

Marketing Management

BMW

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I. Introduction

“Marketing is the management process responsible for identifying, anticipating and satisfying customer requirements profitably.”

Usually, people think that marketing is just about advertising and selling, but this is not the whole process. It is a key management discipline that ensures producers of goods and services can interpret customer wants/needs and match, or exceed them.

The marketing process is central for the business performance of companies, both large and small because it addresses the most important aspects of the market. It is about understanding the competitive marketplace and ensuring you can tap into key trends, reaching consumers with the right product at the right price, place and time.

In this report, I will relate the most essential marketing methods and models of research to the BMW Group LTD. The report will cover the analysis of the macro and micro environment of the company. I will use models such as PESTLE, Porter 5 Forces, SWOT and others for a better understanding of BMW's marketing management. At the end of the report, using the Ansoff matrix I will make some recommendations for the future of the marketing management of the company.

II. PESTLE Analysis

“A PESTLE analysis studies the key external factors (Political, Economic, Sociological, Technological, Legal and Environmental) that influence a company. It can be used in a range of various scenarios, also can advise people professionals and senior managers in development decision-making.”

BMW PESTLE Analysis investigates different external factors: political, economic, social, technological, legal and environmental factors. The PESTLE Analysis marks the different extrinsic scenarios that influence the brand's business.

PESTLE analysis is a framework that is indispensable for companies such as BMW, because it helps to understand market movements and meliorate the business constantly.

Political factors:

BMW is one of the leading luxury car manufacturers in the world. There are three major political factors that have recently affected BMW. Firstly, the escalation of the trade war between the U.S.A. and China. And, secondly, the rising political uncertainty in Europe largely because of Britain's decision of taking exit from the European Union. Another political factor is the war between Ukraine and Russia. Since higher taxes were imposed on the goods traded between U.S.A. and China; it weakened the stock markets and hence caused a decline in the stock prices in the automobile industry. Apart from the trade tension between the two countries, higher duties were imposed on the U.S.A. on the import of Steel and Aluminum by the European Union. Also, Brexit had a negative impact on the company as it will increase trade restrictions causing an increase in costs and a decrease in volume. Moreover, the increase in trade restrictions by the U.S.A. can also cause the other countries to increase their tariffs on the goods traded with the U.S.A. This can cause a decrease in the vehicles exported from the U.S.A. which will affect BMW negatively. The war between Russia and Ukraine come along with BMW's decision to stop local production in Russia and export to the Russian market. That definitely will cause decreases in company revenues for the next few years.

Economic factors:

Apart from the European Union, a major chunk BMW's revenue comes from China and The United States of Nation.

So, any uncertainty prevailing in these countries can adversely affect BMW. The increased investment done by BMW for the electrification of their drivetrain systems can increase its costs significantly. Also, the company aims to expand its production centers. Due to these factors, the company expects a significant reduction in its profits before taxes from 10675 million Euros to 9815 million Euros.

Social factors

The BMW Group has a presence in more than 140 nations. The BMW group has 3 divisions i.e. the automotive segment, the motorcycles and the financial services. A major chunk of BMW's revenues comes from its automotive segment with all its brands catering to the premium segment. BMW is focused on increasing its customer satisfaction. Apart

from increasing customer satisfaction from its vehicles itself, BMW aims to provide extra services to improve their experience. The introduction of its BMW CarData service has allowed its customers to get services as per the requirements generated from the data captured. The CarData service, thus, provides its customers with tailored solutions. BMW's Mini makes use of the service "BMW Connected" to enhance its customer's experience.

Technological factors

BMW Group realizes the importance to integrate technology in its vehicles and also in the services that it provides. BMW has opened an Autonomous Driving Campus in Germany recently which will be a facilitator in designing of automated vehicles. The Campus has created around 1300 jobs for the people belonging to the IT sector. With the help of these people, BMW aims to explore technologies like artificial intelligence and integrate them in its solutions. Also, a new facility has also been opened in Beijing, China. Apart from the automation, this facility will also help in developing new digital services and working on the new age designs.

Legal factors

BMW Group has been subject to various legal problems all over the globe. In the year 2017, more than 100 of BMW's customers complained about the engine failures while driving. About 30 of them had taken this matter to the court as well. Also, in the year 2018, more than 3, 00,000 cars manufactured between 2007 & 2011 were called back as they were also prone to complete engine failures while driving. Till date, about 90 of the BMW's customers have also complained about the mysterious fires in their parked BMWs.

Environmental factors

The BMW Group has always been an organization famous for contributing towards sustainability. The group has been contributing towards the UN Environment Program since 2001. In fact, the Group was the first in the automobile sector which came out with the post of an Environment Officer. BMW Group has also reduced its carbon footprint by reducing the CO₂ emissions of its European vehicles by 42%.

Also, with the introduction of electric vehicles, the CO₂ emissions have further dropped. The BMW i3 is fully electric with zero carbon emissions. While their hybrid models have CO₂ emissions as less as 45g/km. (*BMW PESTLE Analysis*)

To conclude, the above BMW PESTLE Analysis highlights the various elements which impact its business performance. This understanding helps to evaluate the criticality of external business factors for any brand.

III. Porter`s 5 Forces

The five forces model of competitive advantage proposed by Michael Porter posits a compelling view on how a firm can achieve competitive advantage in a particular industry by leveraging on five imperative forces of the industry.

“The five forces are comprised of factors that could affect the positioning of a firm in a particular industry, this includes:

- ✚ The Bargaining power of Buyers;
- ✚ The Bargaining power of Sellers;
- ✚ The Threat of Substitutes;
- ✚ The Threat of Potential Entrants and;
- ✚ The Threat of Existing Competition.”

(*A Critical Analysis of Porter`s 5 Forces Model of Competitive Advantage*)

1. Porter`s 5 forces - BMW

The Bargaining power of Buyers;

Customers are becoming more aware and informed these days. They are supported by government regulations that favor them, and they like to research before making the final purchase decision. The product alone is not the attraction, but the entire customer experience and the after-sales service matter greatly.

There is an added requirement to constantly improve on the feedback given by the customers and keep on innovating so that the customer stays with the company. The switching costs are lower, and there is limited demand from the customers as it is a high-end product.

Although there is high product differentiation in the market, **customers' bargaining power is still high** and should be focused upon.

The Bargaining power of Suppliers;

Because of its brand reputation, BMW must maintain a standard of quality in all the raw materials it uses, and hence they carefully choose their suppliers. BMW deals with over 12000 suppliers across the globe, many of which are auto firms themselves, and hence BMW tries to collaborate with them and establish the standard process of operations. Because there are many suppliers available in the market, switching costs are low, and the product supplied is not differentiated; hence, the suppliers always risk losing business if they don't adhere to the company protocol. Hence **the bargaining power of suppliers is low**.

The Threat of Substitutes;

BMW deals in the luxury segment and is not a must-have. Most of the people who shop in this segment do so to maintain a status symbol and class in society. Due to the rising awareness for environmental protection, people are shifting towards electric vehicles, but that segment will take time to gain recognition. Despite these few hurdles, BMW attracts a niche crowd who have brand loyalty and has the advantage of being decently popular against other luxury car companies. With the loyalty and high popularity, we can say that **the threat of substitutes is moderate** for the company.

The Threat of Potential Entrants

BMW is a globally recognized premium automobile manufacturer. Threat of new entrants is relatively low in the automobile industry because both entry and exit barriers are high. There is an increase in government regulations. If, in any case, a new player enters the market, it will take a lot of time for them to establish themselves in the market and start their operations globally. **The threat of new entrants can be nil to none**, talking about the automobile industry and a company on the level of BMW, which has been relatively established in terms of research and sales.

The Threat of Existing Competition.

Several competitors of BMW like Audi, Mercedes, Skoda, Tesla, etc., are leaving no stone unturned to increase their market share and attract new customers from the other companies. There is fierce competition, and all the firms invest in research and development and improve their customer

experience. All these factors show a **very intense competitive rivalry** in the automobile industry. BMW is trying to move towards a vision where it is selling luxury and helping save the environment with its production processes, thus making the customer feel more accomplished and satisfied.

2. Advantages and Disadvantages of Porter's 5 Forces

Advantages:

It focuses on an external analysis, moving away from the traditional SWOT approach, enabling a firm's focus to gravitate on its reaction to a change in the external environment.

The five forces framework is also very inter-linkable with other models, such as the PEST forces [Political, Economic, Social, Technological] to help in understanding and leveraging on dynamism.

It also emphasised the importance of searching for imperfect markets which offer more opportunities, as imperfect markets create opportunities for supernormal profits, but this possibility does not exist in perfect competition.

The five forces framework, additionally, shows how competitive rivalry is the central idea and is very much the function of the other four forces, as the other four forces affect the industry and therefore even the competitors.

Disadvantages:

Porter, initially, completely ignored the effect of complements on the industry, while recognizing substitutes.

Porter also makes a very bold claim that 'Industry structure drives competition and profitability, not whether an industry is emerging or mature, high tech or low tech, regulated or unregulated. In many avenues, the industry structure may not be the only factor that influences the profitability of firms. Governments and legal action can also have major consequences on the profitability of firms.

"Porter oversimplifies industry value chains, in certain situations, buyers may need to be both segmented and differentiated between channels, intermediate buyers and end customers

Another striking weakness in the model is that is a static one. It provides a snapshot of the wider industry at some point in the past [Beattie, 2018] and may be useful for developing short-term strategy, but in the modern-day, that is writhe with dynamism and constant changes, the model does not provide any

additional advantage.” (*A Critical Analysis of Porter’s 5 Forces Model of Competitive Advantage*)

IV. SWOT Analysis

A SWOT analysis is a planning tool used to understand key factors - strengths, weaknesses, opportunities, and threats, involved in a project or in an organisation. It involves stating the objective of the organisation or project and identifying the internal and external factors that are either supportive or unfavorable to achieving that objective.

Strengths	Weaknesses
1. One of the most valuable automotive brands in the world 2. Geographically diversified revenue streams 3. Perfect engineering and excellent driving experience 4. Competence in hybrid and electric cars 5. Clear strategy to meet the future challenges and trends	1. Poor automotive brand portfolio with little product differentiation 2. Increasing debt levels
Opportunities	Threats
1. Fuel prices are expected to rise in the near future 2. Demand for autonomous vehicles 3. Timing and frequency of new model releases	1. Increasing competition in the worldwide automotive market 2. Increasing government regulations may raise the costs 3. U.K. automotive market is poised to slow down or even decline

V. Marketing Mix

The marketing mix, also known as the four P's of marketing, refers to the four key elements of a marketing strategy: product, price, place and promotion. By paying attention to the following four components of the marketing mix, a business can maximize its chances of a product being recognized and bought by customers:

- **Product.** The item or service being sold must satisfy a consumer's need or desire.
- **Price.** An item should be sold at the right price for consumer expectations, neither too low nor too high.

- **Promotion.** The public needs to be informed about the product and its features to understand how it fills their needs or desires.
- **Place.** The location where the product can be purchased is important for optimising sales.

Product

BMW Group is primarily focused on manufacturing high luxury two-wheel and four-wheel automobiles for the global markets. These products are manufactured at certain specific facilities across the globe, based on specific needs of each segment. Some of the products offer high level of personalization to its customers, while majority of the products are standard across continents.

The four-wheeler automobile of BMW has always been associated with the luxury and high end segment of products. This has been a constant effort of the company to be considered “Premium” by the customers. The products in the BMW marketing mix are premium sedans, SUVs and sports cars, which offer style, performance and a status symbol.

The importance of reliability, safety and efficiency in BMW's product strategy has become quite evident in the product offerings. Advancement in engineering and technology has been well embraced by the BMW Group, and most of the products rightly project the same. The company also has a manufacturing unit for motorcycles and bicycles for certain markets. These products are generally categorized as the ‘niche’ market products.

Overall, the company gives high importance to safety and luxury standards of its products. Also, innovative and fresh products are introduced at regular time intervals according to the changing needs of the customers. Recently, BMW also entered the electric and hybrid motor vehicle segment with the introduction of a new model, the BMW i8.

Price

The products are all priced at a ‘premium’ compared to its rivals in the category. The BMW-associated brands like Mini Cooper and Rolls-Royce also convey the same pricing strategy of the company. These brands are priced a bit higher than the standard BMW product range.

BMW establishes a luxury pricing to classify itself into the “Desirable” segment of the market. This pricing strategy in its marketing mix also ensures that the brand does not get diluted, or the positioning of the brand become unclear. Continuing this marketing strategy is the pricing

of the spares and aftersales service costs of BMW automobiles. These are also priced a bit higher than other contemporary brands.

However, BMW has adopted a dynamic pricing strategy on its entry level vehicles for newer markets, (India, Brazil) where it offers a competitive price for its smaller models. The pricing has been clear to attract the premium and niche markets of automobiles.

Promotion

BMW has been a worldrenowned brand for over half a century. The company has been a strong advertiser of its products and other offerings. The promotional strategy as a part of its marketing mix focuses on aggressive advertising using media channels like TV, online ads, billboards, print ads etc so that it can create a continuous brand awareness.

BMW has been a close sponsor for various rally racing events and others sports events. The company also promotes many celebrated sports teams and rally racers. BMW has been a constant participant in various international rally races for a long time. They have been a successful team at the F1 races on numerous occasions.

Apart from these sponsorships, BMW has also found an innovative method of promotions. The 'April Fools' pranks by BMW every year have been well accepted by the world, making it another strong marketing promotion event for BMW.

Place

BMW being a worldrenowned vehicle manufacturer, it has spread its manufacturing facilities to many cities. The first facility was located at Bavaria, Munich. However, with gaining newer customers across the globe, the company has now set up massive production facilities to cater to such huge volumes. Apart from its manufacturing, BMW marketing mix place strategy covers its global reach to company dealerships and even other premium car sellers

VI. Recommendations – Ansoff Matrix

The Ansoff matrix is a strategic tool developed to facilitate and guide businesses in decision pertaining to business growth. The Ansoff matrix offers four strategic choices to businesses to choose from:

- market penetration
- market development
- product development
- diversification.

An organization or a business is to choose any of these four strategies, or a combination – deepening on various internal and external factors.



Ansoff Matrix – BMW

1. Market penetration

The market penetration strategy is used by businesses that seek growth for existing products in markets where their brands are existing, and already operational.

Increase production capacity

- Increased production capacity will allow BMW to reach more customers within the same market
- Increased production capacity would also lead to more efficiency and effectiveness – especially for controlling overhead costs
- Controlled overhead costs would lead to competitive pricing and would appeal to the consumers in the same market
- Increased attractiveness and competitive pricing within the same market will lead to increased sales and consumption and thus a higher market penetration

Increase marketing investment

- The BMW can also increase its investment in marketing and advertising activities to increase market penetration
- The BMW should try to develop and design engaging communication content that is relevant to its various market groups
- Engaging communication and investment in marketing activities, and advertising will allow the BMW to reach more consumers within the same market
- With higher marketing investment, the BMW will be able to increase its market penetration within the existing markets for existing products

Acquiring competitors

- The BMW can acquire competing players in the market
- The acquisitions will give the BMW leverage in reaching different consumer groups and segments
- The acquisitions will also allow the BMW to develop leverage through diversified supply chain and distribution channels

- Acquisitions will lead to higher penetration through improving the BMW's accessibility of different consumer groups and segments in existing markets

2. Market Development

With market development strategies, the BMW can enhance its business growth through introducing existing products in new markets. This will be possible for the BMW with different strategies.

Research and development

- The BMW should invest in research and development to identify possible new markets and consumer segments for its products
- The R&D should focus on identifying and understanding different market cultures, trends, and consumer behaviours and how they differ from consumer behaviour patterns in existing markets

Regional expansion

- The BMW can expand regionally
- This will include expansion locally to different cities, or within the same geographic region
- Regional expansion should also take into consideration any cultural differences that will need to be accommodated in the expansion process in terms of marketing or product modifications and consumption methods.

New customer segments

- The BMW can also explore new consumer segments in the same market for its products
- The company can identify new product uses and features and target new consumer segments for the existing products

- This will allow the company to tap into new markets and new market trends within the same market to help in growth and expansion

Customer education

- The BMW should also educate consumers in new markets for its products
- This market education is important for allowing consumers in understanding the products, and its offerings
- The consumers will also be able to understand consumption patterns for the products better with education
- The BMW increases sales through educating new consumer segments in existing and new markets to lead to overall business development and growth

3. Product Development

When a company seeks to expand business growth in existing markets through new products, it is termed as product development. The BMW drives product development in different ways.

Modifications to existing products

- The BMW can introduce modifications and improvements in existing products to offer consumers new and enhanced offerings
- This will lead to increased sales and consumption of the product

Strategic partnerships

- The BMW engages in strategic partnerships to explore options for product development as well
- Strategic partnerships allows BMW to have access to new product developments, and processes with limited financial investment and thus limited risk involved

- This is important for BMW to be able to understand the new product, and development process along with the market reaction and acceptability of the same before engaging in full fledged production of own

4. Diversification

Diversification refers to business growth and development that occurs when a company engages in new product development in new markets. Diversification is an important and allows businesses like the BMW to remain competent, innovative, and competitive – thereby remaining relevant for the consumer markets.

Vertical diversification

- Vertical diversification for the BMW means looking for growth and business development by introducing new products under existing product lines.
- This means that the new product developments and launches by the BMW would be similar to, and categorized under existing product groups and categories.

Horizontal diversification

- Horizontal diversification occurs when the BMW decides to introduce and engage with new product developments and launches that are not associated with the existing products
- It is however beneficial to introduce new products launches and developments for products that share similar economic environments with the existing products.

To conclude I can say that the BMW Group has multiple chances to develop in order to increase the revenues and the value of the brand even it is already an established company. Using Ansoff Matrix I could to

identify some methods of developing the cony that can be used separately or combined.

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