Audi vs. BMW
Business in a Global Society

Lindsey Ashton, Lauren Chen, Jeremy Jimenez, Ross Martin, and Richard Müller

Dr. Jamy Schaap
Management 462
4/30/2012
Abstract

The purpose of this report is to gain a greater understanding of the complex and expansive global business environment of the 21st century, primarily by analyzing the business strategies used by top luxury automobile manufacturers Audi and BMW that enable them to remain successful and profitable in such a competitive global market. These high-profile companies compete in one of the world’s largest and most cutthroat industries, and they exemplify the attention to detail, enthusiasm, dedication, intelligence, and patience required to achieve success in global business. This report details how both companies rose to prominence and achieved global recognition; establishes a competitive analysis of the companies based on financial performance and recent sales figures; analyzes the global marketing strategies employed by them in an effort to communicate their brands and products effectively to international consumers; discusses the manufacturing processes and technological innovation required by the fast-paced global automobile market; and emphasizes the importance of maintaining a strong, socially responsible brand image when competing internationally. Based on the extensive research and analysis conducted on all of these important topics and concerning these two well-established luxury automobile manufacturers, recommendations on how to compete and succeed in the global marketplace were formulated for companies considering a global expansion or seeking advice on the general topic.

Introduction

There are many critical factors that corporations must understand and consider when attempting to compete in the global marketplace. The most important aspect of this complex situation to understand is the tendency of the global market to change suddenly and without warning, which has often left many once-prosperous companies in the dust. Everything is magnified for a company when it leaps into the international arena, meaning that the effects of changing business environments will be much more impactful and resounding, whether positive or negative. The automobile market is currently experiencing a monumental shift in demand as the Chinese market grows larger and more interested in automobiles, and that creates an exceptional amount of opportunity for all automakers, especially those competing in the luxury market, such as Audi and BMW. If a company is able to maintain a strong, respectful brand image and reputation worldwide, reach its target market in a variety of countries and cultures, meet the logistical challenges of manufacturing and distribution, and keep up with the increasingly rapid pace of technological development and innovation, it will most likely reach all of its objectives and succeed in the global marketplace. However, if a company isn’t able to do all of this, stronger and more adept companies will come along and push it out of the market.

Audi and BMW are two great examples of how to conduct business internationally, as well as how to maintain high profits, sales, and product standards while refusing to compromise on fundamental, long-held brand images and values. The research and analysis completed for this report proves the time, effort, and hard work it has taken for these companies to reach their current statuses in the global marketplace, but also draws attention to the constant struggles, sacrifices, and compromises necessary to achieve common and lofty goals. Both companies have entered a variety of foreign markets through a number of different methods, namely direct foreign investment, and have succeeded due to constant innovation, skilled employees, high-quality products, socially responsible practices, and great brand images; despite the investment and risk necessary to compete globally. This report will analyze all of these factors in depth and hopefully inspire corporate executives, especially those in the auto industry, to lead by example and succeed in business in a global society.
Company Backgrounds and Histories:
Audi & BMW

Audi

Audi’s recognizable logo features four interconnected silver rings, and those four rings symbolize the 1932 merger of four independent vehicle manufacturers: Audi, DKW, Horch, and Wanderer. These four groups formed what is known today as Audi AG. The original Audi was founded in 1909 by August Horch in Zwickau, Germany, and the company’s primary focus was on building automobiles that could compete in the luxury market. Horch was able to establish “a product design philosophy for the cars with his declared aim of building only high-quality, powerful models” (Audi, 2012). These cars came to be considered superior products in the industry and led to impressive sales figures, due in part to the high standards of manufacturing quality set by the company.

The first Audi automobile was the Type A, which was first put into production in 1910. The Type A had a 22 horsepower, Sport-Phaeton, 2.6-liter, four-cylinder engine. The first Audi with an eight-cylinder engine came in the form of the Type R “imperator” limousine, which had a 100 horsepower, 4.9-liter engine, and was first put into production in 1927. The main differentiating factor of Audi’s products was the front-wheel drive feature. This feature was originally put in the company’s power unit, called the Wanderer, a 2-liter, six-cylinder engine that was developed by Ferdinand Porsche.

Jörgen Skafte Rasmussen headed DKW in 1916, and he experimented with steam-driven road vehicles in Zschopau, Germany. However, in 1919, the company began developing a small two-stroke engine. DKW produced its first small car in 1928, called the DKW P15 Roadster. The roadster had a twin-cylinder, two-stroke engine, rear-wheel drive, and produced a whopping 15 horsepower. After 1945, DKW was the foundation for the re-establishment of the auto union in Ingolstadt.

Audi founder August Horch first developed Horch cars in 1901. Horch cars were considered the pinnacle of German automobile technology, and he claimed that only powerful and high quality vehicles would be manufactured by his company. Audi’s current website claims that “Horch cars were among the supreme products of the German automobile industry, market leaders in the luxury class and with truly outstanding manufacturing quality standards” (Audi, 2012). The crown jewel of Horch cars was the Horch Type 830 Bl, which was produced in 1937. The type 830 Bl was a four-seat sedan that sported a 75 horsepower V8 engine.

The last automotive group that eventually contributed to the founding of Audi AG was Wanderer, which was founded by two mechanics, Johann Baptist Winklhofer and Richard Adolf Jaenicke. Wanderer began by producing motorcycles in 1902, but it wasn’t until 1913 that it produced its first car: the Wanderer 5/15 PS "Puppchen". This two-seater featured a four-cylinder inline engine, 1306 cc, and produced 15 horsepower. The fourth ring in the future Audi logo finally became a member of the Auto Union AG in 1932.

Audi has innovated constantly and consistently since its formation. Front-wheel drive was first introduced in the 1931 DKW F 1 Roadster, which was the first-ever car to carry the feature and be massed produced by the company. The car also sported a twin-cylinder, two-stroke engine that produced 18 horsepower. Audi was also innovative in its ability to build lightweight cars. It began by using wooden frames from 1928 to 1942, but then converted to imitation leather. The company
presented a design with an all aluminum body at the Frankfurt Auto show in 1993, and in 1994, it introduced the all-aluminum Audi R8. Audi states that, “For almost 100 years now, it has been accepted that a car’s body should be shaped for minimum wind resistance in order to save fuel. The first experiments in this direction go back to the period following the First World War. Audi conducted experimental work on its Type K in 1923, giving it a streamlined body made of aluminum” (Audi, 2012).

Audi has also revolutionized vehicle headlights with their innovative LED lights. These lights were first seen on the Audi R8 in 2008, and they tend to distinguish Audi from any other car brand when the cars are driven at night. LED headlights offer many benefits other then style, such as “virtually daylight-white brightness, faster reaction time than traditional bulbs, low energy consumption and a long operating life” (Audi, 2012). Innovation is important to car companies because it allows them to stay ahead of the competition and ensures their future success, and it seems that Audi exemplifies the importance of quality and innovation very well.

BMW

BMW was established in 1916 in Munich, Germany as ‘Bayerische Flugzeugwerke AG’, although the name was later changed to 'Bayerische Motoren Werke AG', which translates to ‘Bavarian Motor Works’ in English. Max Friz assisted BMW in the creation of the high-altitude carburetor, which helped BMW claim its first world record in 1919. He also built the company’s very first motorcycle, the R32, in 1923. Franz Josef Popp joined Rapp-Motorenwerke to oversee the manufacturing of the aircraft engines. He later became BMW’s first general director in 1917, and is now credited with BMW’s rise in becoming a prominent national brand. However, he was forced by the Nazis to resign by the end of 1942. BMW began by focusing on the production of airplane engines during World War I, and during that time, the company was able to build up a reputation of reliability and excellence. The company began producing motorcycles in 1923, and after eventually developing a reputation as a quality automobile manufacturer, it acquired the Eisenach vehicle factory in 1928. BMW’s first car was released in 1929 and was called the BMW 3/15 PS. Between 1936 and 1940, the classic 328 Roadster was released, and the car was considered legendary due to its revolutionary tubular space frame and hemispherical combustion chamber engine (US Autoparts, 2007).

It is interesting to note that BMW’s logo is a reflection of its origin as an airplane manufacturer. The colors of the logo are a representation of the region. “Many aircraft were painted in regional colors and those of the Bavarian Luftwaffe were the Bayern white and blue,” according to the company’s website (BMW, 2012). BMW’s goal was to create a logo that stayed true to its origins and showed a sense of culture pride, but also one that could be instantly recognized around the world. It has definitely accomplished that, as the blue-and-white checkered logo on the company’s automobiles and motorcycles is very distinct and exhibits true quality and excellence.

In 1959, BMW was almost bought out, but its BMW 700 automobile ultimately saved the company. The car was of Italian design, with a unitary construction and a motorcycle engine, but it was immensely popular with consumers and even viewed as a racecar. It was very small, nicknamed “the lion-hearted weasel”, but its popularity somehow allowed BMW to “regain its rightful position and embark on fresh projects with renewed confidence” (BMW, 2012). In the early 80’s, BMW purchased a former barrack in the northern suburb of Munich, Germany. This barrack was transformed into BMW’s research and engineering center (FIZ) and consisted of design, construction, and test facilities, as well as a prototype construction unit and pilot plant. The site was officially
opened in 1990 and is still operating today.

Much like Audi, BMW has always been on the forefront of innovation. It became the first manufacturer to develop a GPS system exclusively for motorcycles, 12 years after it released the first motorcycles with ABS, which enabled the company to maintain its lead in motorcycle safety standards and unique features in the market (BMW, 2012). BMW continued its innovation with the release of the BMW z8, which was the descendant of the BMW 507. This zippy roadster was capable of going from 0-60 mph in less then five seconds, and it quickly jumped into a top position position in the luxury sports car market. BMW took a step in 1990 to increase its vehicles’ dynamics and safety, by allowing the rear axel to help steer the front wheels. “It enables the rear wheels to exert a slight influence on the steering of the front wheels, just a few degrees. Not enough for the driver to notice - they are probably too engrossed in the car's increased agility” (BMW, 2012).

In 1995, BMW began mass-producing light alloy chassis for its 5-Series, which was the first mass-produced car to incorporate a light alloy chassis. The reduction in weight increased safety and driving comfort. As the company puts it, the “front axle, multi-link integral rear suspension and brake caliper are all made of aluminum. Not only does it reduce weight, this material also offers the advantage of reduced unsuspended mass, another thing that leads to greater safety and improved driving comfort” (BMW, 2012). Another innovation came at a very unlikely time. In 2002, BMW began building its turbocharger at the same time as the oil crisis. The first turbocharger produced in Europe featured a four-cylinder engine and 170 horsepower, despite its two-liter capacity. Three years later, the 2002 turbo produced an amazing 600 horsepower. (BMW, 2012).

Audi and BMW have rich stories and histories that help explain how they have both emerged as such major players in the global luxury automobile market over the decades. Each company features a brand rooted in quality and innovation, and they both work to enhance their brands and make giant strides in the industry on a daily basis, earning a great amount of respect from consumers all around the world. Multinational corporations often come from very humble beginnings, and it was obviously no different with these two German-based automobile manufacturers. However, they did what was necessary to make their companies successful in a highly competitive global marketplace, and that is very evident today.

**Competitive Analysis and Financial Health**

The global automotive industry is highly a competitive market, and Audi AG and Bayerische Motoren Werke AG (BMW) currently lead the luxury segment of that market and compete with one another very directly and fiercely. Audi is a subsidiary of Volkswagen AG and is headquartered in Ingolstadt, Germany, and it employs approximately 62,806 people worldwide (Audi USA, 2012). On the other hand, BMW is headquartered in Munich, Germany and employs approximately 104,205 people worldwide (BMW, 2012).

Audi manufactures its automobiles in six countries, including Germany, Hungary, Belgium, China, Brazil, and India (Production Sites, 2012). BMW has a wider global reach, as it operates manufacturing plants across 14 countries, including Germany, Italy, Great Britain, South Africa, China, USA, Austria, India, Indonesia, Egypt, Russia, Malaysia, and Thailand; and also manufactures motorcycles in Brazil (Audi, 2012). Audi has recently announced its plans to establish a new manufacturing plant in North America, and it will release the location of this plant during the summer of 2012 (it is expected to be in Mexico). This new plant will be part of Audi’s ongoing attempt to
expand its global reach and close the market share and sales gap between it and number one-ranked BMW in the world’s luxury car market. Audi’s new plant would essentially be the difference between delivering cars to customers in certain geographical areas in a matter of weeks, rather than months. BMW has had a significant manufacturing presence in the United States since 1994, which has helped the company maintain a strong competitive advantage against Audi.

According to Audi’s 2011 annual report, the company recorded revenues of €4,440 million ($5,878 million), up from €2,630 million ($3,482 million) in 2010, representing a 68.8% year-to-year increase. BMW’s 2011 annual report states that its revenues for the fiscal year ending in 2011 were €4,907 million ($6,496 million), up from €3,243 million ($4,293 million) in 2010, representing a 51.3% year-to-year growth. In 2011, Audi sold and delivered 1,512,014 cars to customers, which represented an increase of 16.9% from the previous year (Audi, 2012). BMW sold 1,668,982 cars in 2011, which was the best sales volume achieved in a single year by the company in its history, and a 14.1% increase from its sales in 2010 (BMW, 2012).

DataMonitor, a company that specializes in industry analysis, has developed company overviews and audits for both Audi and BMW. In the Audi report, it states that the company has a higher return on equity (ROE) and a higher return on assets (ROA) when compared side-by-side to its competitors. In fiscal year 2010, Audi’s ROE was 23.1%, which is significantly higher than BMW’s reported ROE of 13.9%. When comparing the ROA between the two luxury automobile competitors, Audi takes the lead with 8.4% in fiscal year 2010, compared to BMW’s ROA of 2.9% in the same period (DataMonitor, 2011). According to BMW’s balance sheet, the company’s long-term debt is €32,212 million (USD $42.65 billion), while Audi’s is only reported to be €21 million (USD $27.8 million) (Bloomberg Businessweek, 2012 and Audi, 2012).

In the year 2010, there was a noticeable increase in automobile sales in Brazil, Russia, India, and China (also known as BRIC, according to DataMonitor’s report). China is becoming the largest car market in the world, with Audi maintaining its status as the market leader in the premium-car segment. However, BMW is still the world’s top-performing luxury carmaker overall (Rauwald and Schmidt, 2012). Audi is expected to increase its production capacity by 700,000 additional cars by 2015 in China. As for India, Audi has a market reach of 15 dealers in 15 cities, while BMW has a market reach of 25 dealers in 18 cities. India Times claims that BMW’s market share in India increased from 9% to 42% between 2007 and 2011 (Goyal, 2012). India Times also reported Audi’s claim that it would eventually become the largest luxury car manufacturer in India, due to VW’s plans to invest large sums of money on plants and infrastructure within the country (Goyal, 2012).

Both Audi and BMW have already seen increases in sales in the first quarter of 2012. Audi has experienced an increase in sales in the United States and China, while BMW has experienced sales increases in each of its three largest markets: The United States, Germany, and China.

Audi and BMW have both been forced to issue recalls on their vehicles in 2010. Between 2010 and 2011, Audi recalled approximately 50,000 vehicles due to issues such as defective engine fuel pumps and fuel system flaws. BMW also had to recall 8,000 vehicles during 2010 and 2011 for faulty fuel-level sensors. There was also another recall in 2010 for BMW’s power braking system leaks, by which 200,000 vehicles were affected (DataMonitor, 2011). These recalls can be very detrimental to the sales of the vehicles and can negatively affect the perception of quality of the company’s respective brands. Without a close watch on the whole manufacturing process, and by failing to recognize errors or design defects, both Audi and BMW could potentially experience a future
decrease in consumer confidence and overall sales. BMW has had to issue more recalls in recent months and years, and that could possibly give Audi the competitive advantage needed as the company is looking to pass BMW in market share in luxury automobile market on a global scale.

Both of these German car manufacturers are working on keeping up with the current trend in the industry of developing more environmentally friendly cars, or “hybrid-electric vehicles” (HEVs). BMW states that it is still in the preliminary stages of growth in regard to entering the hybrid car market. Audi, on the other hand, has had a strong focus on HEVs and has already brought 3 different vehicles to the market. Audi is also expected to release two more HEVs very soon.

**Marketing in a Global Society**

One of the most daunting challenges that companies face when deciding to conduct business globally is figuring out how exactly to reach and appeal to their target markets in the various cultures and countries they wish to operate in. In order to develop a reasonable plan and succeed in any given foreign market, a company needs to do extensive research and analysis on a variety of factors, including but not limited to: the nation’s economy and various demographics; the cultural, sociological, and political climate; the market conditions; the technological environment; and the current competitive situation (Cateora, Gilly, & Graham, 2011, pg. 221). After everything is taken into careful consideration and the country and culture are explicitly understood, a company can establish a reasonable plan that will theoretically ensure success in the foreign market. The basic idea is that the company’s needs must be matched to the country’s needs, in order to elicit the best possible outcome. If the effort to understand the business environment in a country is not made, however, it can lead to a failed introduction attempt and severe profit struggles in that market.

All of the elements in a company’s marketing mix (product, price, place, promotion) need to be appropriate for the selected country in order for it to be successful in that market. If the product style or features are undesirable in that culture or have no benefit to its citizens; if the price is too high based on the average income of the target market; if the distribution system and channel structure is ineffective based on the country’s infrastructure and available intermediaries; or if the company’s promotion tactics and advertising messages, symbols, and content are offensive or objectionable; the company’s products will most likely never be very popular with consumers in the country. Once the country is well researched and understood in terms of culture, constraints, opportunities, and threats, the company can focus on targeting specific demographics and creating a rational marketing plan that will allow them to reach their target market, just as in a domestic marketing campaign. Throughout this process, there must be a great emphasis placed on understanding the foreign customer and meeting his or her needs, as that is ultimately what will matter most in the entire international marketing effort.

One of the most difficult decisions multinational corporations (MNCs) must face is how much to either globalize or localize their marketing efforts. Creating a universal message and campaign will help the company save time and money and keep its brand image much more consistent worldwide, but it can also alienate members of certain countries or regions and give them no reason to buy the product. On the other hand, concentrating on a localized marketing effort will help the company appeal to very specific cultural groups and make the product appear more tailor-made for each specific region, but it can also be very costly and time consuming and ultimately not affect profits any more than a standardized (or global) campaign would have. The answer to this prevailing question varies with each individual corporation based on what it’s trying to accomplish in the global
market, but in an article written by Rowan Wilken (Swinburne University of Technology, Victoria, Australia) and John Sinclair (University of Melbourne, Victoria, Australia) in the journal *Globalizations*, the authors claim that the dominant marketing approach worldwide of MNCs is one of “glocalization”, or the right balance between complete standardization and “meeting the demands of localization and cultural adaptation” (Wilken & Sinclair, 2011, pg. 2). The authors argue that an even more concentrated effort, what they call “strategic regionalism”, could be the ideal way for MNCs to market their brand or products, although the more basic “glocalization” is the most popular method at the current time. With an approach of strategic regionalism, MNCs can think globally, act locally, and manage regionally, which the authors believe is the most effective way for companies to create and maintain relationships with consumers in foreign markets (Wilken & Sinclair, 2011, pg. 10). By utilizing this concept, companies can maintain steady global brand and product images, but can also reach very specific segments in various regions and communicate distinct messages to them.

The German-based multinational corporation BMW (Bayerische Motoren Werke AG) has established itself as the world’s leading luxury automobile manufacturer, and there is no mystery as to how. It has developed an unmistakable global presence, with over 100,000 associates working to communicate BMW’s brand message and sell its products in 5 continents and over 140 countries. The BMW Group includes 3 automobile brands (BMW, Rolls-Royce, and MINI), as well as 2 motorcycle brands (BMW Motorrad and Husqvarna Motorcycles), and all of its vehicles denote style and class. 17.1% of BMW’s sales in 2011 came from its domestic market of Germany, where it has always performed very well, although its largest market in the world remains the United States, where it currently does 18.4% of its business (BMW, 2012). BMW automobiles have always been considered top-of-the-line, quality cars, and the company has been unwilling to compromise that long-held brand image of quality, class, functionality, and reliability. It has established itself as a premium brand, and that image and reputation generally attracts a segment of affluent professionals looking to display a sense of wealth and sophistication, who are also willing to pay good money to attain such a prominent status symbol and quality automobile. BMW therefore targets a very specific and measurable demographic, so it has maintained a fairly globalized style of marketing since it initially expanded internationally. As BMW’s former chairman, Helmut Panke, has stated, “We believe a company can only think in one set of terms. If you are premium, you need to focus on it.” (Young-Ryeol, 2012)

Since it first introduced the original 3-Series in 1975, BMW has used the popular tagline, “The Ultimate Driving Machine” in its marketing efforts in the foreign United States and United Kingdom markets. The full voiceover for one of BMW’s most recent U.S. television commercials (created by the company’s lead U.S. advertising agency, Kirshenbaum Bond Senecal & Partners) states, “We don’t make sports cars. We don’t make S.U.V.’s. We don’t make hybrids, and we don’t make luxury sedans. We only make one thing, the ultimate driving machine,” (Levere, 2012), signifying the company’s focus on making perfect luxury vehicles, as opposed to making vehicles that fit a certain mold or fall into a particular category. It wants its customers in these large markets to view BMW as a company that makes functional, quality cars that serve a real purpose and satisfy customer needs, instead of a company that creates new cars just for the sake of creating new cars and trying to keep up with the new releases of competitors. It is easy to see how BMW ultimately differentiated itself from the rest of the competitive German automobile industry when listening to top executives such as Jack Pitney, the former vice president of marketing for the company. In an interview with Brandweek in 2006, Pitney (who died in a tractor accident in 2010) stated, “Historically, if you look back at how different German brands market themselves, they have always tended to market the engine excellence” (Miller, 2006). He goes on to say that no matter what the concept or type of car, it has to
ultimately become BMW’s own interpretation and style, and not just a carbon-copy or upgrade of something that has been done before in the market. Therefore, regardless of the style of a BMW, the size, the color, the features, or the power, customers can be assured that the vehicle has been specially and carefully crafted by the company to into the “ultimate driving machine”.

BMW is introducing 14 new models to the United States this year, but it will stick with the “Ultimate Driving Machine” message that has worked so well for the past 37 years in regard to its marketing communications. Current vice president of marketing Dan Creed claims BMW is “in the middle of an extremely significant product offensive,” and predicts that the company’s advertising budget for 2012 will exceed the 2011 budget of $133 million (Levere, 2012). BMW advertises heavily on television in the U.S. and U.K., as well as in print in popular magazines and on websites, and through direct marketing, sponsorships, and product placement. Last year, BMW launched a “Mission: Impossible” marketing campaign in North America to coincide with the newest release in the popular film franchise, Mission: Impossible – Ghost Protocol. Its television, print, and, online ads featured scenes or images from the movie, and BMW vehicles were used in the film itself as product placement. BMW was able to show off its Vision EfficientDynamics prototype vehicle in the film, where it was driven by Tom Cruise’s character Ethan Hunt, as well as the i8 concept car and the 6 Series Convertible (Wisely, 2011). This type of advertising greatly appeals to an American market infatuated with movies and entertainment, and its grounded message of quality and function is well translated through its intelligent marketing strategy.

While it may seem that BMW’s marketing strategy and communications are almost entirely globalized, that simply isn’t the case due to changing markets and new opportunities. While the company prides itself on being the leading premium automobile manufacturer in the world, it maintains that status by adapting its universal message of quality and class to specific foreign markets with consumers that have unique wants and needs. China has recently emerged as a major automobile market, and that is beginning to shift the entire foundation of the international automobile industry, due to the sheer size of the country and its enormous profit potential. While BMW’s overall sales increased 14.4% from 2010 to 2011, most of those gains came from the 37.7% increase in the Chinese market, which has encouraged BMW to place much more emphasis on the country than it has in years past and customize its marketing strategy in order to adapt to the unique culture and satisfy the Chinese consumers’ needs. Although China is currently the company’s third largest market behind the United States and Germany, they predict that it could soon surpass both, which puts an incredible amount of pressure on BMW to maintain a respectable and profitable market share.

BMW’s strategy in North America and most of Europe has been proven extremely successful for the company, and its “ultimate driving machine” message has reached consumers looking for a perfectly made automobile that denotes style, quality, and class. China is a very hierarchical society that places great emphasis on rank, inequality, and status, so BMW’s global brand image as a status symbol and quality automobile will translate well to the culture. The country also scored a 66 on the masculinity/femininity index on Geert Hofstede’s Cultural Dimensions (Hofstede, n.d.), which labels China as a more masculine culture with citizens that tend to highly value achievement and success. The Chinese will often sacrifice other parts of their life for work, so driving a BMW will give them a great sense of accomplishment and communicate their status to others around them.

Chinese consumers, however, are more interested in the pleasure of driving, and in purchasing a car that allows them to have fun and enjoy the road on the way to work or wherever else. Therefore, the marketing strategy in the U.S. and European markets emphasizing functionality as well as quality
manufacturing and design will not be as effective in China, because that isn’t exactly what Chinese
consumers are looking for. If BMW doesn’t localize its marketing strategy in China just as the
country is emerging as a major market in the industry and is on track to becoming the world’s largest
automobile market, it could fall behind and lose a substantial amount of business to other luxury car
makers such as Audi, which is already leading BMW in the Chinese market, and has for the past two
decades (Audi, 2012). In an effort to reach this type of emerging market through a globalized
strategy, BMW launched a worldwide “Joy of Driving” campaign 2010, all the while retaining its
“ultimate driving machine” message in the North American and United Kingdom markets.

A study conducted by Xia Wang (Renmin University of China) and Yung-Hsin Chen (National
Cheng Kung University) earlier this year reveals that customer satisfaction (in regard to automobile
purchases) is directly correlated to overall life satisfaction, optimism, self-esteem, and positive
feelings in general in China (Wang & Chen, 2012). Therefore, if BMW can appeal to the Chinese
market and impress consumers with its quality automobiles, there is a great possibility that it could
result in lifelong customers and enhance the everyday satisfaction of Chinese citizens. However, it
needs to communicate to the market a message that fits their wants and needs, which all point to a
pleasurable and enjoyable driving experience. If the company can deliver that through its marketing
strategy and products, then according to Wang and Chen’s study, it will enhance Chinese consumers’
overall perception of life and happiness.

BMW began making a much more proactive effort to localize its marketing strategy in the Chinese
market a couple of years ago, and it has since been paying off very well. The company launched a
“Pleasures of BMW” campaign that communicates the benefits most valued by Chinese consumers. It
partnered with the Chinese Olympics Committee, which Dr. Christoph Stark, President and CEO of
the BMW Group in China, claims will help promote the brand by directly relating it to Chinese
nationalism, despite its origins as a German brand. He says, “China's Olympic sports not only
brought reputation and self-pride for the country, but also are the symbol of hundreds million of
Chinese people's dream, passion, vitality and creativity, which conforms perfectly to the spirit of
‘Pleasures of BMW’” (Na, 2011). The Chinese Olympic partnership has factored greatly into BMW’s
promotions and popularity in the country, but its common television and print advertisements feature
fun images and project the notion of ‘joy’. BMW has begun positioning itself in China not as the
“ultimate driving machine”, but as an automobile guaranteed to result in joyous experiences for its
owners. BMW’s automobiles are fun and modern, they represent something much more enjoyable
and emotional than simply getting from point A to point B. The features and specifications of the cars
are not as important as the brand and the overall driving experience, and BMW hopes that strategy
will continue proving successful in the Chinese market.

Audi, BMW’s largest competitor in the luxury car market worldwide, is very similar in many ways to
BMW in regard to its international marketing strategy. The company caters well to the needs of
Chinese and Asian customers, and it also focuses on adapting its business to Asian cultures in order
to develop good relationships with suppliers, says Ulf Berkenhagen, a purchasing associate for Audi
(Audi, 2012). Although BMW is currently the leader in the worldwide luxury automobile market,
Audi currently holds the greatest market share in the Chinese market, and has for the past two
decades. The company’s business in China increased over 37% in 2011, making it the largest market
in the world for Audi. That, along with the fact that the Chinese market is expected to grow by
another 20% in 2012 (Reiter & Webb, 2012), gives Audi an even greater reason than BMW to
revamp its marketing strategies in an effort to meet the needs and interests of Chinese consumers
(The U.S. and Germany are still BMW’s largest markets). The company is currently planning to build
a new assembly plant in Urumqi, China in the near future, and the project will be part of Audi’s “10.6 billion-euro investment plan for the country through 2015” (Reiter & Webb, 2012).

Audi just recently revealed its RS Q3 concept car at the Beijing auto show, a crossover automobile that is expected to attract a great deal of attention in China and expand the company’s already-impressive reach within the country. Like BMW, Audi understands the difference between the desires of Chinese consumers and those from different regions of the world, and it makes a great effort to create a “glocalized” marketing campaign because of that understanding. The brand values that it hopes to promote worldwide are “sophisticated, urban, and technology-driven” (Audi, 2012), and a brand image comprised of those distinct values has been effectively imbued in the market and the minds of consumers in recent years. Audi’s main differentiating factor is its emphasis on modernity and technology, and it tends to target a slightly younger demographic than BMW. It creates sporty, elegant cars that are sophisticated enough to qualify as “luxury”, but also fun enough to qualify as young and innovative. This positioning strategy appeals to young entrepreneurs and professionals, often more so than BMW’s general focus on sheer class and sedan-style automobiles.

In order to increase its brand recognition and gain a greater market share in the luxury automobile market, Audi essentially created a blitz-style worldwide marketing campaign a few years back. The effort was very successful in North America, where the German company spent more marketing dollars than any of its competitors by advertising in a variety of different mediums, most notably television. It aired spots during the Super Bowl, President Obama’s inauguration, the 2009 Academy Awards, and other high profile or prime time moments. It also created a very successful viral marketing campaign online, which connected well with a very Internet-savvy global market and increased recognition. As stated by Audi’s Chief Marketing Officer Scott Keogh, “a brand needs to have buzz” (Halliday, 2009), and that’s exactly what this aggressive campaign achieved. It communicated a strong message of luxury, sophistication, fun, and practicality to a complex American market, and that built momentum for its performance worldwide, where it was able to become the second-leading luxury car manufacturer.

BMW and Audi have implemented similar marketing strategies in order to ensure success in the global marketplace, and both companies have set great examples of how to effectively implement a glocalized marketing effort. They each have very strong and specific brand messages and values that they have made a conscious effort to promote globally, but they are also aware of emerging markets and of the unique cultural desires and needs (namely in China) prevalent in those markets, and are able to adapt their marketing communications and positioning strategies to meet those needs. The “glocalization” method that has become so popular in modern internationally market is very appropriate for the luxury automobile industry, and BMW and Audi have utilized it extremely well and used it to create enormous profits.

**Global Product Manufacturing**

For luxury-oriented car brands such as Audi and BMW, manufacturing processes and the technology behind them must be advanced and up-to-date in order for the companies to effectively compete in a difficult global environment. Higher-quality materials and greater levels of efficiency are constantly being developed, and manufacturers need to keep up with the current trends in order to offer their customers the most modern, advanced, and quality products possible. The quality of the manufacturing processes and the functions that they can provide ultimately determine the level of quality of the end product that the companies’ customers demand. Audi and BMW use similar
strategies in regard to overall manufacturing, but both companies employ some very unique and exclusive manufacturing methods as well.

BMW’s feature plant, Dingolfing, is just outside of Munich, Germany, and serves as one of BMW’s largest production centers, as well as the company headquarters. The massive plant generally produces up to 340,000 vehicles per year. One of its primary features is that it assembles all of its products on one assembly line. It specializes in creating complete aluminum bodies and can create a model of BMW’s product line, making it a very key component in BMW’s worldwide manufacturing network (BMW, 2012). The Dingolfing plant has earned a reputation for its extremely high quality products, and BMW keeps Dingolfing updated with the most current global technologies and is renowned for maintaining flexibility within the manufacturing process.

Aside from Dingolfing, other BMW plants within Germany exist in the cities of Berlin, Eisenach, Landshut, Leipzig, Munich, Regensburg, and Wackersdorf. The Berlin plant focuses on BMW’s motorcycles and the components associated with motorcycle production, and it produces up to 100,000 motorcycles per year. The Eisenach plant produces the body parts for the Dingolfing plant, as well as machines for BMW’s other plants. The Munich plant is dedicated to the highly popular 3-Series model, and it also assembles engines for the Dingolfing plant. The Landshut plant creates a lot of the engine components and interior components, and it is also where BMW develops its prototype vehicles. The Leipzig plant was established in 2005 and is one of BMW’s newer plants, and it is dedicated to building the newly developed 1-Series model. The Regensburg plant is dedicated to the high-performance and smaller models, specifically the M3, Z4, 4-wheel drive variants, and certain models of the 1-Series. The Regensburg plant also produces certain chassis components for other production centers. The Wackersdorf plant creates most of the interior components, such as instrument gauges, of BMW’s automobiles, and is responsible for producing their carbon fiber materials (BMW, 2012).

Outside of Germany, but still located in Europe, the Oxford plant was established as BMW was looking to reintroduce the MINI brand to the European market. The Oxford plant still produces only MINI vehicles to this day. In Austria, BMW has the Steyr plant, which is the company’s key engine production plant that can produce up to 1.2 million engines annually. In South Africa, BMW has the Rosslyn plant, which served as BMW’s first foreign manufacturing location. The Rosslyn plant primarily produces the very high-selling 3-Series sedan. South Carolina in the United States holds BMW’s Spartanburg plant, which was established in 1994. This plant produces the X3, X5, and X6 SUVs of BMW’s product line, and is able to produce up to 270,000 vehicles per year. In China, BMW operates the Shenyang plant, which produces the company’s 3-Series and 5-Series product lines. BMW hopes to use Shenyang as a way to successfully penetrate the ever-growing Chinese market. BMW also has assembly plants in Thailand, Malaysia, Russia, Egypt, Indonesia, and India, which serve only to assemble cars that the main manufacturing centers send them (BMW, 2012).

Audi’s oldest plant and company headquarters, Ingolstadt, produces approximately 650,000 vehicles each year, and is located in Germany. Many of Audi’s developmental processes occur in Ingolstadt, including the development of the company’s new e-Tron design line. Ingolstadt is also a model for sustainability and environmental protection, as Audi is constantly updating its processes and setting new requirements that will hopefully lower the systemic use of energy. Ingolstadt produces Audi’s A3, A4, A4, and Q5 vehicle lines (Audi, 2012).
Another German plant, Neckarsulm, is a key production center for Audi, and it serves as its high-performance-oriented vehicle production center. Neckarsulm produces the A4, A6, A7, A8, RS6, and the R8 vehicles, and innovation and high-performance are the main focuses at the plant. In Hungary, Volkswagen and Audi utilize the Győr plant. Győr is one of the main producers of Audi’s engines, and it produces the smaller Audi car line, which includes the Audi TT, the Audi TT roadster, and the A3 and RS3 automobiles. The Győr plant also focuses on using the rail system of Hungary to transport its vehicles (Audi, 2012).

In China, Audi’s production center is Changchun, which produces the A4L, A6L, and Q5 vehicles. It currently produces 210,000 vehicles per year for the local market. In Belgium, the company’s Brussels plant is fairly new and only produces the A1 line (Audi, 2012). Audi has also created a production center in Aurangabad, India, which produces the A4, A6, and Q5 for the local Indian market. With the development of the Audi Q3, Audi has established a new plant, Martorell in Spain, in 2011, where the Q3 will be produced along with other VW vehicles (Audi, 2012). Audi also established the Bratislava plant in Slovensko in order to produce the newly developed Q7. Ingolstadt and Neckarsulm are the only two Audi-specific production centers, however, as the rest of the plants were created under a partnership with VW, Audi’s parent company (Audi, 2012).

To gain a better understanding of the steps each company takes to remain competitive in the manufacturing aspect of their businesses, we researched the pressing process and compared the company’s methods for pressing parts for their vehicles. Pressing is a crucial function of the manufacturing process because it represents the very beginning of the process for every vehicle. It is in this process that the chassis or skeleton of the car is constructed from solid, raw metals. The press process involves first taking solid pieces of metal and creating blanks of pre-formed metal, and then involves taking blanks of metal and pressing them into desired structural components. Audi and BMW both consistently monitor the performance of their pressing processes and are always looking to improve their efficiency and precision.

According to a July 2010 article in Automotive Manufacturing Solutions, Audi and BMW both use pressing and other manufacturing machines made by the company Schuler (Webzell, 2010). Schuler, an experienced developer of automotive manufacturing machines, works with BMW and Audi to create custom production line machines that fit their production plants and align with their corporate goals. The improved machine processes allow stronger metal materials to be used in the creation of the product, thus improving the overall quality of both companies’ vehicles. BMW also works with Schuler to create more energy-efficient machines that adhere to its custom specifications and produce more vehicles on a yearly basis for the company (Webzell, 2010). BMW has mastered the adaptability of its manufacturing process in order to accommodate the complex and varying shapes demanded by its product designs.

In addition to working with Schuler, BMW has worked with Gesellschaft für Optische Messtechnik (GOM); a company that produces advanced metalworking equipment by utilizing optical technology. The optical technology captures a 3D image of the part being processed during manufacturing, and it allows the machines to create accurate parts in accordance with the desired 3D model. BMW also applies heat to the metal part, which allows the GOM optical equipment to capture the structural quality of each part through heat signatures. The GOM technology allows the machines in the BMW plants to create complex structures efficiently, and it provides flexibility in the variety of parts that the machines can produce, as well as enhanced structural quality, accuracy, and reproducibility. According to a July 2011 Auto Manufacturing Solutions article, the GOM equipment is integrated
into many of BMW’s processing plants, and it provides increased speed in BMW’s manufacturing process and high quality in all of the parts the company produces (Smith, 2011).

The GOM technology gives BMW control over the small deviations in quality within its manufacturing process. It also provides a higher degree of flexibility in the manufacturing process because the technology allows BMW to adapt to the various product models necessary to produce in order for the company to meet demand. During the process, build codes are located on the car and specify what the customer specifically wants, or what features will be built into the car. BMW’s focus on cuts in manufacturing costs and great attention to detail throughout the entire process highly benefits the company overall (Smith, 2011). Guided by its goal to produce cars that fit the popular “Ultimate Driving Machine” slogan, BMW is focusing on every aspect of its manufacturing process in order to create its customers’ ideal vehicles, regardless of model.

Audi is a subsidiary of Volkswagen, so most of Audi’s manufacturing processes occur at VW plants. VW is the world’s second-largest car manufacturing company, which gives Audi a lot of opportunity to add value to its product by utilizing VW’s existing manufacturing process systems. It also gives Audi the opportunity to expand into other markets and countries where BMW might not currently have the capability to do so in regard to plants and manufacturing systems. The VW plants in China offer the same technological advancements that BMW has employed. By working with Schuler, Audi has gained access to technology that has increased its capacity in the press process, which allows the company to convert raw metal materials into blank parts ready to be produced. According to the July 2010 article of Auto Manufacturing Solutions, in addition to the Schuler press technology, VW employs a Die-Out process in its plants, which improves the overall output and quality of its pressing process (Webzell, 2010). The Audi-specific plants run on what Audi calls a “digital factory”, under the Audi Production System (APS). The process is completely planned out on a computer program before the process begins, and it is closely monitored when the process is underway. It is considered one of the more flexible and efficient production lines in the world, as Audi strives for an innovative edge on all of its processes and is dedicated to uncompromising perfection (Webzell, 2010).

**Technology & Innovation**

Audi and BMW are both very focused on constant innovation and maintaining the high quality and standards of their respective brands, and that is critical to their success in the global marketplace. With the rapid pace of technological development in international business today, it is very important for companies to remain up-to-date with new developments and stay ahead of the curve in their respective industries. Audi and BMW have placed a great emphasis on this, but it is absolutely necessary because of their luxury-oriented and premium-priced products. For example, both companies have embraced a form of electric motor-assisted vehicle that features improved gas mileage. BMW has begun to pioneer this area of the market with their new “i” series models, and Audi has introduced their e-Tron technology line. With a trending customer focus on the capabilities and the fuel efficiency of vehicles, both companies have stretched the boundaries of available technology in order to create better products and stay competitive in the global market.

BMW and Audi have each developed exclusive technologies that have become key features of their respective products, and each company has seen an increase in brand loyalty and customer satisfaction as a result. Audi’s brand offers some key technological aspects that are included in all of its products. The advancements that directly improve the Audi brand are the Quattro four-wheel drive system and the advanced “TSFI” direct-injection engines. Since 1987, the Quattro four-wheel drive
system has been an integral aspect of Audi vehicles. 30 years later, the Quattro system is still a part of the Audi brand, and Audi has been able to develop it into one of the most advanced all-wheel drive systems in the automobile industry. The Quattro system features two different performance variants; the torque vectoring drivetrain and the sports differential drivetrain; which are advanced improvements over the basic Quattro system. The torque-vectoring Quattro system is found in the company’s higher-performance luxury vehicles, and it allows each individual wheel to receive the correct proportion of power in all driving conditions. It also features quick reactions to any loss of grip in an individual wheel and compensates through the other available wheels. The sports differential Quattro system is designed for Audi’s high-performance sedan line and features normal four-wheel drive characteristics, except, when cornering the system, will distribute power throughout the drivetrain and create an ideal distribution of power in order to improve handling (Audi, 2012).

Another impactful new form of technology that Audi has developed is the TSFI engine, as well as the engine management system that runs it. Audi has earned an International Engine of the Year award for its creation of the TSFI engine, due to the engine’s emphasis on performance and efficiency (Audi, 2012). The TSFI engines inject fuel directly into the combustion chambers of the engines, which gives the engines the ability to control the air-to-fuel mixture. The TSFI technology allows Audi’s engines to perform better because of the higher compression, as well as better fuel efficiency, due to the control that the engine management has over the amount of fuel being consumed at any given time (Audi, 2012).

In addition to a similar direct injection technology used in its engines, BMW features a highly controlled VALVETRONIC valve timing system. The VALVETRONIC system allows for instantaneous engine response to environmental and driving conditions, and is also designed to reduce fuel consumption levels and reduce emissions emitted through advanced valve timing. BMW also features the use of lightweight, high-tensile materials in its vehicles in order to improve performance and efficiency. Because of its highly advanced production plants, BMW is able to handle these materials cheaply and integrate them into its production processes easily. BMW is also beginning to integrate a ConnectedDrive feature in its vehicles, which allows customers to constantly track everything going on in their vehicles (BMW, 2012).

Due to a growing interest in the market for more fuel-efficient vehicles, both Audi and BMW are looking forward and developing new technology for the future. Audi is exploring the electric vehicle market with its e-Tron line. Although this market is focused on conservationism and efficiency, Audi has decided to tackle the environmental problem in a different way. Audi’s proposed e-Tron concept is a performance-oriented, plug-in electric vehicle. It features four electric motors, one at each wheel, producing 313 hp and 3319 ft/lbs. of torque. Audi claims the e-Tron concept is able to reach 62 mph in 4.8 seconds and has an effective range of 154 miles (Audi, 2012).

BMW’s efforts toward creating an energy efficient gasoline electric hybrid are less conceptual. BMW is exploring the hybrid market with its “i” series product line, and will soon be introducing 2 models in this line: the i3 and the i8. Both cars are hybrid vehicles featuring gasoline engines with electric assist motors. The “i” series models feature plug-in hybrids and an advanced energy transfer system that increases the range and fuel efficiency of the vehicles. The i3 is going to be offered as an electric plug-in vehicle, as well as a plug-in gasoline/electric hybrid. It is aimed at city driving and urban transportation and utilizes the petrol engine to extend the range of the vehicle in case of an emergency situation. The i8 is a designed much differently that the i3. Its sleek, sporty design is optimized for fuel efficiency with high-performance in mind. It is a plug-in hybrid vehicle, but its
gasoline engine isn’t designed for long distances. The i8 uses a 3-cylinder turbocharged engine that produces upward of 300 horsepower. It is designed for the electric motor to operate up to a certain speed, and then to switch to the gasoline drivetrain (BMW, 2012).

**Social Responsibility on a Global Scale**

In order for a company to be successful and gain a competitive advantage in global business, it must go above and beyond the normal economic and social regulations to prove that it understands and cares about the cultures it is attempting to do business with. Both BMW and Audi are multinational companies that take their social responsibilities very seriously, and they ensure that their investors and other stakeholders always have access to information about their economic and cultural sustainability plans. On BMW’s stakeholder website, it states, “Business success is made by people, for people. In order to develop it requires a functioning society and a pleasant environment to live in. That is why we take on responsibility. Out of conviction and in our own interests – now and in the future” (BMW, 2012). If a business has a better reputation due to a strong sense of corporate responsibility, this will attract loyal customers, as well as loyal and hardworking employees. Social responsibility not only pertains to the community, but also to how a company treats its employees. Due to their sizes, resources, employees, and amount of business, it is essential for MNCs to constantly act in the interests of the environment, their employees, and to society as a whole, and both BMW and Audi seem to epitomize that.

One of BMW’s current goals is to reach the point of zero emissions in its vehicles. It has already developed an electric car, the BMW ActiveE, and offers two different hybrid models: the BMW ActiveHybrid X6 and the BMW ActiveHybrid. In the last 15 years, BMW has decreased its vehicles’ CO2 emissions by 30%. It is currently working on more electric car models and testing out its new hydrogen cars, which it believes are the future for the automobile industry (BMW, 2012). BMW has short-term, medium-term, and long-term goals for reducing CO2 emissions in its vehicles, which allows it to constantly achieve periodic successes. BMW often says, “We assume responsibility,” and this is apparent through the ways it makes information about the environmental impact of its vehicles available and known to consumers. Environmental data (including CO2 emissions info) is always included in vehicle brochures and advertised on vehicles in every dealership showroom. In addition, BMW publishes the BMW Group Sustainable Value Report every year, which outlines the various environmental impacts of every BMW model. BMW seems to have always been ahead of its time, and in 1999 it became the first carmaker in the world to adopt all international environmental management standards in its manufacturing locations (BMW Education Programme, 2011).

Not only does BMW focus on reducing CO2 emissions in its vehicles, but it focuses on reducing emissions in its manufacturing plants all over the world as well. At the BMW plant in Rosslyn, South Africa, BMW uses more than 70 solar collectors on its roof to supply most of the hot water it needs in its paint shop. Over in the Munich, Germany plant, BMW uses only solar energy to generate electricity by using photovoltaic modules. At the Research and Innovation Center in Munich, Germany, they have found ways to recover the heat and brake energy from the engine test benches to save over 4,500 megawatt hours of energy per year, which BMW states is equal to about 3,500 tons of CO2. All over the globe, BMW has changed the settings on its employees’ computers to save about 27,000 megawatt hours a year, which is the equivalent of about 13,500 tons of CO2. In addition, BMW’s Spartanburg, South Carolina and Leipzig, Germany plants are both analyzing the possibility of using wind energy to generate their electricity (BMW, 2012).
In order to support the global community, BWM has developed a workplace diversity-based philosophy that it likes to call “building bridges”. The philosophy has proven effective thus far, evident in the incredible amount of diversity within the company. In its Munich, Germany locations alone, the company employs over 80 different nationalities, which is why mutual understanding and intercultural understanding is so important to the company, and is critical in order for it to remain a successful and competitive corporation globally (BMW, 2012). Eleven years ago, BWM, along with 400 other companies globally, joined the United National Global Compact, which is a “voluntary initiative for businesses that are committed to aligning their operations and strategies with ten principles covering the areas of human rights, labour, the environment and anti-corruption” (BMW Education Programme, 2011).

BMW holds very high standards for its corporate social responsibility actions and strategies, and it is constantly finding new ways to give back to the communities in operates in, both locally and globally. The company works closely with the Jerusalem Foundation in Israel, which provides education about democracy and helps to improve the lives students in Jewish and Arabic schools. BMW has also created a program called Junior Campus, which is available for children between the ages of 7 to 13 in various locations in Germany. At these campuses, BMW gives children opportunities to learn and interact with information regarding sustainability, mobility, and the environment, and also helps to develop technological and interactive skills (BMW, 2012).

One of BMW’s most successful foreign community projects is S.E.E.D. (Schools Environmental Education Development Project), which is located in South Africa. Since the founding of S.E.E.D. in 1996, over 60 schools have become involved in the project, which helps children learn about hygiene, growing vegetables, the environment, and how to give back to their communities. All schools participating receive financial aid from S.E.E.D. in order to help the children and their families (S.E.E.D. Programme, 2007). BMW is also very involved in the fight against HIV/Aids, especially in the South Africa regions. It hosts various functions and auctions in various South African communities that donate all proceeds to the building of health and medical facilities, as well as learning facilities, where residents can learn about HIV/Aids prevention. BMW employees around the world who are infected with HIV/Aids or other infectious diseases are provided with a medical center and staff that provide them with medical examinations, psychological counseling, and advice on nutrition and lifestyle. BMW states on its company website, “We focus on finding long-term solutions to global challenges which can be transferred to other parts of the world and which help people help themselves, thereby achieving a substantial and lasting effect” (BMW, 2010).

Audi defines sustainable mobility as the “systematic protection of the environment as an integral part of Audi Corporate Social Responsibility” (Audi, 2012). Regarding CO2 emissions from its vehicles, Audi currently offers five models that have CO2 emissions below 140 g/km. Audi achieves this by using petrol-engine and diesel models along with the vehicles’ lightweight and aerodynamic designs. Audi’s plants have begun using natural gas, which has reduced their heating oil quantity by approximately 40,000 tons. Audi also saves about 13,000 tons of CO2 every year by consistently using district heat in their plants. Like BMW, Audi also uses alternative solar energy options like the photovoltaic modules and publishes Audi Environmental Reports every year (Audi, 2012).

In an effort to give back to the community and natural environment, Audi has launched an Oak Forest CO2 Reservoir Research Project. Teaming with the Bavarian State Forestry and the Chair of Forest Yield Science at the Technical University of Munich, Audi has planted 36,000 oak trees in order to help the ecosystem replenish its CO2 and enhance the lives of the native species in the area. The
company has also started planting over 13,000 oak trees at various Audi plant locations around the world in order to improve the environment (Audi, 2012).

Conclusions

Audi and BMW are two storied, successful brands that epitomize the definition of multinational corporations. They both came from humble roots, building their names and selling their original products in their common home market of Germany, but they eventually expanded globally and became two of the most recognized names in the international automobile industry, as well as the top two companies in market share competing in the luxury automobile segment of the market. Audi is currently trailing BMW in the global luxury automobile market, but it has been rapidly growing as a company and brand over the last decade or so, and is currently attempting to catch up to BMW in terms of market share. Audi is the leader in the Chinese market, which, based on our research, seems to be an invaluable asset for the company moving forward, and might just be the spark Audi needs to eventually become the leading luxury car manufacturer in the world. BMW, while continuously innovating and releasing revolutionary new automobiles, is also falling behind in the hybrid and electric car market. It has some amazing concept cars and prototypes (as evidenced in the latest Mission: Impossible film) and claims it is in the preliminary stages of growth in that market, but it will need to begin releasing more electric and hybrid cars very soon in order to keep up with Audi.

In terms of marketing, both Audi and BMW are doing a great job appealing to the global market as a whole, but also to specific countries and cultures and narrowing its efforts in order to meet unique demands and desires. Both companies seem to utilize a “glocalized” marketing effort, as opposed to strictly globalized or localized strategies. A glocalized marketing strategy allows multinational corporations to concentrate on projecting a standard, yet powerful brand image worldwide, but also enables them to communicate more defined and varied messages about a product’s features, benefits, prices, and quality to certain foreign markets. This is evident in both companies’ new heavy marketing emphasis on China, where they have both experienced over 37% gains in revenue over the past year. The values and benefits of both brands’ products are communicated differently in China than in the rest of the world, but it is necessary in order to appeal to that unique culture. While this strategy of glocalization has been quite effective for Audi and BMW, Rowan Wilken and John Sinclair recommend utilizing a marketing method called “strategic regionalism” in order to achieve the most success in global business and to maximize profits. With an approach of strategic regionalism, MNCs can think globally, act locally, and manage regionally, which will create a closer bond with consumers in foreign markets and ideally result in more loyal customers. However, Audi and BMW don’t yet employ this strategy, as it is thought to be quite difficult for competitors in the automobile industry to utilize on a global basis. This could possibly represent a missed profit opportunity for the companies, but it is difficult to know for sure without employing the strategy.

Audi and BMW have both been innovating heavily in recent years, and it has fueled a technological frenzy in the global auto market. We can surmise from the research and analysis in this report that the development of manufacturing processes and technological innovation is what keeps the industry moving forward, and that new features, technology, and types of automobiles create unprecedented demand in the marketplace year after year. This invites competition from more companies with great ideas and resources, and the global marketplace ultimately benefits from revolutionary products manufactured by creative, competitive companies. Constant innovation is necessary in most industries, but it is especially important in the automobile industry, as Audi and BMW have demonstrated time and time again. Based on their dedication to pursuing new opportunities in the
market and developing revolutionary new ideas, there should be no question as to how BMW and Audi became the number 1 and 2 companies in the global luxury car market, respectively.

Globally, both BMW and Audi maintain their reputations as socially responsible companies by attempting to improve the environment, reducing their CO2 emissions, and finding more efficient ways to operate. By introducing electric and other alternative energy vehicles, both companies are looking after the interests of the shareholders and the community. BMW, however, seems to be in the lead in regard to creating important social programs in foreign markets and managing a diverse workforce. As a multinational corporation, Audi could potentially catch up to BMW in terms of market share if it begins communicating a more caring humanistic image to its stakeholders. To do this, the company needs to consider getting involved in more social projects, or at least make shareholders are aware of their existing social projects. It should definitely consider joining the United National Global Compact to obtain a larger cultural and social commitment. Anne T. Lawrence and James Weber (2011) talk about an “iron law of responsibility” in their book, which is the belief that with power comes responsibility, especially at a corporate level. The larger and more international the corporation, the greater level of social responsibility it should practice. Therefore, Audi should realize that social responsibility is not only environmental, but social as well, placing great emphasis on employees, the community, and global society as a whole.

**Recommendations**

Based on the conclusions derived from the research and analysis presented in this report regarding Audi and BMW’s global business presence and strategies, the following recommendations have been formulated to assist companies looking to compete and succeed in the global marketplace. These recommendations, if followed, should result in greater standards of business in a global society.

- Focus on creating a strong brand image and developing a quality product in a home or domestic market before attempting to expand internationally. This will generate strong support, loyal customers, and great momentum that will pave the way for eventual global success.
- Pay close attention to emerging markets and shifting demand and all times. Seizing opportunity and capitalizing on changing business environments can ensure success in foreign markets.
- Implement a strategic regionalism marketing strategy if possible, as it allows MNCs to think globally, act locally, and manage regionally. This is even more effective at reaching specific cultures and market segments than the glocalization strategy that Audi and BMW both use.
- Emphasize innovation, develop and keep up with technology, and never stagnate. Follow companies like Audi and BMW, as opposed to certain U.S. car brands that have faltered in recent decades and allowed foreign companies to grow and increase their respective market shares.
- Place manufacturing plants strategically around the world in order to create an effective logistical system that can serve customers in various foreign markets quickly and efficiently.
- Practice corporate social responsibility on a global scale by improving the environment, creating awareness and activity-based programs in foreign countries, operating sustainably worldwide, and giving back to global society in whatever ways possible.
References

Published


Other


