

A STRATEGY FORMULATION PLAN FOR SUSTAINABLE VALUE CREATION AT ASTON MARTIN LAGONDA

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Contents

A STRATEGY FORMULATION PLAN FOR SUSTAINABLE VALUE CREATION AT ASTON MARTIN LAGONDA

Executive Summary	3
Introduction to the Strategy	3
Overview and Background of the Firm	4
Strategic Intent	4
The Company's Current Performance	5
Strategy Analysis.....	6
External Environmental Audit	6
Internal Environmental Audit	7
Strategy Formulation	8
Conclusion and Recommendations.....	10
Reference List.....	11

Executive Summary

This report evaluates Aston Martin Lagonda Global Holdings plc (AML) and formulates a strategy balancing premium differentiation with financial recovery. In 2025, AML's core average selling price increased to £185,000, but revenue declined by 21%, free cash flow remained negative at £409.9 million and net debt reached £1.38 billion. Its principal strategic problem is therefore incomplete value capture rather than insufficient product desirability (Aston Martin Lagonda Global Holdings plc, 2026a).

External analysis indicates that long-term electrification remains necessary, although uneven adoption, tariffs, Chinese competition and regulatory uncertainty make an immediate BEV-only commitment financially risky. Internally, heritage, design, craftsmanship and personalisation support differentiation, while low scale and high leverage restrict independent technology investment. Volume-led expansion could weaken scarcity, whereas predominantly proprietary BEV–SDV development exceeds AML's present financial capacity (IEA, 2025; ACEA, 2026).

The report recommends that AML prioritise higher contribution per vehicle, existing personalisation activities, product quality and disciplined capital allocation. It should use its separate technology agreements with Mercedes-Benz AG and Lucid selectively, while retaining responsibility for brand-defining design and vehicle development (Aston Martin Lagonda Global Holdings plc, 2026a). Electrification expenditure should be phased against observable demand, regulation, liquidity and technical readiness. This direction offers the strongest balance of suitability, acceptability and feasibility while supporting financial recovery and long-term competitiveness.

Introduction to the Strategy

Aston Martin Lagonda Global Holdings plc (AML) faces a strategic paradox: its core average selling price rose to £185,000 in 2025, while revenue, gross margin and free cash flow deteriorated and net debt reached £1.38 billion. Differentiation therefore supports premium pricing without producing sustainable financial returns (Aston Martin Lagonda Global Holdings plc, 2026a). Strategic management connects environmental change, organisational resources and capital allocation, supporting decisions under uncertainty. Henry (2021, p. 61) argues that organisations “should not just react to their competitive environment but should actively seek to shape it.”

This report evaluates AML's background, strategic intent and performance before external and internal analysis. It then compares volume-led expansion, proprietary technology development, and premium differentiation supported by selective technology access and phased electrification. It therefore formulates an evidence-based strategic direction that protects AML's brand strengths

while addressing financial constraints, technological change and uncertain electric-vehicle demand (Morden, 2016; KPMG, 2026).

Overview and Background of the Firm

Based in Gaydon, Warwickshire, Aston Martin Lagonda Global Holdings plc (AML) operates in the global ultra-luxury automotive sector. Its portfolio includes sports cars, grand tourers, the DBX sport utility vehicle, limited-production Specials and the Valhalla hybrid supercar. Q personalisation, Private Office commissions and brand experiences extend its proposition beyond vehicle sales. AML follows a low-volume, export-oriented model supported by an international dealership network (Aston Martin Lagonda Global Holdings plc, 2026a).

Resource heterogeneity helps explain this positioning. Barney and Hesterly (2019, p. 87) observe: “Different firms may possess different bundles of resources and capabilities, even if they are competing in the same industry.” AML’s bundle combines heritage, design, craftsmanship and product scarcity. Watson’s (2025) comparison rated the Vantage highly for design and material quality but identified weaker infotainment and chassis refinement. Because the evidence concerns one model, it indicates specific strengths and weaknesses without demonstrating company-wide superiority.

Low production volumes preserve exclusivity but limit purchasing power, fixed-cost absorption and independent technology investment. AML has separate agreements with Mercedes-Benz AG and Lucid. The former provides access to selected powertrain and electrical/electronic architecture technologies, while the latter concerns electric-powertrain and battery technologies for future BEVs. These arrangements reduce the need to develop every technology independently but create reliance on external suppliers for important vehicle systems (Aston Martin Lagonda Global Holdings plc, 2026a).

Strategic Intent

AML does not present a separate mission statement in the annual report; instead, its stated purpose supports its vision of becoming the world’s most desirable ultra-luxury British performance brand. AML’s vision is to become the world’s most desirable ultra-luxury British performance brand, while its purpose links technology, precision and craftsmanship with bespoke customer experiences. Current priorities include product creation, quality, operational improvement, cost optimisation, profitability and cash generation. Management acknowledges: “We now need to further optimise the business to drive margin improvement as we strive to deliver profitability and positive free cash flow generation in the coming years” (Aston Martin Lagonda Global Holdings plc, 2026a, p. 16). Its strategic intent therefore combines brand desirability with financial recovery.

Morden (2016, p. 448) defines strategic intent as “an ambition that stretches far beyond the current resources and capabilities of the enterprise.” AML’s ambition is consistent with its heritage and product positioning, but portfolio renewal, electrification, digital development and decarbonisation compete for constrained capital. Strategic stretch becomes hazardous when its scope exceeds the organisation’s financing and coordination capacity (Aston Martin Lagonda Global Holdings plc, 2026a).

Applied to AML, Teece’s (2025) dynamic-capabilities perspective suggests sequencing objectives according to their contribution to differentiation, adaptability and cash generation. The pace of transformation should therefore reflect financial evidence and execution capacity. This would reduce liquidity risk without abandoning AML’s long-term direction.

The Company’s Current Performance

AML’s 2025 results separate product-level progress from company-level performance. Core average selling price (ASP) and production quality improved, while revenue, gross margin, free cash flow and leverage deteriorated, as shown in Table 1 (Aston Martin Lagonda Global Holdings plc, 2026a).

Table 1. AML’s financial and operational performance

Indicator	2024	2025	Movement
Revenue	£1,583.9m	£1,257.7m	–21%
Wholesale volume	6,030	5,448	–10%
Gross margin	36.9%	29.4%	–7.5 pp
Adjusted EBIT	–£82.8m	–£189.2m	Loss widened by £106.4m
Core ASP	£177,000	£185,000	+4.5%
Free cash flow	–£391.6m	–£409.9m	Deficit widened by £18.3m
Net debt	£1,162.7m	£1,380.3m	+18.7%
Adjusted leverage	4.3×	12.8×	+8.5×

Source: Author’s calculations based on Aston Martin Lagonda Global Holdings plc (2026a, pp. 29–32, 225).

The evidence is mixed. AML reports that its right-first-time metric “increased from 65% in the middle of 2024 to 95% by the second half of 2025” (Aston Martin Lagonda Global Holdings plc, 2026a, p. 17). The 4.5% increase in core ASP indicates pricing strength and/or a more favourable sales mix

but does not establish profitability. By contrast, declining volume, a 7.5-percentage-point margin contraction and £409.9 million of negative free cash flow show that operational improvements did not translate into stronger financial returns. Whittington et al. (2020, p. 372) caution that “different performance measures may point in different directions.” AML’s operational progress must therefore be evaluated against its deteriorating capacity to generate cash.

JLR provides a useful but imperfect benchmark because its scale and portfolio differ substantially. In FY24/25, it generated £1.5 billion of positive free cash flow after £3.8 billion of investment (Jaguar Land Rover Automotive plc, 2025). Its following report states: “Free cash flow was £(2.2) billion negative in FY25/26 after the £3.6 billion of total investment spend” (Jaguar Land Rover Automotive plc, 2026, p. 26). The reversal shows that scale can support investment without guaranteeing resilience. AML’s 12.8× leverage provides substantially less tolerance for comparable volatility, making capital discipline an immediate strategic constraint.

Strategy Analysis

Strategy analysis tests whether AML’s resources and financial capacity can absorb external pressures and sustain competitive advantage (Barney and Hesterly, 2019).

External Environmental Audit

Table 2 converts the principal external pressures into strategic implications, consistent with Lynch’s (2024) focus on changes beyond organisational control.

Table 2. PESTLE analysis of AML

Factor	Material evidence	Strategic implication
Political	US tariffs and trade-policy uncertainty	Adapt regional pricing and vehicle allocation
Economic	High financing costs and weak Chinese demand	Apply stricter investment thresholds
Social	Demand for exclusivity and personalisation; increasing sustainability expectations	Protect differentiation while responding to stakeholder expectations
Technological	BEV, hybrid, SDV and AI development	Evaluate technology access against cost, capability and control
Legal	Emissions and supply-chain disclosure requirements	Integrate compliance into product and sourcing decisions

Environmental	Scope 3 emissions remain above the 2022 baseline	Strengthen product and supplier decarbonisation
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Source: Author’s analysis based on Aston Martin Lagonda Global Holdings plc (2026a, 2026b, 2026c, 2026d), ACEA (2026), IEA (2025), KPMG (2026) and Reuters (2026).

Electrification illustrates why environmental evidence requires comparison. The International Energy Agency (IEA, 2025, p. 11) forecasts that “the share of electric cars in overall car sales is set to exceed 40% in 2030 under today’s policy settings.” Yet hybrids captured 34.5% of the EU market in 2025 and remained “the preferred choice among EU consumers” (ACEA, 2026, p. 9). JLR also reported slower-than-expected EV uptake, while AML delayed its first BEV (Jaguar Land Rover Automotive plc, 2026; Shabong, 2024). The evidence supports continued BEV capability development, but not an immediate BEV-only commitment.

Porter’s Five Forces analysis indicates high rivalry, although the 7% EU share achieved by Chinese-built cars represents broad market pressure rather than direct competition with every AML model. Supplier power is moderate–high because specialist technologies are costly to develop independently. Buyer power is moderate: customers have credible luxury alternatives, but scarcity and differentiation limit price-based comparison. Capital, engineering capability, heritage and distribution create substantial entry barriers, although electrification facilitates technology-led entry. Substitution is moderate through competing performance cars, pre-owned luxury vehicles and alternative discretionary purchases (ACEA, 2026; Aston Martin Lagonda Global Holdings plc, 2026a; Grant, 2022).

Grant (2022, p. 78) warns: “If structural transformation is rapid, then the five forces framework does not offer a stable basis for predicting competition and profitability.” As software and technology suppliers assume greater roles in vehicle development, competitive analysis must also consider control over data, updates and customer-facing systems (KPMG, 2026).

Internal Environmental Audit

Table 3 identifies the activities supporting AML’s differentiation and the constraints limiting value capture (Barney and Hesterly, 2019; Aston Martin Lagonda Global Holdings plc, 2026a).

Table 3. Selective Value Chain assessment

Activity	Value created	Constraint
Design and engineering	Distinctive aesthetics and vehicle character	High development expenditure

Operations	Craftsmanship and improved production quality	Low scale and fixed-cost exposure
Technology development	Access to externally supplied capabilities	Dependence on specialist suppliers
Sales and service	Personalisation and client relationships	Contribution from post-sale activities is not separately disclosed

Source: Author's analysis based on Aston Martin Lagonda Global Holdings plc (2026a), Barney and Hesterly (2019), Watson (2025) and KPMG (2026).

The VRIO framework distinguishes AML-owned resources from externally accessed capabilities. Barney and Hesterly (2019, p. 90) state that resources are “only valuable to the extent that they enable a firm to enhance its competitive position.” Heritage, design, craftsmanship and personalisation appear valuable, rare and difficult to imitate. However, persistent losses indicate that AML does not consistently convert these attributes into financial returns. Access to externally supplied technology supports competitiveness but cannot alone constitute a sustained AML advantage because the underlying capabilities are not controlled internally (Aston Martin Lagonda Global Holdings plc, 2026a).

A conventional BCG assessment requires product-level market growth and relative share, which AML does not disclose comparably. Valhalla and the future BEV may resemble question marks because their market position and cash generation remain uncertain; however, the classification cannot be validated without comparable relative-market-share data. Whittington et al. (2020, p. 379) caution: “Assigning numbers, of itself, is not a basis of evaluation.”

SWOT–TOWS links heritage, craftsmanship and personalisation with weaknesses in leverage, scale and technology dependence. Opportunities arise from electrification, greater personalisation and improved customer experience, while tariffs, stronger competition and unstable demand remain threats. AML should therefore increase value per vehicle, use external technologies selectively and pace investment against liquidity and observable demand (Aston Martin Lagonda Global Holdings plc, 2026a, 2026d; Todorov and Akbar, 2018).

Strategy Formulation

AML cannot economically develop every capability required for technological transformation. Table 4 compares three strategic alternatives through suitability, acceptability and feasibility (Whittington et al., 2020).

Table 4. Evaluation of AML's strategic alternatives

Alternative	Suitability	Acceptability	Feasibility	Judgement
Volume-led expansion	Low: conflicts with scarcity-based differentiation	Low: increases discounting and working-capital exposure	Low: constrained by negative cash flow	Reject
Predominantly proprietary BEV–SDV development	High long-term technological relevance	Low: creates substantial investor and creditor exposure	Low: exceeds AML's present scale and capital capacity	Defer
Premium differentiation with selective technology access and phased electrification	High: addresses value capture and technological change	Moderate–high: protects exclusivity while containing, but not eliminating, financial exposure	Moderate: builds on existing capabilities and agreements	Select conditionally

Source: Author's evaluation based on Aston Martin Lagonda Global Holdings plc (2026a), IEA (2025), KPMG (2026), Todorov and Akbar (2018) and the preceding analysis.

The recommended direction prioritises premium differentiation and financial recovery rather than volume growth. AML should expand its existing Q personalisation, Specials and Private Office activities to increase contribution per vehicle while preserving scarcity. Product investment should also address quality and digital-experience weaknesses that may undermine willingness to pay (Aston Martin Lagonda Global Holdings plc, 2026a; Watson, 2025). KPMG (2026, p. 4) observes: "Vehicles are no longer static products updated every few years. They are lifecycle businesses that require continuous operation and improvement." For AML, this increases the importance of reliable software, updates and after-sales support, but does not independently justify untested subscription services.

AML should use its existing agreements with Mercedes-Benz AG and Lucid selectively. The Mercedes-Benz AG agreement provides access to selected powertrain and electrical/electronic architecture technologies, whereas the separate Lucid agreement concerns electric-powertrain and battery technologies for future BEVs. External technology should support, rather than replace, AML's design, tuning, craftsmanship and product-development capabilities (Aston Martin Lagonda Global Holdings plc, 2026a).

BEV investment should be phased against observable demand, regulation, liquidity and technical readiness rather than long-term forecasts alone (IEA, 2025; ACEA, 2026). Todorov and Akbar (2018, p. 105) conclude that “strategic fit among many activities is fundamental not only to competitive advantage, but also to the sustainability of that advantage.” The recommendation therefore depends on product differentiation, technology access and capital discipline operating coherently.

Conclusion and Recommendations

AML does not convert differentiation into sufficient financial returns. Heritage, design, craftsmanship and personalisation support premium pricing, but declining revenue, cash outflows and leverage restrict transformation. AML must fund electrification and digital development without diluting scarcity or exceeding its financial capacity (Aston Martin Lagonda Global Holdings plc, 2026a; Barney and Hesterly, 2019; IEA, 2025).

Four priorities follow:

- **Increase contribution per vehicle:** expand Q personalisation, Specials and Private Office; monitor ASP, contribution margin and personalisation uptake (Aston Martin Lagonda Global Holdings plc, 2026a).
- **Strengthen product quality:** address production, infotainment and customer-experience weaknesses; track right-first-time performance, warranty costs and customer satisfaction (Aston Martin Lagonda Global Holdings plc, 2026a; Watson, 2025).
- **Use external technology selectively:** evaluate the separate Mercedes-Benz AG and Lucid agreements against cost, technical contribution and dependence (Aston Martin Lagonda Global Holdings plc, 2026a).
- **Phase transformation expenditure:** release BEV investment according to demand, regulation, liquidity and technical readiness (IEA, 2025; ACEA, 2026).

Teece (2025, p. 25) captures the implementation requirement: “A continuous learning process [...] and ongoing orchestration of intangible assets and other resources.” AML should retain its strategic direction while adapting expenditure to evidence. Sustainable advantage depends on converting differentiation into positive free cash flow.

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