

Bmw's competitive edge – a case study

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Premium car makers operate in a highly dynamic and competitive marketplace. BMW is among the companies that have shown a stronghold on global markets that include Europe, US, Asia, and emerging markets in the Middle East. Its history shows instances when it has come under pressure from market forces, but the European carmaker has proven, time and again, that it can spring back and rejoin the race of top industry players. Recent years have even seen BMW appealing to new-generations users opting for winning design standards and quality.

Indeed, BMW's latest car models boast of enhanced performance and dynamics, making the carmaker one of the strongest luxury car contenders that continues to aggressively battle for consumer attention in the contemporary age. BMW's Competitive Edge - A Case Study Cutting-edge technology, driving pleasure, comfort and luxury are closely associated with luxury cars like BMW, Lexus, Mercedes Benz, and Audi. For the average car buyer, each of these marques commands a strong presence.

On the other end of the spectrum are the discerning clientele, whose fierce loyalty to a car brand or high regard for automaking heritage may account for sales volume uptrends. Indeed, premium carmakers, among them German automaker BMW, continually vie for consumer attention and nurture high hopes of hitting record sales despite rising costs related to materials and new model launches. What BMW has in great measure, though, is a sound business strategy that banks not so much on decades of experience and foresight but more on using a coherent theme or image as "the ultimate driving machine" to utmost advantage. After many false starts in the twenty years after the war," (Kay, 1999, para. 8) BMW has clearly

made “ the match between the distinctive capabilities of the organization and the market opportunities it faces” (Kay, 1999, para. 8). In recent years, the pressure on BMW has been emanating mainly from the persistent threat of substitute products.

Notwithstanding its vast experience and “ ability to develop and use sophisticated technical skills... the source of competitive advantage for so many German companies,” (Kay, 1999, para.) BMW faces the tough possibility that luxury car buyers may opt for alternative brands in the market vis-a-vis the latter’s price offerings. The perceived level of product differentiation is another thing to contend with in the highly competitive luxury automobile industry. What may strike some customers as a refreshing innovation may be totally revolting for others. In most cases, it all boils down to a brand war. A satisfied BWM owner, as personified by the high-level executive of a fast-expanding conglomerate in Asia, cited brand as the most compelling reason to purchase a BMW. “ It’s a good, reliable car” (J.

Lucas, personalcommunication, July 31, 2008). Yet, as another ranking business executive asserted, “ Mercedes Benz is still the best, while Audi is the rising star” (A. Lagmay, personal communication, July 31, 2008). Indeed, consumer tastes and requirements are evolving, and premium car producers who have made sizable investments in automobile design, quality and performance stand to reap some profit. In BMW’s case, solid growth was realized during the first half of 2008, despite testing economic conditions in certain automobile markets across the world (“ BMW Group increases sales,” 2008, para.). Today, pressure is mounting with the threat posed by the entry of new competitors. Automobile industry players stepping up price
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competition had been evident in the first few years of the 21st century, with “ low price or incentives” serving as the “ prevalent means to displace market share from competitors” (Lencioni, 2004, p. 735).

To contain the costs, companies like BMW set up production plants in global growth markets. Business cycles fluctuate, though. While the European prestige car maker posted increased sales of its BMW, MINI and Rolls-Royce brands by 4. percent from January to June 2008 (“ BMW Group increases sales,” 2008, para. 1), it was “ not entirely able to avoid the difficult economic trends in important individual markets such as the USA and Japan... global sales slipped 2. 8 per cent in the month of June to 146, 138 units” (“ BMW Group increases sales,” 2008, para. 2). Under its Chief Executive Helmut Panke, BMW has dramatically expanded its product offerings, setting its sights on market segments of the future.

However, “ moving into smaller cars meant earning the lower margins that were typical of those market segments” (Lencioni, 2004, p. 41) as compared to mid-size sedans and luxury limousines. As an analyst pointed out, “ Compared with volume producers, BMW's manufacturing costs are much higher, its product development cost more costly, and its purchasing costs higher” (Edmondson, Palmeri, Grow, & Tierney, 2003, para. 13). In essence, BMW has had to contend not just with the bargaining power of customers, but also with the bargaining power of suppliers which provide the unique resources to sustain its main sources of competitive advantage: brand quality and reputation of reliability.

Nowadays, as the intensity of competitive rivalry heats up, BMW's burning obsession with performance and brand identity or image has aided the firm in closing the widening gap with other luxury cars. BMW's research and development teams have been caught in a frenzy to maintain competitive edge. "Development teams that pore over everything from (such) market feedback to innovations are encouraged to engage in 'friendly fighting' to decide the vital characteristics of a new BMW" (Edmondson, et. al, 2003, para. 24).

As it faces countless threats and risks, BMW remains poised to prevail and deliver. Among the critical success factors in the high-end market where BMW competes is its design and brand appeal, which had become the customers' overriding choice features (Lencioni, 2004, p. 741). Effective branding, likewise, created "emotional connections between customers on one side and products, salesmen, other users on the other" (Lencioni, 2004, p. 736) although this was true not just for BMW but for other luxury marques as well.

One thing that worked to BMW's advantage had been its "firm control on the supply chain" (Lencioni, 2004, p. 737). BMW nurtured long-running and dependable supplier relationships. Coupled with a highly talented workforce that operated at "the most flexible and most productive" factories in Germany (Edmondson, et. al, 2003, para. 20) to churn out vehicles with styling variations, unprecedented performance and safety features and individuality, the German carmaker remains a potent force to reckon with in the international automobile industry.