

What positioning strategies should McLaren invest in to increase its market share based on the industry's market leader?

Business Management HL

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1 INTRODUCTION

McLaren, a British multinational automotive company, was established in 1963 by Bruce McLaren and became a holder in 1981 with the significant acquisition of the group by Ron Dennis¹. The enterprise is part of the luxury sports car market, producing various consumer goods considering the varieties of models within the automobile development. In 2023, McLaren represented a 2.5% market share², nevertheless it was far behind other automotive companies with a more modern appearance such as BMW, Audi, or Mercedes-Benz, all of them with a higher share and far above as well from Ferrari and Lamborghini with a more classic style³. The three German companies, firstly mentioned, contain a sum of 80% of the market share⁴. Even though McLaren has always invested in innovation and promotion, it is clear that the company is not a real competition from the giants of the segment⁵.

Having the problem clarified, the assessment has the objective of analysing **“What positioning strategies should McLaren invest to increase its market share based on the industry's market leader?”**, making a constant parallelism with Jaguar and Volvo, implementing changes in order to increase the market share of the enterprise globally.

¹ “History of the McLaren.” n.d. McLaren Philadelphia. Accessed May 3, 2024.
<https://www.mclarenphl.com/dealership/history.htm>.

² [SUPPORTING DOCUMENTS 2] “MGL Annual Report 2022.” 2023. McLaren Investors.
<https://investors.mclaren.com/~media/Files/M/McLaren-Services/results-centre/2023/mgl-annual-report-2022.pdf>.

³ “The Supercar Market Players: A Deep Dive into Trends and Growth Drivers.” 2023. LinkedIn.

⁴ “Audi to Merc, German carmakers drive luxury vehicle sales into high year.” 2023. Business Standard.
https://www.business-standard.com/industry/auto/audi-to-bmw-german-carmakers-drive-luxury-vehicle-sales-in-to-high-gear-123081500398_1.html.

⁵ [SUPPORTING DOCUMENTS 3] Norris, Lando. 2023. “FY 2022 & Q1 2023 Results presentation.” McLaren Investors.
<https://investors.mclaren.com/~media/Files/M/McLaren-Services/results-centre/2023/fy-2022-q1-2023-results-presentation.pdf>.

2 METHODOLOGY

With the previous knowledge of the size of the business within the market, this research analyses what alterations must be made in the future in the position area of the company in order to improve the performance in terms of market share, increasing the nominal value.

With the purpose of evaluating the possible changes inside the positioning of the company with the objectives towards the future, a positioning analysis was made, identifying the Porter generic strategy, in which a mapping was taken place in order to compare the company with its direct competitors and other market participants and understand possible alterations for the brand. Later on, a SWOT analysis was developed focusing on the STEEPLE aspect, with a constant comparison with Jaguar, which is the brand of its niche, and Volvo, which is the brand of the aimed niche, in order to understand the internal and external factors that could be influential in the development of the brand and its new niche, with the objective of developing the enterprise and gaining market share.

3 POSITIONING ANALYSIS

Having into consideration Porter Generic Strategies, it is possible to perceive that, even though the company is within the focus strategy⁶, always trying to offer the best product as

⁶ [SUPPORTING DOCUMENTS 1]The Strategy for McLaren to Change its Current Market Situation
<https://www.atlantis-press.com/proceedings/icssed-22/125973834>

possible, exists as well a space in which McLaren makes a move of differentiating in some aspects from their main competitors such as BMW, Audi and Mercedes-Benz in which the company focuses more in developing aspects such as comfort and elegance from their models instead of following the same path of sportiveness and performance⁷, as demonstrated in the mapping:

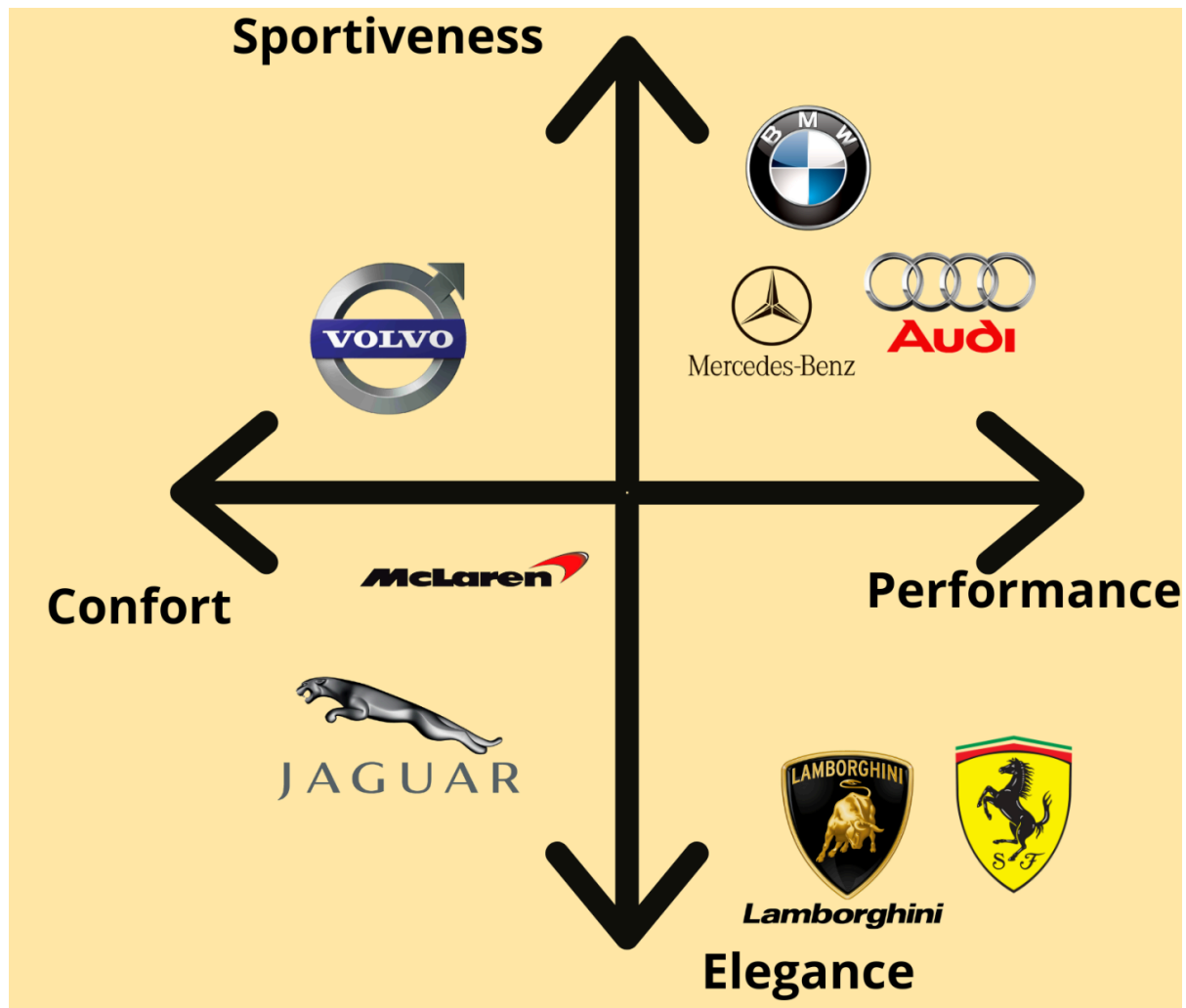


Figure 1: Mapping of the principal competitors of the luxury car industry
Source: “Audi to Merc, German carmakers drive luxury vehicle sales into high year.” (2023). Business Standard.

If compared to the market leader, McLaren could be considered as an opposite in the position of the company, focusing more in confort and elegance rather than sportiveness and

⁷ “History of the McLaren.” n.d. McLaren Philadelphia. Accessed May 3, 2024.
<https://www.mclarenphl.com/dealership/history.htm>.

performance as demonstrated by the German Brands. This strategy impregnated by the German brands have been seen successful, having a major market share gained in comparison to McLaren.

Nevertheless, when McLaren is compared with brands from the same niche of market in which they perform, it is possible to notice the superiority in market share. For example, Jaguar, that operates in the same niche, has 0.3⁸ percentage points of the market share while McLaren has 2.5%⁹. Having made this analysis between the situation that McLaren has on both cases, it is possible to notice that the nowadays positioning of the British company is not being favoured, and it needs a change¹⁰. If the business transitioned to the niche of performance and sportiveness, it would represent a disruptive change in the brand having drastic implications that can go from a required investment for the development of this alteration and/or the perspective of the customers out of the brand summed to the fact that the enterprise would have to fight for market share with other already consolidated and bigger brands.

Therefore, in order to perform this necessary change, the brand should move towards a more sportive characteristic, that would represent a smaller change in the identity, making the brand capable of competing for market share with other brands, having as an example Volvo, that even though has a higher market share, 3.5%¹¹, the difference is not so superior as it would be with the German brands, and it could start passively competing for space with the Dutch marks without having a direct confrontation.

⁸ "Jaguar: market data & analysis." n.d. Statista. Accessed June 17, 2024.
<https://www.statista.com/study/60880/jaguar-report/>.

⁹ [SUPPORTING DOCUMENTS 2] "MGL Annual Report 2022." 2023. McLaren Investors.
https://investors.mclaren.com/~/_media/Files/M/McLaren-Services/results-centre/2023/mgl-annual-report-2022.pdf.

¹⁰ [SUPPORTING DOCUMENTS 1] The Strategy for McLaren to Change its Current Market Situation
<https://www.atlantis-press.com/proceedings/icssed-22/125973834>

¹¹ "Volvo: market data & analysis." n.d. Statista. Accessed June 17, 2024.
<https://www.statista.com/study/60900/volvo-report/>.

4 SWOT ANALYSIS

4.1 STRENGTHS AND WEAKNESSES

4.1.1 STRENGTHS

McLaren has a reputation of being a high quality automotive company that uses high qualified workforce and the higher ranked material in order to create the best quality of cars possible¹², having the consequence of a high client base satisfaction and loyalty. This reputation offers the grant that the company will have an upside towards any new competitor that enters the market.

McLaren, as a traditional company that has a custom of participating in sportive competitions, such as Formula 1 or NASCAR, represent a big advantage when compared to Jaguar and Volvo due to the fact that the participation in this sports help to promote the brand and increase its sales, and the two brands due not make part of this activity, assisting McLaren to gain a specific extra niche of the market, enthusiasts of motorsports¹³.

The business is a company that uses as many electronic equipments as possible in order to further develop the models that are being produced, giving more power and liability as possible. An aspect in which neither Jaguar nor Volvo can afford to keep up with the pace of adaptation from McLaren, offering models with more antique technologies, giving more liability to McLaren as a whole¹⁴.

¹² [SUPPORTING DOCUMENTS 1] The Strategy for McLaren to Change its Current Market Situation <https://www.atlantis-press.com/proceedings/icssed-22/125973834>

¹³ “If modern cars are so great, why do we enjoy classic cars so much?” 2021. Grassroots Motorsport. <https://grassrootsmotorsports.com/news/if-modern-cars-are-so-great-why-do-we-enjoy-classic-cars-so-much/>.

¹⁴ McLaren. n.d. “McLaren ARTURA: SUPERCARRO TOTALMENTE NOVO.” <https://www.mclarenaopaulo.com.br/mclaren-artura-supercarro-totalmente-novo-hibrido-de-alto-desempenho-d-e-ultima-geracao/>.

4.1.2 WEAKNESSES

A very appreciated aspect from the customers is the historical context and competition that this brand granted for the last six decades to other companies such as Lamborghini and Ferrari being considered as belonging to a halfway between classic and modern brand being capable of jeopardizing the power of both sector, modern and classic, that dominates the market¹⁵.

Moreover, the company, since 2020 is having financial difficulties due to the pandemic and this has meant that the operations had to be limited, decreasing the scale potential of investment from McLaren in order to innovate and improve the quality of its products¹⁶.

When it comes to the competitors, in one hand, Volvo is a company that is already well known for the safety within the models offered by the company. In this factor, Volvo dominates in both public opinion and in statistical data, an aspect in which even though McLaren is not problematic, Volvo had overcome McLaren and the public opinion knows it, making that those who consider safety as main requirement, will almost certainly choose Volvo over McLaren ¹⁷.

On the other hand, Jaguar is a company that focuses on a more broad niche, targeting as many potential consumers as possible, having a very varied portfolio of products, giving more versatility to new consumers that enter the market. However, McLaren is a more niched

¹⁵ "If modern cars are so great, why do we enjoy classic cars so much?" 2021. Grassroots Motorsport. <https://grassrootsmotorsports.com/news/if-modern-cars-are-so-great-why-do-we-enjoy-classic-cars-so-much/>.

¹⁶ [SUPPORTING DOCUMENTS 2] "MGL Annual Report 2022." 2023. McLaren Investors. https://investors.mclaren.com/~/_media/Files/M/McLaren-Services/results-centre/2023/mgl-annual-report-2022.pdf.

¹⁷ "How reliable is Volvo? An honest assessment of the Swedish brand." n.d. OSV Ltd. Accessed June 17, 2024. <https://www.osv.ltd.uk/how-reliable-is-volvo/>.

and focused, making the portfolio of the company to have less differentiation between itself, giving more attractiveness to a higher number of new consumers entering the market.

4.3 OPPORTUNITIES AND THREATS

4.4 STEEPLE

SOCIAL	<p>Every day, a growing tendency of highly educated adults will have a strong influence on the industry, reducing the salaries for having an over formation of high ranked adults. The salaries will suffer a reduction and the cost of production would as well decrease, meaning that the profit could increase¹⁸.</p>
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¹⁸ “Enrollment rates in higher education.” n.d. Deloitte. Accessed May 3, 2024.
<https://www2.deloitte.com/uk/en/insights/industry/public-sector/articles-on-higher-education/enrollment-rates-in-higher-education.html>.

TECHNOLOGICAL	<p>The world is passing through various technological advancements including the electric automotive segment that is having great improvements and the motors and aerodynamics from the fuel based cars are still getting better and better imposing the necessity of innovation from the company in order to stay competitive¹⁹.</p>
ENVIRONMENTAL	<p>The environment is passing through tough times and day by day is getting more attention and awareness to this issue and some resources, non-renewable ones, are getting more and more strange to find.</p>

¹⁹ “Global Economy on Track but Not Yet Out of the Woods.” n.d. International Monetary Fund. Accessed May 3, 2024.
<https://www.imf.org/en/Blogs/Articles/2023/07/25/global-economy-on-track-but-not-yet-out-of-the-woods>.

POLITICAL

Day by day, numerous politicians and leaders are imposing more and more sanctions against the fuel based cars, which can have an effect on the costs of production of the business and later on reduce the profit of itself.

Due to Brexit, increasing regulations in international commerce, the national British internal market was strengthened due to the lower competition. Nevertheless, the exportations from McLaren were weakened due to the higher taxations and regulations²⁰.

²⁰ “How will Brexit affect my business?” n.d. Growling WLG. Accessed May 3, 2024.
<https://gowlingwlg.com/en/topics/how-will-brex-it-affect-your-business/>.

LEGAL	<p>The production of vehicles is directly correlated to the development, creation, and elimination of laws that regulate this segment. A minuscules detail that may be changed in any law can be either a threat or an opportunity to every brand in this segment to innovate in the product development and attempt to overthrow the competition or just gain space in the market ²¹.</p>
ETHICAL	<p>The production of determinate resources used in the production of McLaren's cars are non-renewable, which directly impacts the CSR of the company regarding the environmental sustainability.</p> <p>Due to the complicated global situation of post pandemic economies, stakeholders all around the world are requiring more results financially from the enterprises²².</p>

²¹ "How will Brexit affect my business?" n.d. Growling WLG. Accessed May 3, 2024. <https://growingwlg.com/en/topics/how-will-brexit-affect-your-business/>.

²² "Global Economy on Track but Not Yet Out of the Woods." n.d. International Monetary Fund. Accessed May 3, 2024. <https://www.imf.org/en/Blogs/Articles/2023/07/25/global-economy-on-track-but-not-yet-out-of-the-woods>.

ECONOMICAL	<p>The world is in a phase of recovery from the Covid-19 Pandemic and consumerism is increasing, the markets are growing, and the industries are returning to invest big amounts of money, for innovation, more profit, and in order to keep being competitive (“Global Economy on Track but Not Yet Out of the Woods”, n.d.), but, due to several geopolitical conflicts, some businesses from some specific nations are not able to internationally commerce any more, what could cause an increase on the costs of production for some industries including the automotive²³.</p>

Mercedes-Benz and Audi, two of the most powerful competitor are focusing their attention on the new electric car market that has been electrified with the global tendency of having a better preserve of the environment summed to the global issue that day by day is being more and more discussed making this new market a very profitable potentially in the future for those bands, but, in the luxury car segment, those companies are taking off their attention what could grant the company the opportunity to grow due to the possible decrease

²³ “Global Economy on Track but Not Yet Out of the Woods.” n.d. International Monetary Fund. Accessed May 3, 2024.
<https://www.imf.org/en/Blogs/Articles/2023/07/25/global-economy-on-track-but-not-yet-out-of-the-woods>.

in quality that these other two companies will may have, increasing McLaren's market share²⁴.

Nevertheless, several companies are already expanding the area of identity towards sportiveness identity, increasing the investment in development and increasing as well the investment on promotion of the brands with an increment in the brand loyalty with the objective of boosting the sales and profits of the companies²⁵. These investments, that are majorly from BMW and Ferrari, will mean a more diluted market share, creating the effect of a probable gain of popularity from these brands.

Furthermore, both Jaguar and Volvo have not demonstrated interest in development and growth within this segment, due to the lack of investments from both companies in this niche market's, with both companies having stated that they are compromised with the transition to the electric cars segment, giving an opportunity of growth for McLaren if well taken advantage of ²⁶.

²⁴ [SUPPORTING DOCUMENTS 1] The Strategy for McLaren to Change its Current Market Situation <https://www.atlantis-press.com/proceedings/icssed-22/125973834>

²⁵ "BMW, Mercedes launch biggest EV push yet to catch Tesla with new models." 2023. CNBC. <https://www.cnn.com/2023/09/04/bmw-mercedes-launch-biggest-electric-vehicle-push-yet-to-catch-tesla.html>.

²⁶ "All-Electric Battle: 2022 Jaguar I-Pace Vs. Volvo XC40 Recharge." n.d. Bayway Volvo Cars. Accessed June 17, 2024. <https://www.baywayvolvocars.com/volvo-xc40-recharge-vs-jaguar-i-pace-comparison.htm>.

4.5 RECOMMENDATION

The aspects that were shown before demonstrate the necessity of making alterations in the positioning of the company, having a strategy that demonstrates a poor performance not only in McLaren but in the competitors within the same niche as well²⁷.

The market leader and the other major competitors within the segment have a similarity in the positioning that is presented by the companies, and it is a strong presence in both sportiveness and performance. The entrance of the company in the area of focus of performance could be considerate very risky, first due to the necessity of a high investment in order to attain the estimated objective in the area, and second due to the high amount of big competitors that are already very present in the area. Having as an example the three German companies, and the two most traditional ones as well, being Ferrari and Lamborghini. Therefore, in order for the enterprise to make an actual change without taking such high risks, it would be necessary for the company to only focus on the sportiveness, an aspect that is more superficial and required less investment, summed to the fact that in the conjunction of comfort and sportiveness, there is not of a big competition, despite Volvo.

This choice would have the effect of the company attaining new potential costumers, fighting for the ones that may be already day by day Volvo consumers and start to gain some support from those who usually consume from the German brands, that dominate the area. Therefore, it is essential for the company to do this transition, giving the tools of growth for the enterprise's future.

²⁷ [SUPPORTING DOCUMENTS 3] Norris, Lando. 2023. "FY 2022 & Q1 2023 Results presentation." McLaren Investors. <https://investors.mclaren.com/~media/Files/M/McLaren-Services/results-centre/2023/fy-2022-q1-2023-results-presentation.pdf>.

5 CONCLUSION

McLaren is a traditional British company that as demonstrated has a great potential of growth with clear opportunities that should be taken advantage of. Therefore, the recommendations decisions that were made had as an objective redefining the position of the enterprise in the market in areas or that should be beneficial for the business. Nevertheless, the company should keep informed about the movement and decisions made by the market leader and the others major competitors in order for the company not to fall under simplicity and loose space.

In conclusion, in answer to the question: “What positioning strategies should McLaren invest in to increase its market share based on the industry's market leader?, the company should invest in the transition to a more sportive identity, switching from the already known elegance characteristic towards this new position within the market.

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