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[AN ANALYSIS OF THE MARKETING APPROACHES OF BMW, A CASE STUDY OF BMW'S X5 MODEL]

Introduction

The slogan “Freude am Fahren” explains the business mission of the luxury car manufacturer BMW, which when translated means a “high driving experience”. In addition, the history of BMW as a manufacturer of premium cars is directly related to its features – reliability, sportive and superior quality. BMW is ranked as the 3rd leading automobile manufacturer in the US, and is ranked at the 11th position for the most popular brand in the world category by the Forbes magazine (Forbes, 2013). Although, BMW launches many popular cars year after year, their X-series is touted as one of the most recognized brands of the world. In 1999, BMW launched its X-series with its X5 later setting a standard for the other automakers in building crossover SUV. Within a short period of its launch, X5’s two models sold like hot cakes worldwide, and this led to the introduction of more X-series in the following years. However, the success achieved by X5 was irrefutable as the later models were not as big of a hit. Although, the X3 series introduced in 2011 had quite distinctive features, which included custom-ordering, X5’s success remains unchallenged.

In the first half of 2013, the German carmaker BMW sold 954,521 vehicles worldwide, which is a 6 percent increase from previous year, and it is directly attributed to the increase in sales in China and US (Guardian, 2013). BMW’s X5 series was launched in the year 2006, and more than **500,000** X5s were sold globally within a span of 5 years, which makes the X5 series, the market leader in the crossover SUV segment (BMW, 2011). In 2013, BMW sold 52,651 X5s, which shows that this model commands its market share even after 8 years of its launch (BMW,2013). BMW’s efforts to improve the model with new features and exciting offers are stated to be the reasons behind the success of this model. What led to the success of the X5 model and how BMW has achieved this feat can only be answered by analysing the marketing techniques of BMW, and also through a close introspection of the unique features of the model using the marketing mix strategy.

Marketing Strategy of BMW

An analysis of the elements of the marketing mix strategy has always proved useful when it comes to identifying the true drivers of a top marketing performance. Using the marketing mix, recognizing the various drivers that affect the performance of a business namely advertising, promotions and loyalty can be done easily. In addition, the overall success of the marketing strategies can be identified by analysing the external influences – competition, global market performance, economic and demographic trends. Besides, how much money the organization has spent on sales and marketing activities, how the financial changes has affected the revenue and profit of the company can be explained using the marketing mix strategy. Now, to analyse the success of BMW's X5 model, the researcher here intends to analyse thoroughly the 4Ps of marketing namely Price, Product, Promotion and Place.

Price

Today, BMW's X5 costs around \$52,288 to \$67,296, and it is ranked at 3rd position out of 19 midsize luxury SUV's currently available in USA. Although, the base price of the vehicle globally is slightly higher than its rivals such as Acura MDX and Porsche Cayenne, X5 still maintains its leadership position with its powerful engine, elegant interior style and high-tech features. Several factors that affect the price of a product include competition, demand for the product, manufacturing cost and regulations. While analysing the domestic as well as international pricing policy of BMW and its delivery strategies, it became evident that the price of the product was fixed in such a way that it is capable of attracting both the high as well the middle-income group. Further, the elegant interiors and state-of-the-art technology are the features that attract the rich, and the reliability and on-road performance makes BMW's X5 the ultimate choice for many middle-income consumers.

Product

A product is defined by its quality, design, brand popularity, product line, and product range and after-sales service. BMW has achieved an apt combination of all these features for its X5 model by offering the right USP to its consumers, which in turn has earned the company many loyal consumers. The top-quality material used in the interiors, high-tech design, comfortable front and back seats has earned praise

among its consumers. The iDrive controller, moon-roof navigation option, power adjustable front seats, leather upholstery with 360-degree view camera and the night vision system are the features that has kept the popularity of the brand intact even after so many years of its launch. Besides, the slight modifications made every year to the vehicle has improved its high-tech devices greatly thus satisfying the need of young consumers. Other unique features that distinguish the X5 product from its competitors are listed below:

Fuel consumption of X5*

Urban in l/100 km	11.3-11.2
Extra-urban in l/100 km	6.9
Combined in l/100 km	8.5
CO2 emissions in g/km	199-197
Tank capacity, approx. in l85	

X5 Performance

Top speed in km/h	235
Acceleration 0–100 km/h in s	6.5

Weight

Unladen weight EU in kg	2,105
Max. permissible weight in kg	2,740
Permitted load in kg	710
Permitted axle load front/rear in kg	1,280/1,540

Engine

Cylinders/valves	6/4
Capacity in ccm	2,979
Stroke/bore in mm	89.6/84.0
Max. output in kW (hp) at 225 (306) / 5,800-	

1/min

6,000

Max. torque in Nm at 1/min 400 / 1,200–5,000

Promotion

BMW has earned its reputation by offering reliable after-sales services along with warranties. BMW's X5 comes with a 4-year limited warranty, along with a 12-year limited rust perforation warranty (BMWUSA, 2013). Other promotional programs like *BMW Assist*, *BMW Roadside Assistance* and *Real Time Traffic Information* not only offer its consumers timely help, but also helped the company to promote its products for reliability and luxury. Further, BMW has always distinguished its products through diverse advertisements, and for X5 the *horse-trailer ads* brought immense popularity (Coloribus, 2006).



X5 Horse-trailer Advertisement

Every year, BMW changes its marketing strategy of X5 by changing its promotional tactics. Following the horse-trailer advertisement, BMW came up with *please do not repair*, *Eagle* and *Serengeti* promotional campaigns. In 2012, the company came up with the *ultimate driving machine* advertisement, which again made the brand a

sensation among young consumers (Nytimes, 2012). BMW has achieved wide web presence using social media platforms such as Google+ and Facebook, and through these portals the company constantly informs its global users about its new products, services and the improvements it has made to its older versions. The colourful photographs of its products along with the description of its various campaigns have so far attracted thousands of visitors to its social pages.

Place

Based on a systematic analysis of the storage facility, transportation, warehousing, inventory control and location of BMW, it can be said that the company gains an edge over others with its global infrastructure and delivery services. The multiple channels of delivery along with the presence of international dealers at almost every part of the world has allowed the company to deliver its products to the consumers at the right place and within the promised time. For example, BMW promises to deliver its X3 within a period of 1 week, even when the consumer custom orders the vehicle. This clearly shows the availability of international dealers and factories in all the 4-corners of the world, which also matches the tagline promoted by the company.

Analysis of the marketing approach of BMW

Based on the above findings, the researcher here intends to analyse the marketing approaches of BMW with respect to consumer behaviour, branding and global marketing.

Consumer Behaviour

BMW reaffirmed its position as the world's top premium car manufacturer in the year 2006, when it made record sales and its profits exceeded 4 billion euros. For many BMW users, buying a BMW car means investing money on quality, engineering expertise and efficiency. The age-old marketing tagline of BMW *the ultimate driving machine*, which was coined some 33 years back and used till today reflects how consumers behave when it came to purchasing a BMW vehicle (Trout, 2005). According to former Chief Executive of BMW Helmut Panke, the tastes of their customers are undergoing a constant change, and they are slicing the marketplace

into more focused segments. The market is shifting continually, and satisfying the consumer's demand with new products or brands is a strategic risk, which anyone in the market has to take. To remain successful, one has to fulfil the customer's expectations fully.

In 1990, through research BMW found out that the values and attitudes of luxury car users were undergoing change as they started paying more emphasis on leisure and family time. The upscale consumers comprised of open-minded wealthy professionals, yuppies with families and baby boomers. Research showed that they may want vehicles that are eye-catching and also which suit their lifestyles. Thus, BMW decided to invest heavily on a whole spectrum of luxury cars, and also acquired Rolls Royce. The company added X5 to its products to satisfy the requirements of the upper liberals. Earlier, these liberal-minded people owned Volvos, Suvs and Saabs, and they simply started buying X5 for the comfort it offered. Being a sports activity vehicle, X5 matched the active lifestyle of this group, thus becoming the optimum choice of these open-minded professionals (Pearson, 2006).

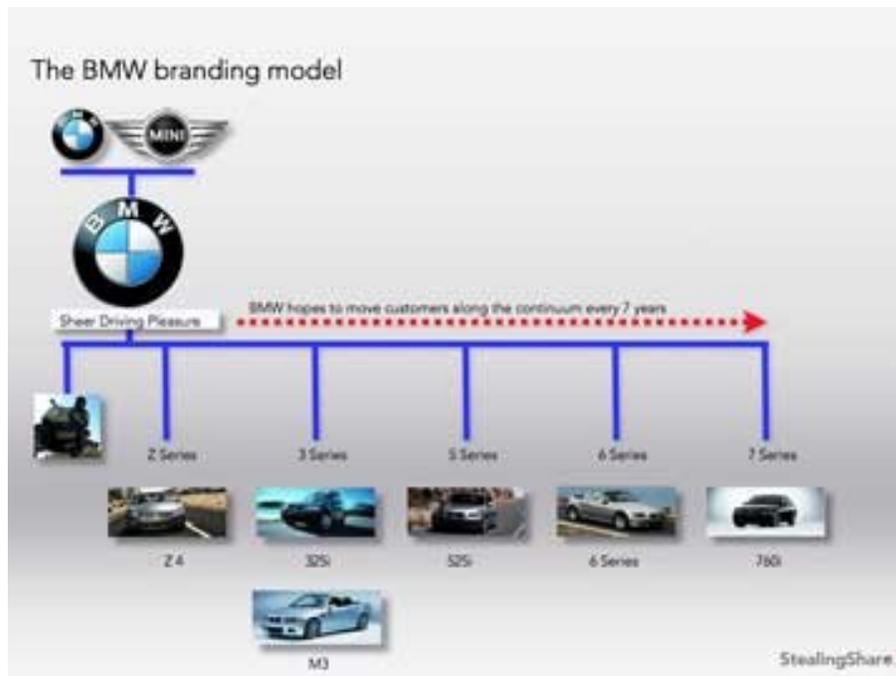
According to Sigma, the company hired by BMW for research, they divided the 'social climbers' in the 1990s into four segments namely *Upper liberals*, *Post-moderns*, *Modern mainstream* and *Upper conservative* (Pearson, 2006). While upper liberals were active professionals who want to spend quality time with their families, post-moderns were high-earning individuals like architects, artists and entrepreneurs. The traditional and wealthy individuals came under the category upper conservative. The upper conservative individuals usually bought luxury cars like Mercedes and Jaguars, and they started switching to BMW for its comfort and driving performance. The Rolls Royce's Phantom is priced at \$325,000, and is built for the very rich upper conservatives. To satisfy the needs of the modern mainstream individuals who purchase not-so-premium brands like Volkswagen and Honda, BMW introduced its *Mini* cars, which are again priced expensive than any normal upper-class car available in the market.

All the above data clearly indicates that BMW understands the consumer behaviour thoroughly, and only aims at achieving the attention of rich and upper-middle class

individuals. This can also be stated as the reason behind why BMW is rated as one of the most profit-earning organizations for more than 3 decades.

Branding

Branding is defined as the marketing practice of building a symbol, name or design that differentiates and identifies the product from a lot of other products (Entrepreneur, 2003). BMW's branding policy is very clear about the customers that it targets. It does not endeavour to compete in each segment of the automobile industry, and only targets the premium segment. By avoiding the high-volume middle-priced road vehicles, BMW has established a distinctive brand image for itself in the global market. Although, the *Mini*, the small car aimed at upper-middle class individuals, it is priced more than its competitor Honda Civic at \$3200. According to a report released by BMW, the cars that are developed by the company have the same target of return on investment (ROI), irrespective of its size or price. Besides, the target ROI pushes the company to increase efficiency in all their processes, thus improving the brand image of its products year after year. However, for maintaining the brand image, the company is not making any major changes to the basic build of its cars – they are using the same 6-cylinder engine for all their models like X5, 3, 5, 7 and Z4 as engine development demands large amounts of money, and hence they only invest in segments that makes sense (BMW, 2013).



Source: *stealingshare.com*

To keep its products in all stages, from the introductory level to growth stages, BMW constantly experiments with new models, while trying to keep intact the freshness of the series. For example, in its 3 series, it introduced the sedan model the first year, then the coupe model in the next year, and then the station wagon, and then the convertible and finally the sport hatchback (Stealingshare, 2013). Within the 5-7 years of the product life-cycle, BMW constantly tries to make cars different and new once in every 3 years. This also include adding distinctive features and other additional fittings. Due to the constant brand image modification, BMW often witnesses increased sales in the 6th or the 7th year after the introduction of the models. However, while branding its products BMW has also found out that the life-cycle may be longer or shorter for some of the products in the global market, and hence is adopting new strategies almost every year to keep pace with the changing market scenario.

Global Marketing

BMW's worldwide marketing activities are controlled by its head office located at Munich. BMW has its operations in 150 countries, and it has 28 production facilities

in 13 countries. The company focuses on political regulations and the domestic industrial policies while formulating the marketing techniques for every country. BMW's Strategy Number ONE, the strategy that drives its global market share focuses on two important aspects – remaining profitable and enhancing long term value even during volatile situations. BMW's global marketing initiatives in line with its strategies are based on 4 pillars namely – Shaping the Future, Profitability, Growth and Access to Customers and Technologies. However, BMW's marketing activities have been formulated in such a way that it remain firmly focused on only the luxury car segments of the international auto markets. The mission statement of BMW till the year 2020 clearly defines its global marketing strategy - to remain the leading provider of premium services and premium products for individual mobility. In addition, the *experimental marketing* and *one-to-one marketing* techniques adopted by BMW showcases how the product can enrich the life of the users rather than focusing on selling the product.

Luxury car manufacturers in US, Europe and Japan are the direct competitors of BMW. The global marketing strategies of BMW undergoes constant change based on the marketing strategies created by its US competitors like Cadillac, Ford, Chrysler, Japanese manufacturers like Toyota, Honda and Lexus, European Union companies such as Audi, Mercedes Benz and Jaguar. Besides, the brand elements of BMW such as logo and name are easy to remember for the global automobile users, although only very few can recollect the abbreviation of BMW, which stands for Bayerische Motoren Werke AG. With its three brands BMW, Rolls Royce and MINI the BMW Group rules the premium sector of the international market, and the promise of quality and commitment can be stated as the factors behind the international success of the brand.

Recommendations

An analysis of the marketing strategy of BMW in general, and with respect to its product X5 has given the researcher, a deep insight into the different marketing approaches of BMW in the global market. Besides, the evaluation of operational and strategic orientation along with the strength and weakness of the product has allowed the researcher to arrive at definite conclusions. Based on the analysis,

recommendations have been made here for future direction and implementation of the global marketing mix techniques.

- In the competitive global market with its increasingly demanding consumers, BMW's image as a premium sports car manufacturer can be improved using the following strategies:
 - Highly priced products such as X5 in comparison with its rivals poses a threat to the profitability of the organization. Moreover, the lower consumption of luxury cars and the increase in the inflation rates will surely affect the profitability of the company in the coming years. To ensure a sustainable top position, the company has to adjust its price according to the demands of its customers.
 - Domestic political policies will have an influence on the automobile industry in the near future. For example, the increase in VAT in Germany from 16 to 19 percent and the increase in health service contributions will escalate the financial burden on the consumers, which may affect the demand for automobiles. Therefore, strengthening the dealer relationships, identifying new distribution channels and new promotional measures on target groups only can retain as well as bring new customers to the company.
 - Availability of multiple BMW products under series of alphabets and numbers makes it difficult for the consumer to remember a product with its brand name. Besides, the constant changes in the advertising techniques of the products such as X5 creates confusion in the minds of consumers as they are unable to relate the product with a specific set of specifications or brand image. During the launch phase of X5, the model was promoted using the horse-trailer ads that emphasized on its 6-cylinder engine power. However, in recent times, the model was portrayed as a sporty machine capable of running in sands and damaged roads. A mix of both the old and new strategies will prove useful as the consumer can relate the model with its original as well as the transformed brand image.

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