

BMW | A Legacy of Luxury

How might BMW win the luxury EV market in U.S. within the next 5 years?



Currently, BMW is not the leader in the U.S. electric vehicle (EV) market.

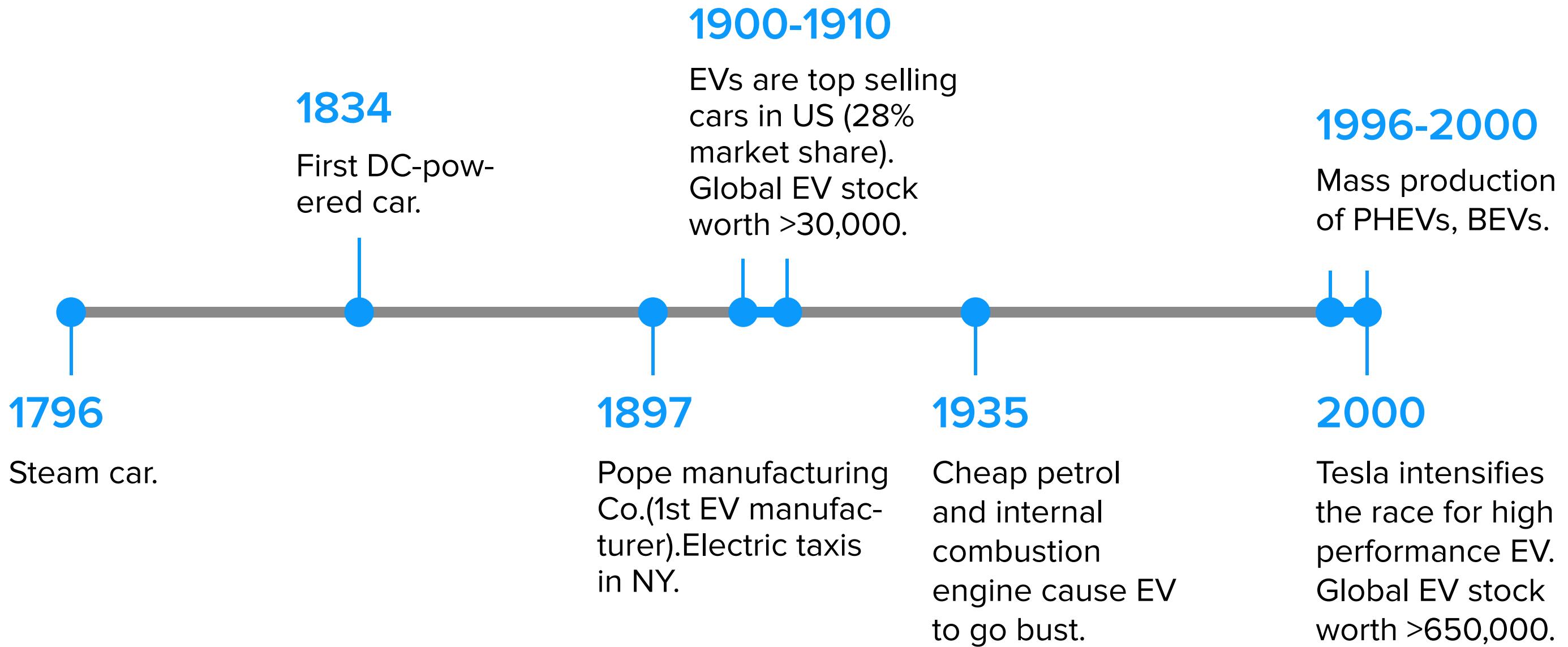
German automaker BMW (BAMXY) is racing to catch up in the quest for the top luxury long-range electric vehicle, but it's finding that others, including upstart Tesla Motors (TSLA), are charging ahead of it.

In 2013, BMW began production of the 2014 model i3 hybrid battery-electric car and the i8 plug-in EV. At the time, that put it ahead of fellow German brands, including Volkswagen's(VLKAY) luxury Audi models and Daimler AG's (DDAIF) Mercedes Benz.



How might BMW rise up the rankings to claim a position held by Tesla?

Automotive Industry Evolution



World EV market share is projected to grow

Total automobile market: 9 trln worldwide with 2,5% y2y growth- Total automobile growth

EV sales:

2016: 1%, 2040: 35%

of total car sales

Top 10 companies:

77% of the market**

Luxury segment USA:

around

800,000 - 13,4%

in 2016

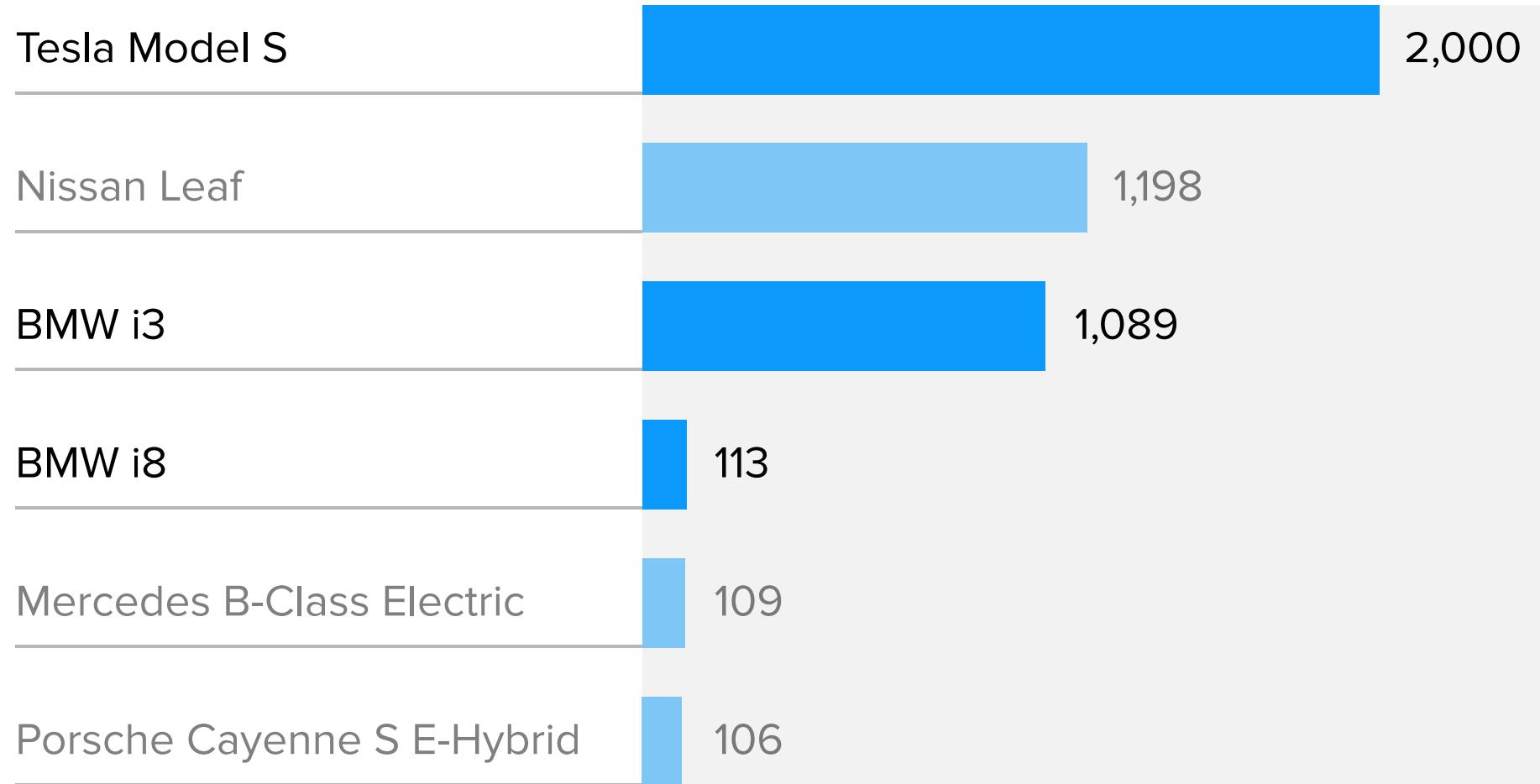
compared to

2015

4,5%

of all cars

U.S. BMW EV sales are lower than that of the competitors



Sales of BMW i3 and i8 combinedly make up half of Tesla Model S



BMW needs to increase its market share

BMW sales on June 2016

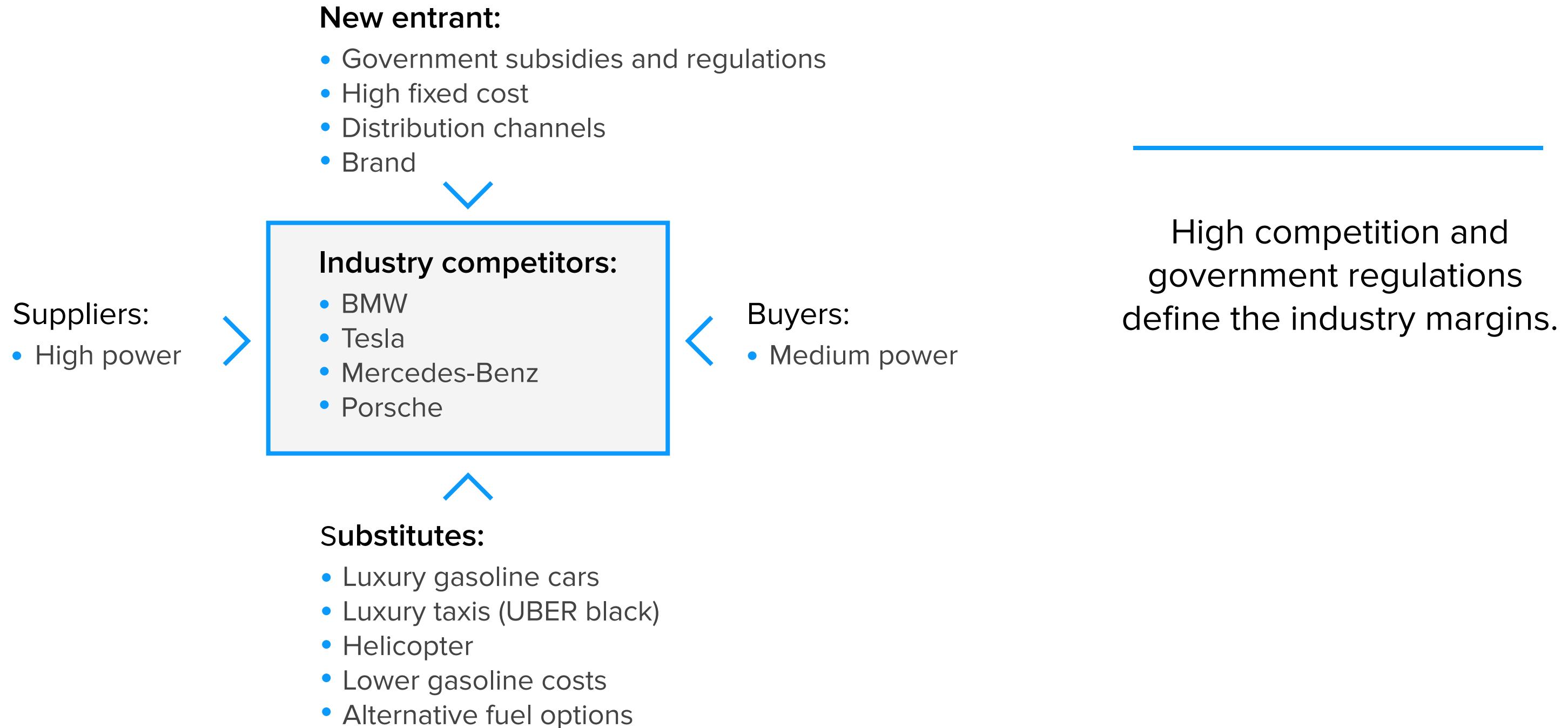
BMW i3: **4,5%** of total EV sales

5% of BMW North America market car sales while Tesla S - **18,6%**



Which strategy to choose?

Luxury cars industry analysis | 5 forces



Why do people buy luxury EV cars?



A sustainably luxurious driving experience is the main impetus in purchasing luxury EV cars.

More reasons to buy a luxury EV car:

EV unique experiences:

- Alternative fuel options (feel “innovative” and ahead of others)
- Environmental benefits (“greener” image of the owner)
- Exceptional driving experience (“superior” feeling)

All luxury cars:

- High safety; complete maintenance packages
- Resale value
- Coexistent beauty and comfort; customization
- State-of-the-art technology

Comparison: BMW's competitive advantage



Tesla Model 3



BMW i3

	Tesla Model 3 (Estimated)	BMW i3	Tesla Model S	BMW i8
Passangers	5	5	5	4
Range	~200 miles on electric	80-100 miles on electric	230 miles on electric	330 miles (electric+ gasoline)
Price range	~\$40,000	\$43,300	\$75,000 - 130,000	\$121,000- 140,000
0-60	N/A	7.2 sec	5.5	4.2
Dimensions	~182" long x ~71" wide	157" long x 70" wide	196" long x 77" wide	85" long x 77" wide



In all, BMW offers more in terms of a luxurious driving experience but it can certainly improve upon its battery efficiency/performance. In addition, create new car model with more sophisticated features



Tesla Model S



BMW i8

BMW vs Tesla success factors in the U.S. market

	BMW	Tesla	Consumer needs in luxury segment (ranked Low-->Moderate-->High)
Supply chain	Dependent on suppliers	Battery supply chain	Low
Chargers	Limited charger network	Broad supercharger network	High
Operational inside	Software	Superior software	Moderate
Reputation	Innovation and “German” quality	Quality and innovation	High
Customer service	Awesome	Awesome	High
Resale value guarantee	Limited	Rejected	Moderate to High



BMW shall outbound Tesla in Chargers` network and sustain this positions on resale value guarantee

Market Trends in the luxury EV segment

1. Value and safety will remain the most important features.
2. Staying connected will be a primary factor.
3. Mature and urban consumers in the US market will become the dominant segment of the luxury EV car-buying population.

Strategy Solutions for BMW:

- 1. Luxury Electric Vehicle status:** Develop BMW's image as a luxury EV brand.
- 2. Create more value in software and services:** Unite BMW's innovative software (high-definition digital maps, sensor technology, cloud technology, and artificial intelligence) with the hardware of EV vehicles.
- 3. Develop plug-in hybrid versions of core models:** As a result, the luxury consumer can still hold fast to their petrol

Marketing Solutions for BMW

1. Improve old and create new BMW branded charging stations (free for all BMW users).
2. Lean on already-strong distribution channels (Tesla's limited network + lack of test-driving cars bought online vs. BMW's mature worldwide network).
3. Emphasize distinctive BMW features:
 - Innovative self-driving functions, vehicle responsiveness, on-road feedback (balance power/center of gravity)
 - Premium material/finishing
4. Build upon BMW's well-established tradition of innovation and driving experience (qualities from petrol vehicles that aren't lost in transition to EVs; for example, turning EV features "on" & "off" in BMW i8).



These actions will help to raise BMW North American luxury EV car sales from 15 to 25% y2y.

In addition, new models of BMW electric cars (i2.0 program) will expand the U.S. market, competing with Tesla for battery efficiency and range.

As a result, BMW is placing itself in a position to gain the top position in luxury EV market shares within the next 5 years.