

## **BMW**

BMW is the ultimate driving machine. Manufactured by the German company Bayerische Motoren Werke AG, BMW stands for both performance and luxury. The company was founded in 1916 as an aircraft-engine manufacturer and produced engines during World Wars I and II. It evolved into a motorcycle and automobile maker by the mid-20th century, and today it is an internationally respected company and brand with \$106 billion in sales in 2012.\*

BMW's logo is one of the most distinctive and globally recognized symbols ever created. BMW's growth exploded in the 1980s and 1990s, when it successfully targeted the growing market of baby boomers and professional yuppies who put work first and wanted a car that spoke of their success. BMW gave them sporty sedans with exceptional performance and a brand that stood for prestige and achievement. The cars, which came in a 3, 5, or 7 Series, were basically the same design in three sizes. It was at this time that yuppies made Beemer and Bimmer the slang terms for BMW's cars and motorcycles, popular names still used today.

At the turn of the century, consumers' attitudes toward cars changed. Research showed that they cared less about the bragging rights of the BMW brand and instead desired a variety of design, size, price, and style choices. As a result, the company took several steps to grow its product line by targeting specific market segments. This resulted in unique premium-priced cars such as SUVs, convertibles, and roadsters, as well as less expensive compact cars like the 1 Series. In addition, BMW redesigned its 3, 5, and 7 Series cars, making them unique in appearance yet maintaining their exceptional performance. BMW's full range of cars now includes the 1 Series, 3 Series, 5 Series, 6 Series, 7 Series, X Series, Z4 Roadster, M Series, Hybrids, and BMWi.

BMW created the lower-priced 1 Series and X1 SUV to target the "modern mainstream," a group who are also family-focused and active but had previously avoided BMWs because of their premium cost. The 1 Series reached this group with its lower price point, sporty design, and luxury brand. The X1 and X3 also hit home with a smaller, less expensive SUV design.

The redesign of the 7 Series, BMW's most luxurious car, targeted a group called "upper conservatives." These wealthy, traditional consumers don't usually like sportier cars, so BMW added electronic components such as multiple options to control the windows, seats, airflow, and lights, a push-button ignition, and night vision, all controlled by a point-and-click system called iDrive. These enhancements added comfort and luxury, attracting drivers away from competitors like Jaguar and Mercedes.

BMW successfully launched the X Series by targeting "upper liberals" who had achieved success in the 1990s and gone on to have children and take up extracurricular activities such as biking, golf, and skiing. These consumers needed a bigger car for their active lifestyles and growing families, so BMW created a high-performance luxury SUV. BMW refers to its SUVs as sport *activity* vehicles in order to appeal even more to these active consumers.

BMW introduced convertibles and roadsters to target "post-moderns," a high-income group that continues to attract attention with more showy, flamboyant cars. BMW's 6 Series, a flashier version of the high-end 7 Series, also targeted this group.

BMW uses a wide range of advertising tactics to reach each of its target markets. However, the company's U.S. tagline, "The Ultimate Driving Machine," has remained consistent since it first launched there in 1974. During that time, sales have grown to more than 300,000 units in the United States in 2013. In recent years, BMW has returned to emphasizing performance over status, stating, "We only make one thing, the ultimate driving machine."

- a) How does BMW segment the market? Why does this work for BMW?
- b) Characterize BMW's (i) targeting strategy and (ii) positioning in the automobile industry?