

# Analysis of Daimler Chrysler Strategy

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研究ノート

# Analysis of Daimler Chrysler Strategy

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## Abstract

Background: Daimler Chrysler is an international auto manufacturing company. Daimler Chrysler was formed in 1998 when Daimler Benz merged with the Chrysler Corporation. This merger launched the company into an international powerhouse. Currently, Daimler Chrysler has products in over 200 countries on six continents. . At the plants are existing Germany, the United States, France, South Africa, Brazil, India, Vietnam, Indonesia, China other eight countries. The auto manufacturing industry is a mature industry that is characterized by low growth. Recently, joint ventures and mergers have become prominent in the industry. Daimler Chrysler recently began expanding into China to satisfy new demand. Aims: In order to gain shareholder profits maximization, the research implies purchasing Chevy.

Methods: The disclosed business issues were applied to business theories, then analyzing their improvement.

Results: Sales will be targeting middle class to upper middle class demographic. The goal will be to provide a vehicle at a cheaper price with the ability to save on fuel consumption at the same time.

Assumption: After implement the improvement, the firm would be affording the costs from current sales, budgets, and selling inventories.

Conclusion: By purchasing Chevy now it will be taking advantage of company that has suffered dramatically from the current recession and can possibly take advantage of their greatest asset at a great price.

## I. Background

Daimler Chrysler is an international auto manufacturing company. Daimler Chrysler was formed in 1998 when Daimler Benz merged with the Chrysler Corporation. This merger launched the company into an international powerhouse. Currently, Daimler Chrysler has products in over 200 countries on six continents. . At the plants are existing Germany, the United States, France, South Africa, Brazil, India, Vietnam, Indonesia, China other eight countries. The auto manufacturing industry is a mature industry that is characterized by low growth. Recently, joint ventures and mergers have become prominent in the industry. Daimler Chrysler recently began expanding into China to satisfy new demand. Daimler Chrysler has fantastic vision and has developed a great business strategy to increase its overall share in the auto manufacturing industry. Daimler Chrysler uses successful marketing, promotional, advertising, and sponsorship techniques to increase brand recognition which helps to increase market share. While successful, Daimler Chrysler has severe liquidity problems, resulting in short term financial uncertainty and limiting future horizontal growth. A significant problem with Daimler Chrysler is that it focuses most of its attention on its new ventures, such as emerging in China, rather than managing its current holdings. While China provides immediate potential for growth it is further harming its liquidity problem; therefore, Daimler Chrysler needs to address its current situation with its current holdings.

Daimler AG (Daimler) is the parent company of the Daimler Group. The company engaged in the development, manufacturing, distribution and sales of a wide range of automotive products, mainly passenger cars, trucks, vans and buses. The company has principal operations in the U.S. and Germany and sells its vehicles worldwide. Daimler's business is organized into four business segments: Mercedes-Benz Cars, Daimler Trucks, Daimler Financial Services and Vans, Buses, Other. The company's Mercedes-Benz Cars segments involved in activities related to the development, design, manufacture, assembly and sale of passenger cars and off-road vehicles. The company's origins go back to the very beginning of the automobile. Widely accepted as the inventor of the car, Karl Benz founded the firm Benz & Cie. in October 1883 and produced his first car, the Benz 3-wheeler, at Mannheim in Germany in 1885. Later he merged his business with that of another early inventor, Gottlieb Daimler, establishing the Daimler-Motoren-Gesellschaft (DMG) in November 1890. In 1893 the vehicle was changed to a 4-wheeled design, the Benz Viktoria. Initially the two men used their own names, Daimler and Benz, but the turn of the century brought a new name:

Mercedes. One of Daimler's business partners, Emil Jellinek, an Austrian businessman and an avid car racer, suggested the name. Jellinek was fascinated by DMG's cars and bought a number of them, giving the company crucial capital and exposure to new markets. He set two conditions for buying the cars: he had to become sole agent in Austro-Hungary, France and the US, and the car had to be named after his daughter, Mercedes. Wilhelm Maybach, the chief engineer at DMG, developed the first Mercedes delivered to Jellinek on 22 December 1900. At present, the name Maybach is still used as the brand of the company's most prestigious model. The Chrysler brand came into being in 1925, when an entrepreneurial engineer, Walter Chrysler, transformed the failing Maxwell Motor Company of Detroit into the Chrysler Corporation. Within three years he had introduced two new lines of cars, Plymouth and DeSoto, and purchased the Dodge Brothers Motor Company. By 1929, Chrysler Corporation had become the second-largest producer of automobiles in the world. It developed as an independent company and the third of the 'big three' Detroit-based companies along with General Motors and Ford.<sup>1</sup>

## II. Issues

European new car sales are facing a 15 year low in 2009 due to world wide recession.<sup>2</sup> Daimler AG is encountering a fourth-quarter net loss, slowing sales at its core Mercedes-Benz unit, a big loss on its investment in Chrysler LLC., Daimler, which also makes economical Smart and ultra luxury Maybach cars are designated that it assumes vehicle sales to fall significantly this year from 2008 and that revenue will be lower than last year in all divisions.<sup>3</sup> After analyzing data from July 1, 2007 to June 30, 2008, Polk has found that the average passenger car in use in 2008 was 9.4 years old, a figure that surpasses the previous record of 9.2 years from the last two years. Light trucks don't survive quite as long, though the 7.5 year average is still higher than the 7.1 figure from '07. A total of 5.6 percent of all vehicles were scrapped in 2008.<sup>4</sup> Because of the economic downfall and previous increase in oil cost it has caused consumers to hold off on replacing their current vehicle. The effects of this problem will eventually cause an increase in demand for new vehicles. The U.S. and many other countries are rapidly trying to decrease the need for automobiles but are nowhere near that stage. The fact remains because there is no other mode of transportation available to replace the automobile in the near future the demand for producing them will have to be created. The secondary problem Daimler Benz will be facing to take advantage of this future demand is they need to find a way to produce and market a line of vehicles to

meet this demand. By purchasing Chevy from GM this will give them the means to mass produce the number of vehicle needed to meet the demand and give them the distribution centers (dealers) needed to sell and maintained their fleet of vehicles.<sup>5</sup>

-Primary problem

There is virtually no risk that the wearing automobiles will not have to be replaced. The risk is that you can create an automobile that meets the standards and needs of this future demand. One of the reason consumers feel comfort with Chevy is they know that if they have an issue there is a local Chevy dealer near by. By purchasing Chevy you give your self access to all their local dealers for distribution. Another issue is to insure that you can produce the amount of inventory needed for the demand without compromising quality. By purchasing a company like Chevy who has proven in the past to consumers that they can produce a quality product and who also has the manufacturing facility already in working order insures the fact that we are limiting this risk. By combining the local loyalty that Chevy brings with the world wide quality that Daimler Ag is known for makes for a perfect marriage to compete with world leaders such as Toyota and Lexus. This allows Daimler to keep their Mercedes Benz line with their limited quantity and superb quality and still compete for the high demand future markets. By having two separate lines of vehicles it allows Mercedes to separate them from a low to midrange higher volume produced car allowing it to keep its mystique or rarity that gives it value.

### III. Strategic Analysis

#### A. Environment

Technology trends, which are a perpetration of information technology usage, are telecommunications technology and networks. Trends accelerate thereby reducing time of all sources of data, including voice, written communications, and video information such as “Car-to-go” system, which is providing car pool by telephone’s booking, and the unlocking with driver license recognitions.<sup>5</sup> Other factors of environment are cultural and social values and trends. A major European consumer trend is known as “Eco-conscious”, which is driven by consumers who are conscious for the green living from the global warming. For instance, recycle is a one of the movement of the environmental awareness. In addition, fifth percent of world populations are living in cities. <sup>5</sup> Ultimately environments are political and legal issues, which have been that for many years; Germany is identified as possessing robust labor unions. The components of constitutions are as follow:

## Germany Constitution of Labor Unions

The labor union activities are guaranteed in third paragraph of Article 9 of the Germany Constitution. Deutscher Gewerkschaftsbund is charging the each labor union. The regulation is designated that enjoy basic labor rights such as the right to strike. The labors can claim the fees, which occurred during the strike. The salaries are decided between the firms and labor unions. Manufacturing working hours 39.1 (\$51.22 US Dollar) hours per week, 15.88 Euro (\$20.80 US Dollar) per hours, 2,696 Euro (\$3,532 US Dollar) per month (Exchange rate 0.76 in October 18th, 2012)<sup>6</sup>. Regarding Overseas Training Association, the number of workers in manufacturing is 6,799,000 (Men 6,084,508 Women 1,194,717) out of total workers 27,224,000<sup>7</sup>. The number shows the manufacturing is covering with one quarter of the total industries, which implies the manufacture is major industry in the Germany.

Moreover, the number of manufacturing employees, who is belonging the labor unions are men 1,892,814, women 413,469 out of 6,441,045.<sup>7</sup> The number is drawing likelihood one third of labor unions are established by manufacturing industries.

## Germany Constitution of Discharging

The discharging procedure are should be addressing to Protection Against Dismissal Act. The applications are practicing the organization which has more than eleven full time employees and less than five employees. Indeed, the condition is particularly enforcing more than six fulltime employees and less than ten employees. The firm has to prove the evidences to PADA for the firing. Only three aspects can be the reason to hire as follow:

1) Lack of employee's capabilities, 2) Fraudulent activities, 3) Emergent bankruptcy<sup>7</sup>

The analyses reveal that Germany has a propensity to hire the employees in long terms of periods. Consequently, firing is seldom in the previous conditions, even though the under the current recessions. However, recent attempts at working conditions are fifty percent of firms do not have the more than fifty years old workers<sup>7</sup>. For retaining the mature workers, Germany government has been executive "Fifty plus Initiative" since 2005 for extending elderly workers.

## Germany Constitution of Labor Hours

Working average hours are 37.5 hours per week, which is regulated. Firm manages working hours based on working hours account. Under the full-time employee's training, which is usually for 12months to 24months (Job-AQTIV Law), the firm is firing the temporally workers to cover the shortage, then the mandatory to pay same amount of salary with unemployment insurances. The system's name is known as "Job rotations". The workers

can start their jobs whenever, they want, however, they have to work fixed working hours. <sup>8</sup>

## B. Industry

### Porters Five Forces<sup>9</sup>

Rivalry among Competitors is high because automobile industries are worldwide markets. There are a number of competitors such as BMW, AUDI, Volkswagen, Porsche, Toyota, GM, Hyundai, Chrysler, and more are competing day by day. The threat of substitutes is low because Europeans can substitute automobiles to other transportations such as Euro train, bicycles. The barrier of entry is high because R&D requires sufficient finance resources for product differentiation. For instance, The world's automobile manufactures have a great deal of expenditures for their advertisements. Accordingly, they had access to the capital necessary to do it. Buyer power is high because modern lifestyles have a propensity to live in convenience. Even though the consumers have a mindset of price sensitivity under the recession, they can save gas money by buying these eco-conscious cars. Consumers are a large portion of the industry's total output. Indeed, the European industry is environmentally-conscious oriented, which means people have propensity to buy diesel fuel cars. Supplier power is low due to many suppliers in the markets.

### SWOT<sup>9</sup>

- Potential internal Strengths are high.

-SUV Bumper

-80% still on the road

-Resale Value

-Roadside Assistance

-Doubling efforts

-Fuel Cell Research

-True global reach

-Dominant truck maker in the world

-High-value products

-Large margins on Mercedes vehicles

-Reputation for quality

-Commitment to new technology

-High stake in new technology and high value of technology property rights

-Highly qualified German workforce

-Less outsourcing at Mercedes

- World-class styling capability at Chrysler
- Worldwide Brand Name: Daimler-Benz was created since 1926 by two German automobile pioneers, its headquarters was established in Germany.
- High Safety Concern: Mercedes-Benz attempts to diversify away from competitors, company decides to focus on safety which is the second of Maslow's needs that customers always concern after satisfaction of physical needs.
- Effective Channel of Distribution: Benz has a lot of customers within Thailand and also in other countries; they are mostly concerned on services that Benz provides. In order to give sufficient services, Benz sets up many dealers throughout Thailand which means Benz has strong control over its channel of distribution.
- Innovation: Car is the product that needs technology to support all the time, so Mercedes-Benz always be the first one who initiates new minor design such as a round front light.

Detroit Diesel Corporation (DDC), is a diesel engine producer headquartered in Detroit, Michigan, USA. There are today two individual divisions that share this name: the off-highway division which is owned by Tognum, which EQT IV formed along with MTU Friedrichshafen, and the on-highway division which is owned by Daimler AG.<sup>10</sup> Daimler Benz makes contracts with the United States, to diesel fuel to Germany at goodwill prices under WTO conditions. Penetration of Diesel fuel is a key to selling environmental friendly products. Thus, advertising should be a mix between a sophisticated car images and integrate the world concept with the diesel by the internet. The core plant is located in Berlin Germany. The Berlin plant, located in the southern part of the German capital, is Daimler's oldest plant. The plant produces engines for the Maybach and Mercedes-Benz brands. Product development, design and production of components and parts are also carried out at the Berlin location. About 150 young people complete their technical training at the plant each year.

- Potential internal weakness is high.

-JIT

-Waiting List

-Building time

-Continuing losses at Chrysler

-Current less positive image of Chrysler regarding quality

-High-cost base in Germany



-Lack of workforce flexibility  
-Low volume sales for top range brands- e.g. Maybach  
-Less outsourcing at Mercedes  
-Narrow Market Segment: Mercedes-Benz customers are the one who able to pay for this range of price that offset with high quality and safety car, it emphasizes on the niche market. Company needs innovation to differentiate its products from competitors, so Benz invests heavily on advanced technology of machinery which considers as the fixed cost of the company and also mainly focus on variable cost such as the cost of hiring skilled technician. Labor unions have a major portion of power for the internal management in efficiency. In deed, firms have to obligate with labor unions to create employees policies.

- Potential External Opportunities is high.

-Professional sport sponsorship  
-Joint venture  
-Maybach design concept  
-New markets in China and Asia  
-Exploitation of new technologies, such as fuel cells  
-Further opportunities for consolidation  
-Opportunities to import more Chrysler vehicles into Europe  
-Reduction of cost base at Chrysler through new agreement with UAW Union The percentage of all regions sales were in 2007 were Germany with 27% of unit sales, the other markets of Western Europe (34%), the United States (19%) and Japan (4%)<sup>5</sup> The number is anticipating prospective consumers are in European regions.

- Potential external threats are high.

(Society) Shortage of mature labors forces because of the early retirements. Current low-stock value of the group, compared with 'old' value of Mercedes.

(Economy) Facing on the crisis of financial global recessions and entering foreign investors. Poor ageing workforce and loss of productivity effect to loss of market share to rivals, i.e. BMW and Lexus.

(Politics) Administrative policy cooperates with labor unions.

(Technology) Low-end technologies are driven technology of utilizing product by the cost price. The aspect is suggesting necessity of purchase the high-technology to improve their core-competencies with the low price competition. Entrance to new market under technical

reasons, which means they are good technology only for automobile industries.

(Ecology) Penetration of purchasing power to eco-cars requires unique innovating.

It would be in the company's best interest to keep their appeal of the JIT inventory system. This option is very unique and insures higher quality by insuring there is no mass production and higher profit margins. It is strength, especially in these economic times, to have a JIT inventory system in place to insure the lack of overspending and to insure the quality that is the Daimler-Benz name. One of the possible missed opportunities is the onset of the recession when the economy recovers, the demand for automobiles will increase due to the increase in automobile life during the recession which will cause an increase in demand due to the growing amount of obsolete vehicles in the near future. Another increase could come from stricter emissions and environmental friendly restrictions. Due to the financial struggles of the other auto makers the supply will have difficulty keeping up with the increase in demand. Because of D-B financial advantage over other auto makers it gives them the opportunity to take advantage of these upcoming opportunities. One of the ways this can be done is to look in to one of their past ventures with Chrysler and try a new avenue with acquisitions and mergers with a different auto industry. Unlike the venture with Chrysler in 1998 which was the start of the recession they would now be targeting the end of the recession or the start of better times. Companies such as GM which are in financial hardship are trimming their entire access inventory by cutting some of their less famous and less profitable vehicles. DB can take advantage of their misfortunes by picking up one or some of these missed opportunities and turn it into another avenue for revenue. This will allow them to introduce a more economically friendly line of vehicles which could include but is not limited to the smart car which gets 60 mpg and sells between 12-20 thousand dollars. They can also introduce mid-sized cars with diesel engines with fuel ranges up to 40 mpg. By creating this new line they separate themselves from their elite Mercedes line. They should learn from their history about controlling their inventory to ensure the highest quality and still remain at a comfortable level. Even by having the company separate they should still have the quality that goes with the DB name.

Marketing Mix Variables (4 P's)<sup>11</sup>

Product: Low cost, high efficient, high valued automobile

Price: low to mid-range \$12-20,000

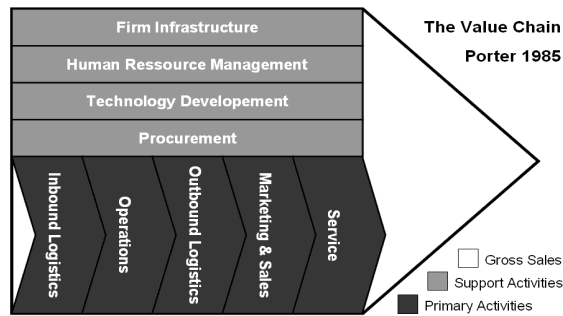
Place: Internet, current infrastructure from other lacking automobile industries.

Promotion (advertising, WOM, public relation, POS): Internet, strategically placed dealerships,

national advertising. Daimler should purchase Chevy from GM to shape its future. By taking advantage of the struggling company General Motors Daimler can better prepare itself for the future. Another option would be to develop their own line to introduce to Americans and other middle class with the same concept that was stated earlier. One way to take advantage of the current infrastructure is to strategically place vehicles in dealerships that are already in place to generate sales in those broader locations, which in turn will raise the revenue.

Value Chain (Figure1)<sup>12</sup>

Figure1. Value Chain



Value-Chain David. B Ed., Understanding Business Process, Routledge, 2001.

**Inbound Logistics:** Daimler Benz practice wholesale to rent-car industries, and export to neighboring countries for gaining their financial profits. In EU, congestion pricing has been tried with encouraging results. Instead of charging a flat toll for road use, congestion pricing, which employees pre-purchased magnet cards, charges higher pre-mile rates for using crowded roads during peak hours. Since the strategy affects price, it is demand side policy, but its advantage is that it targets not just one segment of the driving population but all drivers a particular road. Other demand-side strategies, which are staggered work hours and employer transportation rebates, tend mainly to affect commuters. Congestion pricing may also relieve the often interminable line at toll booths during rush hours<sup>13</sup>. These socio-cultural metro Politian movements are implying their necessity of starting Daimler Benz car-pool businesses.

**Operations:** Push their outsourcing to neighboring countries.

**Outbound logistics:** Finished product to customers in streamlining.

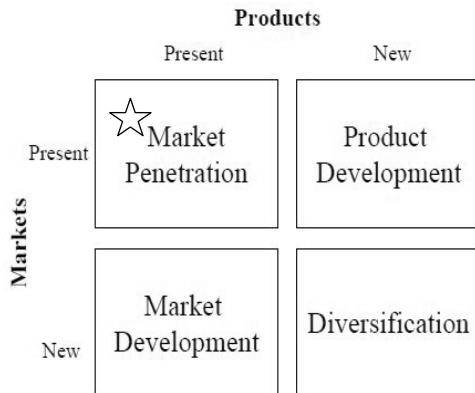
**Marketing and Sales:** World wide advertisement by internet. Participation international commercial vehicle shows.

**Technology Development:** Includes technology development to support the value chain activities, such as research and development, process automation, design, redesign.

**Service:** Provide 10-year warranties with repairing services<sup>9</sup>

Product Market Matrix (Figure2)<sup>14</sup>

Figure 2



Gernot H. Gessinger, Chapter 8-The Product/Market Matrix, Materials and Innovative

Product Development Using Common Sense,181-207,2009.

Penetration of Diesel engine is fifty percent of commercial vehicle in Germany. Basically, the Diesel engine is supported by the overwhelming majority of the international community due to excel drivability, be economically efficient. However, Daimler Benz` competitive advantages are focusing on the potential benefits of Diesel engine, then developing them for 70-80 percents of contaminant reduction as a leadership 120 years developing diesel by Diesel particular filters and common-rail injections, which can set up injection velocity and quantities.

Figure 3 Performance of V6 engine

Models	E 280 CDI	C 320 CDI, CLK 320 CDI, E 320 CDI, CLS 320 CDI, R 320 CDI, ML 320 CDI	S 320 CDI
CC	2987	2987	2987
kW/PS	140/190	165/224	173/235

Mercedes Benz, <http://www.mercedes-benz.co.jp,2012>.

Performance of V6 engine (Figure3)<sup>15</sup>

Ultimately, they succeeds that Energy and Environmental Design are in performances.

Figure4.E320 CDI Diesel car world average of velocity records

50,000 miles	225.456 km/h (140.092 mph)
100,000 miles	224.823 km/h (139.629 mph)

.Mercedes Benz, <http://www.mercedes-benz.co.jp,2012>.

E320 CDI Diesel car world average of velocity records (Figure4)<sup>15</sup>

Achieving world records in 2005, Mercedes diesel car had run from state of Texas to Florida, which are distance for 1,672 km (1,045 miles) without adding the fuel. This multifaceted aspect of the benefits of Diesel engine has accelerated its popularity.

Figure 5. Regulation od Diesel fumes in EU

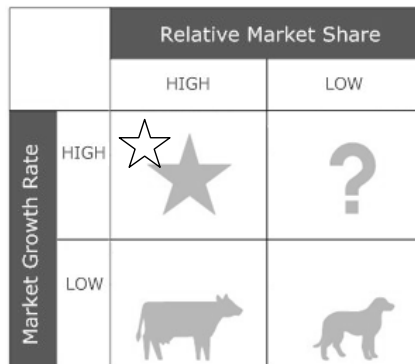
	CO	NOx	HC+NOx	PM
2005 Euro3	.64	.50	.56	.05
2005 Euro4	.50	.25	.30	.025

.Mercedes Benz, <http://www.mercedes-benz.co.jp,2012>.

Regulation of Diesel fumes in EU (Figure5)<sup>15</sup>

Reduction of Diesel fumes 84% Since Euro 1 established in 1992. The European emission standards law espouses the acceptable limits for exhaust emissions of new vehicles sold in EU member. Currently, emissions of nitrogen oxide (NO<sub>x</sub>), hydrocarbons (HC), carbon monoxide (CO) and particulate matter (PM) are regulated for most vehicle types, including cars, lorries, trains, tractors and similar machinery, barges (Wikipedia, 2009). European experienced countless hardships, which are damaged traditional buildings from acid rain in later of 20th centuries. As a matter of facts public opinions of crisis atmospheres for global warming are one of the major components of increasing Diesel cars. Regarding US Environmental protect agencies, the reason why reasoning gas price in world “the wide is during the summer of 2004, worldwide crude oil prices have been at their highest level in more than 20 years. Excluding taxes, crude oil costs are the single largest component of gasoline costs and gasoline prices reflect those costs. Crude oil costs account for nearly half of the cost of a gallon of gasoline. “. In facts, mass of consumers cannot purchase as the economy goes through a depression, the consumer demand of gasses seems to be getting weaker.

Figure6. BCG Model



BCG Growth Share Matrix, NetMBA.com

<http://www.netmba.com/strategy/matrix/bcg,2007>.

BCG Model (Figure6)<sup>18</sup>

The anticipating Mercedes Benz business units have highly relative market share and market growth rate. It's pointed that “SAP (Systeme, Anwendungen, Produkte in der

Datenverarbeitung) technology manufacturing” which is a R&D innovation software units are running under labor intensive entireness in Germany.<sup>19</sup> The Mercedes Benz has strong relationship with them. Moreover regarding Hitt, Ireland, Hosission<sup>9</sup>, the international entrepreneurs are must be balance between individual initiative and the motivations of firms and group ownership of innovation. Successful entrepreneurial firms provide adequate autonomy, offer incentives for individual initiative.<sup>9</sup> The Mercedes Benz has goodwill relationship with SAP, which they must reach the Mercedes Benz to the number one poison of luxury car sales among the worlds. Ultimately, we imply the relative market growths are high because the technologies contributions from innovations in the automobile industries. Additionally, relative market shares are also high because of the Daimler Benz is positioned number one luxurious cars sale across the worlds. Consequently, the Daimler Benz is a star, which becomes the next cash cows. Sustaining the business unit's market leadership may require extra cash, but this is worthwhile if that's what it takes for the unit to remain a leader. When growth slows, stars become cash cows if they have been able to maintain their category leadership.

#### Dynamic planning<sup>19</sup>

- Shape the future such as a metropolitan consumer researches.
- Daimler's big bet is that the US is coming out of the recession and will start to rapidly replace their old and wearing automobiles. Taken into account that there is no reasonable replacement of the automobile in the near future the probability of having to replace these vehicles is very high. Another factor that could likely force consumers to replace vehicles faster is stricter regulations on emission because of global warming. We think you can also see future tax incentives to purchase new vehicles because of the increased government interest financially.

#### Level of uncertainty

- Alternative future because beneficial locations, which the plant locations are close to distributions.

#### Multidomestic strategy

The strategy and operating are decentralized to strategic business units in each European Union countries. Products and services are tailored to local markets such as producing and selling smart-cars in France. Outstanding Mercedes Benz strategy among European firms due to broad variety of cultures and markets in Europe.<sup>9</sup> As a matter of the facts are example of the Germany international corporate governances, which address owner and

manager are often the same in private firms, and frequently there is less emphasis on shareholder value in the United States. The detail of international corporate is as follow.

### **Germany's two-tiered board**

· Duty for appointing members to the Vorstand→Duty for appointing members to the Aufsichtsrat→Duty for the functions of direction and management, labor union

Above a relationship among stakeholders that used to determine and control the strategic decision are made by the union members and shareholders. This potential cooperative positive structure is the one of firm's core-competencies, which retains the skillful employees with their motivations. Regarding European business strategy, industry structures and marketing, the purchase of stock options are for employee's welfares, rather than shareholders' wealth at IBM. Interestingly, the divorce rates of internal IBM's are only two percents.<sup>19</sup> It implies comfortable working conditions create sustainable employees lives, thus we recommend to that the Mercedes Benz would apply IBM's stock option program as effective business strategy in nearly future.

### **C. Competitor**

Daimler Benz's dynamic competition is big because automobile industries are competitive. Responses to a competitor's action are taken when the action leaders to better use of the competitor's capabilities to gain or produce stronger competitive advantages or an improvement in the automobile position. Firm responds only three actions, which are type competitive action, reputation, and market dependences. The firm studies responses that competitors have taken previously when attacked to predict likely responses. Competitive dynamics as a competitive advantages are shield from imitation for a long periods of time and imitation is costly in slow cycle-market. Competitive advantages are not sustainable in fast-cycle market; firms seek large market shares in standard-cycle market.

### **Objectives and Constraints**

The objective is to create an environmentally and economically friendly car to fulfill the upcoming demand for automobiles. Constraints would be the infrastructure or manufacturing plants to meet the needed supply. Another constraint would be the distribution centers to meet the sales and service needs of the customers.

### **Analysis of Sales, Profits, and Market Share**

Sales will be targeting middle class to upper middle class demographic. The goal will be to provide a vehicle at a cheaper price with the ability to save on fuel consumption at the same time. Profit margins will be expectantly lower but made up with higher volume than



the traditional Mercedes Benz. The market share goal is to take advantage of the foreseeable market gap in the supply chain with an increase in demand in future sales.

### **Analysis of Target Market**

Our target market is going to be the increase of the middle class finding themselves in need of a new vehicle because of previous financial hardships making them make the most of previous vehicle life. This market also is moving more toward environmentally and economically friendly vehicles. This involves higher fuel economy, less pollution, and lower initial purchase price.

### **Implications for strategy development**

The implication for strategy development is to take advantage of other large manufacturing companies that are in financial hardship.

## **IV. Strategic planning for solving problems**

Propose alternative solutions. European cultural values of gas would change. Producing safety eco-cars are their core-competency because there is established brand loyalty. Resisting of employees would occur for studying new technologies. The firm would be affording the costs from current sales, budgets, and selling inventories. This would result in impact of employees unions, cash positions- running out of money, which is an automobile plant would join the metalworkers' union. This organizing principle provides unions with greater bargaining power when negotiating with employer associations, because one union represents the entire workforce of an industry. Third, a decentralized system of interest representation was created. Indeed German government helping for the retaining employees under the strong labor union contracts.

## **V. Selection of Strategic alternative and implementation**

Daimler Benz has brand loyalty with customers across the world. Indeed their confidence is building from numerous awards at international commercial vehicle shows. They have enough resources from outsourcing and financial resources from beneficial locations, which, means transportation cost saving. Developing their technology, which is creating diesel fuel cars and providing a warrantee to their customers are the best courses of action to survive the current finance recessions with improving supply chains. The advertisement has been proposed in efficiency by management newspaper such as public relations, government. For instances, news paper, public speech, Internet, and auto mobile shows.

## VI. Summary

The results lead that those pushing producing diesel cars for using internal resources. They are producing eco-conscious cars, which are four- and six-cylinder engines, direct-injection units, and consume up to 23 percent less fuel than before<sup>5</sup>. In fact, investing in R&D to innovate new cars, which utilize diesel fuels. Daimler Benz's business aspects are eco-conscious for regarding on a metropolitan living. Daimler tried to accomplish this task earlier with the merger with Chrysler. The area that caused failure with this merger was the fact that it was purchased just before the onset of the current recession. By purchasing Chevy now it will be taking advantage of company that has suffered dramatically from the current recession and can possibly take advantage of their greatest asset at a great price. Another advantage is it will be starting this adventure at a time of growth and high demand with one of the best recognized automobile brands in the United States.

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