BMW Pricing and Distribution Model

Introduction

The Bayerische Motoren Werke (BMW) group is a leading Germany car manufacturer that specializes in the production of automobiles and motorcycles (Wu, 2017). The company was founded in the year 1913 and has since diversified its operations into over 40 countries globally, with over one million employees distributed across its subsidiaries, depots, showrooms and manufacturing plants. The organization’s business strategy is based on its powerful brand image, with its core values being technology, innovation, quality, and reliability. The company has through the over one century that it has been in existence lived to the ideals of its vision strategy that is modeled around identification of potential and growth encouragement (Byun, 2014) In this discussion we shall seek to establish the company’s distribution model and price setting mechanism.

BMW Distribution model

The BMW group has over 4, 400 dealers worldwide who are tasked with the selling new cars produced by the company, old cars, parts and even offering of after sale services (Li et al., 2014). The distribution channel adopted by the organization is meant to help align the organizations operations with the customer needs, as the customers are able to place their orders, make enquiries and even give feedback on the various car models through the dealers, who directly submit the information to the company.

Distribution strategy

Companies according to Byun (2014) have to ensure that their products reach the final customers in such a manner that the product is still affordable and in the expected quality. Over the years the BMW group like all other automobile manufacturers has largely relied on the supply-push philosophy, where they manufactured the various vehicles models in large supply with the expectation of pushing the product down the chain of demand through rigorous marketing. The company relied heavily on the traditional dealers to market their various brands and with the turbulent market economy pushing the conventional dealers to hike the prices and reduce the services offered to the customers.

The shrinking dealer margins made the dealers to impair the service quality offered to the clients and this prompted the management of the BMW group to rethink their overall distribution strategy (Wu, 2017). The company through the decline in the sales margin and increased competition in the market opted to adopt the customized distribution strategy where the clients would be able to place orders and specifications on the various vehicle brands. The company would thus collaborate with its dealers to produce vehicles that were tailor made to suit the customer needs. The group has also ingrained technology in its distribution process through the adoption of web based services, easing the process of carrying out market surveys, tracking customers shopping habits as well as monitoring the dealers performance in real-time.

Positioning within the channel

The BMW group has through the years that it has been in operation positioned itself as a brand that offers exclusivity, quality, and technologically advanced products all across the globe (Li et al., 2014). The company has positioned itself in the affluent market, targeting the customers who cherish sophisticated and fancy automobiles, which is largely competitive. Positioning infers to the image that the brand is able to imprint on the minds of the target customers, and the BMW group has been able to focus on improving its product value, by automating all their brands and fitting them with technological trackers, which help the customers to develop a feeling of safety. The company’s marketing department understands that a fair share of its customers is upscale and this prompts them through product designing and engineering to focus on developing product specifications revolve around top performance and status.

Channel pricing

The company has adopted a differentiated pricing strategy through which they are able to charge extra prices for the premium quality products, while ensuring that they are able to still produce the mainstream products that can be consumed by the middle level customers (Byun, 2014). The prices of the various vehicle brands developed by the company range between 16, 000 – 60, 000 Euros, with quality been the differentiating factor. The large difference in the prices of the various products can be attributed to the size and model of the vehicle, the engine capacity, as well as the fuel utilization of the given vehicle model. The company’s marketing department has also taken the initiative to price the various vehicle brands in such a manner that they accommodate the extra cost of dealership, thus ensuring that the use of dealers and brokers to increase market accessibility does not aggravate the cost of the vehicle.

Pricing model for the BMW 3 Series vehicles

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| **3 series** | **Priced from (Euros)** |
| Sedan | 21, 035 |
| Couple | 25, 955 |
| Convertible | 30, 195 |
| Touring | 22, 125 |

References

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