Introduction

The increasing number of automakers has caused the competition becomes more intense than expected. The pure segmentation that designed in the past like premium, volume, and middle market, to name a few, is increasing blurred due to each of car brand tries to occupy all markets in order to maintain their earnings and profits.

Within the fast-changing business environment like automobile industry, any automakers must take appropriate decision in order to ensure that their products match exactly their customers' needs. This is essential as they do not deal solely with the same market, almost all automakers sell their products into foreign countries within five continents.

At many successful enterprises, I found that the strong performance in the number of sales figure and revenue is the result of prolonged customer-oriented strategy that company has implemented since several years ago.

Therefore, I witness that to succeed in today's fierce competition, a company should be aware of the needs to be a customer-oriented organization in order to win customers' hearts and gain bigger profits.

Concerning the competitive environment that an organization faces, this paper elaborates the strategic analysis of Daimler-Chrysler, the combined company of German's Daimler-Benz AG and the U. S Chrysler Company that merged in late 1990's. The discussion includes the key issue surrounding the company's business environment, strategic position of the company, and market analysis.

2 Strategic Implementation

2. 1 Organization Design

In addition to strategy definition, companies are common to conduct strategic planning that is the way to identify and go towards desired future condition (Answer, 2007). This kind of planning is important for companies since it becomes a step to develop, implement, and achieve goals and objectives. The strategic planning, as we will discuss in this paper, comes in three forms: goals and objectives, mission, and vision statements.

2. 1. 1 Vision

The first kind of strategic planning is a vision statement. This statement describes what a company wants to be in the future (Answer, 2007). Vision statement is likely to be more graphical forms and abstract in nature than mission statements that tend to be more concrete and proscriptive.

Concerning the vision statement of Daimler Chrysler, the company has one main vision to support the “ Accident-free Driving”. In order to realize their vision, the company conduct three following actions”

Project SARA. This project aims at increasing the frequencies that improve the safety of cars such as radar sensors that Daimler AG believe to be the next standard safety systems
CARE-SAFE. Help the researchers and developers to optimize the accident rescue

Advanced Pre-Safe by providing the intelligent bumpers equipped with the intelligence to calculate the algorithms evaluating radar signals (Daimler AG, 2008).

2. 1. 2 Mission Statement

The second type of strategic planning is a mission statement. This statement details what a company will do today to reach the company's goal, purpose, or mission (Answer, 2007). Therefore, the mission statement should not wordy since people might consider and implement it in different ways.

2. 1. 3 Corporate Objectives

By definition, goals are statement that comes in exact form (Answer, 2007). Concerning the objectives of Daimler Chrysler, the company aims at conducting the good corporate governance by providing the true report to stakeholders. In addition, the company also aims at achieving the sustainability ratings and rankings in which the company continues improving the sustainability reporting.

2. 2 Managing Strategic Change: Key Issues

The merger between Daimler-Benz AG and Chrysler Company in late 1998 occurred based on the expected market victory that the combined company may obtain. Robert J. Eaton, Chrysler Chairman when the merger occurred, said that the merger become the combination of two world-class products and brands. Similarly, Juergen E. Schrempp, Daimler-Benz Chairman, said in the similar tone that the merger will put the combined company to be the market leaders in the automobile industry (The Auto Channel, 1998).

While the remarks are based on the prior analysis of merger, the fact seems do not support the two executives. In August 2003, for instance, the Daimler Chrysler, the name of the new company, recorded \$1. 1 billion operating loss in their Chrysler division, following the declining sales of Mercedes and Chrysler Group by 6. 5% (Datamonitor, 2003).

The situation gets worse for the company as the sales in the European market continue declining. Unfortunately, the company responded in by introducing the US Dodge models in the over-crowded market in the Europe and potential denial due to the chunky Dodge model is less popular and liked than European or Japanese models (Datamonitor, 2003).

Another issue that the company faces is the fact that automakers in the volume segments continue expanding into premium segment where Daimler-Chrysler exists. Interestingly, the volume brands record a successful expansion into premium market (Bizcommunity. com, 2007).

Toyota with their Lexus brand is one example how the volume brands start catch attention of premium cars customers. In contrast, the premium brands like Mercedes Benz find difficulty in winning the volume segment and they face the threats that the premium brands will lower their value when trying to serve the volume segment (Bizcommunity. com, 2007).

3 Strategic Analysis

In developing a corporate strategy, one of the first steps to perform is assessment of the present conditions, whether they are internal or external conditions. Because we are developing strategies for a company living in the global automotive industry, the situational analysis will also be much more complicated than developing situational analysis for local industries. In the analysis, we will employ PESTLE analysis tool, the TELESCOPIC OBSERVATIONS analysis tool and concluded by a SWOT analysis. These assessments will provide sufficient basis for further strategic development.

3. 1 PESTLE Analysis

3. 1. 1 Political

Some say that the auto industry is 'the industry of all industries'. There are many reasons of such a phrase, but one of them is due to the importance of transportation and transportation tools, which has always been a major part of infrastructure for most countries in the world. Along with the developed sense of peace and international cooperation, it is expected that our common interest in developing high-quality transportation will be a powerful support toward the development of the global auto industry. For instance, countries within the European Union which previously produced their legislation separately, are now working together to modifying and introducing new legislations that will continue to have an impact upon the automotive industry (Jonas, 1990).

3. 1. 2 Economic

The forming of global economy will also have a great impact toward the future of the automobile industry. However, the diversity of taxes is still expected to negatively influencing the move toward global auto industry convergence. The development of Asian markets is also noted to have huge possibilities in supporting the development of the global auto industry.

3. 1. 3 Socio-cultural and Demographic

Again, the development of the Asian market will have significant influence over the global auto industry. The growingly equal perspective of people brought modern auto companies to consider the low-cost perspective of Asian consumer, in addition of the value formoneyerspective of the modern Europe community. Increased negotiation caused by increasingly smart

consumers will also lower the margins in the global auto industry, causing companies to aim more to enhance the number of sales instead of remaining under the margin-oriented perspective. The enhanced diversity of ethnic in a single (local) auto market and the increased portion of aging people will also influence how auto companies will produce future vehicles (‘ The Global Car Industry’. 2005) .

3. 1. 4 Technological

The development of technology is always seen as a positive sign for the growth of the automotive industry. Today, it means both the creation of more comfortable vehicles and reduction of pollution. Enhanced technology also means the development of better infrastructure and supporting facilities, which in the end, invites the production of more vehicles.

3. 1. 5 Legislation

With the increasing attention toward safety, regulations become the negative factor toward the development of the automotive industry. The enforcement of driving restrictions and rules in how to produce and sell automobiles will limit the development of the industry.

3. 1. 6 Environment

With the threat of global warming and other environmental issues, low-environmental impact will be one of the important standards in building automobiles. This will have significant impact in shaping the future of the automotive industry.

3. 2 Industry Analysis

A brief analysis is required to describe the condition of an industry and determine factors that influence the direction of its development. The following is some of the issues that influencing the development of the global automobile industry.

3. 2. 1 International Issues

In its global dimensions, there are two large issues influencing the automotive industry. The first one is the development of overseas markets like China, India, Africa, Indonesia, etc. These markets provide significant opportunities for developing new segments of automobile that will strengthen the positions of auto industry-multinationals.

Analysts believe one reason that underlies multinationals collaborate with other companies to obtain foreign platforms. The second issue is global warming. The Kyoto Protocol, which is denied by the Americans, is continuously gaining supporters. The international development of vehicles cannot be separated with efforts of reducing fossil fuel burning throughout the globe ('The Global Car Industry'. 2005).

3. 2. 2 Electronic Commerce

Some of the auto multinationals has a well-developed virtual line of marketing and purchasing. Analysts however, warned these companies that E-commerce is not suitable for every market unless they are highly developed ones. Some prefer to personally view the merchandise as they are buying the symbol of their stature and wealth, or merely the tool that will bring them to work everyday. In the auto industry, the use of e-commerce for product sales is not perceived as a 100% lucrative action, but rather

depends on where the leaders of the company want their company to be in the future (Andre, 2000).

3. 2. 3 Industry Key Factors of Success

In different parts of the world, there are different success factor in the automotive industry. Brazilian auto manufacturers for instance, experience an incredible rate of growth due to their extensive investment in new technology and development of new models. Along with those investments, marketing campaigns of the companies made it possible for those Brazilian auto manufacturers to increase exports by more than 100% from 2002 to 2005. For Japanese manufacturers, the key success factors are design, performance and prices. In Europe and the United States, the most important factors are class and brand-names.

3. 2. 4 Sociological Trends

The changing social perspective also influences the automotive industry. Back in the Henry Ford times, it is sensible to have the same model of car as your neighbor and many others. Today however, people always want something different and unique, which is a condition that leads to portfolio diversification and creative marketing slogans (Shimokawa, 1985). The considerable sales number of the Hummer (a rather unsuitable vehicle for city roads) is an example of how uniqueness is highly appreciated today. It is expected that the sociological trend will continue through several years of the future.

4 Strategic Choice

The market level analysis will provide closer insights of how the industry works today and how will it continue in the future. The Five Forces Analysis tool designed by Michael Porter is a suitable instrument to deliver such insights.

4. 1 Competition

The automotive industry of the modern times is highly competitive and will grow to be more competitive due to the presence of financing tools that allows consumers to enter into more affordable installment plans to buy automobiles. Along with the enhanced globalization atmosphere, this will make auto manufacturers competing harder for customers and automatically lowering their overall profit margins.

4. 2 Buyers

Ironically, the future of the auto industry is not in the hands of the Americans. Analysts stated that with the higher rate of labor wages, expensive automobile components and comparatively less creative designs, US auto industry will be more and more replaced by foreign manufacturers. Even in the US markets, buyers are starting to choose foreign cars compare to American-made vehicles. With abundant choices on the global auto markets, buyers of the auto industry have considerable bargaining power (Shimokawa, 1985).

4. 3 Suppliers

In terms of suppliers however, manufacturers are the ones having more strength. This is due to the facts that auto parts are today quite easy to obtain and suppliers have grown to be many. Manufacturers can easily

change suppliers without losing their production momentum. This reduces the strength of suppliers in the eyes of auto manufacturers.

4. 4 New Entrants

The auto industry has rather high barriers for newcomers. First, production facilities will cost millions of dollars and the science of producing a good and desirable car perhaps worth even more. Second, local manufacturers are actually protected by the fact that it would be more expensive to order spare parts for a foreign vehicle rather than normal ones.

4. 5 Substitute Products and Services

The increasing costs of fuel and the serious threat of global warming brought people toward alternative transportations to private cars. Public busses and other transportation tools can pose as an acceptable substitution with the increasing cost of fuel.