

LCBB 6015 Strategic Management and Sustainability

**BMW Group: Strategic Management and Sustainability in a Changing
Automotive World**

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Executive Summary

This report looks at the strategic management of the BMW Group. BMW is a high-end car and motorcycle manufacturer in Germany. The automotive industry is changing fast. The new regulations, software, and electric cars are driving companies to alter their modes of operation. In this report, the external environment of BMW and its internal capabilities are analysed. It applies PESTEL, Porter's Five Forces, SWOT, VRIO and the value chain. In 2025, BMW achieved good profits, but tariffs and high costs led to a decline in its EBIT margin. The report concludes that BMW has good technology and strong brand power but needs to reduce its costs and expand its software capabilities. This report recommends that BMW develop a more robust subscription-based online service platform. This will help to generate new revenue and a customer base. The report ends with clear, simple recommendations based on real data from BMW's own annual report.

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Introduction

Strategic management refers to planning how a firm will emerge victorious in its industry in the long term. It looks at the outside world and the inside strengths of a firm together (Whittington et al., 2023). It is not a single operation. It is a cycle that companies go through as their market evolves. Strategic management assists a company in spending its money and human resources in the most appropriate manner. It also helps a firm see risks early and grab new chances. This is essential in the car industry today, as change is unavoidable and companies have to change lest they lose customers.

The idea of this report is to research the strategy of BMW in a straightforward manner. The report is divided into sections. First, it provides background on BMW. It then examines the vision and the objectives of BMW. Then it analyses the performance of BMW and its market using various tools. It ends with new strategy ideas and a short conclusion.

Overview of the Firm

BMW Group is a German car and motorcycle maker. It has its head office in Munich. The company produces vehicles that are branded BMW, MINI, and Rolls-Royce; motorcycles are branded BMW Motorrad (BMW Group, 2026). BMW is a company that operates in the high-quality automobile market. This implies that it sells more expensive and higher-quality cars than normal cars. BMW operates a big financial services division as well. This arm provides loans and leasing agreements to global buyers (BMW Group, 2026).

The company is a seller in over 140 nations. At the end of 2025, BMW employed 154,540 people worldwide (BMW Group, 2026). In the Automotive segment, BMW sold 2,463,681 cars in 2025, which is near the amount sold the year before (BMW Group, 2026). Now, BMW is introducing a new model line, NEUE KLASSE, which incorporates new electric drive, software, and design (BMW Group, 2026). BMW is well-known and the largest car company worldwide.

Strategic Intent

BMW's purpose is simple. The firm says it exists “to move body, heart and mind” (BMW Group, 2026). This is the objective that drives all aspects of the business. BMW's mission is to make individual mobility human, smart and responsible (BMW Group, 2026). This shows that BMW desires to be the first to adopt new technology and is concerned about the people and the planet. BMW's strategy is based on three objectives.

To begin with, a combination of engine types, with the main emphasis on electric cars (BMW Group, 2026). Second, enhanced customer digital tools and services. Third, a more sustainable value chain, such as recycling of materials (BMW Group, 2026). BMW has definite financial objectives as well. It desires a Group EBT margin that is more than 10% and an EBIT margin of 8% to 10% in the Automotive segment (BMW Group, 2026). By 2030, BMW also envisions fully electric car sales of over half of its cars (BMW Group, 2026). These objectives connect the big vision of BMW with the figures that it can measure annually.

The Company's Current Performance

BMW Group achieved revenues of €133,453 million in 2025. This was 6.3% lower than in 2024, largely owing to reduced car sales to dealers and intense price competition in China (BMW Group, 2026). Group profit before tax was €10,236 million, a small drop from €10,971 million (BMW Group, 2026). In the Automotive segment, EBIT margin was 5.3%, which was lower than the target value of 8% to 10% for BMW (BMW Group, 2026). This margin was negatively impacted by new tariffs on cars sold in the United States by approximately 1.5 percentage points (BMW Group, 2026).

Even so, BMW kept a healthy pre-tax return on sales of 7.7% (BMW Group, 2026). Investments in research and development decreased to €8,319 million, which is a significant amount that was allocated to the construction of NEUE KLASSE models (BMW Group, 2026). The share of fully electric cars in deliveries grew to 17.9% (BMW Group, 2026). Table 1 shows the key numbers for 2025 next to the year before.

Metric	2025	2024
Group revenues (€ million)	133,453	142,380
Group profit before tax (€ million)	10,236	10,971
Automotive EBIT margin (%)	5.3	5.7
Automotive deliveries (units)	2,463,681	2,450,854
Share of all-electric cars in deliveries (%)	17.9	17.4
Research and development spend (€ million)	8,319	9,078

Table 1: BMW Group key financial and operating figures, 2025 vs 2024.

Source: (BMW Group, 2026).

This shows that BMW stayed profitable in a tough year. However, it also shows that external factors, such as tariffs and competition in China, can strike the margins of BMW within a short time (Loder, Rinscheid and Wuestenhagen, 2023).

Strategy Analysis

External Environmental Audit

The PESTEL tool is used to analyse the external environment of a company (Whittington et al., 2023). Politically, trade tariffs and export rules are rising. These increase expenses for automobile manufacturers such as BMW (BMW Group, 2026). Slow Chinese economic growth can reduce the demand for cars. More consumers today desire digital experience and adaptable mobility, and not just car ownership, socially (Zahan, Thasin and Zahan, 2025). Electric drive and software are transforming even the concept of what a car is technologically (Ramos and Ruiz-Gálvez, 2024). CO₂ regulations are becoming tougher environmentally. In 2025, the sales of electric cars across the world hit 20.7 million cars, a quarter of the new cars sold (IEA, 2026). Firms should be guided by regulations on data, safety, and recycling across the board.

Porter's Five Forces also show BMW's market. Competition is intense, as vintage car manufacturers and novel electric Chinese brands are all competing to attract customers (Madić, Marković and Mijuškovic, 2021). New entrants can appear fast, as tech firms and Chinese firms bring new ideas. The power of buyers is increasing, as customers can easily compare prices online. The power of suppliers of battery parts and computer chips is high, and there are few companies that control them (Jagani, Marsillac and Hong, 2024). Substitutes are also increasing, with other substitutes being provided by shared mobility applications. BMW operates in an environment where it is pressured on many fronts.

Factor	Example trend	Source
Political	Rising import tariffs on cars and parts	(BMW Group, 2026)
Economic	Slower vehicle demand growth in China	(BMW Group, 2026)
Social	Rising demand for connected, digital cars	(Zahan, Thasin and Zahan, 2025)
Technological	Fast growth of electric and software-defined cars	(Ramos and Ruiz-Gálvez, 2024)

Environmental	Global EV sales reached 20.7 million units in 2025	(IEA, 2026)
Legal	Stricter CO2 and data protection rules	(BMW Group, 2026)

Table 2: PESTEL summary for the global automotive industry.

Source: (Self-Made)

Internal Environmental Audit

A SWOT analysis shows the internal image of BMW. Its strong brand, broad range of models and extensive engineering expertise are its strengths (Madić, Marković and Mijuškovic, 2021). Among the weaknesses, there is a declining EBIT margin and high costs due to tariffs and warranty claims (BMW Group, 2026). The opportunities are the expansion of NEUE KLASSE and the increasing demand for electric cars. Threats include strong Chinese rivals and unstable trade rules (Gomis, Vallejo and Carrillo, 2024).

The VRIO tool will examine whether the resources possessed by BMW provide a tangible advantage (Fisher, Wisneski and Bakker, 2020). The brand name of BMW is a valuable, rare and difficult-to-imitate name, and the company is structured to make good use of the brand name. This gives a lasting edge. Its electric drive engineering prowess is valuable, and competitors are catching up quickly, so it might not be a lasting advantage.

Resource	Valuable	Rare	Hard to imitate	Organised to use
BMW brand name	Yes	Yes	Yes	Yes
Electric drive engineering skill	Yes	Fairly	Not fully	Yes

Table 3: VRIO summary of two key BMW resources.

Source: (Fisher, Wisneski and Bakker, 2020; BMW Group, 2026).

A short value chain perspective reveals the strength of design and after-sales service, but battery and sourcing of raw materials rely on external suppliers (Jagani, Marsillac and Hong, 2024). The electric NEUE KLASSE models are also seen as a question mark using the BCG matrix, requiring extensive investment but having enormous growth potential, whereas petrol and hybrid models are seen as cash cows today to sustain the business.

Strategy Formulation

BMW has a definite decision to make regarding its future growth. Cost leadership is one of them, where BMW reduces its costs to match electric brands that are cheaper. This may hurt BMW's premium image, though, since buyers link BMW with high quality, not low price (Madić,

Marković and Mijuškovića, 2021). Instead, differentiation is a more appropriate choice to retain high quality and design but introduce new digital services (Hoeft, 2023). Strategic partnerships can also help. BMW can collaborate with battery and software companies to share expenses and reduce risk (Attias and Mira-Bonnardel, 2016). This is consistent with broader trends in the automotive market, where companies tend to collaborate rather than make everything themselves (Gomis, Vallejo and Carrillo, 2024).

This report proposes a new plan for BMW: a more powerful digital subscription platform with a main focus on NEUE KLASSE cars. This platform would enable buyers to pay monthly subscriptions to add additional software features, such as driving modes or connected services, rather than purchasing them as a one-time purchase. The approach is suitable for BMW's strategy to expand digital services and customer loyalty (BMW Group, 2026). It would also provide BMW with stable revenue even during the slack in new car sales. To achieve this work, BMW needs to maintain good relations with software partners and educate employees in digital skills (Attias and Mira-Bonnardel, 2016). This strategy uses BMW's strong brand as a base while building new value beyond just selling cars.

Conclusion and Recommendation

BMW Group continues to be a premium automotive leader, well-positioned for a clear strategic purpose and with strong brand equity. Although it was resilient, 2025 was an eye-opener for the weaknesses of the external environment to pressures including tariffs and intense competition, which soon took its toll on profitability. BMW's brand is an effective sustainable competitive advantage, as evidenced by analytical frameworks such as the Five Forces, PESTEL, SWOT and VRIO; however, the high-cost base and restricted services in electric vehicles require immediate attention.

BMW needs to invest more heavily in creating a strong digital subscription offering, specifically for the NEUE KLASSE, in order to be a leader in the shift to electric and digital mobility. This would be a good way to build customer engagement, create a source of recurring revenue, and make BMW stand out from the crowd. Also, strategic partnerships with battery and software firms will be a crucial element for reducing costs and technological uncertainties. Last, but not least, BMW has to keep a close eye on the changing trade policies and ensure that it is ready for the trade shocks that may occur to maintain profitability.

With increased digital capabilities, enhanced supply chain reliability and preparedness for future regulations, BMW will continue to hold its premium standing in the fast-moving march towards electrification and digitalisation of the automotive sector.

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