

BAYERISCHE MOTOREN WERKE AG

(BMW)

Case Analysis



AHH...BMW

MARKETING IS DELIVERING MOMENTS

This is what people are *really* buying

1986-WHO IS BUYING BMW? WHAT ARE THEY BUYING WHEN THEY BUY A “BEEMER”?





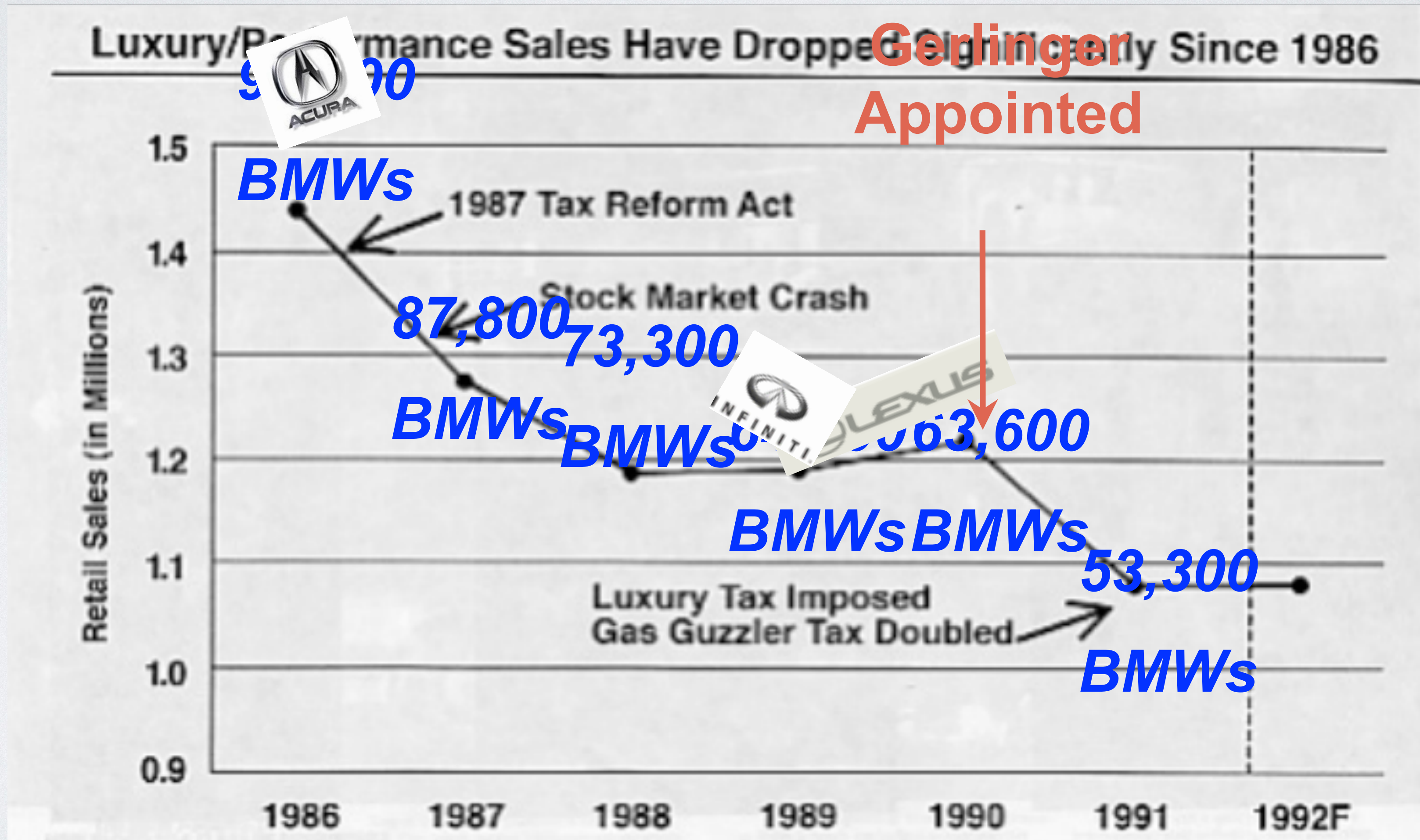
YUPPIES!



YUPPIES!



THINGS CHANGE...

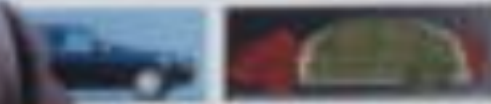


The new BMW 5-series with 8-cylinders:
Responsive performance and practicality.

All new, yet true to
the BMW tradition



New BMW V-8 driving machine



HOW MUCH OF THIS IS BMW'S FAULT?

PHASE I: DECLINE

- How much of the decline was BMW's fault?
 - Luxury/Performance Market contraction
 - 1986 Lux/Perf Market Share: $96\text{k}/1.44\text{m} = 6.7\%$
 - 1991 Lux/Perf Market Share: $53.3\text{k}/1.08\text{m} = 4.9\%$
 - If BMW would have maintained 1986 share:
 - BMW 1991 Sales would be
 - $1.08\text{m} \times 6.7\% = 72,360$ cars
- Thus 23,640 of the 42,700 unit loss (55%) came from the overall market decline

CHANGING CONSUMER VALUES

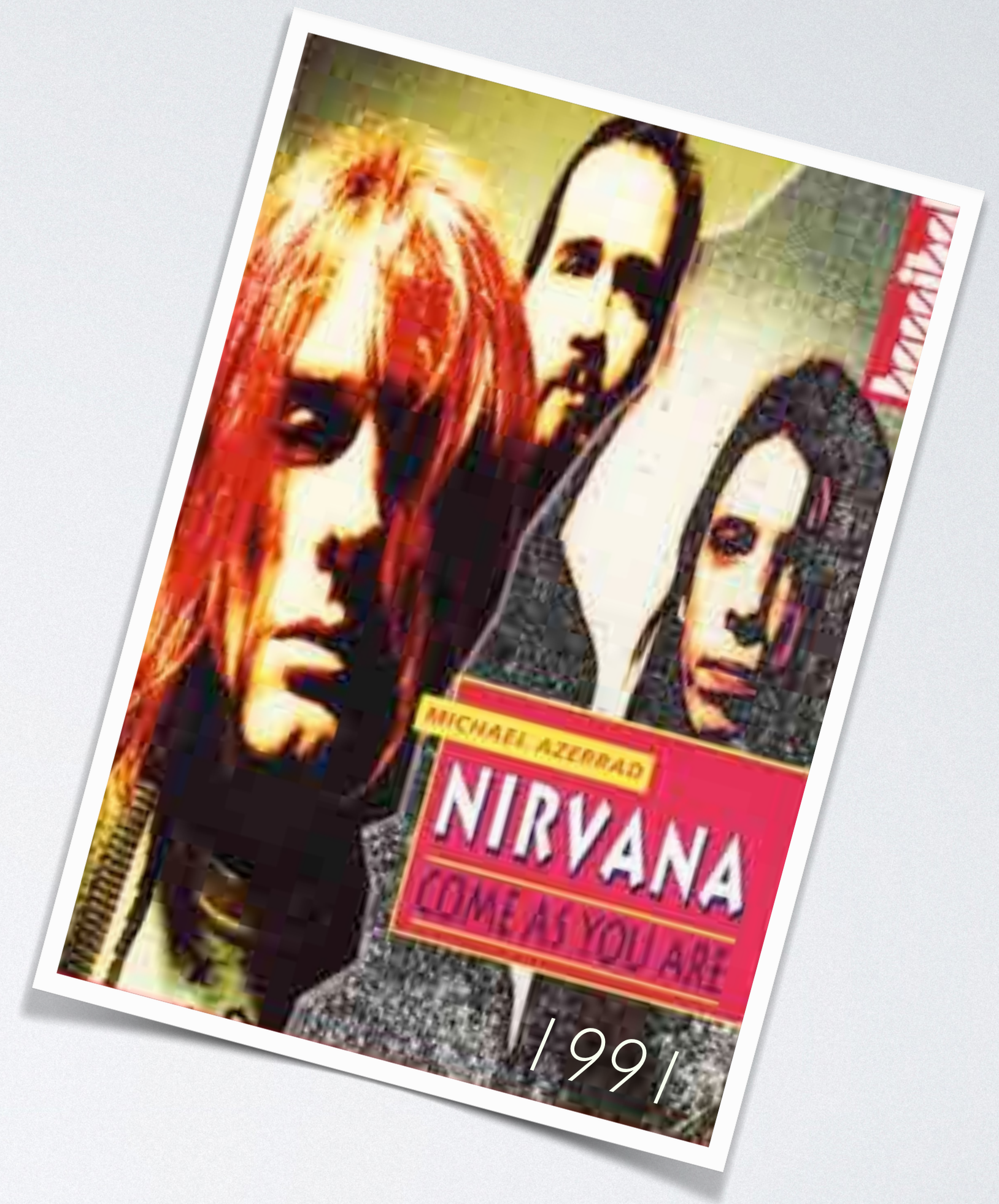
“There was a change in social values and consumer buying behavior. The “conspicuous consumption” of the early 1980s gave way to more value-oriented purchasing.” (p. 3)

CHANGES IN THE CULTURAL ZEITGEIST

Definition of Zeitgeist

- The spirit of the time: the general intellectual and moral state or the trend of culture and taste characteristic of an era <the *zeitgeist* of these centuries ... operated against the development of a pure science -- J.K.Robertson> <speed is a part of our *zeitgeist*; it is basic ... to our ability to produce -- V.E.Leichty>

ZEITGEIST





Karl Gerlinger, CEO of BMW North America, 1991

- “The pendulum swung quickly. There is no market in the world in which consumer behavior changes as quickly as in the United States. The prestige we sought with our ads with polo ponies and elegant parties helped put us in disfavor and tagged us as having “outrageous prices.” So, that was the situation: What’s In?—Lexus, What’s out?—BMW.

BMW CHOICES

Promotion: Advertising

- In spite of economic downturns, BMW continued to focus on prestige and conspicuous consumption in its market positioning.



THE NEW BMW 5-SERIES. THE MOST INNOVATIVE PERFORMANCE SEDAN SINCE WE INTRODUCED THE FIRST ONE.

Nearly three decades ago, BMW created the very first automobile that combined true sports car performance with four-door practicality.

Serious drivers no longer had to choose between

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the car they wanted and the car they actually needed. And other car makers had a whole new set of standards to emulate.

Now, to the delight of the former and the continued frustration of the latter, BMW introduces a 5-Series that, in the words of AutoWeek Magazine, "effectively recalibrates the performance sedan benchmark."

The new 535i you see here abundantly fulfills the promise of its athletic shape. Its 208-hp 6-cylinder sprints from 0 to 60 in just over 7 seconds, while its sleek, stable body and patented fully-independent suspension let you dance through corners with ease.

It is roomier inside and provides "almost perfect noise insulation" plus "ride comfort that sets a new standard in this class" (Automobile Magazine).

And its host of inventive safety features include superior anti-lock brakes and unitized steel construction designed to absorb 35% more impact energy than U.S. crashworthiness standards require.

The new 5-Series is impressive on paper. But as you test drive at your authorized BMW dealer will prove, it is exhilaratingly so on pavement.

THE ULTIMATE DRIVING MACHINE.



RetroJunk.com



N STREET.

**THE BMW 7-SERIES. IT BRINGS
NEW BLOOD TO A CLASS OF AUTOMOBILE
THAT CAN CERTAINLY BENEFIT FROM IT.**

Last summer, three luxury-car makers unintentionally confirmed the BMW 7-Series as the "new

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king of the big cars" (AutoWeek Magazine). They jointly invited 330 luxury-car owners to compare 16 different models side by side. And after extensive driving, most chose BMW as the marque they'd prefer to own.

Indeed, compared to its costliest competitor, a BMW 7-Series was judged to have superior styling, quality, and comfort. A quieter, smoother ride. More responsiveness and maneuverability. And a decidedly more youthful spirit.

If you share such a spirit yourself, we invite you to contact your authorized BMW dealership. Where the 7-Series awaits a revealing test drive at your convenience.

THE ULTIMATE DRIVING MACHINE:



PRICING

Not market based pricing

- Pricing decisions were based on movement in the capital markets, not on consumer market demand. While consumers were becoming more value conscious, BMW raised prices 27% from '87-'89 (due to fluctuations of the DM vs the Dollar)

PRODUCT

New product introductions (in 1988) were at the most expensive, top of the line, rather than at the bottom where value oriented consumers were turning their attentions.



J. D. POWER CUSTOMER SATISFACTION RATINGS



Voice of
Customer

Brand	JD Power C. S. Score
1-Lexus	179
2-Infiniti	167
4-Mercedes	148
5-Acura	145
Toyota	
Audi	
Cadillac	
Honda	
Buick	
BMW	130



BMW has shattered the theory that a safe car cannot be exciting as well. Witness the 5-Series: a performance sedan so thoughtfully designed, it has safety systems to protect its safety systems. Rather than offer symbolic protection, its regenerating bumpers absorb impacts up to 5mph with virtually

no damage to the car. Also standard are antilock brakes and a driver's airbag. To experience the 5-Series' unparalleled defense system, visit your BMW dealer. (Call 800-334-4BMW for one near you.) In the right car, you'll find that safety can be a thrilling feature indeed. THE ULTIMATE DRIVING MACHINE:



Maison et Jardin

Maison et Jardin





WHY WOULD THEY MAKE THESE MISTAKES?

Their business model was successful in the U.S. and was continuing to be successful worldwide

Product development was driven in Germany by the German market and cars were simply exported to the U.S.

- U.S. is only ~10% of BMW overall sales

Focus on technology and product and not necessarily customers

Focus on Mercedes rather than Japanese competitors

With a European base, BMW was not attuned to customers behavior which changes as quickly as it does in the U.S.

Poor dealer relations denied BMW a key insights into the psyche of the local market and consumer.

BMW VS. LEXUS/TOYOTA (1991-92)

	Comparison	
	BMW	Lexus/Toyota
# Cars world	500k	4m
# US Cars	60k	70k (Lexus)
# Dealers	350	150
# Cars/Dealer	150	600
% Exclusive	28%	100%
Ad Budget	\$80 Million	\$160 Million
Product Line	Deep	Shallow
Quality Rating	130 < Buick	179 (#1)
Brand Reputation	Snob	Smart/Value Oriented <small>"Best Ever", Consumer Reports</small>
Development	8 years	4 years

A BMW BRAND MAP?



Its BMW 1992.

Think about the BMW brand in 1992.

What are the first 1 or 2 words (positive, negative or neutral) that come to mind.

Please enter those 1 or 2 words.

Think about everything expressed previously.

What do you think is the most important, impactful, core brand value the BMW Brand 1992?

Please enter 1 or 2 words.

As a team, create your best expression of a BMW brand mantra. Three to five words only.

Please have 1 member of your team post it here.

e.g.: "Team 2: Magical Family Entertainment"

A BMW BRAND MANTRA?

Emotional Modifier	Descriptive Modifier	Brand Functions
Magical	Family	Entertainment



A BMW BRAND MANTRA?

Emotional Modifier	Descriptive Modifier	Brand Functions
Magical	Family	Entertainment
		Experience



A BMW BRAND MANTRA?

Emotional Modifier	Descriptive Modifier	Brand Functions
Magical	Family	Entertainment
	Driving	Experience



A BMW BRAND MANTRA?

Emotional Modifier	Descriptive Modifier	Brand Functions
Magical	Family	Entertainment
Exhilarating	Driving	Experience





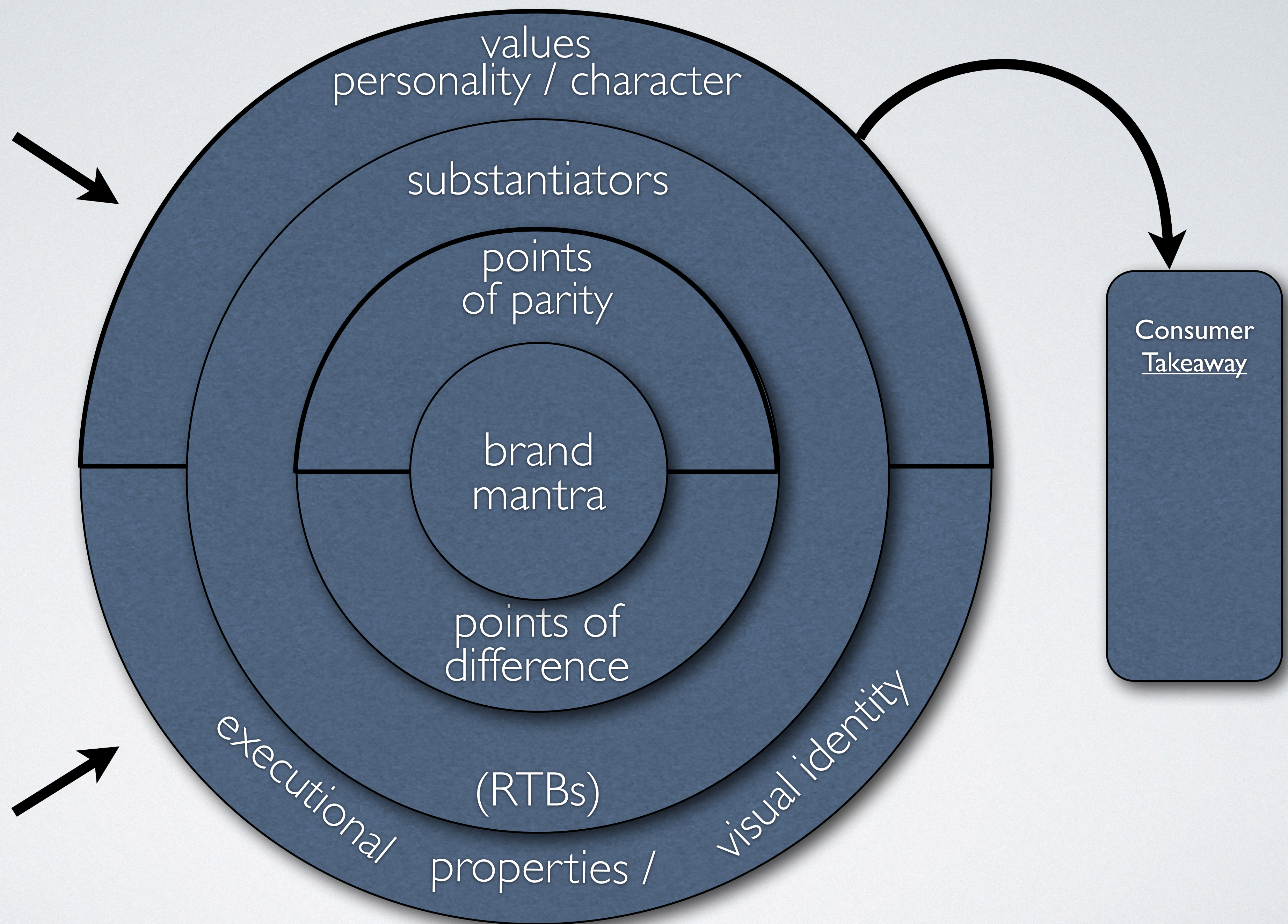
Sheer Driving Pleasure

Consumer
Target

Consumer
Insight

Consumer
Need State

Competitive
Product Set

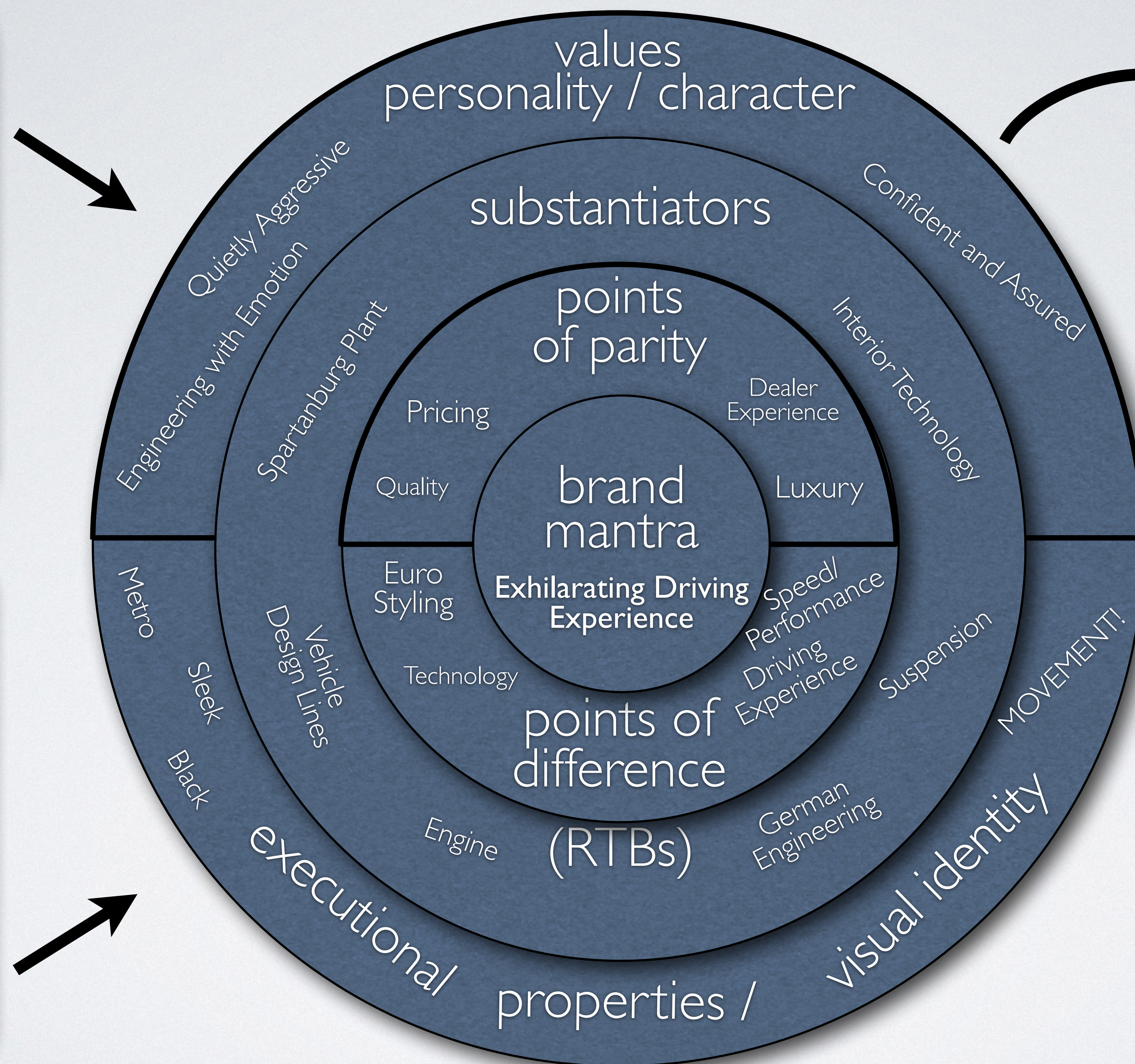


Consumer Target
 Performance oriented luxury vehicle buyers

Consumer Insight
 Do not merely want transportation but transformation experience

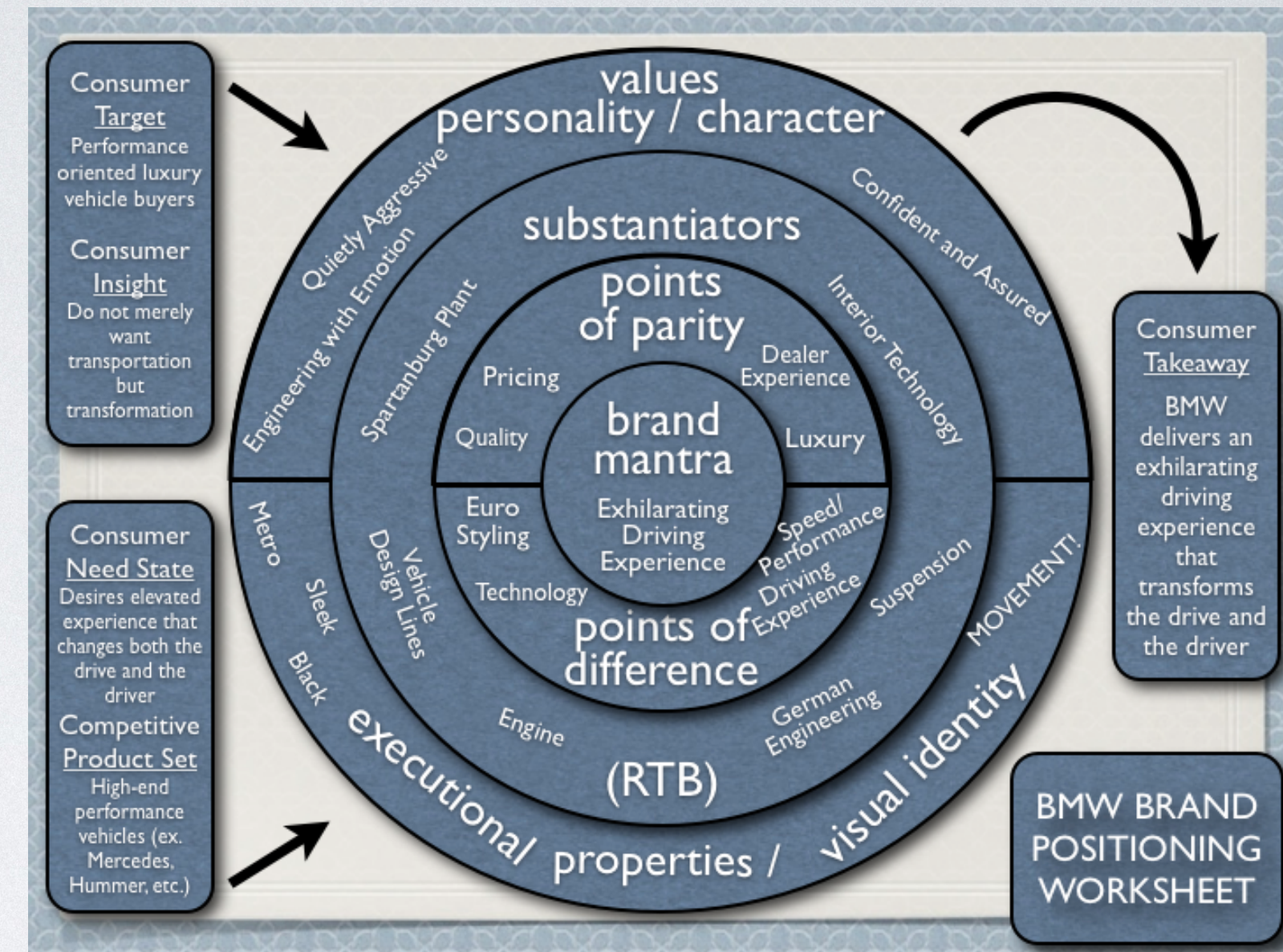
Consumer Need State
 Desires elevated experience that changes both the drive and the driver

Competitive Product Set
 High-end performance vehicles (ex. Mercedes, Audi, Lexus, etc.)



Consumer Takeaway
 BMW delivers an exhilarating driving experience that transforms the drive and the driver

BMW BRAND POSITIONING WORKSHEET



PHASE 2: TURNAROUND

New position vs. competition

- Lexus: Ultimate Isolation Machine
 - Sofa Riding down road
- BMW: Ultimate Driving Machine
 - Driver in control, cockpit

New Product

- 325i hits the market to rave reviews at a price point less than \$30k.

BMW changed advertising, pricing policy, and product mix. If they want to hit 100k unit sales by 1998 (compounded growth of 7%) they must improve customer contact at the dealerships

THE ULTIMATE DRIVING MACHINE

- A return to roots positioning



WHILE AN AUTOMOBILE CAN'T HAVE INSTINCTS, IT CAN MAKE THE MOST OF YOURS.

There may come a time when automobiles are guided along roadways with high-powered laser beams and magnetic strips.

Until then, to enjoy automotive technology that futuristic you'll have to settle for the Autopia ride at your local amusement park. And to get from point A to point B safely, you'll have to actually control your own car.

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Which is why, as obvious as it may sound, the engineers at BMW designed the 535i sedan not around a marketing wish list, but rather, around you. The driver.

**WHAT YOUR CAR SAYS
TO YOU IS MORE
IMPORTANT THAN WHAT
IT SAYS ABOUT YOU.**

Rather than deprive the driver of road feel — as do the "dead"

steering systems found in many of today's passive, auto-piloted luxury sedans — the BMW 535i is designed with a positive offset steering geometry to better connect the driver to the suspension through the steering wheel itself.

Providing the driver with the information needed to react instantly and confidently whenever the occasion happens to arise.

5-SERIES Above everything else, the engineers at BMW believe that driving is a two-handed affair, a skill that deserves to be taken seriously and done well. As a result, they've designed the BMW 535i sedan not only around your two hands, but around the rest of your body as well.

Still furthering the concept of "feeling" your way along the road is the BMW 5-Series rear suspension system. A design so unique that it's been patented, this central-link system increases straight-line and lane-change stability and reduces both squat and dive, while still maintaining the perfect ride-quality balance. A ride not so harsh as to be uncomfortable, but not so soft as to insulate the driver from the road.

A traditional BMW virtue that, when combined with engine-speed-sensitive steering, translates into a better sense of the pavement traveling beneath the tires.

Which translates into an improved sense of control. Which leads us to the car's interior.

A COCKPIT VS. A COCOON.
Inside the 535i, or any BMW for that matter, you'll find a driving compartment designed around the belief that the driver should be treated as more than just human luggage.

Driver physiology and the critical interrelationship between seat location, visual position and steering wheel angle have all been studied to optimize control under all driving conditions.

All of which simply begs the

THE ULTIMATE DRIVING MACHINE.™

question... can an automobile make you a better driver?

A question best answered not with more hard and fast reasons why, but rather, with a test drive.

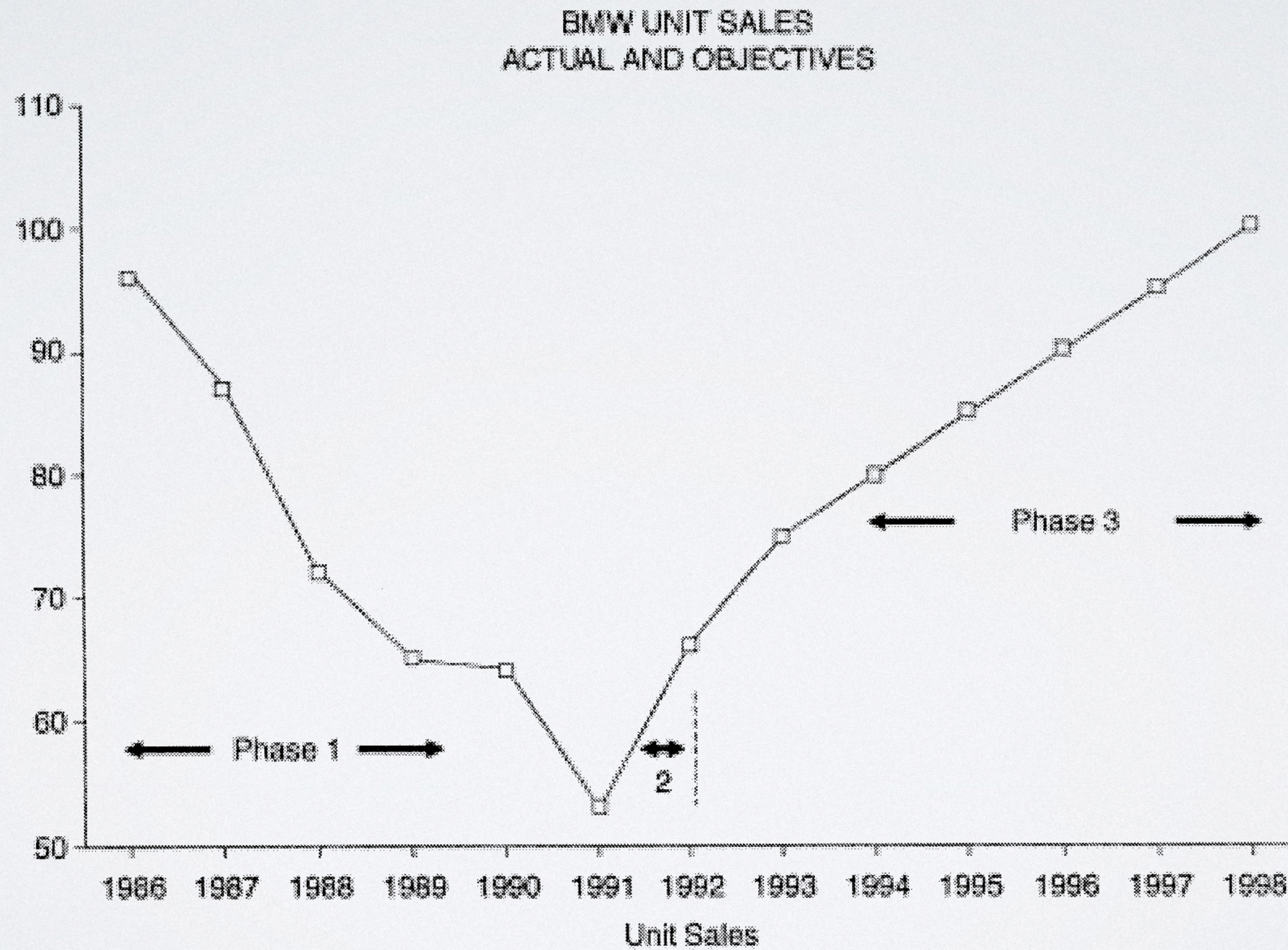
We think the experience will provide you with a better understanding of the philosophy that the engineers at BMW have subscribed to for over five decades.

"At BMW we must learn from human beings so human beings can learn from their BMW's."

For more information or for the name of the dealer nearest you, just call 1-800-334-4BMW.



UNIT SALES: ACTUAL AND PROJECTED





100K--CAN THEY DO IT?

BETTER CAR/BETTER DRIVER POSITIONING?

Will this resonate with the 1990s customer and beyond?

“Research indicated that consumers had growing interest in heightened personal experiences: “The more pragmatic consumer is placing more importance on experience rather than acquisition of objects. Those products which will heighten personal experiences and empower the individual to do more and to do it better will have the edge.” (p. 6)

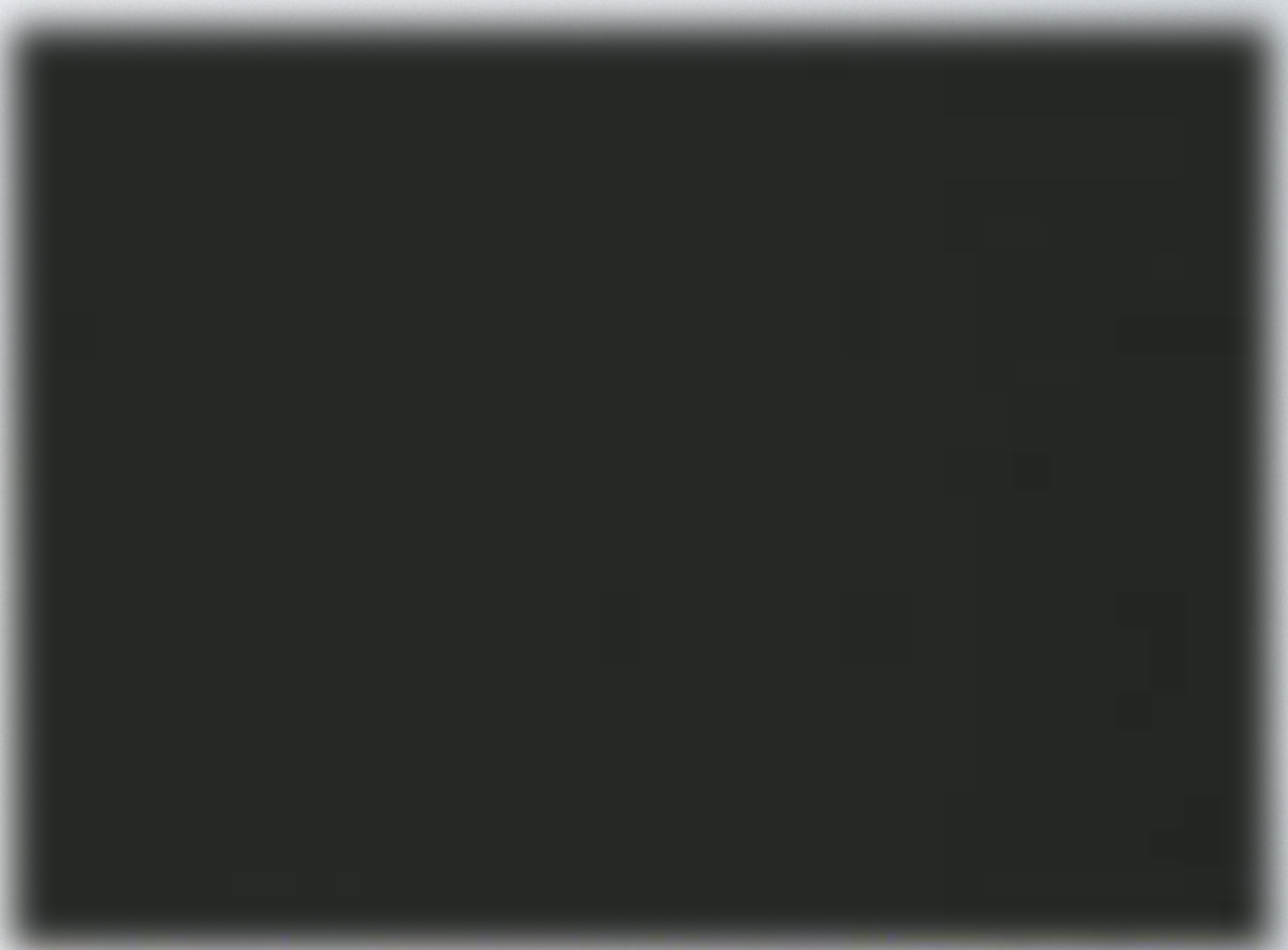
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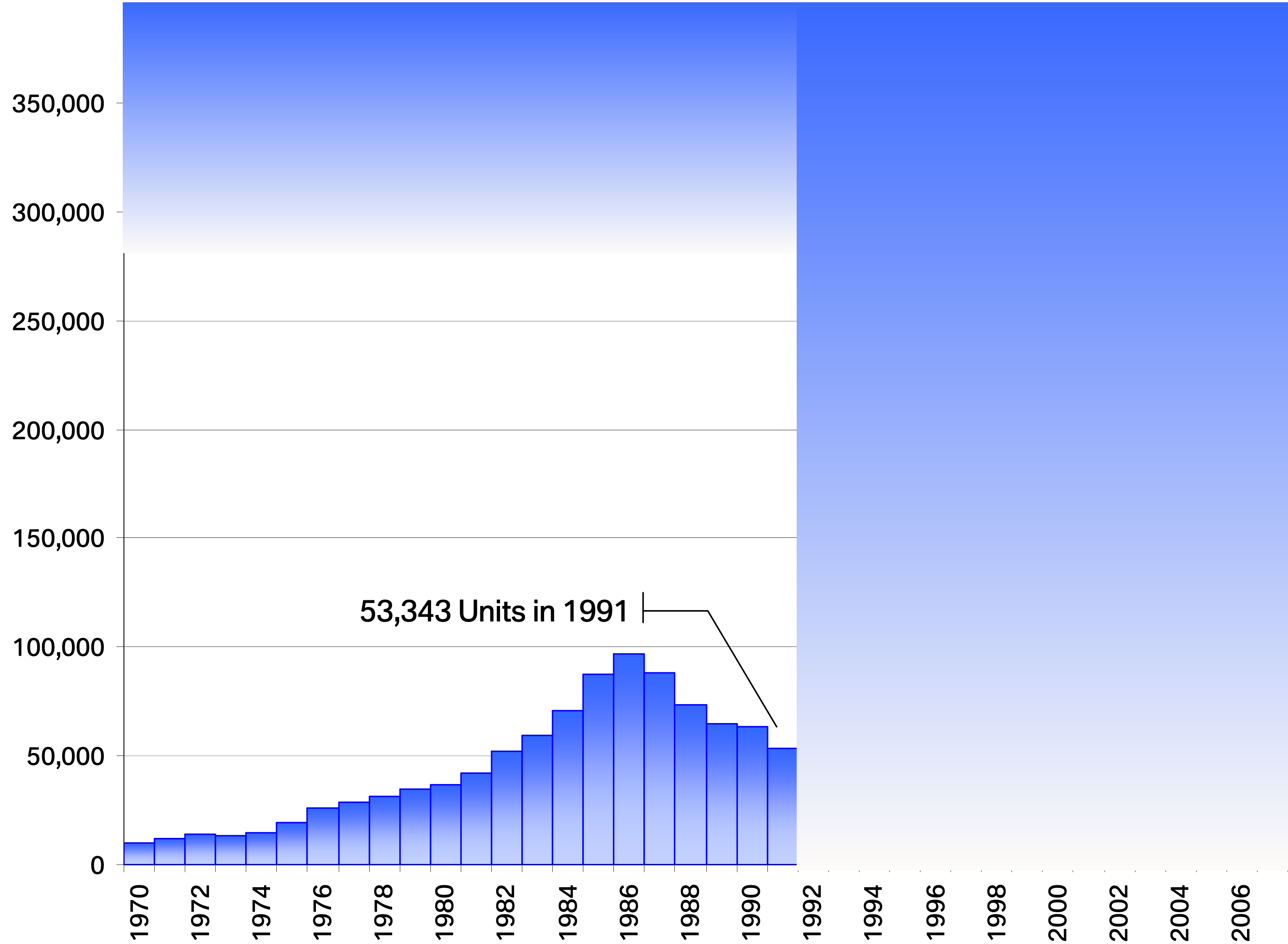
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NEW POSITIONING

The experience of driving a BMW

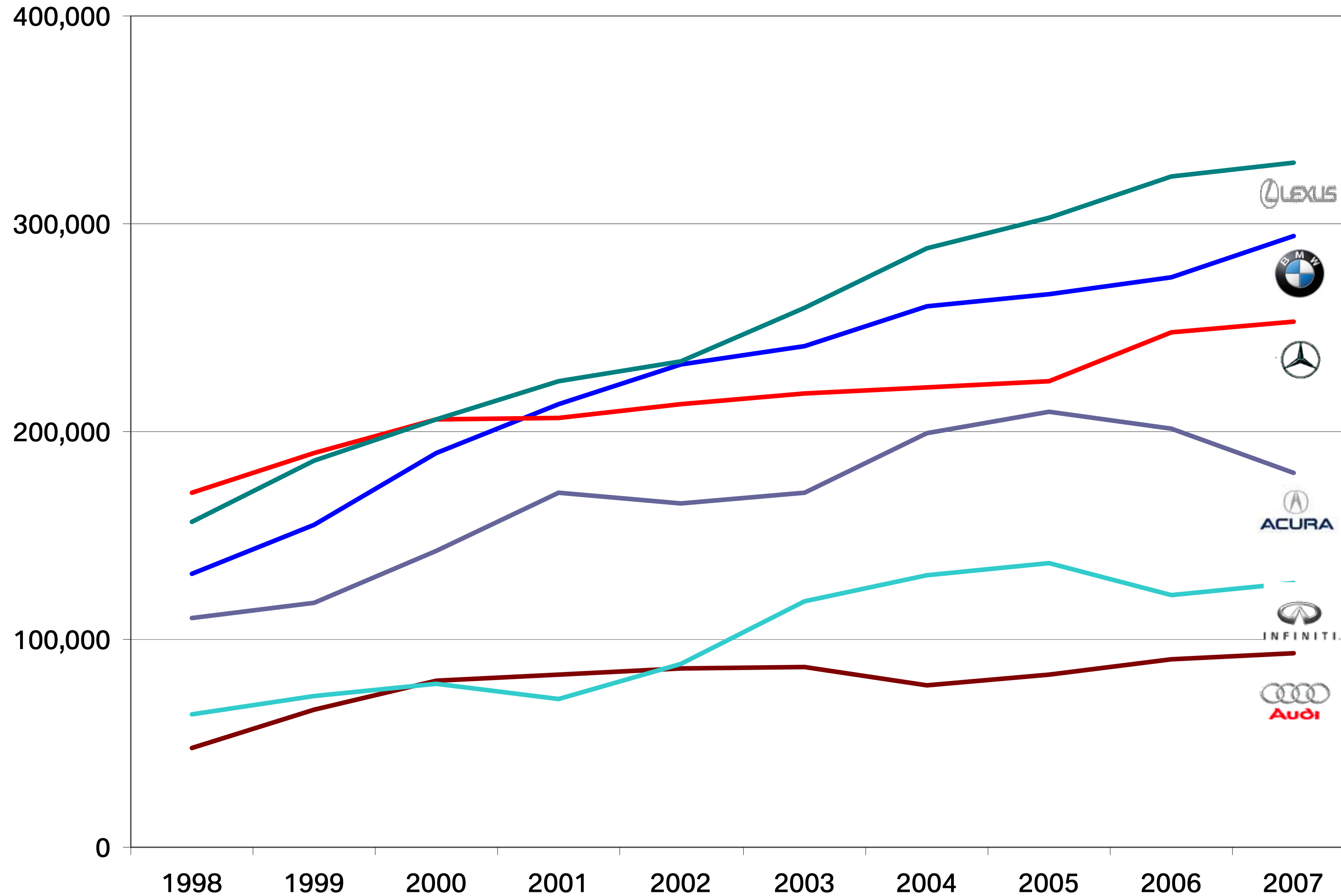


U.S. Market - BMW Historical Sales



U.S. Market – Key Competitor Sales History

BMW is a well established leader within segment.



LEARNING POINTS

- Positioning must evolve with consumer values and preferences
- Marketing managers must keep a careful pulse on consumer attitudes and opinions
- Even the best firms can lose their way
- Must know what consumers are “really” buying when they purchase your brand
- Don't let the engineers drive your brand strategy