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1 – SUMMARY

BMW is among the best-known luxury vehicle brands in the world. The parent company of BMW group, 'Bayerische Motoren Werke Aktiengesellschaft' (BMW AG), is based in Munich, Germany. BMW group has two more premium brands which are Mini and RollsRoyce. The company is multinational, meaning that it has branches in many countries around the world. In other countries such as South Africa, the company has become so popular due to its involvement in corporate social responsibility (Eichier 2011, p. 2). The company positions itself strategically to reap from the growing world market in other places, especially the Asian market. This could be realised from the global market recovery (Barney & Hesterly 2009, p. 41). Though the strategy focuses on the emerging markets, Europe and the United States basically remain the primary targeted market for BMW products (Eichier 2011, p. 3).

The company has been investing in technological innovation with a clear goal in mind – to become the tech leader in premium mobility segment by 2025. Digitalisation continues to change lives and industries. The company is now focusing more on the changing needs and desires of its customers worldwide.

The paper will analyse BMW Group both from external and internal factors. PEST Analysis of BMW analyses the brand on its business strategies. BMW PEST Analysis examines several external factors like political, economic, social, technological (PEST) which affects its business. The PEST Analysis highlights the different extrinsic scenarios which impact the business of the brand. The PESTEL Analysis provides an extensive list of influencing factors on the potential success or failure of certain strategies (Johnson, et al., 2011, pp. 80-83). The PEST concept will be done to assay the different points in each area considering only those who are important for the automotive industry.

Besides PEST Analysis, this paper will also discuss about SWOT analysis which identify the company's strengths, weaknesses, opportunities, and threats. SWOT analysis is a practical and useful tool that is used to evaluate the company's internal relevant factors.

2 – STRATEGIC POSITION OF BMW GROUP

2.1 External situation based on PEST-analysis

2.1.1 Political trends

As BMW Group is a global company that has over than 15 production companies and its operations are based in many countries, it is obvious that political trends have significant impacts to the company whether for sales and stock performance. Each country that is relevant with BMW Group might have different political situation. Speaking of politics, it is related with government, policies, and regulations, more specific examples such as trade restrictions applied by a country or international trade dispute or updated customs. When situations change unexpectedly and too frequently happen, this can be considered as political instability. This could give impact for the BMW Group through the ability of consumers to buy or the buying patterns of consumers. The company needs to be aware of the anticipated risk coming when investing in countries which have unstable political condition.

The real case that has been happening is the trade war between the USA and China. The trade dispute had brought a negative effect towards Auto sales and stock market. Political uncertainties that happened in Europe also affected the company stock performance at the end of 2018 by declining 18.6% from the beginning of the year mentioned. Political risk is uncontrollable as this is external factor and can happen anytime. Thus, BMW Group put the political situation as their priority concern for business planning so the company could have backup strategies just in case the worst scenario happens. So far, the company did good performance comparing to the others which are in the same industry. The keys are focusing on customer experience and innovation.

Another political trend is regulation which is set by international organization. For example, European plans to improve the fuel efficiency of cars by applying limit on carbon emissions. BMW tried to negotiate this to make the progress slower as this could result a higher tax rate for cars that produce high level of pollution. This means that BMW group needs to achieve greener technologies of the cars to be able to follow the regulation.

2.1.2 Economic trends

The global economic situation and the local ones will affect the automobile business industry, and that includes BMW Group. During this pandemic situation, the economic trend does not experience growth and according to World Bank, it is forecasted that a 5.2 percent contraction in global GDP in 2020 would be happening, using market exchange rate weights. It has been said that the recessions triggered by the Covid-19 are expected to come through lower investment and fragmentation of global trade and supply linkages.

In 2019, global economic experienced growth and BMW had a strong demand, thus the company tried to have continuous improvement. BMW hit another sales record in 2019 by selling approximately 1,2 million units of cars from January to June despite the fact that the industry experienced difficult moment in the market. BMW managed to grow against the market trend with Asia and majority in China, it had second strong growth.

In 2018, the economic situation was similar like 2019 with supportive global economic growth (3.7%) and great demand from the market. There was slowed down economic growth in China and Europe, however the trend in the USA was better which gave benefits for BMW and the economic output in USA was better than the previous year.

2.1.3 Social trends

As BMW is a global brand and sold in several countries, it is important to understand the social and cultural changes all around the world. The examples of the changes are the digital technology and the society, more exact is the usage of social media. It has been the lifestyle and the trend nowadays. Through Facebook, Twitter, and Instagram, BMW can enhance the customer engagement by responding to customer inquiries, comments, and complaints also to show BMW's lavish lifestyle to the younger audiences on Instagram.

Another factor that BMW must be aware is the social responsibility of the brand. As a leading automobile business, BMW has been doing great on social responsibility and investing in projects that will give positive contribution to the people and the community. The project is done by BMW's CSR program, which is social engagement. The company has intercultural exchange for several years and has the partnership with the UN Alliance of civilisations. Besides, there is also rewards for the employees that involve in volunteering activities. BMW

also participates to tackle social challenges by using its size and scale. It works in collaboration with BMW Herbert Quandt Foundation to empower people and help them to have better life.

2.1.4 Technological trends

As there is an intense competition in this industry, BMW needs to be innovative and adaptive in regards to technology development. Technology has an important role in driving the growth of the automobile industry. Thanks to the digital technology, the growth is even faster. Technological factors will definitely affect the customer experience. By investing in digital technology, BMW could create a safer and better experience. Autonomous driving technology also gives new customer segments.

Digital technology has been helping the business in many ways. The most obvious one is through the customer engagement. As everyone now uses social media and BMW has millions of followers on Facebook, Twitter, and Instagram, social media is a very great platform to interact with customers. There are even more channels that the company can use to boost the sales whether using a global website or regional website to engage with relevant markets. Digital technology has been a helpful tool for global marketing with results of higher efficiency and effectiveness.

Technology shapes the growth of the automobile industry and helps it to fill the customer experience gap. Digital technology has helped brands enhance the efficiency in all parts such as the production, supply chain, marketing, sales and after sales service. Investment in technology and research to how it affects its customers' lifestyles is necessary when the growth in the industry is wanted. As we know that customers' lifestyles have been adapting with improved technology, the growth of automobile firms rely significantly on innovation of technology.

BMW automobiles set the superior standards for its cars in regards of efficiency, performance and passenger safety. Some new types of electrical cars have been introduced to the market in order to fulfil the increasing demand in the global market. Research and development have an important role in the growth and success of BMW. Electrical mobility, digitalisation and autonomous driving are the most important factors in the part of research and innovation for the company that produces luxury cars. BMW group has built a huge

research and innovation activities in more than 16 places within five countries. Approximately 16,000 people are involved in BMW's global research and innovation team.

As the time goes by, the expenditure for research and development of BMW have increased. R&D expenses of BMW inclined by 12.8% from 2017 to 2018. Those expenses amounting to 6,108 million Euros (2017) and went up to 6,890 million Euros (2018). The ratio of total capitalised development costs of BMW to its research and development costs or capitalisation ratio was 43.3% in 2018, increased from 39.7% during 2017 (Annual Report, 2018). Moreover, BMW group received several awards for innovation excellence in 2018.

2.1.5 Summary of opportunities and threats

- Opportunities

Autonomous driving technology

The global autonomous vehicle market demand is expected to reach 4.2 million units by 2030, expanding at a CAGR of 63.1% over the forecast period, according to a new report by Grand View Research, Inc. Technology advancement has offered many new opportunities for automobile businesses to make the rider safety becomes better and more convenient. Autonomous driving technology has become a hot topic in the industry and there is an intense competition going on between the market players such as BMW and Tesla. Companies have been investing in this area to be able offering safest cars with autonomous driving that will give a better driving experience for the drivers.

There is growing customers in the autonomous driving and some brands like Tesla already launched the cars with relevant offer. BMW plans to release iNext in 2021 which will offer highly automated driving technologies. BMW aims to offer the cars of the future to the roads that are automated, sustainable, and connected. This model is expected to give a high profit. However, BMW still needs to ensure that it is safe and ready to be launched in the market.

Electric cars

Electric cars have become more popular these days. More customers care about the gas emission level in the earth and want to have cars that have zero emission. As the demand is growing, BMW is being responsive by expanding its range of electrified vehicles. BMW is known to be the largest automobile brand that sells electrified vehicles in Europe. Its sales increased more than

fourfold from 2015 to 2018. In 2019, the company launched plug-in hybrid variants of the new BMW 3 Series, X5 and 7 Series as well as a fully electric MINI.

Strategic partnerships

BMW has partnerships in automotive and technology companies, most notably is the BMW-Daimler cooperation in developing autonomous vehicles. The company also has a joint venture with Brilliance China Automotive Holdings Ltd. in China to form the BMW Brilliance Automotive (BBA) to produce BMW cars in China.

Focus on Emerging Markets

According to Thomas Schaefer, Head of Volkswagen Africa, sub-Saharan Africa has the potential for 3 to 4 million new cars, which is a significant growth from approximately 420,000 in 2017. BMW may exploit emerging markets. Besides that, the Asian markets experienced an increase at an outstanding rate. China is the largest car market in the world. Not only China, the entire Asia Pacific region including India, Malaysia, and Indonesia also hold bright potential for car brands. BMW has already created two strategic partnerships with leading automobile brands of China. This will help the company grow its market share in the Asia Pacific market and find faster growth there.

- Threats

Competitive threats

In the car industry, competitive pressure has risen. In order to increase their market share, there are many automotive brands in the world that invest heavily in technology, marketing and driver safety. Tesla's rise and the increasing popularity of electric cars are also contributing to the increasing competitive pressure. The size of the car market has also increased. BMW is now under greater competitive pressure, leading to a fall in market share. Leading brands such as BMW, Daimler AG, Toyota and Volkswagen, among others, are entering into strategic alliances with other car brands to share experience and find development together in order to overcome the competitive challenge.

Stringent Regulations

It is very easy for every automaker to get into trouble as policymakers introduce strict regulations to curb pollution. BMW is facing heavy penalties for colluding with Volkswagen and Daimler to block the implementation of sustainable technologies for emissions.

Effects of the Pandemic

Owing to the lack of raw materials, manufacturing has ground to a halt, though BMW and other carmakers are cutting their economic outlook as a result of the virus. The high profitability of BMW can be washed off if it continues.

Economic fluctuations and market uncertainty

In recent years, the global economy has expanded at a good pace, which has led to an increase in demand for cars worldwide. The sales output of BMW cars in different regions of the world has also been steady due to greater stability in the global economy. Apart from a slight decrease in sales in 2018, the financial performance of the company has remained steady over the last five years. However, there are some of the world's leading economies that account for the biggest part of BMW's sales. The bulk of its income is accounted for by countries such as the U.S., China, the UK and Germany.

As such, the economic output of these economies is most important to the business, and fluctuations in these economies can have a negative effect on the bottom line. In addition, volatility in the European economy has increased due to Brexit and other political shifts, which have dampened investor sentiment throughout the year. Trade tensions between the United States and China also impact vehicle firms, including BMW, and raise their operating costs. In order to sustain car and motorcycle sales and attract new buyers, BMW is concentrating on market growth and increasing its product line.

2.2 Evaluation of internal situation

2.2.1 Strengths of the company

High-Quality Products

BMW is obsessed with striking a perfect balance between durability, performance, and high-end luxury. Each car that rolls out of the factory is perfectly engineered to provide state-of-the-art cars for everyday use.

Experience in Green Technology

Any automaker that has already amassed decades of experience in hybrid and full-electric technology has an immense advantage since eco-friendly is the future. BMW has been working on electric cars since the 1970s.

Global Operations

BMW has a large manufacturing and distribution network that includes locations in key markets. The BMW group production network includes 31 locations in 15 countries. 3 of the locations belong to the BMW joint venture in China known as BMW Brilliance Automotive (BBA). 20 of the locations are BMW group plants. The same quality, safety and responsibility standards apply to all the BMW production sites worldwide including company owned, joint venture and partner operated sites. Apart from these manufacturing and assembly sites located around the globe, the company also operates 16 research and development sites in various corners globally. There are also 43 sales subsidiaries and financial services locations of BMW worldwide

Highly Valuable Brand

BMW is among one of the leading vehicle brands which enjoys very high level of brand recognition. Some of the major drivers of brand recognition for BMW are marketing, commitment to quality, innovation and rider safety. The brand can be recognized anywhere in the world by its stylish logo. It is a brand of luxury vehicles. Its focus on style has also helped it drive its brand recognition high. The purchasing decisions for luxury brands rely heavily on the reputation of the brand. As a brand, BMW is one of the most recognized companies for excellence. In 2019, Inter Brand ranked BMW 11th strongest brand out of the top 100 global brands.

High R&D Investments

BMW currently has 16 research & development chains globally with 15,000 employees churning out new technological innovation for more efficient, more attractive cars. The company's R&D budget grew by 12.8% from 2017 to 2018 and this trend is not expected to subside anytime soon. R&D is the engine that drives success and long-term sustainability. BMW invests heavily in hybrids, autonomous, and electric cars.

Balanced Geographical Revenues

Having diversified revenue streams from different regions ensures long-term sustainability. BMW has a substantial market share in Europe, America, and Asia and sells hundreds of thousands of cars in each region.

2.2.2 Weaknesses of the company

Controversial Recalls

Whenever they recall vehicles, the credibility of automakers decreases. To repair defective Takata airbags, BMW withdrew nearly 357,000 older models in the U.S. and over 1.4 million worldwide.

Several Lawsuits

BMW is embroiled in many cases, including a case of obstruction in South Korea and bribery in Europe over pollution. Being constantly on the wrong side of the law is a major weakness because it makes it difficult for customers to trust the business.

Small Portfolio

While rivals such as Volkswagen own several top brands, the portfolio of BMW lacks product differentiation and only consists of BMW, MINI, and Rolls-Royce.

Premium prices

The brand's premium pricing approach is linked to its premium brand image. Its premium pricing policy, however, is also an obstacle to faster growth and expansion. Not only BMW, but the BMW Group's own Mini and RollsRoyce brands also cater to the premium segment and have introduced to the market a wide range of luxury vehicles. In the \$35,000-\$100,000 range, the BMW vehicles are priced. However, expensive vehicles have been introduced to the market by the RollRoyce brand that caters to the ultra-luxury segment. The costs for these vehicles are \$300,000 or higher. In addition to infrastructure, communications, human capital and research and innovation, BMW invests in quality raw materials. The prices of their cars are also pushed higher by these factors.

High production costs and operating expenses

BMW invests a lot in the development of some of the best luxury vehicles in the world, including cars and motorcycles. Nevertheless, the manufacture of such vehicles also involves a significant investment in research and development as well as the latest technology and marketing every year. All of these things are driving BMW's production expenses higher. Higher production costs and operating costs will generate pressure on the bottom line. Sales costs at BMW rose from EUR 78.23 billion in 2017 to EUR 78.9 billion in 2018. The brand's net sales fell from EUR 98.3 billion in 2017 to EUR 97.5 billion in 2018. Gross profit also declined from EUR 19.953 billion in 2017 to EUR 18.56 billion in 2018, a 7% fall (Annual Report, 2018).

In this way, the brand's operating expenses have continued to rise every year. Rising operating costs are contributing to declining profit margins. BMW would attempt to monitor operating costs in the future. Owing to the luxury brand value of the carmaker, however, it is difficult to do so.

3 – THE SWOT-MATRIX AND STRATEGIC PROPOSALS



The current strategies of the BMW Group are successful not only in enabling the company to retain its market place as one of the best manufacturers of luxury cars, but also in helping the company to withstand the challenges that may emerge from market competition in the next 10 years. In particular, one of the best strategies that will help the company to financially support its potential business expansion and investment in new technologies is the decision of the company to minimize its operating costs and cost of materials by introducing a great partnership with its accredited suppliers and business partners. The organization would be able to retain its brand identity in the global market by doing so.

It is strongly recommended that the company constantly retain its loyal customers by providing them with the best possible quality service in order to enable BMW Group to preserve its brand equity. In addition to continually improving the technology of its current automobiles, the organization should also recognize the type of automotive design desired by its target customers. In line with this, with regard to the particular needs and preferences of its target customers, the company will perform a market research report. This approach would narrow the line between the particular model of car that should be produced by BMW, MINI and Rolls Royce and the desires of its target market.

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