Films

Company Background

- BMW = Bavarian Motor Works
- Founded in 1916
- Originally an aircraft engine manufacturer
- Produced first automobile in 1929
- By the 1980s, established itself in the luxury/ performance segment of the global automotive market

Product Line

- 3 Series
  - Entry Level Sedan
  - $25K to $40K

- 5 Series
  - Mid-range Sedan
  - $37K to $44K

- 7 Series
  - Flagship Sedan
  - $54K to $70K

The BMW Customer

- Average BMW Customer Profile:
  - Approx. 46 years old
  - Median income = $150K
  - Well-educated
  - Married and no children
  - 2/3 were male
  - Technology is important
  - Very loyal to the BMW brand
  - Driving is a form of personal expression
  - Work hard and play hard!

BMW Films

- In 2000, BMW had a unique window of opportunity
  - Sales were highest ever in the U.S.
  - Brand has never been stronger
  - No new products being launched over next 6 months

BMW Films

- Non traditional approach
  - Previous success with product in films
  - Unique opportunity to sell brand and not cars
- Advertising campaign to incorporate the Internet to produce a series short films:
  - http://www.youtube.com/watch?v=oGVLuu-P4KU&mode=related&search=
- Over 9 million hits
- Comprised of 5 films
- Over 2 Million visitors registered

Problem Identification

- How to increase sales in the U.S. 40% (which would represent a 2% market share) over the next several years to 300,000 cars per year.

Question 1—What are some of the concerns about future customer acquisitions?

- BMW is more of a fashion brand.
- BMW is position as a vehicle for self-expression
- BMW success is may be inherently cyclical.
- Challenge of marketing to a generation of consumers (or more precisely, whose parents' generation) own and drive BMWs

Question 2—What are some of the issues that must be addressed in order to successfully market to the prospective future customer?

- Establishing BMW as an aspirational brand among young drivers (Generation Y) is difficult because these prospective future customers are:
  - Jaded, cynical, and suspicious of marketing
  - Inundated with marketing
  - Hard to reach through traditional marketing channels
  - Unpredictable with their tastes

Question 3—What is the concern about managing the retention and acquisition of customers at the high-luxury end?

- The challenge is to figure out how to aggressively build aspirational mindshare among younger drivers without offending more conservative older and the most profitable customer segment—premium customers who currently own (or are considering ownership of) high-margin BMW models.

Question 4—What are some of the issues that BMW has with managing growth?

- BMW future growth strategy is focused on achieving greater market share in every sub-segment of the luxury car market by:
  - Providing luxury buyers of all types, from the entry-level young professional to the 65 year old chief executive many alternatives.
  - Protecting and building BMW's luxury/performance brand cache as pricing points creep lower.
  - Maximizing the effectiveness of the marketing dollar as the number of brands increase since competitors have bigger marketing budgets

Recommendations

- To focus on long-term strategic objectives rather than push a particular model or series:
  - To avoid a future sales dip in a trend/fashion-driven sales cycle. This involves achieving aspirational mindshare among the elusive young driver segment, even if only in the market short-term for a luxury car.
  - To avoid alienating or offending older luxury customers while engaged in this campaign to aggressively pursue the youth target market.
  - To reinforce BMW's prestige/performance brand cache in the context of a product line that is rapidly expanding.
  - To expand and develop the marketing competencies necessary to compete effectively against players with bigger marketing budgets.

Rationale for Recommendations

- By focusing on every sub-segment of the luxury car market rather than to pursue every segment of the automobile market, BMW has a more concentrated strategy
- Achieving aspirational mindshare among the young driver segment will obtain the customers for the future.
- Avoiding alienation and/or offending older luxury customers while pursuing the younger target retains these very profitable customers.
- Reinforcing BMW's prestige/performance brand cache while expanding the product line avoids deterioration of brand equity.
- In order to be successful, BMW must develop ways to efficiently market its brand to compete effectively against players with bigger marketing budgets.

Films

Questions?