



BMW Group Analyst and Investor Conference, 14th March 2012

IS PREMIUM FUTURE PROOF?

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**BMW
GROUP**



Rolls-Royce
Motor Cars Limited

BRAND AND PRODUCT STRATEGIES.

Segment Forecast



Competitor Forecast



Customer Research



Brand Analyses

BMW GROUP PREMIUM STRATEGY.

Vision

Competitive Advantage

Growth



Shaping the Future



Profitability



Access to
Technologies and
Customers



Values and Basic Principles

QUESTIONS ABOUT CUSTOMERS.

What characterizes customers in the different regions of the world?

What are expectations and requirements regarding “premium”?

What are the external conditions he / she has to deal with?

Which values / attitudes drive his / her decision?

Which future trends can be detected?

WHAT IS PREMIUM?

Why?

Psychologic needs

What?

- Social acceptance
- Increased quality
- Enhanced comfort and convenience
- Individuality
- Lifestyle
- More beautiful design
- Pampering Customer Care
- ...

LUXURY IS A €1 TRILLION GLOBAL GROWTH INDUSTRY.

Investment & charity



BILL & MELINDA
GATES *foundation*

Luxury products:
cars, boats, airplanes



Luxury services:
travel & health



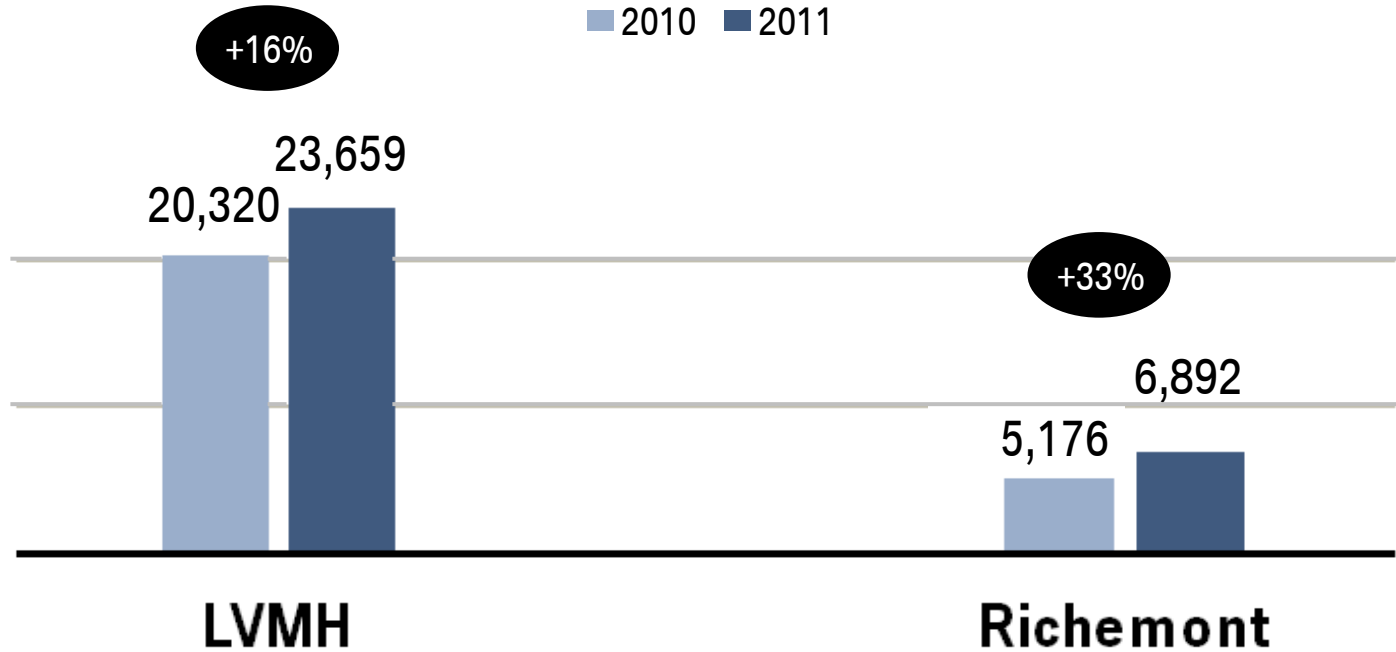
Soft and hard luxury



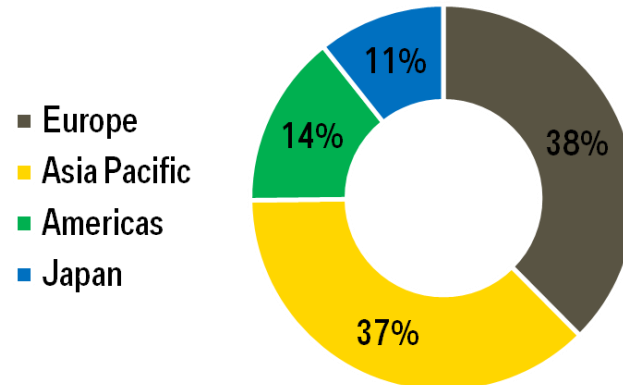
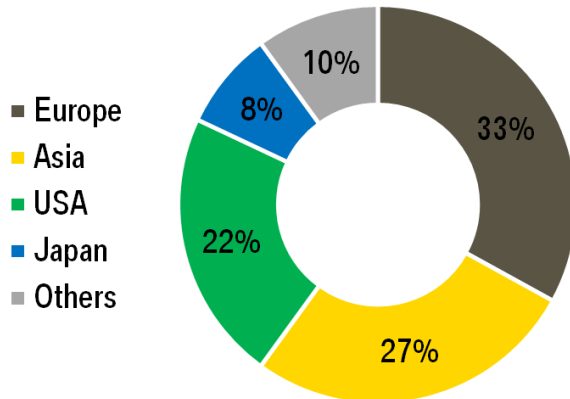
EXAMPLES.

Revenue in € millions

■ 2010 ■ 2011



Revenue by region 2011



LUXURY MARKET: A DURABLE GROWTH.

Growth is fueled by:

- demographics,
- urbanization,
- worldwide communication and travels,
- increase of purchasing power (higher wages, lower costs of basic goods).

Growth is non-linear:

- Willingness to spend more is higher for luxury goods than for basic goods.

CUSTOMER PREFERENCES DIFFER FROM REGION TO REGION – BUT PREMIUM BRANDS WORK GLOBALLY...



...AND THE CURRENT CUSTOMER UNDERSTANDING OF PREMIUM CARS IS GLOBALLY ALMOST IDENTICAL.



Size of letters indicates the importance

Black: Premium attributes

Blue: additional attributes for premium cars

THESES ABOUT CHANGING AUTOMOTIVE MARKETS: NEWSPAPER HEADLINES.

**Umweltfreundlichkeit bei Autos
immer wichtiger**

Premium cars and SUVs to surge ahead

Global carmakers to go greener at India auto show

GREENTECH

At Risk, the Core of a Car's Identity

DESIGN

It's Electric. Should It Look Electrifying?

**THE ULTIMATE SELF-
DRIVING MACHINE**

So cool wie ein iPhone

Das Auto als Statussymbol hat ausgedient: iPhone und Luxusurlaub haben laut einer Umfrage den gleichen Stellenwert. Hier gibt's das Status-Ranking der Automarken!

Turning to Tech on the Road

STUDIE

Auto ist Prestigeobjekt Nummer eins

Positive sentiment drives premium vehicle sales in 2011

AUTOMOTIVE PREMIUM UPPER CLASS: DIFFERENT DISTINCTION REFLECTS LOCAL SPECIFICS.



Understatement
Sophistication



Success
Passion



Success
Privacy



Recognition
Pride



Status
Extravagance

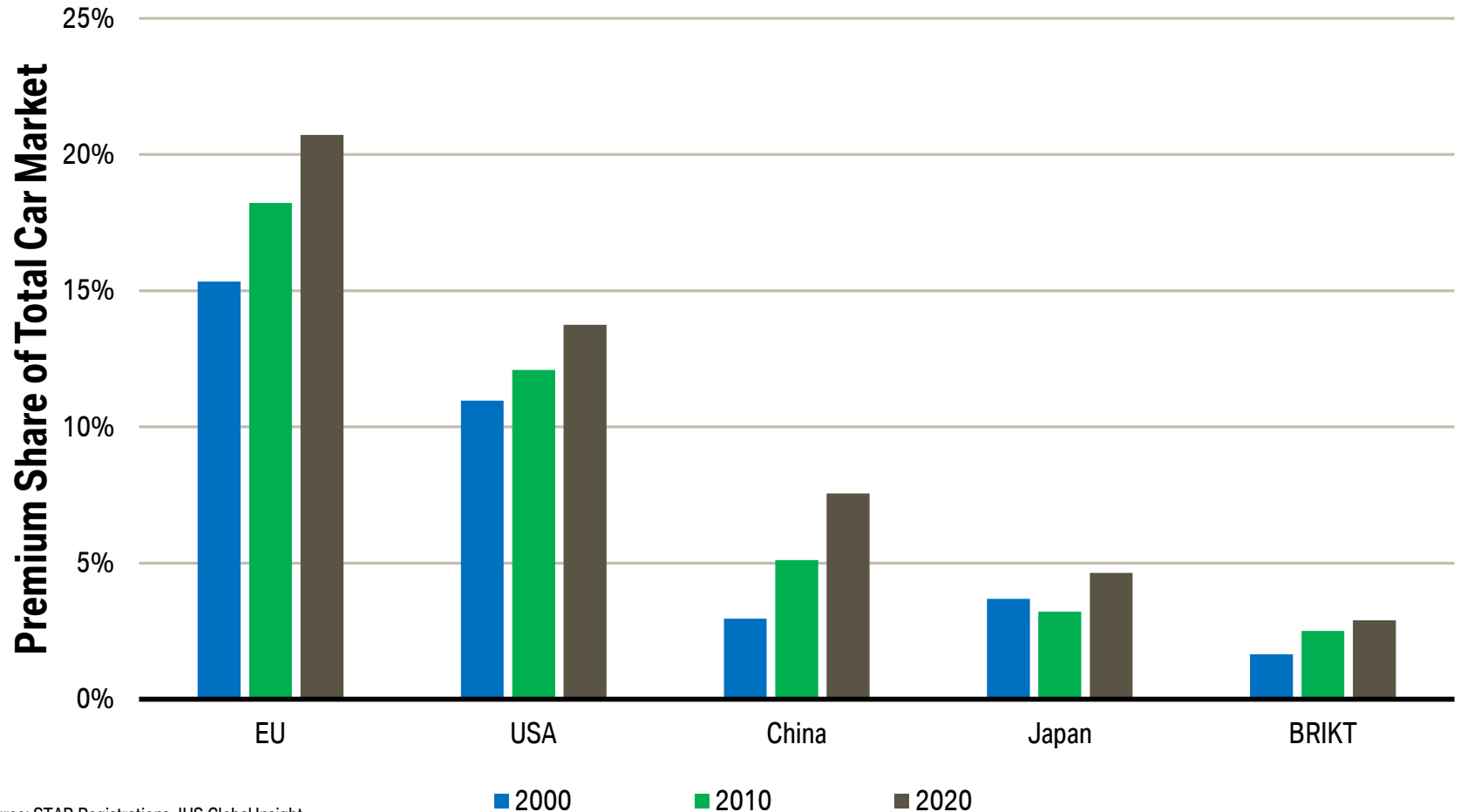


Status
Opulence

Intrinsic

Extrinsic

HEALTHY OUTLOOK FOR PREMIUM SEGMENT IN ABSOLUTE TERMS AND MARKET SHARE.



Source: STAR Registrations, IHS Global Insight

LOCAL SPECIFICS OF ESTABLISHED MARKETS: EUROPE.

- Ageing, wealthier
- Small households, core families
- Premium seen as refinement, low prestige (show-off) orientation
- Sophisticated brand understanding
- Car ownership is standard
- Political key target to reduce CO₂ emissions



Premium Car Expectations

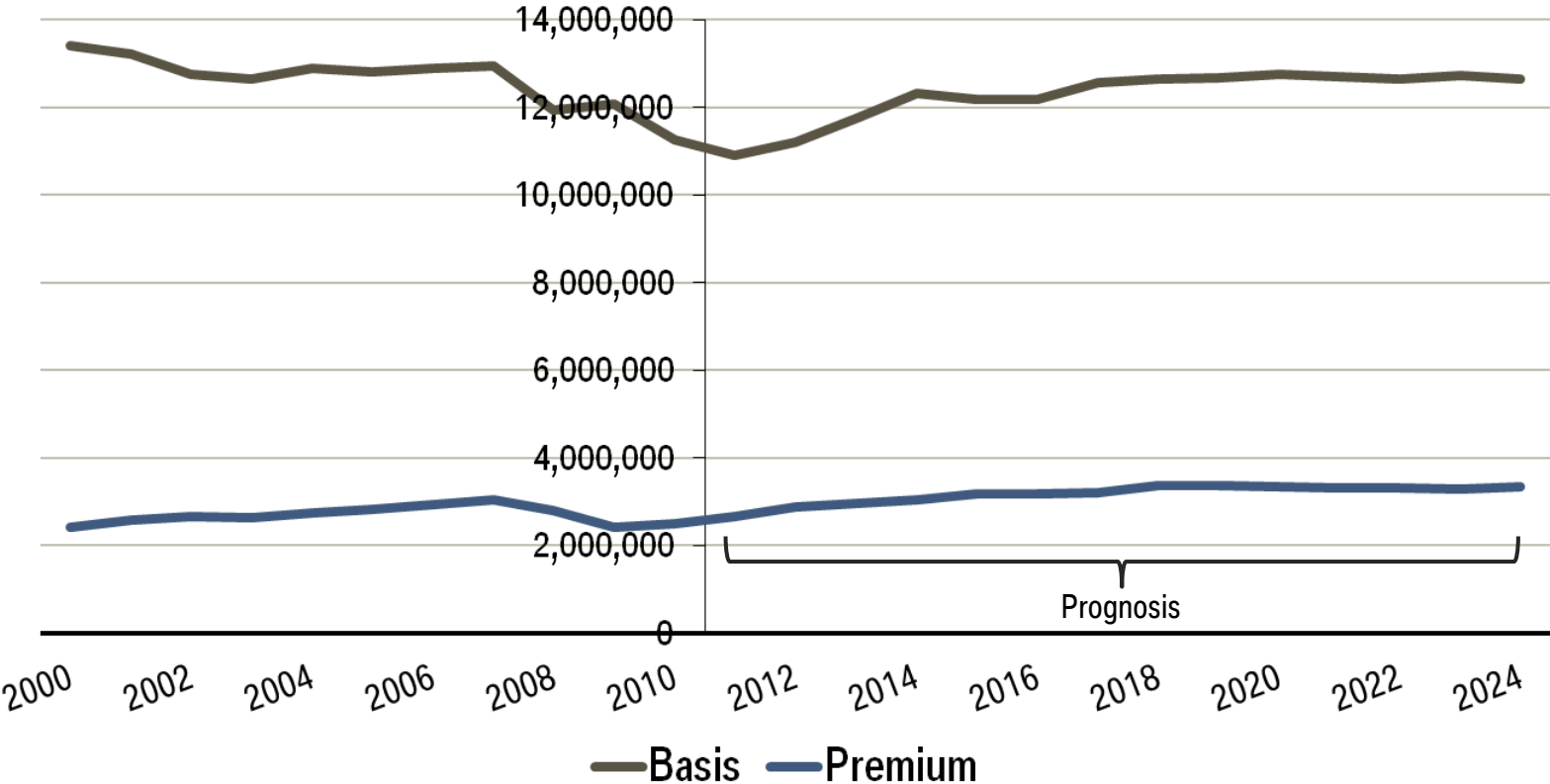
- Convenient; intelligent communication, comfort & safety technologies
- Small Premium is well understood. Premium brands need heritage
- Economical and ecological benefits, technology fascinates

ESTABLISHED MARKETS: EUROPE. STABLE PREMIUM MARKET PROGNOSIS.



ESTABLISHED MARKETS: EUROPE. STABLE PREMIUM MARKET PROGNOSIS.

Premium vs Base Volume



Source: STAR Registrations, Global Insight

LOCAL SPECIFICS OF ESTABLISHED MARKETS: USA.

- Slightly ageing society, midsize households
- Very sensitive regarding short-term events
- Often low brand understanding
- Premium seen as expression of power, relatively high prestige orientation
- Alternative drives have to offer economic advantages
- Political vision of zero emission mobility, independence from oil imports



Premium Car Expectations

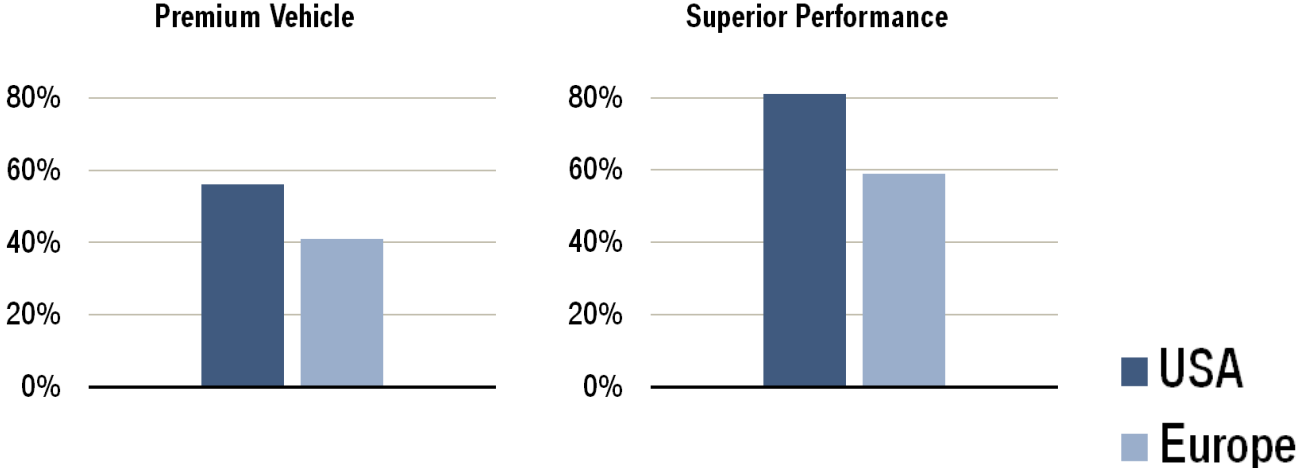
- Roomy, convenient, easy to use, safe
- Premium closely linked to bigger cars and do not necessarily need (brand) heritage
- Economical benefits, technology has to be easy to operate

ESTABLISHED MARKETS: USA.

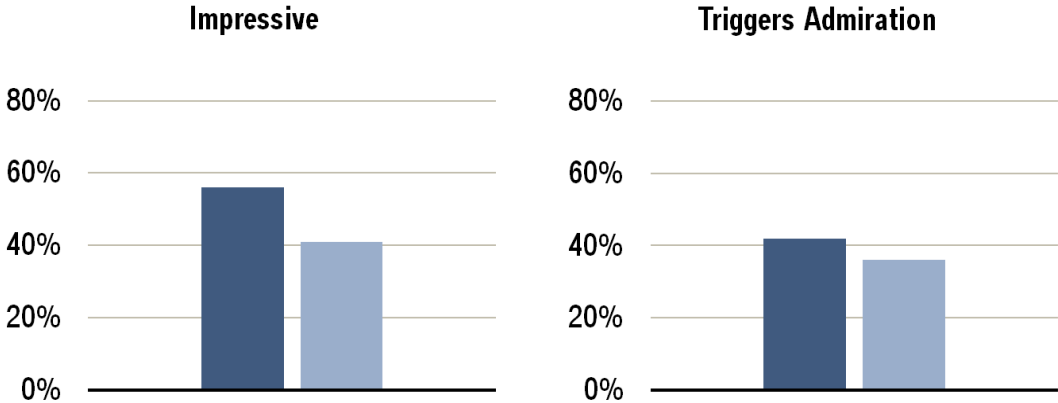


ESTABLISHED MARKETS: USA.

Modes of Automotive Distinction



Favorable Body Design Features



LOCAL SPECIFICS OF ESTABLISHED MARKETS: JAPAN.

- Heavily ageing society, small households
- Front runner regarding multi-modality
- Premium is seen as refinement (technology), also prestige orientation
- High brand understanding
- Very open towards alternative drives (due to incentives)
- Policies without clear technical visions, but jap. OEM with clear strategies towards Hybrid



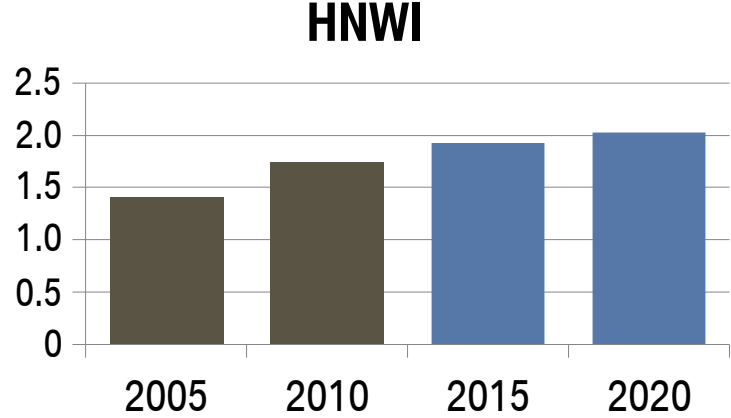
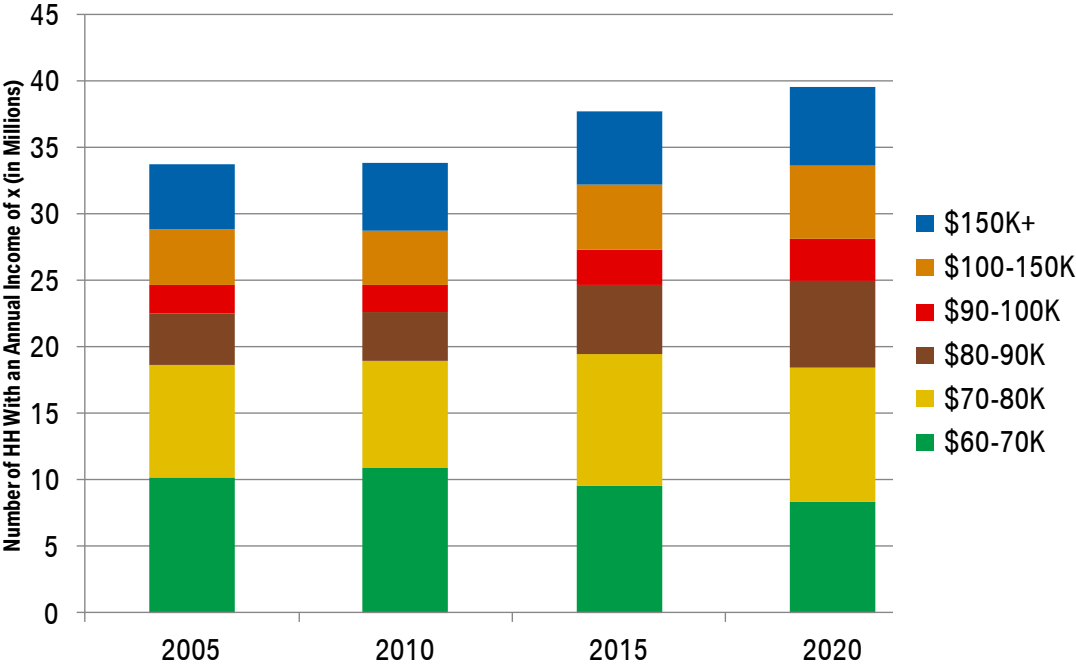
Premium Car Expectations

- Distinction, differentiation from the mass market
- Small Premium is somewhat understood
- Connectivity, economical benefits (also by government incentives)

ESTABLISHED MARKETS: JAPAN. GROWING PREMIUM RELEVANT INCOME GROUPS.



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Sources: Capgemini/Merrill Lynch, IHS Global Insight, BMW

LOCAL SPECIFICS OF FAST GROWING MARKET: CHINA.

- On the way to car-orientation
- Very many first-time-car-buyers. Car ownership is indicator of success
- Premium is seen as prestige and defined by size
- High demands regarding brand reputation. Low trust in local brands and OEMs
- High innovation openness and fascination, but rather low openness towards alternative drives
- Sustainability policies with technical vision: E-Mobility



Premium Car Expectations

- Prestige, convincing in every respect
- Big and luxurious cars (sedans) and SAVs fit the Premium definition best
- Fascinating, eye-catching, innovative elements

CLEAR BRAND DESIRE: CHINA TOP 10 LUXURY BRANDS. GLOBALLY ORIENTED PREMIUM CUSTOMERS.

1. BMW



2. Cartier

Cartier

3. Rolex



4. Apple



5. Microsoft

Microsoft

6. Salvatore Ferragamo

Salvatore Ferragamo

7. Nintendo



8. Mercedes



9. Tiffany

TIFFANY & CO.

10. Four Seasons



THE BRAND DESIRE
CHINA 100



FAST GROWING MARKET: CHINA. MOVING UP = MOVING INTO PREMIUM.



FAST GROWING MARKET: CHINA. MOVING UP = MOVING INTO PREMIUM.

Next Car Concept:



Large Sedan: 11%
Premium Share : 100%
Avg. Age: 37



Medium Sedan: 58%
Premium Share: 65%
Avg. Age: 35



Small Sedan: 11%
Premium Share : 3%

Current Car Concept:

LOCAL SPECIFICS OF EMERGING MARKETS: BRASIL.

- Highest grade of urbanisation (87%)
- Juvenile car market
- Premium is seen as power and status, prestige orientation is limited (due to security concerns)
- High demands regarding brand reputation
- Moderate openness towards alternative drives (bivalent ethanol drives)



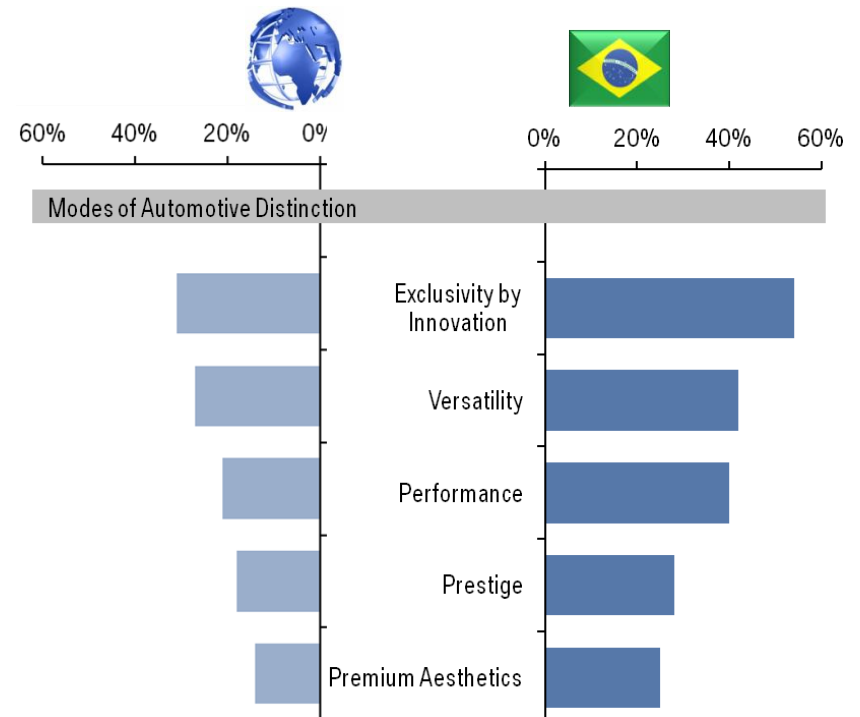
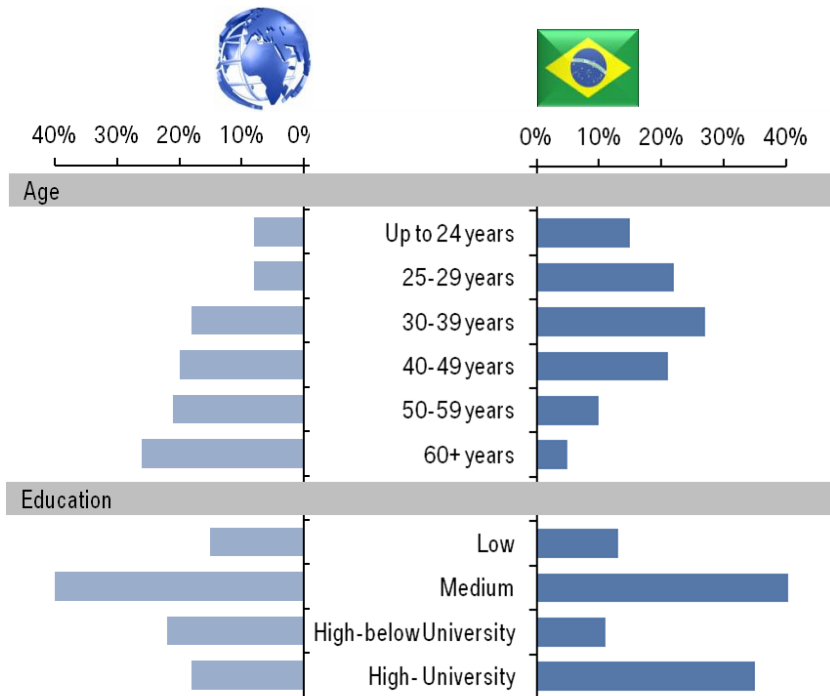
Premium Car Expectations

- Distinction and Prestige (with limited extroversion) , convincing in every respect
- Small Premium is somewhat understood
- Reasonable and functional , fit the everyday needs

EMERGING MARKETS: BRASIL. YOUNG, WELL EDUCATED AND LOOKING FOR PREMIUM.



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PREMIUM IS FUTURE PROOF!

- 1. Premium segments grow globally**
- 2. Customer needs regarding premium are stable and well understood**
- 3. The Premium principles work all over the world**
- 4. Nevertheless: Transfer into products, services and brand building needs to reflect volatility and bandwidth of local requirements**