



MARKETING MANAGEMENT-II

(LCMB7001)

For Mercedes-Benz

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Executive summary

The business environment influences organisation operations. It is important to analyse how the different factors in the external business environment can influence companies like Mercedes Benz in the international automotive industry. This particular report has critically focused on evaluating the external business environment of Mercedes Benz with the help of PESTLE analysis, porter's five forces analysis, SWOT analysis and marketing mix. The different strategies that are used by Mercedes Benz in order to conduct business in the international automotive market have been critically evaluated. On the basis of the analysis, the strengths and weaknesses of the business have been evaluated and certain recommendations have been provided to address the threats with the help of the opportunities present in the market environment.

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Introduction

Mercedes Benz is currently one of the top automotive companies operating in the international market. It is important for the company to understand the way in which the external environment of the business influences the operations of Mercedes Benz in the international market. This report will focus on the external environment of Mercedes Benz by critically analysing the factors with the help of PESTLE analysis, porter's five forces analysis and SWOT analysis. The way in which Mercedes Benz focuses on using different strategies to achieve competitive advantage and the market will be critically evaluated and on the basis of these evaluations, certain recommendations will be provided to the business operations.



Figure 1: Logos of Mercedes-Benz

(Source: Mercedes, 2022)

Pestle/ analysis

The following is the macro environmental analysis of Mercedes Benz with the help of PESTLE analysis:

Political factors:

The business operations of Mercedes Benz are highly dependent on the political stability of the countries where the business operates. In certain developed countries it has been observed that political stability provides an opportunity for the development of Mercedes Benz but the political instability of certain countries can also negatively influence business operations. The trade barriers in certain countries also hinder the business operations of Mercedes Benz (Ackermann et al., 2021). For example, it has been observed that Pakistan's government has imposed a restriction on the importation of luxury goods which has negatively influenced the business operations of Mercedes-Benz.

Economic factors:

There are certain factors related to the economy of the countries where Mercedes Benz operates that influence the operations of the business negatively or positively. The inflation rate of the countries and the economy is an important factor because high inflation can create threats to the business opportunities of Mercedes Benz (Järvinen, 2021). The consumer behaviour of a particular market can change critically if the inflation rate in the country is high. Mercedes Benz is one of the most significant brands manufacturing luxury automotive products, experiencing a negative influence because of the high inflation rate.

Socio-cultural factors:

The demography and the social trends that are present in the society where Mercedes Benz operates can critically influence the business operations of the company. It has been observed that the diversity that is present in the democracy of the majority of the countries where the business is currently operating is developing opportunities for the business to expand its operations (Ackermann et al., 2021). The increasing importance of social media is also becoming a major trend as it is developing more opportunities for consumers to evaluate the products of the business. The utilisation of social media platforms is becoming a major opportunity for Mercedes Benz because the business can effectively promote the brand and the products through these platforms.



Figure 2: Mercedes-Benz on social media

(Source: Ackermann et al., 2021)

Technological factors

The advancement of Technology is helping Mercedes Benz to achieve better opportunities for growth. Over the years it has been observed that automation has been one of the primary factors developing the efficiency of Mercedes Benz in the international automotive industry. The business operations of the organisation are becoming developed and the different services, as well as products which are being offered to the consumers, are experiencing better growth opportunities (Schell, 2020). With the help of technology, companies are also able to achieve better competitive success because the brand is able to reach more consumers. The advancement of social media platforms and the utilisation of these platforms for the promotion of the product is also considered a factor in the technological advancement within Mercedes Benz.

Legal factors:

There are a number of legal factors that influence the business operations of Mercedes Benz and some of the employment laws, consumer laws and CSR laws that the company needs to focus on while operating the business operations. It has been critically studied that consumer laws related to the product and services to the consumers and make sure that the consumers are considered as an important part of the businesses without creating any disadvantage for them (Aaltonen et al., 2021). In addition to this, the business also needs to focus on ensuring that the employment is critically abided by the business operations. The employment laws the safety and security of the employees working within Mercedes Benz. The company also needs to focus on the development of sustainability in the business operations to ensure that the environmental laws are critically abided by.

Environmental factors

Due to the increasing concern for the environment, it has become important for the organisation to focus on CSR. The environmental laws and the sustainability practices that are developed by the governments of different countries are intensifying the business operations of Mercedes Benz (Nobanee et al., 2021). In order to address these issues, the company is highly focusing on insurance operations and processes in manufacturing as well as the other services of the organisation to reduce the carbon footprints.

Porter's five forces

The following is the porter's five forces influencing the business operations of Mercedes Benz in the international market:

The threat of new entrants - Low

The threat that Mercedes Benz experiences in the automotive industry because of the new companies entering the industry is low. This is because of the good establishment of the existing companies operating in the international automotive industry (Mehrotra and Roy, 2022). In order to enter the market, the new companies will require a huge number of resources which might become difficult for startups and newly entering business operations.

The threat of substitute products - Medium

The threat of substitute products experienced by Mercedes Benz is Medium. This is because there are a number of rival brands that can develop similar types of products but with the help of

substitute raw materials (Kalitanyi, 2019). This can influence the competition level experienced by Mercedes Benz in relation to the consumers who are price sensitive.

Bargaining power of consumers - Medium

The power of consumers over the cost of the products is moderate in the market where Mercedes Benz operates. This is because there are a number of brands available for consumers to choose the product from but there is a certain uniqueness in the brand name of Mercedes. Even if the consumers can purchase similar types of products, they will not have the brand value in the products purchased (Chiu et al., 2020). Due to this particular factor, there is a moderate cover available to the consumers over the products and a certain percentage of the power is also available to the brand.

Bargaining power of suppliers - Low

The market in which Mercedes Benz operates is highly opportunistic. This is because of the significant supplier base that is available for automotive brands to use in the market environment. There is a very significant number of suppliers from home Mercedes Benz can focus on purchasing the raw materials for manufacturing the products (Rao, 2021). If the brand is not satisfied with the prices of the products of one particular supplier there is an opportunity to shift the preference and this provides an upper hand to the brand over the price of the raw materials.

Rivalry among consumers - High

The competition experienced by Mercedes Benz in the international automotive industry is reasonably high because of the presence of different brands. Some of the major brands that result in fierce competition for the operations of Mercedes-Benz include Audi, BMW, Volkswagen,

Volvo, Jaguar and so on (Zoričić, 2020). In terms of manufacturing premium vehicles, there are also a number of computing companies influencing the business operations which includes Tesla, Aston Martin, GM and so on.



Figure 3: Competitors of Mercedes Benz

(Source: Zoričić, 2020)

Swot analysis

Strengths

Innovation:

One of the major strengths that influence the business operations of Mercedes is its innovation capabilities. The company is considered a leader in terms of product innovation and Business innovation.

Advertising:

Mercedes Benz is one of the topmost companies focusing on advertisement and promotion which helps the brand in achieving a better competitive advantage (Bömer, 2022). The company uses different platforms of promotion for its advertisement processes.

Management:

The management in Mercedes is considered to be top-level because of the utilisation of different types of strategies and the development of the internal external environment of business operations.

Weaknesses

High price:

Mercedes Benz is one of the most expensive brands in the automotive industry which is becoming a weakness for business operations due to the increasing amount of substitute products (Nobanee et al., 2021).

Limited Global distribution:

The business has not significantly developed its Global distribution operations which is becoming a major challenge in the world of globalization.

Opportunities

The demand for luxury products:

The demand for luxury cars is constantly increasing which is becoming a major opportunity for Mercedes Benz to increase the product line and achieve better success (Schell, 2020).

Technological advancement:

The development in terms of research and technology is making it possible for the business operations of Mercedes Benz to increase its efficiency and address the changing demands of consumers.

Threats

Increasing fuel prices:

Global fuel prices are constantly increasing, making it challenging for the business operations of Mercedes-Benz to expand the product lines in terms of petroleum-used vehicles (Rao, 2021).

High competition:

The level of competition experienced by the business is constantly increasing as discussed in porter's analysis. It is becoming a challenge for Mercedes Benz to achieve better growth by attracting consumers.

Segmentation, targeting and positioning

Segmentation:

Behavioural segmentation:

Mercedes Benz focuses on using behavioural segmentation in order to segment the consumers on the basis of the behaviour of purchasing luxury products in the market.

Geographic segmentation:

The company segments the consumers on the basis of their geographic locations with the help of the geographic segmentation strategy (Bömer, 2022).

Demographic segmentation:

Demographic segmentation is used by the brand in order to segment the consumers on the basis of their age group, income, gender and cultural backgrounds.

Psychographic segmentation:

The psychographic segmentation strategy is used by Mercedes Benz in order to segment the consumers on the basis of the psychology of purchasing products from companies that have high brand value (Mercedes, 2022).

Targeting

Mercedes Benz targets consumers who have a fascination for luxury and brands. Primary consumers that are targeted are between the age group of 21 to 29. The brand also targets consumers of that age group depending on their needs and requirements.

Positioning

The marketing mix strategy

Product

The product that is offered by Mercedes Benz to consumers includes innovative automotive car ranges. These ranges include Mercedes-Maybach S-Class sedans, SUVs, trucks, A-Class, B-class

and CLA (Mercedes, 2022). These products are innovative and include numerous features related to the needs and requirements of consumers.

Price

Mercedes Benz focuses on using the premium pricing strategy in relation to the characteristics and the competition that is experienced by the company in the automotive industry (Kalitanyi, 2019). In this particular pricing strategy, the company provides high-quality products at a high price.

Place

The distribution strategy of Mercedes Benz focuses on distributing the products in different countries across the world including Germany, China, Asia, Europe, North America and so on.

Promotion

In order to promote the business, the response uses a number of emotional strategies including social media advertisement and commercial advertisement that helps the brand in reaching a high number of consumers in the international market (Aaltonen et al., 2021).

Conclusion

It can be critically concluded from the overall analysis that there are numerous factors in the external business environment of Mercedes Benz that influences business operations. Some of these factors are developing opportunities whereas others are inflicting challenges on the business operations of Mercedes. It is important for the business to address the major challenges experienced in the business operations so as to enhance the competitive advantage of the brand and achieve better chances of success in future.

Recommendations

Reducing the cost of products:

It is recommended to Mercedes Benz focus on reducing the cost of the products by using the opportunities of the wide supplier base. The brand can choose suppliers who can provide high-quality materials at low prices. This can reduce the operational cost of the business and thereby reduce the overall cost of products.

Enhancing sustainability:

It is recommended to the business operations of Mercedes Benz enhance sustainability by developing the CSR operations of the business. Focusing on manufacturing electric vehicles in a wider quantity can help in enhancing sustainability and address the threat of increasing the cost of fuel in the international market.

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