

BMW in the Electric Car World

Richard Perez
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Abstract

In this paper, the history of the BMW car company is outlined. The rise and falls in popularity for electric cars is discussed and BMW's efforts to enter this world of electric cars is described, starting with its introduction of the BMW electric car, which is the i8. BMW will be examined through Porter's five competitive forces, including the rivalry amongst existing companies, the threat of new entrants, bargaining power of buyers, bargaining power of suppliers, and threat of substitute products. This leads into a SWOT (strengths, weaknesses, opportunities, and threats to the company) analysis that lays out why BMW is capable of being such a successful company in the electric car business. Then, data from the sales of electric cars within the past three years is presented. This shows how BMW only continues to grow in their sales of electric cars, even amongst their different companies. Finally, BMW's Information Strategy is analyzed based on efficiency and how it has allowed the company to continue being competitive in the market. BMW prides themselves in adjusting to each customer and providing every person a unique experience that can not be found anywhere else. That is what separates BMW from its competitors.

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Introduction

BMW is a very prestigious company that was created on March 7th 1916 in Germany. At first BMW specialized in motorcycles which began in 1923, while their first automobile arrived five years later in 1928. BMW was also a huge part in the two great wars as they began manufacture of aircraft engines, and their plants were used as a place to house allied soldiers. Once the wars ended, the plants that were assisting the soldiers were soon dismantled by the US government. After the great wars, BMW began to focus on advancing their manufacture of motor vehicles. In 1951, they created their first car post war and it was a great success. The car seated up to six people and was a six cylinder car. From there, the next big advancement was in 1961, when BMW created a four door car which brought back BMW as a successful carmaker. The versatility of BMW is amazing with their next advancement being in 1972 when they created BMW Motorsport, which helped the company grow in popularity and caused them to focus on the sporty side of car making. In 1973, BMW became globally available for import and in 1994, BMW started production in the US. Since then, BMW has acquired ownership of Rolls Royce and MINI. The last major advancement by BMW came in 2013 when they launched their first electric car, the BMW i3 (*History*).

Electric cars made their debut in 1890 and by 1900 they were around a third of the vehicles on the road in the US. Their reign was short lived, by 1935 electric cars disappeared with the gas car becoming the more famous choice, but the electric car would make its return in 1973 at the First Symposium on Low Pollution Power Systems by General Motors. History repeats itself. In 1979, the interest in electric cars slowly began to fade due to slow progress in their advancements in long range drives and limited performance. Hybrid cars began to make a name for themselves. Hybrid cars are half gas and half electric, so the idea of this car would have a positive effect on the electric car market. In 1997, the first mass produced hybrid car was produced, the Toyota Prius. In 2006, one of the most successful electric car companies Tesla made huge advancements in the electric car industry, creating an electric car that could travel over two hundred miles. With the new growth of electric cars, there needs to be a place for people to charge these cars and that came in 2009 when companies installed over eighteen thousand charging stations (*Timeline: History of the Electric Car*).

BMW has created a supercar that is actually a hybrid called the BMW i8. The i8 first hit the market in 2014 and has been one of the most desired vehicles from BMW. BMW's most popular electric car is the BMW i4 M50 which was released in 2022. Their most popular car being made in 2022 makes sense because with the expensive increase in gas prices a bunch of people have made the switch to electric cars which seems to be the more affordable option nowadays. BMW also had a huge success with electric cars with the Mini cooper SE. BMW continues to innovate and reinvent the meaning of luxury and sports cars, their cars are desired by many and that is not by accident, they pride themselves in luxury cars with their slogan being "Sheer driving pleasure". This company has been around for a long time and has been extremely successful (*History*).

Porter's Five Competitive Forces

Being one of the top motor vehicle companies in the world is an extremely difficult task but BMW has consistently done this for years. Using Porter's five competitive forces analysis you get to see the competition and how they are operating. The first of Porter's five competitive forces analysis is rivalry among existing competitors. In the car industry there are a ton of competitors such as Mercedes Benz, Audi, and Lexus to name a few. All of these companies have a lot in common such as diversity and target market. What makes BMW different? First difference is that BMW has diversity, excellent quality, and reliability. Some may say that the competition has better quality, more diversity, and more reliability but BMW has acquired many awards over the years that has further proved that they are one of the best car companies. BMW is a unique company that has a ton of variety and that's what separates them from their competition. BMW is composed of multiple brands into one. As mentioned earlier they own Rolls Royce, Mini, Mini John Cooper Works, BMW, BMW i, BMW M, and BMW Motorrad. This allows them to cater to a variety of customers needs and create a larger client base. BMW also is an affordable luxury brand as well as an expensive one. BMW's can be as low as thirty thousand dollars while Rolls Royce are on average five hundred thousand dollars. BMW as a company can target any audience they want and that is another advantage they have over their competitors.

The next of Porter's five competitive forces is the threat of new entrants. It would be hard for a new company to compete with BMW for many reasons. One main reason is that BMW's brand loyalty is among the greatest out of any car company. According to J.D. Power, "BMW ranks highest among premium SUV brands with 58.6% loyalty rate" (Brand Loyalty Strong among New-Vehicle Owners, J.D. Power Finds.) BMW SUVs are a big selling point with 60.3% of BMW sales being SUVs. BMW is also not an imported car which causes the prices to be lower. The main manufacturing center is in Greer, South Carolina which is convenient because you are getting a foreign car for a much lower price. BMW has taken the time to build their company, not only amongst their many brands, but across countries and even seas. New companies do not have this advantage of being as well known or having the same availability that BMW offers to its customers, and in return cannot compete.

The next of Porter's five competitive forces is bargaining power of buyers. One of the main selling points of buying a BMW is the ability to entirely customize the vehicle. People have access to every customization, from the color of the exterior and interior to the style of driving they prefer like comfort, luxury, or sport. By offering these customizations, BMW widens their customer base. They can cater to a customer's every anticipated need, down to the style of driving they prefer their car to have. This makes buying a BMW very persuasive and also makes people spread their love of BMW by word of mouth by creating happy customers. Also, as mentioned before, BMW has a wide variety of prices amongst their many brands. They cater to average people as well as highly wealthy people, and everyone in between. This again creates a wide customer range and allows for price sensitivity. This also relates to the bargaining power of suppliers. BMW offers these services in order to have high product availability and quick service. BMW claims to have about a 4-5 week turnover for custom cars made in the US and a 10 week turnover for out of country cars. This is much quicker than other companies, as after the

Covid 19 pandemic, many companies say their wait time for a custom car can be 9 months to over a year. This time frame is very persuasive for buyers who do not want to wait a long time for a new car.

The last of Porter's five competitive forces is the threat of substitute products. The cheapest electric car that BMW offers is forty four thousand dollars while the cheapest electric car available is the Chevrolet Bolt which is twenty seven thousand dollars. If another luxury car brand creates an electric car that is cheaper than the i3 then BMW will have an issue. With electric cars becoming more popular the rise in competition in that market is beginning to grow so BMW will have to make a cheaper and luxurious option that can compete with these other cars. Most companies have four electric car models which the same goes for BMW but a company creating more models would also pose a threat to BMW. On average it costs fifteen dollars to fully charge a BMW and the average time to fully charge the car is eleven hours. If a car company comes along and makes a car that can charge faster and cost cheaper than that would also pose as a threat. BMW is in a good space as their electric options are fairly priced and don't take long to fully charge but there is always competition that can pose a threat.

SWOT Analysis

A SWOT analysis is the strengths, weaknesses, opportunities, and threats of a company. The strengths of BMW is their variety, their uniqueness, their brand loyalty, their desire, and their style. There is a BMW for everyone and that is what separates them from other companies. The weakness of BMW is that they still may be unaffordable for some people, increasing debt levels, and expensive repair. The fact that they are a foreign car company can also mean that repairing the car is more expensive then if it was an American car. The opportunity that BMW has is the rise in gas prices. With BMW growing its electric vehicles and creating success in recent years with the sales of these vehicles has created a new opportunity. People will begin to look for cheaper options due to the increase in gas prices and BMW will be right there when people begin to switch. The threats to BMW are increasing competition, government regulations, and the decrease in car sales. There is a ton of competition for BMW nowadays and as they cross into new markets such as electric cars their list of competitors continues to grow. Government regulations will raise the prices of these cars and their parts which could make foreign cars unappealing. Car sales have been on a downward trend due to the raise in prices and the rise of taxi services, such as Uber and Lyft.

Sales Data

Over the last three years, BMW sales have continued to grow, especially for their electric cars. In 2020, BMW electrified had a 32% increase in electric car sales. This only continued to rise in 2021 and 2022, with 2021 having a 70% increase and 2022 having a 32% increase. In 2020, BMW introduced new electric cars, which increased sales as well as grew their customer base. Fully electric car sales grew by 13% and hybrid car sales grew by 40%. Electric cars are also a large number of BMW's sales in European countries (2020 (Full Year) Global: BMW, Mini, and Rolls-Royce Sales Worldwide). 2021 sales likely had such a drastic increase due to the addition of many fully electric cars in 2020. This truly brought BMW into the world of electric

cars and began to change their sales a lot (2021 (Full Year) Global: BMW and Mini Brand Sales by Country and Models).

In 2022, BMW Motorrad and Rolls Royce sales were at a record high. Rolls Royce also brings in a large amount of sales for BMW, as they are their most expensive car brand underneath their group. In 2022, they also introduced a new category of electric car, the BMW Group BEV's, which had a 107% increase in sales. They entered the electric car category and quickly grew in availability and demand. This allowed them to sell more electric cars than other German companies, such as Audi and Mercedes-Benz. Within the rise of sales for electric vehicles, BMW's brand MINI saw a drastic increase in their electric and hybrid sales as well (2022 (Full Year) Global: BMW and Mini Brand Worldwide Sales by Country).

IS Strategy

The information strategy of BMW is to shape the future. BMW is big on innovation with their motto being "body, heart, mind". BMW wants to connect all three while affecting all three. BMW doesn't want to just create a car, they want to create an experience. Their focus is the customer and meeting their needs for each and every customer they receive. With their customized customer support they hope to provide the ultimate experience. BMW's focus is adjusting to each customer across the world and that is what makes this company stand out.

Conclusion

In conclusion, BMW is one of the most successful and innovative car companies of all time. Their recent strides in the electric car market is very impressive and there is only an upward trend from here. With the recent rise in gas prices, BMW can take advantage of this opportunity and take over the electric car market. BMW is doing a good job with their current competitive strategy. Their variety and high quality continues to dominate all aspects of the car business. BMW consistently is changing and improving their products due to demand. They have continued to add more electric cars to keep up with that growing market, as well as improving their vehicles for safety and updating technology across all of their companies. This has allowed them to stay a front runner in overall car sales and allows them to satisfy their customers, as well as grow their sales.

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