

**BUSINESS ENVIRONMENT OF THE CAR MANUFACTURING
INDUSTRY**

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INTRODUCTION

Business environment is defined as the combination of all the internal and external factors affecting the operation and function of a business either directly or indirectly. The business environment can be classified into three categories namely; macro-environment, micro-environment and internal environment. Macro-environment consists of the general forces as well as trends that affect the business such as political environment, socio-cultural environment, ecological and technological environment and demographic environment. Micro-environment is composed of all the individuals and the firms that have a direct or indirect impact on the operations of the company. This includes the customers, suppliers, intermediaries and other stakeholders. The last category of the forces is the internal environment which comprises of the structure and the politics of a business firm that have an impact on how the business responds to the environmental changes. Business has increasingly become global over the recent past hence leading to increase in new opportunities for business to venture in foreign countries (Simic and Dimitrijevic 2012).

MAJOR FORCES SHAPING THE BUSINESS ENVIRONMENT OF THE CAR MANUFACTURING INDUSTRY

Case study: BMW Industry

In the car industry, BMW company is among the topmost brands of the luxurious cars globally and it has its headquarter at Munich in Germany. BMW has also other brands such as Rolls-Royce and Cooper which also are premium cars. The company has a track record of manufacturing stylish cars and its innovative focus. The global car manufacturing industry experienced a decline in the sales in the year 2018 and 2019 especially in the major markets such as USA and China. However, during this difficult period, BMW Company maintained its sales and revenue due to its innovative focus and investing in research as well as development. BMW has partnered with the Chinese car manufacturer known as GWM so as to produce electric mini vehicles. Worldwide, changes in technology and consumers have pushed businesses to focus on customer experience and digitalization. BMW has had a lot of sources of competitive advantage that includes research and development, global sales, brand equity, good production network and global distribution network (Hamilton and Webster 2018).

Product life cycle of BMW Company

BMW Company does not go through the four stages but rather goes only two stages of the life cycle namely, introduction and growth. According to Jim McDowell, BMW's marketing vice President, any product that is declining should not be in the market since it's unnecessary to come up with a strategy of dealing with a declining product. BMW has a product life cycle of seven years and has got only two stages of product life cycle that is, introduction and rates of growth. In the year 2000 and 2001, BMW introduced the X5 series and the 3 series of which according to the BMW's product life cycle these two brands lied in the growth stage. BMW Company went further and introduced other three versions of X5 series and the 3 series so as to satisfy different customers depending on their preferences (Tao, Wang, Zuo, Yang, and Zhang 2016).

BMW has maintained its products in two stages of the product life cycle by constantly modifying its products. The company has a way of maintaining its series new as it has done in the previous years by introducing new models such as the coupe, the sedan to the convertible wagon. After every three years the company manages to modify its series of cars to be new and relevant in the market and thus it is the BMW'S main policy to manage the life cycle of its car series. Furthermore, BMW has got a very good manufacture branding and an outstanding branding system (StudyMoose 2016).

Porter's 5 Forces analysis of BMW industry

These forces given by Michael E Porter, affect both the profitability and the intensity of competition in any industry. These forces have a direct relevance to BMW Company being one of the car manufacturing industries, as well its global business.

Bargaining power of customers

Bargaining power of customer has grown greatly over the recent past due to the fact that customers have learned to conduct research and are well informed before they make the final purchase. This triggers the companies to design high quality products in an attempt to win customer loyalty. BMW Company has had moderate bargaining power due to its Customer experience, brand equity, technological innovation and product quality thus its bargaining power is moderately high (Hwee 2015).

Bargaining power of suppliers

In a car manufacturing industry, there is higher concentration of suppliers than the buyers unlike other in other industries. BMW Company has 12000 suppliers who are located in 70 countries. The bargaining power of BMW suppliers gets moderated by its large size and financial strength and since it has a wide global market presence hence it is usually very viable for any supplier that partners with it. The company has a set of rules and code of conduct that its suppliers must adhere to and so this makes their bargaining power of supplier to be moderately low (Gassmann, Zeschky, Wolff, and Stahl, 2010).

Threat of substitutes

Threat of substitutes has a direct impact on the demand and viability of automobile brand such as BMW Company. The high number of substitutes causes in turn a high threat to brand profitability and consumer demand. There are many rival brands in the market that happen to be close substitutes of BMW namely; Toyota, Mercedes, Land Rover, Lexus among others. However BMW has a way of moderating this threat of substitutes using factors such as; BMW has got classy and stylish cars, luxurious and prestigious cars, BMW gives better customer service compared to most of substitutes' brands, and lastly, BMW offers convenience and safety of the passengers unlike the substitutes (Hwee, 2015).

Threat of new entrants

BMW has experienced stiff competition from its close market rivals such as Ford, Toyota, Tesla, Mercedes and Land Rover among others. Automobile market has had challenges leading to low new entry and high number of firms exiting. The market rivalry between BMW and its close substitutes has intensified as the rivals have aggressively been engaging in marketing of the products as well research and development of their brands so as to grow their market share. However, BMW has engaged in a number of factors such as offering better customer experience, innovative research and development and vehicle design so as to ensure sustainability during the increased rivalry intensification. There exist other factors that help BMW to have a competitive advantage and moderate the competition namely marketing, brand equity, supply chain and global manufacturing network (Maguire, 2005).

PESTEL analysis of BMW industry

Political factors: adapting to regulations of carbon emission

Political factors such as introducing new regulations, policies and political corruption affect BMW Company. The fact that BMW has huge profits, brand image and high amount of funds it has the capability to influence policies with the aim of ensuring growth of the company. BMW group can be at a risk especially where they have invested in countries that have regular political instability. The company has also allocated funds in countries such as Europe in lobbying for the reduction of carbon emission as they put more emphasis on the usage of greener technologies by developing a passage car that use hydrogen instead of petroleum. This kind of car was developed to help slow down the pollution as Europe charges a high tax for the cars producing pollution (Shtal et al, 2018).

Economic factors: Fear of currency and tariffs

The worldwide economy fluctuations have a great impact on BMW's performance, profits and valuations. Different regions have different impact on the company's success as GDP of those regions keep on fluctuating hence making it hard for BMW to predict the profits and losses in the

following year. Tariffs affect the company either positively or negatively. For instance its possible to sell a BMW to Europe from Mexico without tariff but when you build a BMW in the US and sell it to Europe the company will suffer a 10% tariff. Regions with tariffs will eat up the profits of BMW Company hence making it experience loss (Madlani and Ulvestad, 2012).

Social factors

Since BMW is located in many countries, this means that they have to be considerate about the differences in culture so that they will adjust products and the manner of how they conduct marketing in different regions. BMW group conducts a heavy research and development before they put up their manufacturing companies in all the parts of the world, whereby they not only consider understanding the customers only but also the economic and political landscape. BMW group has also embarked on social media platforms where it has drawn a huge number of following. These platforms include the Facebook, twitter and instagram where it posts its updates and also engage its customers based on their enquiries, complaints and or comments (Shtal et al, 2018).

Technological factors

BMW has been able to uphold highest order of adaptation and innovation in the automotive industry as it has always availed to the market the luxurious car brands. The company takes pride in its innovation and mobility where the cars come with hybrid vehicles, automatic cars parking as well as autonomous driving (Madlani and Ulvestad, 2012).

Legal factors

BMW Company abides by the copyright laws connected to its vehicle brands and each group has to follow the laws of the country they are operating from since these laws have the ability to close down the performance and new technologies.

Ecological factors

BMW has developed hybrid car models which do not emit Carbon to the atmosphere. These kinds of cars consume less fuel than the average. Additionally, the company is in the process of introducing more electrical models to the market. This is because BMW group care about the health of its customers (Shtal et al, 2018).

OPPORTUNITIES AND CHALLENGES THAT BUSINESS ENVIRONMENT FORCES PRESENT

SWOT analysis of BMW industry

Strengths

The first strength of BMW is its high level of brand recognition since it has a brand of luxury vehicles. The main factors influencing its brand recognition are innovation, commitment to quality, marketing and rider safety. The company's brand can be easily recognized globally due to its unique stylish logo. Additionally, BMW has embarked in a lot of innovative research and development so as to maintain competitive advantage. The car manufacturing industry is very competitive and unless a firm becomes more innovative it's possible to exit the market.

Again, BMW has a large product range whereby it sells cars and motor vehicles. BMW is comprised of three segments including the motorcycle, automobiles and financial services. The company has managed. It also has other brands which it sells that are the mini and Rolls-Royce. Moreover, BMW has manufacturing and distribution network worldwide because it is based in many countries globally where its products can be accessed by its customers without distance barrier (Kauerhof, 2017).

Weaknesses

Firstly, its premium prices are a hindrance to its faster growth since its majority of people prefer cheaper brands. Additionally, BMW uses high production and operation cost to come up with such premium cars. The Company incurs a lot of cost in marketing, latest technologies and in research and development.

Opportunities

To start with, BMW has an autonomous driving technology which offers convenience and a higher safety. This has enabled the company to maintain competitive advantage as it ensures the safety of the cars and offer the drivers a better driving experience. Additionally, BMW has given much attention to the customer engagement and digital marketing. BMW has had customer's engagements via social media platforms and also carries out their product promotion by use of digital technology such as video marketing (Kauerhof, 2017).

Threats

Competitive threats have being the new norm in the car industry as there has been a lot of pressure from the close substitutes. There are other car brands that are competing with BMW brands since they are aggressive in digital marketing. Tesla and other electric cars are posing a challenge to the BMW Company. Another threat BMW is facing is the presence of regulatory pressures whereby they have to comply with such rule which is costly. Violation to these regulations attracts a very high amount of fine. Furthermore, BMW has been faced with market uncertainty and economic fluctuations. A decline in global economy affects the sale of BMW brands (Kauerhof, 2017).

RECOMMENDATIONS

Based on the SWOT analysis of BMW, there are ways through which the company can position itself to gain competitive advantage in the car industry. Firstly, BMW should be considerate on their prices since their car brands are more expensive compared to that of their close substitutes such as Toyota, Ford, and Mercedes among others. Inasmuch as their car brands are very stylish and luxurious, it should be considerate on its pricing strategies so that majority of people can afford to buy. Additionally, BMW can gain more competitive advantage by being aggressive in marketing their products by use of social media platforms and digital marketing. By doing this they will be able to compete with their rivals without losing their market influence. Lastly, BMW should launch electric car brand in to the market so that they can be able to gain competitive advantage over Tesla and other electric car brands. Electric cars are preferred due to their ability to preserve the environment by releasing less carbon emission into the atmosphere (Schleimer and Riege, 2009).

Conclusion

To conclude, BMW Company has been known globally for its luxurious and stylish brand of cars. It has been able to survive in the market despite the stiff competition experienced in the car manufacturing industry. The market challenges in the automotive industry have caused many firms to exit while others fight for their stay. BMW has managed to survive in the market due to its aggressiveness in digital marketing and customer engagements. Moreover, it has managed to maintained competitive advantage by the strengths and opportunities it has in the car industry. It has also been developing its products so that every time there is a new brand in the market. BMW has only two stages of product cycle that is the growth stage and introduction stage as it believes that once a product starts declining then there is no need to have in the market. The company experiences competitive threats from Tesla and other electric car brands.

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