

Bmw's market share in 2003

[Business](#), [Marketing](#)



The creation of competitive advantage by a company requires something more than the core threshold capabilities, which are the capabilities essential to the survival in a market. John Agno defines competitive advantage as 'the sum of those attributes that differentiate your business from its competitors. This is your core competence' (2005). The company must have something that competitors cannot copy, something unique, existing only in their product.

Unique resources, according to Johnson, Scholes and Whittington (2005) are 'those resources that critically underpin competitive advantage and that others cannot easily imitate or obtain', whereas core competences are 'the activities and processes through which resources are deployed in such a way as to achieve competitive advantage in ways that others cannot imitate or obtain'. BMW sources of competitive advantage were well established in the minds of the customers.

Except from the threshold capabilities, BMW needed in order to compete in luxurious automobiles segment, which were reliability and design, some core unique resources had to be exploited in order to develop competitive advantage. While BMW was highly perceived as one of the top luxurious automobile companies, something more was needed. The distinction from other brands was made in 1961 when the BMW 1500 - an 'expression of success and lifestyle' (Reading, 2002) - came out.

This model was the reason why BMW until today has a strong reputation for its automobiles' engineering and technical excellence making customers feel secure with BMW automobiles. According to John Wyckoff (2005) 'BMW's cars

appeal to consumers interested in performance, engineering excellence and quality'. In addition, companies in Germany like BMW were highly benefited in the 21st century, by the country's unique national resources - the highly qualified labour force.

All the above, in collaboration with the strong BMW brand appeal, gave a competitive advantage to BMW organisation, developing a distinctive identity from other brands competing in the same market segment.

Differentiation was finally achieved through R&D, solid engineering and effective communication of the brand's differences. Source: www.zanthus.com/databank/strategy/docs/bowmans_strategy_clock.ppt Bowman's Strategic Clock is one more way to analyze a company's competitive position compared with its competitors.

Bowman, like Porter, considers competitive advantage in relation to cost advantage or differentiation advantage and he demonstrates 8 different routes on the clock. As mentioned earlier in this paper, BMW appears to be following a differentiation strategy which according to Johnson, Scholes and Whittington (2005) is defined as 'a strategy that seeks to provide products or services benefits that are different from those of competitors and that are widely valued by buyers'. The benefits that BMW brand was offering were effectively communicated to its customers through intense marketing.

In the automobile market in particular, key requirement from customers and a critical success factor was reliability. The tight control of its distribution network benefited significantly the brand management, communication and after-sales service. As BMW was maintained a close relationship with its

customers, helped them make a more effective market segmentation than its competitors. All these helped BMW built a strong brand, communicate effectively product quality to its customers and became able to identify its customers expectations and inspirations.

BMW as all organisations, follow some development directions in order to expand and increase their sales. Development directions are directions that an organisation can follow, regarding the products and markets of coverage, considering both the strategic capabilities of the organisation and stakeholder's expectations. BMW chose to follow two strategic directions at the same time, product development strategy and market development strategy. A product development strategy tries to deliver modified existing products or brand new products to already existing markets.

This strategy is usually followed when there are changing needs of customers, when the product life cycles are short and when new core competences need exploitation. BMW developed its automobiles, bring them to a new level of product quality and engineering excellence. For example, the BMW E46 Generation automobile came out in 2007 with ZHP Performance Package benefit, offering to its customers a new experience, as well as the 5-Series Touring with M Sport Package also in 2007 and the development of the new 5-series in 2004. However, except from product development, BMW was growing to new segments, opening its wings to new markets as well.

As mentioned above, BMW was simultaneously following a market development strategy, Market development takes place where existing

products are offered in new markets. Reasons that drive an organisation's development into new markets are capability and market considerations. While USA, western Europe and Japan were the major markets of BMW, new markets were to be exploited. BMW model Z4 reaches the Eastern Europe and Asia markets and BMW X3 is introduced, where the demand in the Chinese markets for higher end models like 7 and 5-series had to be covered.

India was also a new market for BMW to launch its new automobiles. Moreover, UK, Italy and France were fast growing markets waiting for exploitation. Source: BMW Annual Report 2006 Online resource, www.bmweducation.co.uk Conclusion As we see from the BMW analysis above, a corporate strategy is always significant and essential for the success of a company. Strategy always includes planning, organising every detail, making the business plans for the future, getting ready for futures changes and catch the unexpected.

A short-term strategy and a long-term should be drawn by the company in order to have everything under consideration and control, increasing market shares and sales at the same time. BMW managed over the years to become one of the major luxurious brands in its segment, capturing new markets around the world, consolidating the corporation as one of the strongest in the automobile industry. This case study analyses BMW's past and future and its opportunities for further development, always according and following its corporate strategy.