

ASSESSMENT COVER SHEET

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MGMT402 Strategic Management

AT3 Individual Case Study - *Report*

Executive Summary

Bayerische Motoren Werke GmbH commonly known to as **BMW** is a German luxury car manufacturer and is a subsidiary of BMW Group. This document focuses on how BMW grew into a leading automobile manufacturer despite its shortcomings as a result of the second world war.

As a company hosted by riddled country during its early days, it has been able to strategically place themselves among its rivals. The company's global environment is analyzed by PESTEL Methodology & Porter's Five Forces Model followed by VRIO Framework which in turns answers how BMW became BMW Group in the first place.

Use of disruptive technologies as well as being an early adopter is a strong contributing factor for the company's success. Whilst decoding the global strategy of the company, the compilation includes a critical analysis of the BMW Group's successful corporate strategy.

Several recommendations were also outlined in terms of overcoming existing limitations and challenges as to make the results of the critical analysis conclusive.

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Introduction - *BMW Group*

BMW Group is a combination of auto manufacturers consists of **BMW**, **MINI**, **Rolls-Royce** & **BMW Motorrad**. This document focuses on BMW Group, but it must be noted that BMW being the founding brand of the BMW Group therefore is the strongest arm of the group.

This segregation is a classic example of strategic alliance and integration which is discussed in later sections in great detail.



Company History

According to (BMW Group, 2024b), the company was originally founded in 1916. While the company originally produced aircraft engines, the first ground vehicle produced was a motorcycle in the year 1923 which exceeded sales expectations shortly after releasing.

BMW then became an automobile manufacturer in the year 1928 through an acquisition of existing producer and later produced motor cars with their own designs from 1932.

During the second world war, as Germany plunged into aggressive war in Europe, BMW as a publicized entity carried out a critical role in producing machinery related to war and supplies. However, with unconditional defeat for Germany in 1945 ending the war the remaining BMW manufacturing plants were dismantled as per the order of the United States Military Government and the equipment was shipped worldwide as reparations.

Despite the challenges with sourcing material due to a sanctioned post-war economy, BMW resorted back to what it used to do best and that is producing motorcycles. An enhanced version of pre-war motorcycle was released in 1948 then followed by motor car in 1951.

Interestingly, the motorcycle exceeded sales expectations while the motor

car failed short, but prominently restored the brand image as a high-quality automobile manufacturer with technically advanced applications thanks to the experience gained through producing high-performing military vehicles.

Company at Present

BMW Group considering from top down, consists of multiple specific brands as explained earlier. These individual companies are pursuing different targets and serve different customer bases, for example,

- **BMW** - Produces luxury automobiles for domestic use with a wide variety of design choices and performance oriented cars for road use
- **MINI** - Produces compact performance oriented cars mostly targeted for urban usage with smaller form factor and comparatively simple designs
- **Rolls-Royce** - Produces high-end luxury motorcars with greater options for customizations and made for order niche markets
- **BMW Motorrad** - Motorcycle department equivalent of BMW which produces motorcycle for both road and track use

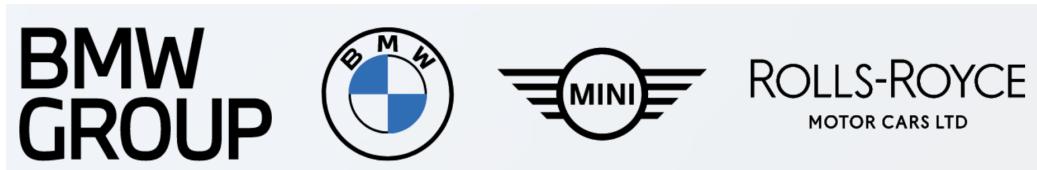


Figure 1: BMW Group of Companies - (BMW Group, 2024c)

BMW Group – largest automobile markets in 2023

in % of sales

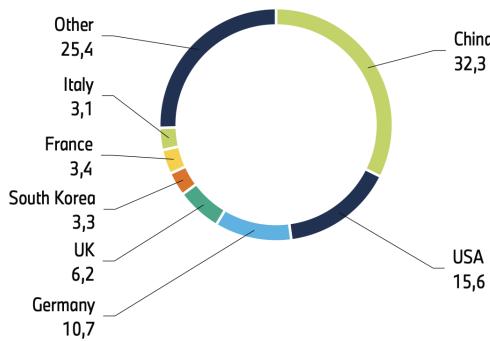


Figure 2: BMW 2023 Sales Distribution - (BMW Group, [2024c](#))

The BMW Group trades in all five continents, making it one of the globally recognized brands in the premium automobile manufacturers segment. This is a great example of global strategical success and solid technical stronghold in the arena.

BMW Group deliveries of vehicles by region and market

in 1,000 units	2023	2022	2021	2020	2019
Europe	943.0	878.5	949.1	913.6	1,081.6
thereof Germany	272.6	254.3	266.8	285.0	330.5
thereof UK	159.2	157.3	164.3	163.2	233.8
Americas	482.0	441.5	451.7	379.7	472.9
thereof USA	397.3	363.5	368.0	307.9	375.7
Asia ¹	1,073.1	1,031.0	1,067.9	986.5	930.8
thereof China ¹	826.3	793.5	847.9	778.4	724.7
Other markets	56.1	48.6	52.8	45.4	52.2
Total¹	2,554.2	2,399.6	2,521.5	2,325.2	2,537.5

¹ Deliveries including BMW Brilliance Automotive Ltd., also for the period prior to that entity's full consolidation in the Group Financial Statements of the BMW Group (1 January to 10 February 2022: 96,133 units, 2021: 651,236 units, 2020: 602,247 units, 2019: 538,612 units).

² Including BMW Brilliance Automotive Ltd., also for the period before full consolidation in the BMW Group Financial Statements.

³ Consumption and Carbon Disclosures.

Figure 3: BMW 2023 Market Distribution Detailed - (BMW Group, [2024c](#))

Figure 3 shows how BMW Group sales behaved over the preceding five years. Interestingly, while some markets shrink marginally, others either remain intact or grow up in numbers.

It is therefore crucial to understand the company's strategy in dynamic global market and the corporate strategy that governs the direction of sail along with the use of technology to maintain overall sustainable competitive advantage gained over the years.

Strategic Analysis Overview

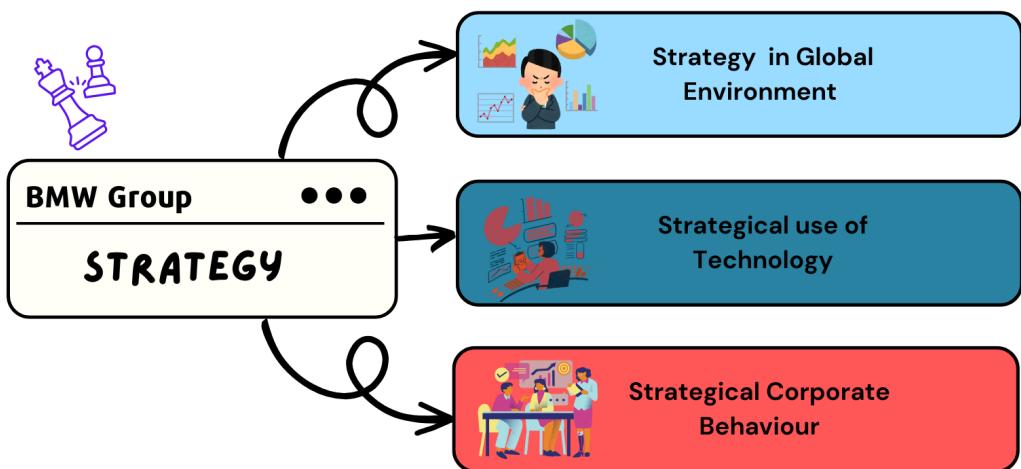


Figure 4: Analysis Breakdown Outline

This analysis is organized into three segments to capture strategic viewpoints of the BMW group from different perspectives including how it operates globally, uses technology to gain competitive advantage & corporate behaviour to retain sustainable competitive advantage.

Strategy in the *Global Environment*



Figure 5: Global Strategy Analysis Breakdown Outline

PESTEL Analysis

Political Environment

Any automaker comes under the direct scrutiny of political powers given the amount of foreign exchange involved & due to carbon footprint targets that are usually popular political topics.

For example, according to (Delfs & Rauwald, 2020), the German government pushed over 5 Billion USD in attempt to boost the automobile industry in Germany. Being one of the top makers of German car manufacturers, BMW Group continues to enjoy tireless support from the German political environment, which is one of the secrets of the success of the company.

Whilst being neutral on US-China economic war and political tensions, the BMW Group serves both markets by maintaining manufacturing plants

on various locations over the globe resulting in strong brand presence and continuity of operations.

Moreover, [Figure 2](#) indicates China has a considerable share of sales of the BMW Group which makes it sensitive particularly to Chinese political standpoint. Similar to positive German political outlook, Chinese government also made healthy indications by allowing foreign investors such as BMW Group to allow full ownership of auto manufacturing plants ([Cheng, 2021](#)).

In general, BMW Group enjoys continuous political support in terms of economy & legislations given the transportation is one of the key requirements of any developed or developing country.

Economical Environment

The global economic slowdown after the pandemic has indicated considerable impact on profitability as shown in [Figure 3](#). As a luxury and top end auto manufacturer, these economic conditions pose a greater threat in general as there are many other brands offering similar features on a budget.

Interestingly, the tariffs applicable for US exports to EU markets affected BMW Group negatively, serving one of its largest US market. As a workaround the company continue to manufacture vehicles in Mexico and export to EU as well as US.

It must also be noted as a multi-national group of companies, the general volatility of the money markets also impact the company in terms of both upstream & downstream supply chain.

Social Environment

BMW stand for its core values and is more than a car for some. This justifies the strategic marketing campaigns that the company is well known for. [Figure 6](#) is an example of such socially engaging targeted marketing attempts by the BMW.

The general perception is whilst a Mercedes-Benz would want you to sit back and relax in the rear seat, a BMW invites you to jump on to the driving seat and *sheer driving pleasure*.

While being active on social media often with interesting adverts for strategically targeted crowds BMW continue to leverage the brand loyal social



Figure 6: An example of strategical advertising; Sourced from Internet Archives

groups such as enthusiastic drivers, collectors, celebrates as well as general public.

Technological Environment



Figure 7: Latest concept car series;
Source ([BMW, 2024e](#))

sition.

According to ([BMW, 2024e](#)), the latest iteration of concept cars would incorporate all of the true potential of BMW Group into one package to create best of class luxurious, efficient & greener mobility solutions, a clear indication of strong technical liberty that BMW Group enjoys.

Environmental Background

With genuine commitments with progressive actions towards greener energy and carbon-neutral production lines, BMW has been able to reduce both energy consumption during production of single vehicle whilts maintaining regenerative energy consumption to optimum percentage ([BMW, 2024f](#)).

This makes BMW Group secure a future-proof potential as a mass manufacturer with a reputable commitment to a healthy environment for consumers.

Legal Environment

As an automobile manufacturer, BMW Group also faces tighter legal backdrop related to emissions standards and related benchmarking scandals for their vehicles. And such tighter regulations could impact sales in terms of transparency concerns as well as legality of sale within a country or state.

According to ([Oitzman, 2021](#)), Germany recently passed legislative that wipes out grey areas related to autonomous driving machines further sup-

porting the latest iteration of BMW Group research into self-driving creates positive potential in terms of legality and commercial application of the latest technology.

Porter's Five Forces Model

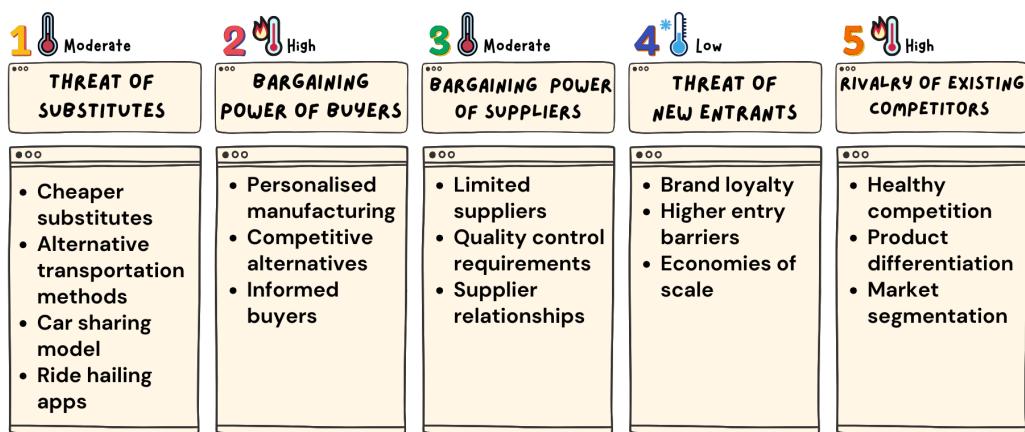


Figure 8: Porter's Five Forces Model Analysis Outlook

Threat of Substitutes

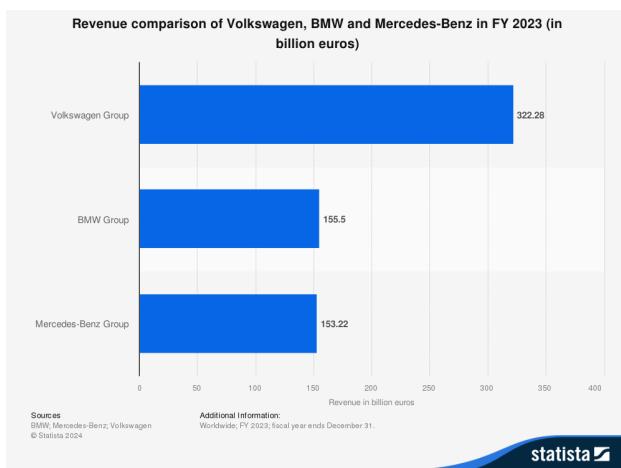


Figure 9: Revenue Comparison Sample; Source (Carlier, 2024)

BMW Group continues to be threatened by both ends of cost-effective vehicles as well as expensive luxury categories. Two such stresses can be identified as Volkswagen from bottom end and Mercedes-Benz from top end. (See [Figure 9](#)).

It must also be noted that the continuous development of public transportation also acts as a threat. Many retail customers would prefer low-cost,

no-commitment transportation alternatives compared to fairly expensive luxury cars and associated costly maintenance schedules.

Despite the challenges, the BMW Group leverages the brand loyalty and unique driving schematics of their vehicles to keep these threats under control.

Bargaining power of buyers

The BMW Group has strong ties to both retail market & commercial market (*i.e fleet owners or bulk buyers such as rental companies*). This healthy mix ensures that no segment of the market has a substantial ability to retain bargaining powers.

Analyzing (BMW Group, 2024c), a healthy relationship & proper balance of markets with subsidiary dealerships, fleet buyers & retail buyers indicate distributed weight thus making BMW Group resilient for buyer manipulation.

Bargaining power of suppliers

The BMW Group follows the principle of procuring vehicle components close to its production sites, wherever possible. We are therefore represented by local purchasing teams in all key markets in order to quickly identify local risks and opportunities and respond flexibly to the respective market conditions.

(BMW Group, 2024c)

The BMW Group has production facilities across the globe and the operation principle of sourcing from the closest local supplier. This results in stronger supplier relationships whilst leveraging the economies of scale capabilities & seamless digitalized upstream supply chain management mitigates potential threats from suppliers.

Threat of new entrants

Significant entry barriers combined with already existing economies of scale & decades of manufacturing expertise play in favor of the BMW Group to make themselves resistant to the new entrants.

However, recently Tesla has threatened this stance as a new entrant to the automobile industry (See Figure 10 for head-to-head comparison). Arguably, the tendency of buyer expectations continues to dampen the effect of these new entrants while the BMW Group ramp up focus on electric vehicles from what they have specialized in since the beginning; combustion engine vehicles.

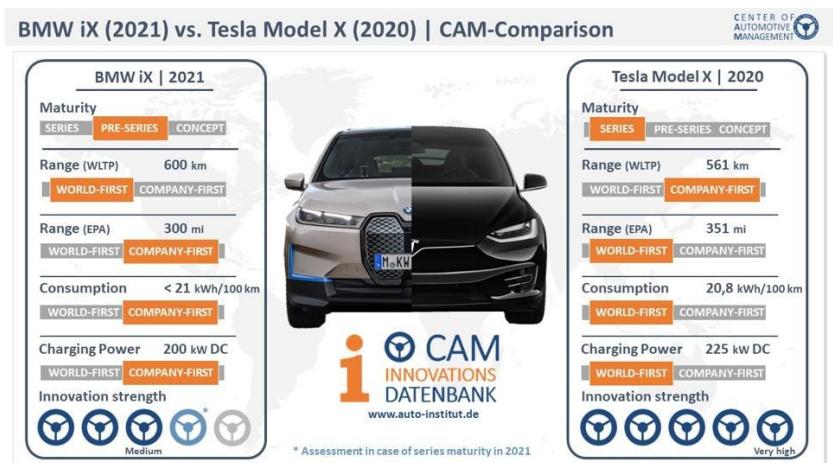


Figure 10: Tesla Vs. Example Comparison; Source ([Winton, 2020](#))

Rivalry of existing competitors

The BMW Group has many critical competitors. Each of them can be identified with their differentiation strategies.

Recent acquisition and mergers of MINI & Rolls-Royce brands and internal decomposition of motor-cars, motorcycles helps the company to individually focus on multiple layers with cost focus strategies on each layer and respective market segments.

The unique product designs with licensed technologies helps the company to relieve the threat of rivals while maintaining competitive edge in fair grounds.

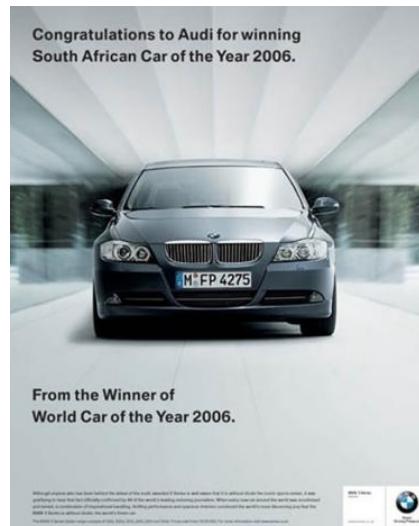


Figure 11: Competitive advertising example; Sourced from Internet

VRIO Framework

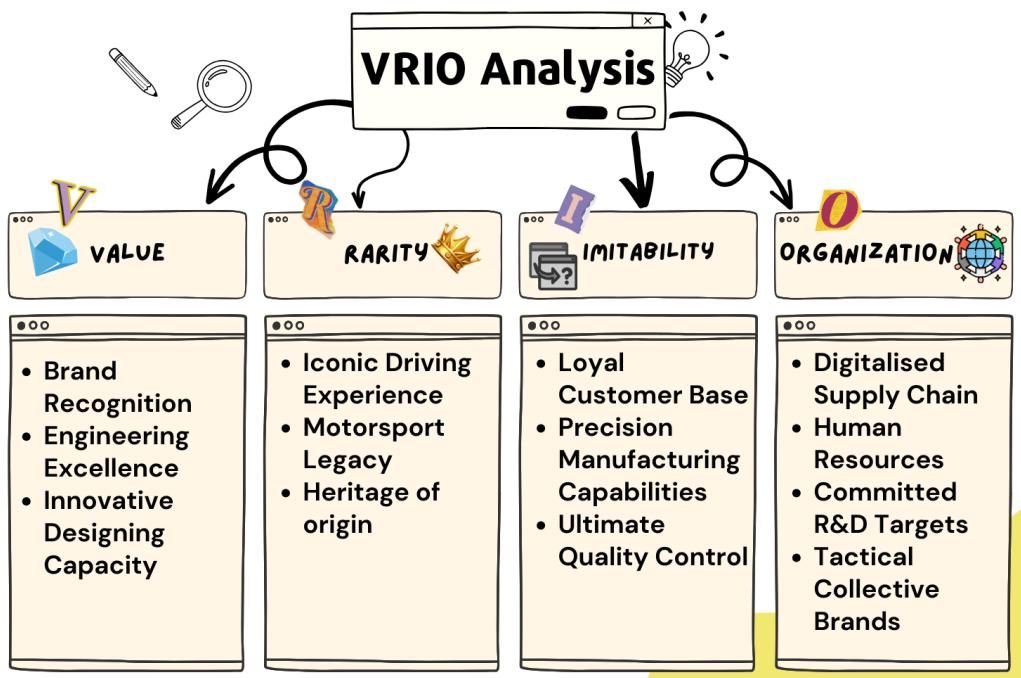


Figure 12: VRIO Analysis Overview

Value

According to (Swant, 2020), BMW was listed in the first 50 most valuable brands of the world, a solid advantage for the company to remain competitive. This in turn creates a positive outlook for customers, investors' & motor vehicle enthusiasts alike further strengthen the company's stance on its core values.

Being one of the oldest known vehicle manufacturers with specific capabilities on aircraft engine production, BMW is widely known for its precision engineering capabilities.

Shaping future mobility by staying one step ahead is key to our company philosophy – and it's the reason we work tirelessly to find progressive solutions for the challenges of tomorrow, today.

(BMW, 2024j)

BMW Group commitment to radical innovations further creates value to its customers in terms of cutting-edge technological applications for their product lineup.

Rarity

The introduction of driver oriented instrument panel in 1972 created one such unique feature of BMW Group design principles which is known as *driver-oriented cockpit*, (BMW, 2024a).

BMW has won many excellence awards and a number of iconic motorsport events including *24 Hours of Le Mans* notes (BMW, 2024k). And the company is also known to share some configurations, parts such as drivetrain, suspension & breaks between road use vehicles & purpose built track vehicles creating a unique driving experience for its customers which other competing manufacturers usually do not offer, which leaves BMW Group to leverage slightly expensive price tag yielding better profits.



Figure 13: The BMW Turbo, 1972;
Source (BMW, 2024a)

Imitability

BMW through its long years of operations has gained a solid customer base that is loyal & sensitive to brand a subjective yet not easily imitable feature for the BMW Group.

Precision engineering capabilities developed over the years of operations result in tighter quality control for enhanced consumer confidence throughout the product range.

The technicians measure the tolerance ranges no longer in tenths or hundredths but thousandths of a millimeter. By comparison, a human hair has a diameter of about 0.1 millimeters.

(BMW, 2024h)

Organization



Figure 14: Claus Luthe -
Former Designer; Source (New
York Times, 2021)

The BMW in transition to BMW Group of companies with acquisition of MINI and Rolls-Royce brands can be identified as a strategic organizational efforts to expand operation & explore additional markets and customer bases.

According to (BMW Group, 2024c), the BMW Group has a stronger relationship with its suppliers and digitalized supply chain management capabilities resulting in unique manufacturing and profitability margins for sustainable competitive advantage in general.

The company also has industry-leading product designers with award-winning track record, a dynamic feature of BMW Group that is challenging to imitate by other manufacturers.

SWOT Analysis

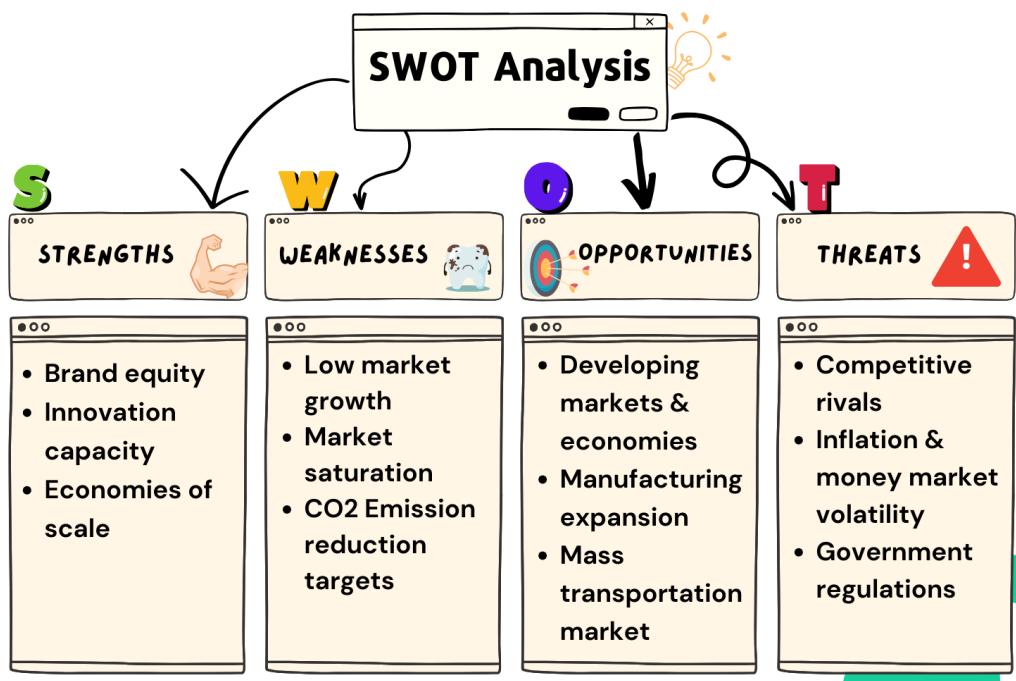


Figure 15: SWOT Analysis Overview

Strengths

BMW Group is known to maintain a high brand visibility and awareness with various modes of advertising & experiences which include localized marketing, digital direct & indirect adverts etc. (Quinn, 2024).

BMW Group research and development expenses	
in € million	
Research and development expenditure	2023 2022
Capitalised development costs	7,755 7,178
Amortisation	- 2,604 - 2,819
Research and development expenses	2,387 2,265
	7,538 6,624

Figure 16: Research & Development Expenses Report; Source (BMW Group, 2024c)

The group also considerably invests in research & development as indicated in Figure 16 with a clear year-on-year increase further demonstrating a strong financial outlook and corporate will.

Economies of scale is another stronghold for BMW Group with intercontinental manufacturing plants and downstream supply chains compared to other iconic brands.

Weaknesses

BMW Group as a luxury high-end manufacturer, experiences the slow growth of markets and highly dependent on large economic powers such as US & China as indicated in [Figure 2](#) making them equally sensitive to any economic downturns. According to ([Meiners, 2018](#)), some models produced by the BMW Group narrowly pass existing emission standards, leaving the vehicles not future-proof in terms of design which can impact customer confidence and general maintenance costs associated with higher revenue tax schema for such vehicles.

Opportunities

BMW Group is primarily focused on private transportation vehicles such as cars & motorcycles. With depleting interests of regular urban citizens to own a private car, BMW Group has an underexposed market of mass transportation solutions and electro-mobility segment.



Figure 17: BMW Group & Tata Technologies Strategic Partnership Event;
Source ([BMW Group, 2024a](#))

Developing countries would also welcome investors such as BMW Group

to open up new manufacturing plants & operation centers with potentially win-win terms. According to (BMW Group, 2024a), BMW Group has initiated a joint venture with Tata Technologies (*See Figure 17*), a leading Indian technical service provider to boost automotive software & innovation indicate favourable terms for hiring top talent at comparatively affordably.

Threats

Increasing competitive forces could impact natural supply chains as well as overall final product pricing if not handled appropriately. For example, Tesla has already started to gain impactful market share of electric vehicles.

The volatility of money markets given the fact that BMW Group sources material from various parts of the world could also impact negatively for final product pricing and therefore profitability. The high interest rates could also impact negatively as consumer borrowing is discouraged, resulting in negative or neutral buying power for customers, if sustained long enough could impact revenue channels under utilization of plant capacities.

According to (Australian Government, 2024), the government of Australia, new laws are set to be implemented to regulate carbon emissions of motor vehicles. With tighter regulations, BMW Group is expected to go through scrutinizing processes that may affect sales & lawsuits if such conditions are not met impacting profitability & availability of products in general.

Strategy & the use of *Technology*

In the secret recipe of success of BMW Group, use of technology plays a vital role in various levels. In this report, a selection of those strategical applications used to gain a sustainable competitive advantage is discussed in detail.

Virtual Reality to Mixed Reality



Figure 18: Sample use of Virtual Reality (BMW, 2024b)

processes enabling faster go-to-market capabilities fine-tuning the edge of competitiveness as a brand.

A plethora of applications of virtual reality is in the horizon. BMW Group is the first manufacturer in the world to use these technologies in early stages of developing new vehicle models (BMW, 2024b).

The first model developed using this technology was **BMW iX** where the model designer was able to expedite the traditional time consuming process of prototyping with added flexibility to make changes realtime & get near-realistic driving experience without leaving the design war room. A great fearless leap forward from traditional, hierarchical pro-

It does not stop in the design war-room. According to (BMW, 2024d), the BMW Group now offers mixed reality sessions for its most expensive sportier vehicles, creating a unique experience for potential buyers, enthusiasts alike result in better brand visibility & clear differentiation to driver-centric differentiation focus paradigm.

Indicating further interests on using augmented reality, the BMW Group has recently partnered with Meta to explore how the technology could be integrated in to next generation of vehicles (Meta, 2021).



Figure 19: 90-Minute Session of practical handling experience with mixed reality; Source (BMW, 2024d)

BMW ConnectedDrive



Figure 20: Capability Demonstration of ConnectedDrive System; Source (BMW, 2024g)

In the era where refrigerators can produce a grocery list, cars make no exception. This was well understood by the BMW Group a couple of decades ago when refrigerators used to be a passive household item. This technology generally falls under *Internet of Things* basket.

According to (BMW, 2024i), the precursor to modern connected cars concept was an emergency call button added to dashboards in the year 1996.

The current version of the system is showcase,

- **Remote software updates** - consumers can cut the line at local dealership to get the latest changes to engine control unit, run remote diagnostics. BMW Group is therefore known to be a brand that value its customers even after sales, a defining factor for securing competitive advantage.
- **Retrofitting digital services** - drivers can install services and features that were either not available or chosen as a built-in option making all capable vehicles somewhat future-proof. Example services includes parking assistance, realtime traffic updates, welcome light animations etc.

among many other interesting features (BMW, [2024i](#)). These options combined create a unique driving experience with future-proofed vehicles that create long-lasting statement for its consumers whilst making BMW Group a competent competitor.

Strategy at *Corporate Level*

Horizontal Integrations

Horizontal integration refers to combinations between competitors as opposed to those who have a buyer-seller relationship. Essentially, it means buying or merging with your rivals.

(Gaughan, 2013)

Out of the corporate strategy playbook of BMW Group, few samples were selected in the form of acquisition, partnership & alliance.

Acquisition: MINI & Rolls-Royce

Strategic acquisition of MINI & Rolls-Royce brands and its production capabilities vastly expanded the market capitalization of the BMW Group. Given the fact that these two brands used to serve two non-overlapping target markets, BMW suddenly gained access to new markets whilst absorbing distinct core competencies of these two companies a text-book application of horizontal integration.

The BMW Group is responsible for an impressive portfolio of products. Through Rolls-Royce, BMW and MINI, the company offers cars for very different scenarios - from the ultimate in luxurious travel, to premium performance cars and fun urban run-arounds.

(Banks, 2019)

Strategic Partnership: Tata Technologies

As discussed in opportunities section under SWOT Analysis the section , BMW Group has entered into a strategic partnership with Tata Technologies to leverage human resource capabilities related to software engineering. The joint venture is 50-50 owned by the two companies (BMW Group, 2024a). It must also be highlighted that Tata Technologies is also a part of a group of companies, one of which owns competing *Jaguar Land Rover* manufactures. A textbook disadvantage of strategic partnerships that may result in leaking trade secrets or conflict-of-interest scenarios if not handled properly.

Research & Development Alliances: Meta

Takeaways

- We're working with BMW Group to explore how AR and VR technology can work inside a fast-moving vehicle.
- In the future, we think technology like this can lead to more productive and fun passenger experiences on the road.

Figure 21: BMW Group & Meta Alliance Mission Statement; (Meta, 2023)

According to (Meta, 2021), BMW Group has initiated a joint venture with Meta, one of the leading virtual reality innovators to research in to how the technology could be used in its vehicles. With this partnership BMW Group gets to leverage the industry expertise of Meta whilst reverse is true for Meta with ability to integrate into vehicle management systems in realtime without having to tamper in with reverse engineering processes, setting a classic example of positive horizontal integration through alliance.

Related Diversification

Brand Diversification

The inclusion of MINI & Rolls-Royce brands lets the BMW Group expand their operations to wide spectrum of categories. Whilst the MINI brand has preferred designs for urban usage, BMW itself has a range of models from regular domestic usage to the luxury band whereas Rolls-Royce caters purpose-built individual luxury models for high-end niche market.

Electric Mobility

BMW was known to be a traditional vehicle manufacturer with internal combustion engines. With dawn of electrical vehicles as a solution for environmentally sustainable transportation method, BMW ventured into the market with a sub brand of *BMW i*.

This can be categorized as a related diversification strategy of the core BMW Brand while maintaining the general perception of traditional BMW as a manufacturer. Further expanding dominance to the upstream supply chain related to electronic vehicles, BMW Group has started producing batteries for their vehicles at *Cell Manufacturing Competence Centre in Parsdorf* diversifying its business portfolio (BMW, [2024c](#)).

Unrelated Diversification

BMW Lifestyle

BMW has ventured into the apparel segment with branded materials including umbrellas, shirts, shoes alike. Whilst other manufacturers also invest in some form of merchandise as attempts to enhance brand visibility, BMW Group takes it to next step with specifically established branded outlets clearly indicating unrelated diversification interest as a form of revenue generation.



Figure 22: BMW Lifestyle Store in Germany; Source ([Pressclub Deutschland, 2012](#))

Conclusion

As a proficient automobile manufacture, BMW Group is well established with considerably sustainable competitive advantage. The company operates across the globe with a diversified portfolio of product lineup competing with rivals on multiple fronts.

Leveraging the strong heritage of German industrial boost & loyal customer base BMW Group has justified its product pricing and quality of precise engineering.

Despite the efforts, BMW Group has failed to establish the dominance in the electric mobility segment with late market entry. Existing all-electric model options do not compete well with other rivals such as Tesla in terms of value & features a setback for legendary manufacturer. Cheaper alternatives, mass transportation & ride-sharing services continue to pressure sales targets although threats of new entrants are limited to an electronic vehicle segment only.

Saturation of sales to major economies such as US & China makes the BMW Group comparatively sensitive to economic ups & downs related to those economies where manufacturers such as Toyota is less sensitive due to diluted markets across the globe.

The company demonstrates commendable strategic advertising capabilities addressing target audiences directly and effectively. Despite the challenges, BMW Group has gained sustainable competitive advantage & is in positive trajectory into the next few years to come.

Recommendations

Some of the potential recommendations can be summarized as,

- **Reduce market dependency** - To neutralize the major economic dependencies such as US & China, the company must explore other options to expand into other markets through various product offerings based on costs. For example, country-specific model lineups could be implemented to specifically suite mid-income countries that even perhaps suites the road driving conditions in an attempt to capture some portion of market segment from the mass competitors.
- **Hydrogen powered vehicles** - Investments made onto hydrogen-powered vehicles should also be streamlined in the highly likely event of the lost opportunities incurred by late entry to the electronic vehicle segment.
- **Active customer engagement** - BMW Group must implement active dialogue between its customers both individual & commercial rather than solely relying on trend projections & passive date to ensure its product designs, standards & technology meets customer expectations.

Generally, the BMW Group must maintain its quality standards and concepts such as driver-cockpit aesthetics, unique frontend design which carries the brand identities from its most successful vehicles from 90s to remain unique among its competitors, ultimately contributing to **sustainable competitive advantage**.



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