

Strategic Analysis of BMW Group

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Abstract

The report under consideration attempts to evaluate and examine the strategic performance of the company. Precisely, the existing study attempts to carry out a professional strategic analysis of the selected organisation. Thus, the scope is limited to the case of BMW because it has been elected as a context for this study. As far as the method of investigation is concerned, it can be declared that report is comprised of a theoretical analysis of company's performance. Thereby, qualitative and secondary methods of investigations are adopted in this report. The main objective of this study is to evaluate and explore professional strategic analysis of BMW. The overall discussion further unveiled that BMW is operating in Germany since 1916. The strategic analysis of the company indicated significant challenges and changes encountered by the company both internally and externally. As per the given analysis, the company has encountered legal issues regarding the development of policies that cater supply problems, technological issues regarding the modifications and restrictions of technology. It has been further acknowledged that internally company encountered the issue relating to the change in retail strategy. Lastly, by the overall discussion and evaluation, research and development will ensure the sustainable development and will ensure that BMW sustains its competitive advantage in the market. Electro mobility and the zero emission cars are the future and BMW's all attention is directed on these areas.

Keywords: BMW, strategy, analysis.

Introduction

The automobile industry is one of the leading industries operating across the globe. The automobile industry provides a wide range of companies and organisations that are involved in manufacturing, designing, developing, selling and marketing motor vehicles. Some of the companies operating within the industry are known as automakers (Malerba, Mani and Adams, 2017). As far as the method of investigation is concerned, it can be declared that report is comprised of a theoretical analysis of company's performance. Thereby, qualitative and secondary methods of investigations are adopted in this report. BMW was established in 1916 and is headquartered in Munich, Bavaria (Jeevithaa, 2016; BMW, 2018). The company produced more motors vehicles in Brazil, Germany, India, United Kingdom, China and South Africa (BMW, 2018). To emphasize developments and enhancement, recommendations and suggestions are mentioned further in the project.

Company Background

BMW is a German multinational company currently producing motorcycles and automobiles (Diehlmann and Häcker, 2013). The company is also involved in

the production and manufacturing of aircraft engines. BMW is a German car and motorcycle manufacturer operating in the country since 1916. Strategically, the company is determined to be the leading automotive company operating globally (Reuters, 2015; Sturgeon, Daly, Frederick, Bamber, and Gereffi, 2016).

Scope

The report under consideration attempts to evaluate and examine the strategic performance of the company. Since, the BMW Group is consisted of couple of business, the analyse provided is a corporate analysis. Precisely, the existing study attempts to carry out a professional strategic analysis of the selected organisation. Thus, the scope is limited to the case of BMW because it has been elected as a context for this study. Further in the analysis, we can see that BMW uses a differentiation strategy.

Purpose

To critically evaluate and evaluating company's business strategy issues, external analysis of the competitive environment is being done in which the company is operating. The main objective of this study is to evaluate and explore professional strategic analysis of BMW.

2. Analysis of Strategic Issues

In order to perform the external analysis, the researcher has applied PESTLE analysis along with Porters Five forces analysis. Arguably, PESTLE analysis is referred as a marketing principle which represents the political, economic, social, technological, legal and environmental analysis of a company (Johnson, 2016).

2.1 PEST Analysis for BMW

➤ Political/Legal

The company's political stability highlights the effective law and regulation policies being influenced by the automobile industry. Similarly, taxes and other relative government foreign policies are found to be critical for the automobile industry. Due to the changes in the legal structures, shortages of steering systems have been encountered. Consequently, the manufacturing of BMW was significantly influenced globally (BMW, 2018). Precisely, laws and regulations are determined to widely influence due to environmental norms being followed within the company. To be specific, BMW was unable to complete the overall production and building of thousands of luxury cars. The expansion of regulatory structured influenced the overall production of the company (Xu, 2016). Taxes and relative governmental policies are promoting automobile industry trends. Moreover, the shortage of company's manufacturing complexities typically affected the development of the company.

The ex-diesel scandal is another important issue affecting business development and management. Typically, car manufacturing issues are causing probability of damage within the global market (Hetzner, 2016). However, the regulations intend to produce suitable mileage cars along with the enhanced automobile sales and production. Moreover, car manufacturing operations can cause laws and regulation concerns that are immediately impacting the shortage of the production Leipzig and Munich in Germany (McGee, 2017).

➤ Environmentally

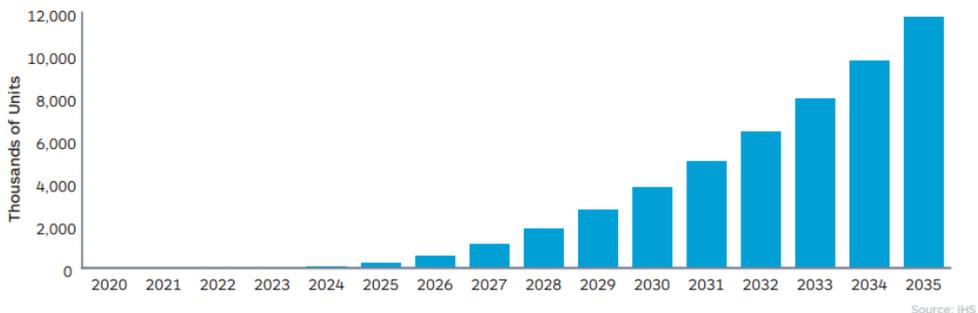
Consumer's rebel against the diesel after the Volkswagen emission scandal is affecting

the industry at large shaking the future of diesel due to its consequences on health. Governments and cities are contemplating the bans on the diesel vehicles. Carmakers invested their efforts in making people believe that diesel is a cheaper and environment friendly solution therefore it is just not an option going out of market as the claim of “clean diesel” is only half true. It affects the credibility of German automakers and the auto industry and their focus on the hydro cars was at the slower pace due to the availability of the diesel however now they are left with lesser options. European commission and the Federal cartel office is taking the issue very seriously where the car makers have to face the legal issues as well therefore BMW has announced that they will be introducing the version where the car would only consume the battery power and it will stop developing the traditional internal combustion engine and cars which is indicating the profound shift which is on its way (Ewing, 2018).

➤ **Technological**

As per the analysis, the technological changes are further affecting the development and expansion of the company. Development of operations of the company is restricted mainly due to the limited usage and integration of technology for gaining a clear competitive advantage. It attempts to integrate less fuel consumption possibilities within the market. To be specific, the usage of new as well as effective designed models in the company failed to overcome the overall decreased margins within the industry. Automated driving is the latest and complex trend as though this technically possible to implement however every technologically possible solution cannot be implemented on the roads at this point in time. In order to meet the technological needs of the market the assistive models have been launched however the autopilot version needs time to surface in the market (BMW's Vision, 2018).

Global Self-Driving Car Sales Forecast (Includes Level 4, With Steering Wheel, and Level 5, Without Steering Wheel)



➤ **Social**

According to Haseeb (2017), since the patterns in the buying behaviour and choices of consumers have been observed, it has also impacted their capacity. The consumers now consider the cars to be their status symbol due to which the companies are making efforts to make high quality and luxury cars.

3. Porter's Five Forces

The competitiveness of the organization BMW and its position in the automotive industry is being evaluated by using the Porter's Five Forces model so that the impact of those forces can be measured.

Forces	Rate	Reasons
Threat Of Substitutes	Medium	The reason is that the customers who tend to buy luxury automobiles; they tend to look for the best car with the best price due to which the customers of BMW buy low-cost cars.
Threat Of New Entrants	Low	This threat is very low as there are several barriers to entry in the market. Those barriers to entry in the automobile market include high investment requirement, government policy and economies of scale.
Competitive Rivalry	High	Since the luxury automobile market is well established thus the competitive rivalry is high. The two known competitors include the Audi and Mercedes
Bargaining Power Of Suppliers	Medium	Since it is a luxury car company, thus the parts and raw material use is of high quality, and there are a minimum number of suppliers in the market which offers this level of quality
Bargaining Power Of Buyers	High	Since the customers have a lot of options in the industry with the same level quality and even low cost thus, they have high power

3.1 Internally Analysis of Strategic Capabilities

The internal analysis of the company indicated and supported the fact that company has recently outlined key changes and variations that can occur due to the brand retail strategy. The sales and marketing possibilities are accountable for contributing towards the change and development of the brand and responsible sale channels. Additionally, it focused on recent changes and developments that can influence the adaption of retail network in future. Thereby, it is regarded as a significant future challenge being faced by companies operating across the globe.

Evaluation of the strategic capabilities facilitates in understanding business effectiveness and efficacy. To be specific, strategic capabilities measure and approximate the overall acceptance of organizational development. Arguably, the company's strategic capabilities against the identified strategic issues are identified and listed accordingly.

3.2 BMW Capabilities

➤ Brand Valuation

In literature, the work completed by Johnson (2016) explained that brand valuation is an ultimate source of development and success. It is the ways of denoting brand image and contributing towards the overall sales and profitability. Brand valuation can play a major role in organizing functional benefits for the company. As per the annual report of BMW (2016), the brand valuation is an effective strength that company holds within the market. Also, the study of Weime and Vining (2017) cited that changing certainties for the maintenance of structural patterns are evidently effective for political structures and developments because they are maintaining desired changes and variations.

<p><u>Opportunities</u></p> <ul style="list-style-type: none"> ▪ Differentiating Products ▪ Growing demands of environment-friendly vehicles ▪ Product Development ▪ Market Development 	<p><u>Strategies (SO)</u></p> <ul style="list-style-type: none"> ▪ Invest in Research and Development ▪ Expanding portfolio ▪ Low-cost variants ▪ Car sharing experience 	<p><u>Strategies (WO)</u></p> <ul style="list-style-type: none"> ▪ Decrease production costs ▪ Take into consideration that competition is intensifying
<p><u>Threats</u></p> <ul style="list-style-type: none"> ▪ Environmental Concerns ▪ Emerging Competition ▪ Political Changes ▪ Currency fluctuations 	<p><u>Strategies (ST)</u></p> <ul style="list-style-type: none"> ▪ Development of reduce the carbon dioxide emission ▪ Spend more time to surface autopilot version in the market 	<p><u>Strategies (WT)</u></p> <ul style="list-style-type: none"> ▪ Integrated mobility services ▪ Devising the strategies as per improved laws

4.2 Recommendations

To execute suitable developments and improvements within an organization, recommendations and suggestions for identified strategic issues are organized. The organization of recommendations can play a major role in advancing the internal as well as external operations of the company.

➤ Investment in Research and Development Department

In the context of BMW, company's technological advancements turned out to be the source of a challenge recently. In certain, it signifies how company operates within the market. Besides, it can be explained that the alterations and also the limitations are causing sure natural unsettling influence. Therefore, it has been recommended that company should invest in research and development department. The developments and advancements within research sector can maximize how company relate and arrange operational efficacy. Besides, it has been additionally recognized that BMW's key changes are related to certain real districts that happen in spite of noteworthy unpredictability in the market. Arguably, similar findings were presented by the work completed by Rothaermel (2015) who explained that changing technological developments are required for the support of basic examples are clearly compelling for political structures, and improvements, since they are keeping up, wanted changes and varieties (Cummings and Worley, 2014). Precisely, the company focuses on advancing sales in next years and become the leading automobile industry.

➤ Devising the strategies as per improved laws

Apparently, company's issues and legal engagements seem to be ineffective for its development within the market. In fact, it has been acknowledged that the development of administrative organized impacted the generation of the organization. Also, the lack of organization's assembling complexities ordinarily influenced the advancement of the organization. The reason for disturbance was the lack of directing frameworks which happened because of the changing laws and controls. Weime and Vining (2017) clarified that improvement of political engagements in the company is likely to produce conceivable outcomes that assume a noteworthy part in expanding reasonable potential outcomes and help particularly for the headway of business tasks.

➤ Sustainable Solutions

2.14 BMW's corporate strategy is designed to face the challenges related to sustainable mobility and in coping up with the changing market needs. In order to ensure sustainability, BMW is incorporating it in its value chain from research and development to disposal and recycling process. Sustainability is incorporated in BMW's scorecard and it has the objective to reduce the carbon dioxide emission by 50% by as compared to 1995 as the base year and the integrated mobility services will be offered in the metropolitan cities by 2020 and along with that the renewable energy is the next driving force along with the reduced resource consumption. BMW is planning to take the car sharing experience to the next level by introducing the unique features (BMW Group, 2018).

Conclusions

The strategic analysis of the company indicated significant challenges and changes encountered by the company both internally and externally. As per the above-given analysis, the company has encountered legal issues regarding the regulations and law-related policies to supply problems, technological issues regarding the modifications and restrictions of technology. However, internally company encountered the issue relating to the change in retail strategy. Lastly, by the overall discussion and evaluation, the researcher has developed desired recommendations and suggestions for the improvement of organisational performance.

Autonomous driving, electro and sustainable mobility, drivetrain technology is the future for the car manufacturers and in order to stay ahead in the competition company need to take the steps in the right direction. Therefore, they can increase their spending on research and development in the field of autonomous driving and electrification along with the development of the supporting infrastructure. Along with the in the short term, on the parallel side BMW can work on "Progressive Activity Sedan" which focuses on intelligent functionalities and improved efficiencies, as such initiatives will improve the profitability for BMW in the long run and will them in maintaining their competitive advantage.

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