

Daimler Strategic Position and Automotive Market Analysis

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Executive Summary

Daimler is a German automobile company which is the 13 largest automobile company globally. Daimler is the parent company of Mercedes Benz. The company was established in 1883. Up to date, the brand portfolio includes some of the most valuable car brands, such as Smart, Maybach, Freightliner, Detroit Diesel, and Orion, among others. Daimler is a company with a commitment to excellence and aims to accomplish sustainable growth and development. Since the company was established in the 19th century, Daimler has been manufacturing a wide range of luxurious cars. Additionally, the organisation is also known for manufacturing trucks and buses. Daimler headquarters are based in Stuttgart, Germany. Today, Daimler is the most popular automotive manufacturer around the world.

Introduction

In order to assess the development of their corporate-level strategy and the corresponding business units, it is important to work with various changes in the organisation and within the company. It is important to analyse the key environment. The main objective of this paper is to analyze Daimler as the parent company of Mercedes Benz, Chryslers, Smart, and Detroit Diesel. However, the outcome of these results cannot be the right analysis and is not completely reliable regarding future developments. Nevertheless, it is a possible assessment framework of Daimler's strategies and tries to provide a better understanding of strategic decisions related to the structure and portfolio of the organisation.

External Forces

There are several external factors that influence the Daimler Company. Back in 1958, the company signed an agreement with Studebaker, a US-based distributor. Under the new agreement, Studebaker allowed Daimler to have full access to its branches in the US and around the world. In return, you get a 30% commission for every sale made. The distributing company was also allowed in the Mercedes distributing branches around the world. However, this turned to strain the Studebaker's brand and thus resulted in the termination of the brand. In terms of economics, the company has faced numerous challenges since its establishment. Since the company failed to reach the required fuel consumption threshold in the United States, Daimler has been penalised several times since 2000.

Some of its Brands, such as Mercedes, usually attract extra taxes in countries such as the United States, The UK, and Australia. In 2015, Mercedes and Smart recorded the highest carbon dioxide emissions among the major automotive manufacturers, ranking in position 14.

The company has a wide range of models, including passenger vehicles, light commercial vehicles, and heavy commercial trucks. In all its models, the company has incorporated high-tech innovations. Moreover, the smart marque of city vehicles has also been a major part of Mercedes Benz since 1994. The well-established organisation Daimler strives to preserve a good reputation that signifies corporate union. To ensure that it is within the required standards, Daimler ensures that it conforms to all the legal standards in all its subsidiary companies.

When environmental factors are taken into consideration, the new models become greener than ever. Fuel consumption levels have been reduced considerably. The Organisation has further reduced the new blue Efficiency charter. For many years, Daimler has ensured its cars are environmentally friendly by reducing fuel consumption. Such strategies have been implemented in a move to save energy. The company faces numerous threats, such as the increased number of environmentally-conscious consumers and the inconsistency of the global economy, among other issues. In addition, the global market is saturated with luxury vehicles, which makes it very competitive.

Internal Factors

The Internal analysis assists managers in developing plans based on the history, current issues, strengths, Weaknesses and threats of an organisation. Therefore, it is a fundamental component of strategic management and formulation. Daimler has factors that make it a strong brand. First, it is the resale values of its various subsidiary brands. For instance, Mercedes Benz has the best resale value since the organisation is known for manufacturing high-quality units. Different studies show that Mercedes is the leading brand in resale value among Daimler's subsidiary brands.

Other strong points of the organisation include high-quality engineering and a strong reputation among prospective consumers. However, most of its brands are very expensive. For instance, Mercedes-Benz has long-term records of producing excellent brands. Therefore, the price of its brands tends to be much higher than that of other luxury brands. Daimler's brands are often targeting wealthy people. Therefore, lower and middle-class groups won't be able to afford the brands, thus being classified as one of its weaknesses.

Other shortcomings include the fact that most of the units manufactured by Daimler are less fuel-efficient compared to other low-priced brands. In addition, the organisation has been slow in introducing fuel-efficient units. Daimler Benz was the first company to manufacture the first car with brakes on all four wheels, as well as the safety cell concept. As discussed earlier, it is important to have the ability to market and build high-quality products in the automotive industry. This is one of the core competencies held by the organization. With the consideration of consumer needs, the

organization has been capable of crafting the best brands in the market, an accomplishment envied by many other automotive companies.

Key Success Factors

Daimler has the opportunity to establish elastic fuel options. Depending on the sources of fuel used, Daimler can establish measures to decrease air pollution by about 20% compared to previous brands. The organisation also has the chance to use its brand to get into new markets. In addition, the high engineering advancements of the organisation have allowed it to be very advanced, which has resulted in the uprising of the car industry.

It is important to mention that the automotive industry is very competitive. (Porter, 1980) Some of the key rivals include Audi, Volvo, and Jaguar. All these brands have different designs and functionality. Since the price of these brands is high, it is necessary to conduct thorough marketing for the products to be recognized. In 2017, the company was ranked first in quality products worldwide. Bargaining power is another important aspect of the company. Automotive companies often require various types of materials from different suppliers. Some of the key items include raw materials, market consultancy, and hardware, among others. As stiff competition continues to squeeze the profit margin of the various motor companies, any upsurge in the costs of the products could plunge the profitability of the company.

Competitive Positioning

Conducting an examination of the negotiating power in the car industry is a complex process. Nevertheless, top companies such as Daimler have been able to establish a strong link with suppliers around the world. The bargaining power of its suppliers is moderate. New entries into the automobile industry are a puzzling process. First, the trademark equity for reputable organizations is hard to break.

Numerous automotive industries have tried to break into the existing brand but ended up failing since they are incapable of holding their market share. Therefore, threats to Daimler are low. In the world of automotive companies, some customers have higher power against the traders but have very little impact on the manufacturer. It is challenging for the producer to maintain its customers. As a result, the bargaining power of the consumers is very high. This has been demonstrated to be adverse to the automotive industry. It is important to mention that luxury brands such as Smart are not just means of transport but are also a sign of higher prestige and achievement. Alternates for luxurious cars are low-cost vehicles such as Mercedes. However, Daimler still faces low threats of substitution since the brand can only be acquired by the rich, making threats moderate.

Swot Analysis

From the internal and external examination of Daimler Benz, the general strengths and weaknesses of the organisation can be identified alongside some of the threats and opportunities they face. These have been summarised through a SWOT framework.

Strategy Formulation

Ansoff Analysis

Daimler has been dwelling on two extension strategies for the introduction of new models. The strategies have also been introduced in the development of next-generation smart cars in collaboration with Renault-Nissan Company. Using the Ansoff matrix, it is evident that Daimler has focused on maintaining the existing market. Such is a demonstration that, instead of penetrating new markets or manufacturing new products, Daimler is concentrating on markets it is familiar with in order to minimise the risk as well as reduce costs. The strategy being implemented by Daimler is known as market penetration, a strategy used to improve the marketing mix.

Place and distribution are fundamental aspects to be considered. In the United States, there are only 77 dealers that distribute Daimler brands, with most of them congested in the eastern region of the United States. Therefore, in order to increase the sale of various Daimler products in the United States, Daimler must establish at least one dealer in every state besides targeting only the major cities. The distribution network can be diversified to allow more potential consumers to buy the products.

Daimler has utilised both above-the-line and below-the-line promotion methods. The appearance of Daimler brands in different films has given the products a long-term reputation for urban style. Moreover, some countries have been charging half-taxation on Daimler products. If this is applied to all countries, it can increase the turnover of Daimler products. Such has been promoted by the fact that customers will be influenced to buy Daimler cars in order to avoid parking problems as well as congestion. On the contrary, not all countries around the world suffer traffic congestion.

Without core competencies, it might be impossible for the organisation to maintain its leading position in the automobile industry. Indeed, based on high-quality consumer preference for the brands, it is easy to predict that the organisation holds several great core competencies in the market. The following are some of the core competencies held by the organization. One of the core competencies held by the organization up to its respectable position in the automobile sector is its innovative capabilities. For instance, the combustion system was first presented by the organization back in 1886. The Organization also led the replacement of the fuel injection using the float carburettor.

Strategy Limitations

In the past year, Daimler has faced the challenge of an incomplete portfolio. This requires the company to develop new languages in order to accommodate new consumer bases. While the company has been successful in retaining most of its loyal customers, the company has been assertive in its conquest of new consumers. The plan to maintain the first position as a brand is based on a consolidation of its strength and simultaneously striving hard to capture the new emerging opportunities. Therefore, it is important to keep the consumer in mind as they make new changes. This can be accomplished by focusing on establishing different pillars to create the best experience for consumers and the most appropriate brand connection.

Recommendations And Conclusion

Daimler should continue to safeguard its strong brands and reputation. The company must make the customers feel that the product they are using is worth it. Moreover, the consumers must be able to identify their speciality and unique innovation. Otherwise, they might lose their strong reputation. Daimler has always used statistical forecasting of the market in which it intends to operate. The company uses the latest information and communication technology to establish the process of documenting consumer patterns and utilizes the information in making critical decisions.

The reliance of the company on research in making critical decisions is a fundamental signal of the strategic significance of the consumer database. Through research, the organization has been keen on identifying new designs, improved technology and styling. Daimler also highlighted that model-specific advertisement is more effective than a comprehensive brand advertisement. The net value and the rate of returns evaluations forum in the company's financial statements suggest that the management does not allocate resources until it has extensively analysed all the financial information. (Barney, 1991) Moreover, the company has been able to establish a strong marketing response framework using historical data and market mix and is utilizing it in making important market decisions.

Conclusion

In conclusion, the stiff rivalry in the market and the gradual has put Daimler cars in numerous difficulties. Without the factual strategies, the Daimler brand might have become popular and then entered its fall within its product life cycle. Since Daimler is having financial problems, it is necessary to keep the cost to a minimum. The act of establishing strategic union among the subsidiary companies is a fundamental step taken by Daimler to spread risk. The company's extension of the strategic plan has a huge opportunity to thrive. After the marketing mix is evaluated, there are still opportunities for Daimler to advance its products.

References

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