

# CONSUMER BEHAVIOUR CASE STUDY - BMW



**An analysis of BMW's marketing strategy within the framework of the consumer behaviour discipline**

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# WE ONLY MAKE ONE THING. THE ULTIMATE DRIVING MACHINE.®

Every BMW comes equipped with near-perfect 50/50 weight distribution—overall balance that's evenly distributed between two axles. It meets our high standards of driving dynamics and precision, for excellent handling and outstanding agility.

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## 1. EXECUTIVE SUMMARY

This report analyses BMW's marketing strategies from a consumer behaviour perspective to better understand the company, the product, their target market and the motivations, influences and values driving consumer's decision to purchase.

The essential component of consumer behaviour reflects people's conduct when it comes to purchasing or consuming products and services (Bettman, 1976). The study of this behaviour is essential for an organisation in the positioning of the brands, the segmentation of markets, the development of new products and developing marketing strategies. The analysis of the consumer's behaviour, because of the fundamentally different nature of the acts and processes of decision that compose it, is characterized by its multidisciplinary origin.

Consumer behaviour is a comparatively new field of study, which evolved just after the Second World War (Sheth, 1985). The sellers market has disappeared whereas the buyers market is evolving. This has led to shift of the manufacturer's attention from product to consumer, specially focusing on the consumer behaviour aspect. The evolution of marketing concepts from selling concepts to consumer-oriented marketing has resulted in consumer behaviour becoming an independent discipline studying how individuals make decision to spend their available resources (time, money and effort) or consumption related aspects (What, when and how they buy?).

The knowledge behind consumer behaviour acts as an important tool in the hands of marketers to forecast the future buying behaviour of customers and helps to devise the four marketing strategies or product, price, position, and place in order to create a long term customer relationship.

### *"The Ultimate Driving Machine"*

BMW has always been associated with the luxury segment of the automobile industry they have made a constant effort through marketing to be considered "Premium" by their consumers. The products in the BMW marketing mix are premium sedans, SUVs and sports cars, which offer style, performance and a status symbol.

The products undergo a continuous process of technological advancement to remain competitive in the markets. The company earlier relied on luxury and style as its unique features. However, over the years, the importance of reliability, safety and efficiency has become quite evident in the product offerings. Advancements in engineering and technology have been embraced by BMW, which is projected in their products.



BMW business and marketing strategies are based on having a powerful brand image. These strategies form the foundation of the success of BMW. As a company BMW believes in maintaining its core values as technology, innovation, performance, quality, reliability, exclusivity and customer satisfaction ([www.bmwgroup.com](http://www.bmwgroup.com)). The BMW slogans, “The Ultimate Driving Machine” and “Sheer Driving Pleasure” give us an overview of the marketing strategy it adopts.

BMW's business and marketing strategy, as well as its mission statement are clearly defined in detail on the company's website ([www.bmwgroup.com](http://www.bmwgroup.com))

BMW utilises a differentiated pricing strategy to classify itself into the luxury segment of the market. This pricing strategy within its marketing mix also ensures that the brand does not get diluted, or the positioning of the brand becomes unclear. Recently, however, BMW has adopted a dynamic pricing strategy for its entry level vehicles making it more competitive in a market where economical brands like Toyota are introducing luxury variations to their range, in this case, Lexus.

The objective of BMW's marketing strategy is to engage consumers, making them feel they are part of the BMW brand and not just consumers purchasing a product. The promotional strategy as a part of its marketing mix focuses on aggressive advertising in order to create continuous brand awareness. BMW tells its customers and other consumers that BMW cars give a pleasure in driving that no other car can give.

A typical BMW consumer is aged between 25 and 60 wanting a successful image, is excelling in their career, has a taste for aspirational products and values their social status. BMW Group focuses on being labeled as a “luxury car” and “a foreign or international car”, so BMW Group does not look to target one ethnicity or citizenship.

Overall, the company gives high importance to safety and luxury standards of its products and innovative and fresh products are introduced at regular time intervals according to the changing needs of the customers. Recently, BMW also entered the electric and hybrid motor vehicle segment with the introduction of the BMW i8.





## 2. INTRODUCTION

This report analyses BMW's marketing strategies from a consumer behaviour perspective to better understand the company, the product, their target market and the motivations, influences and values driving consumer's decision to purchase.

The report takes into consideration influences through reference groups on consumer behaviour and the psychographics of the target market including motivation, perception, learning theory and lifestyles, and how this affects the consumers purchase decision.

## 3. BACKGROUND

BMW (Bavarian Motor Works) was established in 1916 as an aircraft engine manufacturer, with its headquarters in Munich, Germany, diversifying into the production of motorcycles in 1923 and cars in 1928. BMW is now also the parent company for British automotive marque Mini and luxury car manufacturer Rolls-Royce (BMW Group History, 2018).

BMW entered the luxury car market in the mid 1970's with the introduction of their "Ultimate Driving Machine" tagline and advertising campaign by Bob Lutz, which focused on the driving sensation, handling and power of the BMW (Johnson, 2009).

BMW products are seen as a symbol of class, style, luxury and reliability, however in recent years more economical car manufacturers such as Toyota are moving their high-end vehicles into the luxury market. In turn, for BMW to remain competitive, they have increased their range to include more economical and affordable models, which includes the more affordable 2 series and SUV Models, targeting the lower income groups and families.





## 4. ANALYSIS OF THE LUXURY CAR INDUSTRY

As of October 2017, luxury car market sales were down 5.6% compared with the same period the previous year, however with a proliferation of competitive brands and models covering a wide range of price points, and changing consumer preferences, the luxury car market was seen to be poised for growth.

According to the Roy Morgan market research company (2017), June is typically the luxury car market's most lucrative month with End of Financial Year sales promotions driving volume with sales reaching a record high of 13,300 units in June 2017.

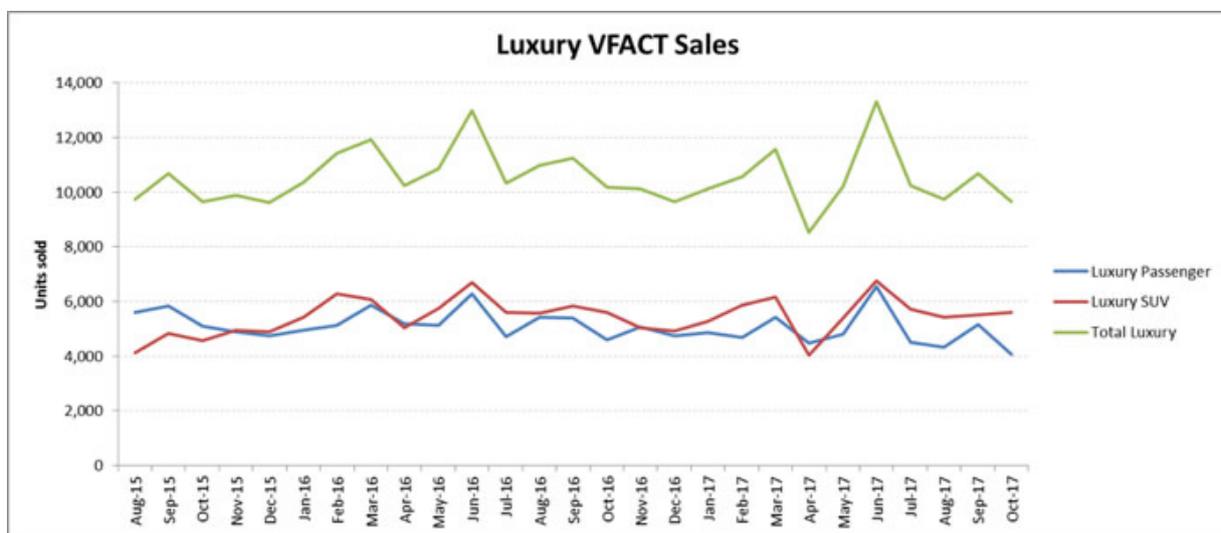


Figure 1 Australian luxury vehicle sales to October 2017  
2017 Source: VFACT figures released by the Federal Chamber of Automotive Industries Aug 2016 - Oct 2017

## 5. IDENTIFYING THE TARGET MARKET

In the mind of the consumer, the BMW is a luxurious, high-end, expensive car that carries prestige and sophistication. A typical BMW consumer is aged between 25 and 60 wanting a successful image, is excelling in their career, has a taste of aspirational products & values their social status. The benefits required by these people are superiority, performance, reliability & quality. They traditionally fall under the high-income group and social upper class that own their BMWs not as transportation, but as status symbols (Dudovskiy, 2016).

BMW drivers currently use their cars for business as well as their leisure activities, many of which play golf or other high-end sports where they want to be seen and get noticed. He or she would be more likely to attend a red-carpet event or a theatre production as opposed to a sporting stadium or a movie.



## 6. CURRENT AND EMERGING CONSUMER TRENDS

2018 is already posing challenges to the auto industry, which is in the unusual position of being both in a decline and at the same time being poised on the brink of revolutionary change. Some of the challenges faced by the industry are :

*Ride sharing* - One of the major automotive industry trends is the increase of companies like Uber and the decrease in sales of personal vehicles. By 2020 one out of every ten cars sold is estimated to be a shared vehicle (Technavio, 2018).

*Emissions-free vehicles* - The transition to emissions-free vehicles will become a global requirement with electricity used to charge vehicles from renewable sources.

*Connectivity* - This applies in two ways: communication between cars or with traffic management infrastructure or between vehicle occupants and the outside world through platforms like google.

*Self Driving* – where vehicles are moving towards less driver interaction

## 7. ANALYSIS OF MARKETING STRATEGY

An analysis of the marketing mix strategy is useful when identifying the underlying drivers of a top marketing performance. In addition, analysing the external influences encompassing competition, global market performance, economic and demographic trends, can identify the overall success of the marketing strategies. The 4Ps of marketing namely Price, Product, Promotion and Place are used to analyse BMW's current marketing strategy.





### *Product*

BMW's primary focus remains on manufacturing high-end luxury vehicles with emphasis on product innovation and development and an efficient, dynamic look. BMW is associated with the luxury segment of products undergoing a continuous process of technological advancement to compete in the markets. The company earlier relied on luxury and style as its unique features but reliability, safety and efficiency have become as important in their product as a whole.

### *Price*

BMW pricing is based on a differentiated strategy (Solomon, 2014) where they charge extra for premium quality. Price difference is also based on a car's different engine size, gear levels, fuel consumption and sports version. BMW adopts a dynamic pricing strategy (Solomon, 2014) on its more affordable models, which has opened up a segment in the market making the range more affordable to the middle class.

### *Place*

BMW's are made available to consumers through both new and used dealerships strategically located around Australia with an ability to locate the closest to you by using a simple "click" on the web. Dealerships portray the high-end image and service expected of the luxury sector providing the highest standard of customer experiences.

### *Promotion*

The promotional strategy as a part of its marketing mix focuses on aggressive advertising television and cinema advertising, online and social media platforms, billboards, print advertising and strategic product placement so that it can create a continuous brand awareness. BMW has fashioned its promotional brochures around glossy, high-end magazines to increase their readability and appeal to their target market.

BMW invests considerable funds in strategic product placement, for example in the film "The World Is Not Enough" James Bond drove the new Z8 before the car was launched (Bond Lifestyle). These product placement techniques, including that of sports rallies, have been extremely successful for BMW in their promotion of their cars.



## 8. ANALYSIS OF CONSUMER BEHAVIOUR

The use of the various marketing strategies has included social factors, reference groups, psychological factors and the hierarchy of needs.

Consumer behaviour is defined as the study of the behaviour of organisations, groups or individuals to gain an in depth insight and understanding about how the thought process of the consumer works (Kahle, 2011). It helps in understand the psychology of how consumers think, reason about certain things, feel or make purchasing decisions.

Whenever, a customer is buying a product, he does not only consider it as a product but looks at the purchase as a set or combination of multiple attributes which would satisfy the desires and the needs in their lives.

### *Reference Groups.*

A reference group is defined as a person or group of people that significantly influence an individual's behaviour. The reference groups provide standards or norms by which consumers judge their attitudes and behaviour (Blythe, 1997).

When making a decision to purchase a BMW, an individual will be influenced by a group of people that he or she wants to join or perceived to belong to. They will be people in the middle to higher social class or in a certain income level, and they are referred to as the aspirational group for that individual (Salmon, 2008).

Reference groups can be further categorised into primary and secondary reference groups, with the primary reference group referring to the consumer's family members or friends which can be significant for BMW consumers. For example if a friend or family member has experienced total satisfaction with BMW service, after sales care or product performance meeting or exceeding expectations then the consumer is more likely to purchase a BMW.

Secondary reference groups are groups to which a consumer wants to belong to. The influence of the secondary reference groups depends on the level of desire of the consumer to belong to this group such as certain exclusive BMW.

### *Psychological Factors*

Motivation, perception, learning and beliefs / attitudes are the 4 major psychological factors that influence a consumer when purchasing a BMW.



### ***Motivation***

A prospective BMW consumer would have psychogenic needs (Cherry, 2018). This refers to the consumer's need for recognition and sense of belonging. The BMW consumer wants to have the status attached with owning a BMW. In terms of Maslow's theory, BMW has recognised that a prospective consumer is most probably trying to fulfill his esteems needs of recognition and status.

BMW has done their best to avoid dissatisfiers and have identified the major motivators that would lead to the purchase of a new BMW for example the four variables being heritage, qualitative growth in product, the personality and successful background of the BMW brand are used to create a status personality.

### ***Perception***

Perception is defined as the process by which an individual selects, organises and interprets information to create a meaningful result (Kotler, 2000). BMW has used the concept of individualism to target consumers to purchase a BMW through the perception that owning a BMW expresses an individuals personality.

### ***The learning theory***

This teaches marketers that they can build up demand for a product by associating it with strong drives and providing positive reinforcement.

BMW has utilised this theory well by associating their products with Quality, Product development and status and instills a consumer response that is consistent regarding the association that goes with the new purchase of a BMW.

BMW uses selective attention (Ratneshwar, 1997) to inform consumers of the merits of owning a BMW via advertising, sales promotions, direct marketing and on-line marketing. Furthermore since the beliefs of the consumer (individuality, quality and safety) are supported by BMW, consumers would retain the information presented to them.

### ***Lifestyle***

People have different interests, activities and opinions that lead to different life styles which gives rise to different needs. Relationships exist between products and lifestyle groups and marketers constantly seek to identify and use these relationships in their marketing strategies.



Psychographics is the science of measuring and categorising consumer lifestyles (Solomon, 2014). According to Kotler (2000), one of the most common classifications based on psychographic measurements is the VALS (Values, attitudes and Lifestyles) framework, which classifies adults into eight groups based on psychological attributes.

Primary Motivation	Characteristics	Description
Innovators	Successful, sophisticated, active, "take charge" people	Purchases often reflect cultivated tastes for relatively upscale, niche-oriented products.
Thinkers	Mature, satisfied, comfortable, and reflective.	Favours durability, functionality, and value in products
Achievers	Successful, career and work-oriented	Favour established, prestige products that demonstrate success to their peers
Experiencers	Young, vital, enthusiastic, impulsive, and rebellious	Spend a comparatively high proportion of their income on clothing, fast food, music, movies and videos.
Believers	Conservative, conventional and traditional	Favour familiar products and established brands
Strivers	Uncertain, insecure, approval-seeking, resource-constrained	Favour stylish products that emulate the purchases of those with greater material wealth
Makers	Practical, self-sufficient, traditional, family-oriented	Favours products with a practical or functional purpose such as tools, utility vehicles, fishing equipment
Strugglers	Elderly, resigned, passive, concerned, resource constrained	Value simplicity and fit-for-purpose

Table 1 VALS Framework values and lifestyles

The Strivers of this group would consider the BMW more favourably due to its affordability as well as the ability to emulate the purchases of those with greater material wealth. The Believers of this group would consider the BMW more favourably due to its affordability and high level of brand establishment. The Makers of this group would favour the more affordable range that are practical and functional and would prefer the BMW SUV instead of the hatchback or coupe. The Strugglers simply cannot afford this product in all phases of the BMW product life cycle.



## 9. PERSONAL REFLECTION

From a personal perspective, this has been an engaging exercise to undertake. Being a BMW driver myself it was fascinating to compare how many consumer behaviour theories applied to my own customer journey from my initial decision to purchase a new car, through the purchasing decision to acquiring my car.

As a marketing professional, I now have a much deeper understanding of consumer behaviour in relation to the luxury market, and even though this exercise focused on the luxury car market, I am able to apply the knowledge I have gained through this exercise in marketing my largest client, a luxury golf Resort.

## 10. MARKETING OPPORTUNITY

In order to retain the prestige of the BMW marque, BMW needs to ensure that Certified Preowned BMWs are still relatively new and carry a price that matches their quality. Older BMWs traded in should not qualify for the program, because they will not be high quality enough for the prestige that is expected when driving a BMW.

## 11. CONCLUSION

After the rapid evolution of brand images and brand concepts by Goodyear (1996), the consumer behaviour of BMW has become significantly important. BMW has reached the top of the global level as an image icon. The marketing literacy and the demand knowledge of the BMW consumers have increased significantly over the years. BMW as a brand is now seen as a part of their lives and as a symbol of their relative statuses in the society.



### MORE = LESS

Get more, pay less – that's BMW Economics. One sporty and dynamic BMW 116i Series 5-door, plus £1,375\* worth of complimentary additional equipment (including 17" alloy wheels, Sport leather steering wheel with multi-function controls and Sport seats) equals a compelling reason to visit [bmw.co.uk](http://bmw.co.uk) or your local BMW Dealer. **BMW Economics.**



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