



LCBB6015 – Strategic Management and Sustainability

Component 2: Individual Report

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Executive Summary

In response to major change in the global automotive industry created by electrification, software-defined vehicles, sustainability, trade barriers, supply chain risks and customer change, this report develops a strategy formulation plan for BMW Group. The world's leading premium automotive manufacturer has three core strengths: valuable brands, world-class manufacturing capability in all four corners of the globe, and much deep financial resources. However, it also faces a host of challenges to its future success including margins; domestic market competition; tariff exposure; the challenge to succeed through software, data and connected car services in addition to traditional vehicle engineering; and much higher failure costs than rivals. The report identifies BMW Group's key strengths and weaknesses and sets out a strategy that seeks to build on the company's strengths whilst address its weaknesses. A premium digital-circular growth strategy incorporating elements of a circular economy and growth strategy best meets these objectives. The company should therefore be focused on accelerating development of its Neue Klasse vehicles while increasing its software and AI skills to be able to develop new connected car services. It should grow connected car services revenues, and strengthen partnerships with specialist battery and recycling companies. It must also increasingly localise its manufacturing and sales in key markets including China. This strategy is the best way for BMW Group to grow in the future while remaining true to its premium brand values and outcompeting rivals for long-term sustainability.

Introduction

Strategic management refers to long-term organisational direction and strategic decision-making to achieve sustainable competitive advantage. The process of strategic management includes environmental scanning, an organisation's internal resources and capabilities, and the selection of strategic options. Strategic management is particularly important in the automotive industry which is capital intensive, globalised, heavily regulated, technologically changing rapidly and incurring large costs in the event of organisational failure (Rothaermel, 2024). Implementing effective strategic management allows organisations to allocate resources effectively, prioritise activities, become more resilient and align purpose, competitive position and strategy delivery (OECD, 2024). The industry is currently facing a number of challenges, specifically related to electrification, software, sustainability, tariffs and changes in consumer behaviour. This report aims to act as a strategy plan for the BMW Group. The report will start by outlining the background and goals of BMW Group's strategy and then evaluate overall performance against these goals. The two main environments in which BMW operate will be analysed: the external environment (PESTEL, Porter's Five Forces) and the internal environment (SWOT, VRIO, BCG, Value Chain). Using these models I will map out BMW Group's position in the automotive market and provide recommendations for strategy in the future to maintain and improve competitive position.

Overview

BMW Group, is one of the world's leading premium mobility companies. Our vision is to become the world's most loved premium car company. The Group operates under four brands: BMW, MINI, Rolls-Royce and BMW Motorrad. They are developers and manufacturers of premium automobiles, motorcycles and scooters and provider of financial mobility services. The company operates worldwide and sells in more than 140 countries from over 30 production- and assembly sites. In 2025, the BMW Group delivered more than 2.46 Million passenger vehicles and around 202,000 motorcycles worldwide. With around 154,540 employees, the company is among the world's largest listed industrial companies in terms of revenue, which in 2025 reached €133.5 Billion (revenue), €10.2 Billion (PTF). Global presence and a strong footprint in the global automotive and mobility market – especially in the premium segment – allow BMW to address the needs of various customer groups with a wide range of vehicle offer combining Internal Combustion Engine, Plug-in-Hybrid and fully electric drive with innovative digital vehicle features like connectivity and service solutions. Thus, BMW is more than just a car manufacturer – it is a global premium mobility company in the midst of a strategic large-scale transformation process (BMW Group, 2026a; BMW Group, 2026c).

Strategic Intent

From its early days as a supplier of aircraft engines, BMW has always faced the same question: how can the company meet the needs of customers and society in a sustainable manner to make its business robust, long-term and profitable in the future? BMW strives to create a future sustainable, innovative and profitable strategy of “premium mobility” that is independent of others and remains very profitable for long-term, sustainable growth. BMW's strategy is distinct from the cost leadership strategy; rather, it is a premium differentiation strategy. By developing sustainable solutions, premium quality, innovative power and passion, premium brand, premium products and services, innovative products and solutions and advanced and digital solutions for tomorrow's mobility, BMW strives to offer the best overall premium experience including strong brands, impressive innovation power, leading-edge technologies and unrivalled products and individual solutions, and excellent care. Future vehicle architectures in the BMW Group's Neue Klasse will be designed with electrification, digitalisation and sustainability in mind. The future goals for the BMW Group: an Automotive EBIT margin of 8–10%, a RoCE of at least 18% – and more than 50% all-electric deliveries by 2030. Commitment to net zero by 2050 (BMW Group, 2026b; BMW Group, 2026e; BMW Group, 2026c; BMW Group, 2026d).

Company's Current Performance

The BMW Group also remained clearly one of the world's leading premium manufacturers in 2025, delivering 642,087 electrified vehicles to customers. In total, The BMW Group delivered 2,463,715 vehicles to customers worldwide. BMW Motorrad sold 202,563 units in more than 100 markets around the world. The Group's revenues for the financial year 2025 climbed to €133.5 billion, and the Group's profit before tax even reached €10.236 billion. As a result, the company remains fully capable of facing new challenges. With 32 production and assembly plants in 15 countries worldwide, as well as a worldwide workforce of 154,540, BMW has the necessary size, presence on every continent and resources to continue to compete successfully for leadership of the premium automotive marketplace into the future (BMW Group, 2026c). Pressure on the automotive business decreased only slowly in 2025, since the Automotive EBIT margin fell to 5.3% only, below the lower end of the target range of the 8–10% margin. Although revenues rose significantly and deliveries continued to be at a high level, downward pressure on margins grew due to higher costs and transformation expenses. The market remained very competitive as well.

"BMW deliveries fall 3.5% in Q1 to 565,748 vehicles", reported Reuters in April 2026. While sales in Europe were up, this increase failed to offset the decline in China and the US. The sales for the BMW and MINI vehicles in Europe, grew 3% in Q1 2026. However, the company faced a weaker market in the US and a stagnating market in China, so overall group sales were only slightly ahead of the very strong figure for last year. BMW will continue to invest in their position as one of the world's leading premium manufacturers, in order to deliver improved driving solutions in their next generation of vehicles, to fund the most advanced battery technology, and to provide the latest software and the best customer experience. However, the company is facing a tougher market environment, with more competitors joining the premium segment. (BMW Group, 2026a; Reuters, 2026).

Strategy Analysis: BMW's Competitive Environment

6.1 External Environmental Audit: PESTEL/Porter's Five Forces

BMW operates in a highly complex external environment. Politically and legally, the automotive sector is being reshaped by industrial policy, emissions rules, localisation pressure and tariff risk. The European Commission's 2025 Industrial Action Plan highlights clean mobility, digitalisation and supply-chain resilience as priorities for the future of Europe's automotive sector (European Commission, 2025). Economically, the industry remains cyclical, capital intensive and exposed to trade uncertainty. The OECD notes that the automotive value chain is being restructured around clean, connected and autonomous vehicles under growing competitive and geopolitical pressure (OECD, 2024). Socially, customer expectations are shifting towards connected services, digital convenience and greater sustainability. Deloitte's 2026 Global Automotive Consumer Study shows that electrification, connectivity and software-related preferences are becoming

more influential in purchase decisions (Deloitte, 2026). Technologically, software-defined vehicles are changing the basis of competition. McKinsey argues that software and electronics will become a larger share of automotive value creation, while Deloitte reports that OEMs increasingly see software as a source of efficiency and new revenue (McKinsey & Company, 2026; Deloitte, 2024). Environmentally, electric vehicle sales are expanding quickly. The IEA expects electric car sales to exceed 20 million in 2025, representing more than one quarter of global car sales (IEA, 2025).

Porter's Five Forces suggests that rivalry is high because BMW faces pressure from traditional premium rivals, Tesla and rapidly improving Chinese manufacturers. Buyer power is moderate to high because premium customers now have more choice and easier access to information. Supplier power is also elevated, especially in batteries, semiconductors and critical materials. The threat of substitutes is moderate because customers may switch across ICE, hybrid, BEV and alternative mobility services. The threat of entry remains moderate: barriers are significant, but the EV and software shift has reduced some historical incumbent advantages. Overall, BMW competes in an industry that is less attractive than before and increasingly dependent on differentiation, ecosystem control and resilience.

6.2 Internal Environmental Audit: SWOT, VRIO, BCG and Value Chain

Although BMW is still in a healthy shape, it will need to increase the speed of transformation. A SWOT analysis highlights BMW's strengths and weaknesses, as well as new business opportunities and threats. While key strengths such as BMW's premium brand equity, strong engineering expertise, global manufacturing footprint, customer experience and financial resources remain unchanged, the company has a clear premium positioning through its BMW, MINI, Rolls-Royce and Motorrad brands. Its Automotive EBIT margin, however, is under pressure. The company is heavily exposed to challenging markets such as China and is still developing its software capabilities to match the new pace of change in the industry. Opportunities for BMW include exploiting its Neue Klasse vehicle platform, increasing opportunities in the premium electric vehicle market, new connected-service revenue streams and sustainability-based differentiation through its circular business model and lower lifecycle carbon emissions. Threats include Chinese EV manufacturers seeking to grab share, supply chain issues, higher transformation costs and customer pressure to deliver software and connected digital features sooner. From a VRIO framework, BMW's brand portfolio is valuable, relatively rare and defensible within the premium segment. Its global production and delivery network is valuable and well organized but less rare than those of other global manufacturers. Software is an increasingly important capability at BMW and, while valuable, it is not yet clear whether it is unique or rare. From a BCG perspective, established combustion and hybrid vehicles are cash-generating businesses, while premium EVs are growth businesses of strategic importance for BMW's future growth. From a value chain perspective, BMW is strong in the areas of design, engineering, manufacturing, brand and retail, as well as aftermarket and services. Future competitive advantages can be built on increasing resilience, battery systems and digital integration (BMW Group, 2026b; BMW Group, 2026e; BMW Group, 2026c; Otto, Wlcek and Wortmann, 2025; Raaymann et al., 2024).

Strategy Formulation

In pursuing digital-circular growth, BMW must avoid being pressured into a price war with the scale players who are seeking to develop a low cost EV strategy to attack the mass market and dilute brand, margins and value. Yet, at the same time, it should not retreat into a narrow niche position. Rather, it needs to complete the roll-out of Neue Klasse to all key premium segments. To deliver quality that inspires customer loyalty and supports value growth, BMW will need to invest in three areas. Firstly, it will need to work hard to reduce the cost of the hardware and its manufacturing to deliver competitively priced premium electric vehicles. Then, BMW needs a sourcing strategy that focuses on using lighter materials and cost-efficient powertrains. These powertrains should be sourced with resilience and sustainability. In addition, BMW could intensify its activities in the production and recycling of batteries from localised supply chains. This would enable BMW to get a deeper understanding of suppliers' supply networks and the use of critical materials. Also, there is a need to further develop opportunities for growth in key markets like China and others. This requires faster adoption of software and features in relation to the local market and, in particular, from technology partners and solutions that are relevant to these customers while meeting the high premium quality standards of the BMW brand (BMW Group, 2026b; McKinsey & Company, 2026; Raaymann et al., 2024).

Conclusion and Recommendations

To many, BMW is still one of the world's leading premium automotive manufacturers. However, the environment in which it generates value has changed. It has become a more aggressive and less forgiving place than it once was. To stay ahead, electrification and software-defined vehicles play a bigger role than ever before. The security of the supply chain is more important. The regulatory environment is shifting with a greater focus on the environment, and established premium markets are no longer as easy as they once were, with increasingly powerful Chinese competitors vying for position. Yet the core of BMW remains strong, with iconic brands, market-leading engineering, scale of production and customer experience. The challenge for BMW therefore is one of strategic repositioning.

I recommend that BMW follows a premium digital-circular growth path by speeding up its premium digital and circular growth opportunities, accelerating development of Neue Klasse vehicles, speeding up software and AI capability build-out, developing battery circularity and circular supplier partnerships, and increasing lifecycle revenues from connected-car digital services, car software upgrades and other value creation along the car lifecycle. In addition, the company needs to localise faster in China and other markets, while maintaining its premium positioning. This is the best way to leverage BMW's strengths to deliver sustainable and profitable growth while remaining distinctive from peers and not entering into a price war.

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