

Darren Morris



Richard Mahony

Tim Shaw

Ali Small

BMW CASE STUDY

<u>Topic Guide</u>	<u>Page</u>
1. Mission Statement.....	2
2. Market Definition.....	2
3. Situation Analysis	
Environmental Analysis.....	2
Internal Analysis.....	2
Market Analysis.....	2
Customer Analysis.....	2
SWOT.....	2
4. Identifying and Selection of Target Market.....	2
5. Key Assumptions.....	3
6. Direct Marketing Objectives.....	3
7. Strategy.....	3
8. Action Plan	
8.1 BMW Card Positioning & Benefits.....	3
8.2 BMW Card Technology.....	6
8.3 Direct Marketing Communications Strategy..	9
8.4 Database Structure.....	9
9. Budget.....	12
10. Monitoring and Control.....	17

<u>Appendices</u>	
Appendix 1	Situation Analysis..... 18
Appendix 2	BMW Bank Status..... 23
Appendix 3	Lifetime Value Calculations..... 24
Appendix 4	The BMW Card Range..... 26
Appendix 5	Loyalty Card Summary..... 27
Appendix 6	Credit Card Interest Rate Summary..... 28
Appendix 7	Smart Card Applications..... 29
Appendix 8	BMW Card Sample Statement..... 30
Appendix 9	Database Strategic Applications..... 31
Appendix 10	Building Loyalty & The BMW Card..... 32
Appendix 11	A Day In The Life Of A BMW Card Holder 34
Appendix 12	BMW Customer Profile Data..... 36

1. MISSION STATEMENT

BMW aim to be the most admired and respected service company in the UK.

2. MARKET DEFINITION

The market consists of retail sales of executive and luxury new cars and BMW approved used cars.

3. THE SITUATION ANALYSIS

Refer Appendix 1.

4. IDENTIFYING AND SELECTION OF TARGET MARKET

In broad demographic terms our target customer is male or female, ABC1 social grade and aged 25-54.

Through the application of the proposed BMW database, target customers will be described according to a range of personal and family attributes, including:

- Vehicle ownership
- Lifestyle
- Family structure
- Customer behaviour (transactional)
- Responsiveness to BMW loyalty promotions.
- Demographics
- Geographics
- Psychographics

5. KEY ASSUMPTIONS

The BMW Card will be compatible with forthcoming point of sale smart card readers, as well as being compatible with existing magnetic strip point of sale equipment.

BMW will receive approval for bank status (see appendix 2). If this does not eventuate in sufficient time for BMW Card launch, a short-term association will need to be agreed with an underwriter, pending receipt of bank status.

6. DIRECT MARKETING OBJECTIVES

- To achieve 4% of the total industry volume of new car sales in the UK by 2002.
- To improve customer retention. By 2002 at least 75% of BMW owners should purchase another BMW when they change their car.
- To increase the percentage of BMW households with two or more BMW's to 25% by 2002.

We believe these to be consistent with BMW's corporate objectives.

(The financial implications of improving customer retention are evidenced in a Lifetime Value Calculation shown in Appendix 3.)

6. STRATEGY

In order to meet these objectives the direct marketing strategy requires the development and application of a comprehensive customer database and customer loyalty program. The database will enable BMW to establish a close relationship with its customers, through an understanding of their needs, motivations and behaviour. The desired result is the implementation of exceptional personal service and the building of genuine loyalty to the BMW brand.

7. ACTION PLAN

1. Positioning benefits and rewards associated with the BMW card.
2. Implementation of card technology.
3. The customer communications programme supporting the direct marketing campaign.
4. Database design and development.

8.1 The BMW Card: Positioning and Benefits

The BMW Card is dual branded and multi-functional. It combines a Visa credit facility with a loyalty reward card. It is a fundamental component of the direct marketing strategy. Through customer's use of the card BMW can begin to learn about their customers. This knowledge can be used to develop an individual customer relationship, which if carefully managed and nurtured, can establish and promote genuine customer loyalty.

The BMW card will not be like the tens of other loyalty schemes in the marketplace. BMW is not about offering "points mean prizes and discounts" to keep customers 'loyal'. This loyalty programme will gather information that distinguishes between customers, offering benefits tailored to their needs. This overcomes a common failing of many loyalty schemes which fail to segment their customer base, with the same rewards and incentives being offered to all customers.¹

BMW dealers have historically been left with responsibility for customer care whilst

¹ McKenzie S "Distinguishing marks" *Marketing Week* November 17 1995 pp13-15

BMW has offered support and encouragement through the provision of product information, event opportunities and the development of a simple customer database. The problem with this is that each dealer is able to provide different incentives or a different perspective of a manufacturer. Consumer demands for service quality are ever increasing, and a company the size of BMW must be capable of more tightly controlling customer interaction. Further, the forecast Block Exemption Legislation has been identified as a threat to BMW that is likely to result in a loss of the exclusive BMW dealership. The BMW Card will assist in the standardisation of service quality for all BMW customers in the UK.

BMW's past philosophy for developing customer loyalty has been based upon product quality and dealer service. It is not proposed to alter these essentials, but rather, build the BMW card around this established base.

Importantly, the BMW product will remain the central feature in the direct marketing program. After all, individuals will not purchase a BMW for the peripheral rewards and gifts, but rather from the benefits the individual gets from the car.

Card Positioning

The BMW Card will be available exclusively to BMW owners and their family. Through ownership the customer will gain membership to an exclusive "club", which sets them apart from their peers.

By including family members in the loyalty program BMW will be able to build a relationship with a range of individuals involved in the family decision making unit and not just the driver of the car.

Where private companies and car leasing firms own BMW vehicles, the cards will be made available to the driver of the car and their family. Many luxury cars sold in the UK are driven by company executives who *choose* the vehicle they drive. The need to influence this choice is therefore a priority.

Within the owners "club", membership is to be segmented into a three-tiered structure, comprising:

- Platinum
- Gold
- Silver

Each is associated with the type of car purchased or the length of the customer's relationship with BMW.

Platinum cards are issued to customers purchasing new 7 series and 8 series.

Gold cards are issued to customers purchasing 3 series, Z3 and the 5 series and also BMW Approved second hand 7 and 8 series that are less than 3 years old.

Silver cards are issued to customers purchasing BMW Approved second hand 3 series, Z3 and the 5 series that are less than 3 years old.

(Refer Appendix 4 for graphical representations of the BMW Card range)

The three-tiered positioning of the BMW Card allows the benefits to be segmented accordingly. High value aspirational rewards associated with the BMW Platinum Card will be experiences that the customer can not easily buy elsewhere. We know that these customers are wealthy, and are likely to be able to afford a typical loyalty reward.² For these customers invitations may be provided to join BMW executives and other BMW Platinum Card holders in the BMW corporate box at Ascot.

The BMW Card should never be associated with discounts. BMW enjoys a fine reputation for quality and prestige that would sit uneasily alongside a discount loyalty scheme.

The Reward Scheme- Gaining Points

Customers will receive 2 points for every pound spent with the BMW Card. Every point will have a value to BMW of approximately 1 pence. If all customers were to redeem their accumulated points, the scheme would cost BMW 2% of the value of all purchases on the BMW Card. This is competitive with other credit card reward schemes. Refer appendix 5.

BMW Card Credit

A strong incentive for customers to use the Visa credit component of the BMW Card is to be provided through the implementation of a very competitive interest rate. The rate charged for BMW Card purchases should be no greater than 14.9%, undercutting the major competitors by at least 5% per annum. BMW can offer such a low rate for the following reasons:

1. Unlike banks, BMW will not be aiming to make a profit from the operation of the BMW Card. The card will be self-funding, but not a profit source.
2. BMW customers typically have ABC1 socio economic standing, and pose a smaller credit risk than typical credit card customers.
3. Cards are issued with a pre-authorised credit limit. Silver £2000, Gold £4000 and Platinum £15000. Requests for higher credit limits would be considered but approval would require very sound credit history or the loan would have to be secured against the BMW vehicle.
4. The interest rate is equivalent to that being offered on credit cards by banks outside the UK. (refer Appendix 6)

This scheme will commence with the purchasing of the car. A customer buying a 3 series vehicle costing £18000 will have their account credited with 36 000 points (ie £1 is equal to 2 points). This ensures that all BMW customers will be introduced to the scheme with a substantial number of loyalty points, qualifying them for an immediate significant reward. This provides a strong incentive to become involved with the program. Customers making repeat purchases will receive an additional 50% in bonus points.

Cardholders will gain bonus points if a friend or family member purchase a BMW on their recommendation. The points awarded would match those offered as a bonus to repeat purchasers of BMW vehicles. This provides an incentive for customers to use word of mouth recommendations, helping BMW in their search for new customers.

² IDM BMW case study 1997/8

BMW Card RewardsTable 1.**Platinum Rewards**

Boxes at sporting events	100 000 points
Corporate hospitality at the British Grand Prix	125 000 points
Trip on location to the next Bond Movie	200 000 points

Platinum and Gold Rewards

Stays in top Health Farm	15 000 points
Trips to Milan fashion shows	60 000 points
Weekends at famous golf ranges for 2	100 000 points

Platinum, Gold and Silver Rewards

Weekend Breaks in the UK	20 000 points
Weekend Breaks on the Euro Star	60 000-100 000 points
BMW Driving course	15 000 points
Brands Hatch Course	25 000 points
Theatre tickets	7000-8000 points
BMW Corporate Golf day	10 000 points
Cinema tickets	2 000 points
Selections from Reward Catalogue	from 1000 points

The BMW database will be used to offer rewards that reflect the interests of the owner of the vehicle and members of their household.

The possibility of securing BMW Card holders additional benefits at quality service establishments would also be investigated. For example, some 5-star hotel chains may be interested in offering all BMW Card holders a free room-upgrade, or bottle of wine with their meal. By offering service benefits, it will give quality service organisations access to potential target customers.

8.2 BMW Card Technology

The technological options open to BMW in building their loyalty scheme are endless. Today's card technology ranges from a simple bar coded single purpose card, to the multifunctional large storage smart card. Smart card technology will be central to the BMW Card and the direct marketing program.

Smart card technology has the potential to not only change the future of traditional consumer service but to introduce the development of new applications and opportunities. BMW should be at the centre of this technological revolution. From financial services to portable information databases, smart card technology can be utilised to improve existing services and to capitalise on significant new business opportunities.³ The amount of innovation required creates a distinction for other companies to recognise BMW as a leader in its field.

³ Kaplan JM (1996) *Smart Cards, The Global information Passport* International Thompson Computer Press, London

The Smart Card

“To compare a smart card to having a computer in one’s wallet or purse is not an exaggeration”⁴

The modern smart card is essentially a stand-alone computer much like a personal computer without a screen or a keyboard. Smart cards carry in built microprocessors enabling them to carry out intelligent functions. They have their own operating systems, temporary memory and file storage.⁵ The operating system will be installed on the card by BMW and cannot be changed, giving the card enormous flexibility.

Smart cards can be programmed to provide an unlimited number of functions on the one card. BMW only need to offer a handful of functions on their cards but the capability is there to expand in the future without the need to incur any major costs.

(Refer appendix 7 for a description of some of the current smart card applications)

BMW can adapt the technology available to program the card to perform multiple functions providing unique customer benefits. BMW owners tend to enjoy driving, so why not utilise the card to prove to them that a BMW is “the ultimate driving machine”? The BMW Card will be programmed to hold a variety of information about the vehicle, its service history and how it is performing. Performance data can be transmitted using existing 7 and 8 series satellite technology to the central BMW database for processing.⁶ BMW can then analyse individual vehicle performance, possibly contacting the customer when the central computers note that the vehicle is not performing within prescribed limits.

The benefits of this application of existing technology are significant to both BMW and the customer. BMW will be able to continually monitor vehicle performance. By knowing what is wrong with the vehicles before they arrive at the BMW service centre, BMW will be able to slash inventories of spare parts and more efficiently plan workshop time. For the customer, vehicle resale value will be increased with a faultless record of all maintenance and servicing. Customers will also have the additional peace of mind that BMW will notice any abnormal vehicle performance – it will be like travelling with a qualified mechanic, without the greasy overalls!

The benefits of the smart card are not restricted to the consumer. BMW will also benefit from the application of the smart card technology.

Commercial smart card payment systems can facilitate the collection of much larger amounts of information in computerised form than any other previous payment system.⁷ They will be able to generate records of the date, time and location of all movements on public transport systems, along with details of all goods purchased, telephone use, car parking attendance at cinema and any activities paid for by smart cards. These records will be processed and stored in reliable central databases where they will be used to create detailed customer profiles.

Smart cards are an enabling technology, one that allows new solutions to old

⁴ Zoreda J. And Oton J, Smart Cards, London, 1994, p.xiii

⁵ The privacy committee of New South Wales (1995) op. cit.

⁶ BMW 7 Series sales literature (1998) pp38-41

⁷ Kaplan JM (1996) op. cit.

problems, such as vehicle security, as well as applications that were not previously possible such as storing vehicle service history. From a marketing point of view the BMW Card will help reinforce BMW's high-tech, cutting edge image, whilst providing a wealth of important customer information.

The Contactless Smart Card

This is the latest smart card development, using low frequency radio waves to provide power and to communicate with smart card readers. Contactless smart cards can be read from approximately six inches, without being removed from a wallet or purse.⁸

Using their contactless smart cards BMW customers will also gain benefits including:

- Automatic access to garage without getting out from car
- Activate and deactivate the car immobilising system
- Activate vehicle ignition

These benefits are made possible by access control systems that use biometric data recorded in the card microchip, enabling a computer to authenticate the identity of the card holder e.g. finger prints, hand geometry, signature verification, retinal pattern or voice recognition.⁹

8.3 Direct Marketing Communications Strategy

The direct marketing strategy is only one component of BMW's communications strategy. Whilst direct marketing has the potential to revolutionise marketing and customer relationships, it is essential that it not be managed in isolation. Customers must receive a consistent message from all components of the communications mix. Above the line advertising, direct mail and even the behaviour of customer contact personnel are all important components of the communications strategy.

Details regarding communications media mix and direct mail are covered in the budget section on page 12-14.

Key changes to BMW's direct marketing strategy following the creation of the database include;

- The ability to understand customers at an individual level
- The ability to design direct mailings to appeal to known characteristics of the customer and/or members of their household.
- The ability to target potential customers on the basis of their similarities to existing BMW customers.

8.4 Database Structure and Implications for Existing Technology

The BMW database has been designed to provide an invaluable source of detailed information about existing and prospective customers that can be used to achieve BMW's corporate and direct marketing goals. The main requirements for the database are as follows:

⁸ The privacy committee of New South Wales (1995) op. cit.

⁹ The privacy committee of New South Wales (1995) op. cit.

- To be capable of providing accurate customer profile information for effective target of existing customers.
- To provide an effective means of recording, targeting and marketing to prospective customers.
- The database will be central to the operation and control of a customer loyalty program. In addition to the obvious functional requirement to store and process vast amounts of transactional data, it must also provide meaningful information on BMW customers - their habits, preferences, personalities, spending patterns, lifestyles, likes and dislikes.
- The database must be designed to enable the use of data mining and other data analysis techniques. A relational data base is required so that each layer of database information can be linked, allowing for cross-analysis and the identification of links between customer behaviour and a range of variables.
- The database must be capable of future expansion. This is particularly relevant with the choice of a smart card as the appropriate loyalty and direct marketing tool. Over time the uses of the BMW smart card may increase dramatically. The database must be capable of handling a wide range of new data inputs.¹⁰

The database will be structured as a series of layers of information, with each layer being in some way unique, but being capable of linking with other layers of information as required.

	<p style="text-align: right;"><u>Table 2.</u></p> <p>Census Data Postcode System Electoral Roll</p> <p>Customer Data & Prospect Data BMW Vehicle Performance Data Vehicle Ownership Lifestyle and Family Data Market Research Data Transactional Data Smart Card Data Loyalty Data Entertainment Data GIS</p>
--	---

Source: Adapted from Evans M (1994) *Domesday Marketing* Journal of Marketing Management 10, 5 409-431

The base layers of information are the Census, Postcode System and Electoral Roll. The Census provides a wealth of information including family size and structure, ethnicity, income and occupation. The information is collected at a household level and aggregated for enumeration districts consisting of approximately 170 households. By linking the data to postcodes, the information becomes applicable to groups of 15 or so households. By linking the data to the electoral roll individual households and

¹⁰ Martin Evans (1997) From 1086 to 1984: *Direct Marketing into the Millennium* Professorial Lecture, Bristol, Business School

their characteristics are identifiable, albeit aggregated enumeration district data rather than the specific census data of that household.

Customer and Prospect data are the existing files held by BMW which would be transferred into the new database.

BMW Vehicle Performance Data is an accumulation of the data received via existing on-board satellite technology, which details individual car performance (as outlined in the smart card section of this report). Including this information in the database allows quick cross referencing with owner's name and address details, as well as the ability to link with GIS to create maps. The maps could be used to indicate poor vehicle performance and the BMW service outlet most recently used by the owner. This may establish a link between poor vehicle performance and a particular service outlet.

Vehicle ownership information will be available on a household level. Although BMW will already be aware of BMW ownership at this level, this new layer of information will provide details about additional cars owned by households with BMW's. Searching for similar characteristics in households with more than one BMW (i.e. data mining) could form a list of target customers. Perhaps households with more than one BMW share similarities in income levels, occupation or star sign. Whatever the characteristics are, the database can then be used to identify households with similar characteristics yet with only one BMW.

Lifestyle and Family data will be derived from a variety of sources. Lifestyle survey data can be purchased from companies such as NDL and CMT. Because lifestyle surveys are individual and household specific, the details would be purchased for existing BMW customers and perhaps prospect customers. Further details will be collated from the Loyalty Card/Smart Card application forms and the post purchase questionnaire.

Market Research data will continue to be an important part of BMW marketing activities. Transactional databases, no matter how large or how efficient they are at processing the data, cannot explain *why* customers behave in a certain manner. They can only report on the fact that customers have behaved in a certain manner. This layer of market research in combination with all other layers will assist in the explanation of evidenced behaviour. By understanding *why* customers behave in a certain manner we can better target the marketing message at both an individual and the mass audience.

Transactional data and smart card data will be gathered from expenditure on the BMW card. In combination with the personal and lifestyle data, smart card and transactional data will assist in building increasingly accurate personal profiles.

Smart card data will allow the monitoring of small transactions using the stored value feature of the card. It is difficult to predict the value of the information at this point in time, however through data mining techniques some behavioural characteristics that unify BMW owners may become evident that could be used in future marketing activities.

Accumulated loyalty point information at an individual level will be collated in the database as will uptake of offers. Current research shows that people who have

already shown a willingness to respond to direct marketing and loyalty initiatives produce better response rates than non-responders.¹¹ Therefore BMW's loyalty program will be designed to encourage immediate claiming of a loyalty reward.

Entertainment data will be constantly input into the database. The data will comprise information on upcoming theatre, musicals, sporting events, art exhibitions, cinema, weekend breaks, restaurants, hotel specials and the like. In addition to the details of each event (eg. location, dates, time etc.) the input information will include the number of loyalty points required to claim the reward. Customers will be periodically sent information on the status of their loyalty points and reward offers which match not only their point balance, but also their likes, personality and lifestyle. Refer Appendix 8.

GIS (Geographic Information System) data will be central to the database. The application of the GIS technology allows for the mapping and linking of the different layers of database information.¹² For example, mapping of 3-series BMW owners in Bristol, then overlay that information with accumulated loyalty point data, then reward uptake data and finally the names and addresses of those 3-series owners who are not using their BMW card

This wide range of layered information does not just provide the means to build customer relationships, it also creates an opportunity to develop carefully targeted campaigns to attract new customers. For example, the database can be used profile 5-Series owners (age, sex, income, occupation, lifestyle and geographic location). This information can then be used to target similar individuals and households that don't own a BMW. By linking the Electoral Roll, Family Data and Vehicle Ownership and Lifestyle layers of the database, a prospect list of individuals matching the 5-series customer profile can be developed. The list might consist of individuals matching the 5-series profile, don't own a BMW but whose car is more than 2 1/2 years old.

Appendix 9 considers a range of strategic applications of the BMW database

Appendix 10 details how the BMW Card builds brand loyalty.

¹¹ Evans M (1997) op. cit.

¹² Evans M (1997) op. cit.

9. BUDGET

Costs attributed to the BMW budget include

1. Media costs
2. Agency costs
3. Advertising creative costs
4. Advertising production costs
5. Mailing costs

A range of additional costs have been assumed to be financed from other sources. These include;

- Computer hardware costs
- Software costs (eg. GIS, Viper)
- BMW staff training costs
- Additional staff required to manage loyalty program
- Market Research Lists
- Qualitative Market Research

The loyalty program has been assumed to be self-funding. This can be ensured through adjustments to the interest rate charged on credit card purchases. The gross margin represented by BMW's cost of funds (thought to be 5-6% p.a.) and the interest rate charged on credit purchases (proposed 14.9%) is approximately 10%. These funds will be used to pay the following;

- Monthly billing and statement costs (printing, postage and handling)
- Allowance for bad debts
- Loyalty rewards
- Card production costs
- Loyalty reward catalogue production costs

Media Mix

Press: Newspaper and magazine advertising will continue to be an important component of BMW's communication strategy. TGI data will be used to assist in appropriate media selection in the short term. Post purchase questionnaires will ask customers about general media exposure and newspapers and magazines read, which will be used to further refine media selection. The database will then be used to determine whether buyers of different models read different media, allowing targeting of the message in the different media options. For example, it may be found that buyers of the 7 and 8 series BMW's read the Financial Times whilst 3 and 5 series drivers are more likely to read The Times. The advertising in the Financial Times could then be used to focus on the personality and lifestyle traits possessed by 7 and 8 series drivers.

Billboards: The database will contain details about the geographic location of BMW owners. This information, in combination with vehicle usage data collected from the satellite vehicle performance monitoring, will give accurate information about when and where the vehicles are being driven. This will provide information necessary for a strategically positioned poster campaign.

The database (GIS) will be used to locate geographic areas where household characteristics match known BMW household characteristics with respect to income,

profession, personality and lifestyle characteristics, but where BMW ownership rates are low. Billboards will then be used to build brand awareness in combination with a direct mail program that would target individual households.

Direct Mail: The importance of the direct mail component of the media mix will become increasingly important as database information grows and customer profile information is processed and understood. The direct mail program will be divided into two components - existing customers and prospect customers.

Existing customers will receive a monthly BMW Card Statement which not only details card usage, but also summarises loyalty point information and rewards (refer appendix 8). By associating the loyalty and reward information with the monthly BMW Card Statement, members will regularly be exposed to targeted material, encouraging claiming of loyalty rewards, and in doing so building a closer relationship with BMW.

Each year BMW customers will be provided with a Reward Catalogue which details the full range of rewards available for the Platinum, Gold or Silver cardholder.

Customers will continue to receive copies of the BMW Magazine. The database should be used to tailor the magazine to individual customer tastes and preferences. For example, 3-series owners should receive a magazine that has a feature article on the 3-series vehicle. Customers who are known to enjoy golf should have a golf article included in their copy of the magazine. If research were to show that women responded better to certain colours or print typeface, then this should also be incorporated in their copy of the magazine. The possibilities are limited only by the amount of information BMW is able to gather about their customers.

The database will also be used to target existing customers when it is believed they may be about to consider purchasing a new vehicle. Questions will be asked in the post purchase questionnaire regarding the length of time the customer typically owns a vehicle. The database will then be used to track vehicle usage and age. If customers advise they typically replace their vehicle after three years or 60,000 miles, they can be targeted with personally tailored promotional messages at the appropriate time. Depending on the individuals/households personality and lifestyle, the message may concentrate on technical attributes of the latest BMW models, or, it may concentrate on the status and image associated with BMW ownership.

The database will be used to identify appropriate target households. Targeting might require;

- Match existing BMW customer profile for a particular model (income, age, sex, profession, marital status etc.)
- Own one or more motor vehicles that are more than 2 ½ years old.
- Live within 15 miles of a BMW dealership at which a test drive can be arranged.
- Live in a semi-detached or detached house with off street parking.

Budget Calculation: Year One			Table 3.
Activity	Action	Costs	£
Launch BMW Card to existing qualifying customers. (ie. owners of BMW's which are less than 3 yrs old). Total 180,000 customers.	Direct Mail	Creative fees & artwork	10,000
		Printing	36,000
		Lasering	13,500
		Assembly	10,800
		Postage	45,000
		TOTAL	115,300
Follow up non-respondents to Initial BMW Card launch. (Assume 50% initial non-response)	Direct Mail	Creative fees & artwork	10,000
		Printing	18,000
		Lasering	6,750
		Assembly	5,400
		Postage	22,500
		TOTAL	59,650
New customer targeting Total 100,000 targets.	Direct Mail	Creative fees & artwork	10,000
		Printing	20,000
		Lasering	7,500
		Postage	25,000
		TOTAL	68,500
Assembly	6,000		
Press Advertising 10 full page, full colour.	Newspapers	Creative fees & artwork	20,000
		Advertising	250,000
		TOTAL	270,000
10 full page, full colour	Magazines	Creative fees & artwork	20,000
		Advertising	200,000
		TOTAL	240,000
Billboard 6 Sheet, 100 locations, 6 weeks	Illuminated 6 sheet billboard	Creative Fees & artwork	20,000
		Advertising & printing	250,000
TOTAL YEAR ONE BUDGET			£1,003,450

Source: Adapted from IPA Media Pack August 1997 & BRAD Feb 1996

Budget Calculation: Year Two			Table 4.
Activity	Action	Costs	£
Final follow up mail to non-responders to BMW Card launch. (25% of initial total). 45,000 Customers	Direct Mail	Creative fees & artwork	10,000
		Printing	9,000
		Lasering	3,375
		Assembly	2,700
		Postage	11,250
		TOTAL	36,325
New customer targeting Total 150,000 targets.	Direct Mail	Creative fees & artwork	10,000
		Printing	30,000
		Lasering	10,500
		Assembly	9,000
		Postage	37,500
		TOTAL	97,000
Press Advertising 4 full page, full colour.	Newspapers	Creative fees & artwork	20,000
		Advertising	100,000
		TOTAL	145,000
5 full page, full colour	Magazines	Creative fees & artwork	20,000
		Advertising	100,000
		TOTAL	120,000
Billboard 6 Sheet, 50 locations, 6 weeks	Illuminated 6 sheet billboard	Creative Fees & artwork	20,000
		Advertising & printing	125,000
		TOTAL	145,000
TOTAL YEAR TWO BUDGET			£518,325

Source: Adapted from IPA Media Pack August 1997 & BRAD Feb 1996

Budget Calculation: Year Three			Table 5.
Activity	Action	Costs	£
New customer targeting Total 150,000 targets.	Direct Mail	Creative fees & artwork	10,000
		Printing	30,000
		Lasering	10,500
		Assembly	9,000
		Postage	37,500
		TOTAL	97,000
		Press Advertising 5 full page, full colour.	Newspapers
Advertising	125,000		
TOTAL	145,000		
5 full page, full colour	Magazines	Creative fees & artwork	20,000
		Advertising	100,000
		TOTAL	120,000
Billboard 6 Sheet, 50 locations, 6 weeks	Illuminated 6 sheet billboard	Creative Fees & artwork	20,000
		Advertising & printing	125,000
		TOTAL	145,000
TOTAL YEAR THREE BUDGET			£507,000

Source: Adapted from IPA Media Pack August 1997 & BRAD Feb 1996

10. MONITORING & CONTROL

Data monitoring will occur on a monthly basis.

Data Monitored	Target
Repeat purchase of BMW vehicles	75% customer retention by 2002.
Use of BMW Cards	Each year 80% of new BMW buyers and 70% of BMW Approved second hand vehicle buyers should be actively using their BMW Card.
Claiming loyalty rewards.	50% of card users should claim a loyalty reward each year.
Second car purchases.	By 2002 25% of BMW households should own 2 or more BMW's.
New customer sales.	In 1998 15,000 new customers should buy a BMW. This number will increase annually by 2500 through until 2002.

Specific target response levels should be set to provide a means of a measuring the success of the direct marketing program. These should take into account both corporate and direct marketing objectives. Furthermore, the targets should be realistic given budgetary constraints, database processing abilities and any other variable that may impact upon performance.¹³

In addition to the 'standard reports' outlined above, special ad hoc reports can be produced which may evaluate or map;

- Lifestyle data- the evolving customer.
- Lifestage tracking.
- Personal loyalty point balance tracking.
- Map showing geographic locations of BMW owners and vehicle types.
- Map showing personality types across geographic regions.

The application of data mining techniques to explore relationships between layers of database information allow a limitless number of tailored reports to be created.

Continual monitoring of the database performance against its stated targets is essential if the database is to be used to its potential as a strategic management tool, assisting BMW achieve its corporate objectives. The database has been designed to be versatile and flexible, adapting to meet the challenges presented by the ever changing and increasingly competitive motor vehicle industry.

¹³ Martin Evans Direct Marketing Planning (from O'Malley, Patterson and Evans, Exploring Direct Marketing, Forthcoming 1998)

Appendix 1.

THE SITUATION ANALYSIS

Environmental Analysis

Political and Legal Factors:

Forecast changes to Block Exemption Legislation may result in the loss of brand exclusive vehicle dealerships. This is likely to cause a widening of the gap between the vehicle manufacturer and customer, and a lack of consistency in the brand's communication mix.

Legislative changes have resulted in the deregulation of the banking industry, with numerous non-banking institutions now selling a range of financial products and services.

Economic Factors:

Western economies are showing strong growth, creating a general increase in demand for motor vehicles.

Deterioration of Japanese and Korean economies and the resultant devaluation of the Yen and Won against most western currencies provides the potential for reductions in the price of new Japanese and Korean motor vehicles in western countries.

Social Factors:

Women are becoming increasingly involved in the purchase of new motor vehicles.

Family households are increasingly likely to have more than one car.

Companies are increasingly leasing rather than owning vehicle fleets. Decisions regarding which vehicle brand to lease are being made by the end-user of the vehicle rather than by a fleet manager.

Technological Factors:

Direct marketing is becoming increasingly important due to continued reductions in the cost of the computer hardware and its and improved processing capacity. Further improvements in card and point of sale technology are likely to see a proliferation of direct marketing activity, possibly at the expense of mass marketing.

Internal Analysis

It is understood that BMW maintain a policy to treat their employees as internal customers, ensuring that everyone is working towards the same goals in the successful implementation of their external strategies.

Core competencies include the application of advances in technology to vehicle features, providing additional customer benefits.

Market Analysis

The Market:

The UK's new motor vehicle market is going through a period of steady growth. Total industry sales now have eclipsed new vehicle sales prior to the recession years.

Raising fuel costs and increasing environmental awareness have resulted in increasing levels of interest in both fuel economy and engine pollutant emission levels.

General trend toward reductions in tariff protections in many western countries continues to place pressure on inefficient manufacturing plants around the world. Multinational vehicle manufacturers are having a smaller number of larger production facilities in countries with stable governments, sufficiently skilled labour resources and convenient and efficient import and export facilities.

Key Competitors:

In the UK and most of continental Europe, BMW's most direct competitor is Mercedes Benz.

BMW Series	Competitor Models
3 Series	Audi A4, Mercedes C Class, Volvo S40 and V40, Saab 900 –upper models of Ford Mondeo, Vauxhall Vectra, Renault Laguna and the Peugeot 406
*3 Series	Compact introduced in 1994, main competitor Premium VW Golf
5 Series	Mercedes E Class, Volvo 850, Audi A6, Saab 9000, Lexus GS300, Jaguar XJ6, Ford Scorpio, Vauxhall Omega
7 Series	Audi A8, Mercedes S Class, Lexus LS400, Jaguar XJ8
8 Series	Mercedes Coupé, Jaguar XK8, Porsche 911, Porsche 916, BMWZ3, MGF Rover, Alfa Romeo Spyder, Mazda MX5, Mercedes SLK, Porsche Boxster
Source: www.bized.ac.uk	

Customer Analysis

Who are they? (see appendix 11 for detailed analysis)

Demographics

Gender:

55% male, 45% female

There is some variation in gender splitting across the BMW range. The numbers of women driving the 3 series vehicles has declined as an increasing number choose to drive the compact.

Age:

The majority (66%) of BMW customers are aged between 25 and 54. The average age is 46, although for compact drivers is 53.

Social Class:

ABC1 75%

Lifestyle

Hobbies:

Research indicates that golf is the most popular hobby for BMW drivers. Also popular are walking/hiking, touring/travel holiday, gardening and reading

Occupation:

Small business owners, company directors and retirees.

Marital and family status:

75% are married

41% have children living at home

50% have adult children

The proposed direct marketing plan involves a range of measures designed to improve BMW's understanding of their customers.

What do they look for?

BMW's research shows that its customers look for:

Reliability

Status

Top speed

The proposed BMW database will enable further segmentation of customers to include behavioural and lifestyle factors.

How well do our products or services match their particular needs?

BMW is the ultimate driving machine providing customers with reliability, status, style and quality engineering.

Source: IDM Student Direct Marketing Competition 1997/98 case study

SWOT

<u>Strengths</u>	So What?
BMW badge status.	Appeals to individuals esteem and respect, love, belongingness, safety, security and physiological needs (Maslow).
High quality engineering and reliability.	Reduces customer risk in purchase.
Good mass media communications.	Assists customer information search in high involvement decision making.
Effective segmentation and positioning under same generic brand name.	Consistency in marketing communications.
Motivated and highly regarded dealer network.	Quality customer service. Pull strategy.

<u>Weaknesses</u>	So What?
Unsophisticated customer database.	Poor understanding of customers.
Relationship marketing left to dealers.	No direct control over customer relationship.

<u>Opportunities</u>	So What?
Western economies are showing strong growth, increasing the demand for motor vehicles.	Primary demand growth.
Women are increasingly involved in the purchase of new motor vehicles.	Need to further segment market.
Companies are leasing rather than owning fleets. Brand decisions being made by the end user of the vehicle rather than a fleet manager.	Successful segmentation and targeting will provide demand increase.

Opportunities (cont.)	So What?
Ageing population. Increasing numbers of individuals are matching the typical BMW customer profile.	Primary demand growth.
Direct marketing is increasingly viable due to decrease computer hardware costs and improved processing capacity.	Consider application of direct marketing strategy.
Improvements in card and point of sale technology are likely to see further applications of direct marketing activities.	Need to improve customer relationships to maintain competitive position.

<u>Threats</u>	So What?
Changes to block exemption legislation are likely to result in the loss of brand exclusive dealerships.	Widening gap between BMW and customer.
Japanese manufactures are producing products that are gaining a strong reputation for quality and design.	Increasing competition.
Deterioration of Japanese and Korean economies has resulted in their currency's devaluation.	Potential reductions in the price of new Japanese and Korean motor vehicles.
Mass marketing techniques are becoming less effective due to media fragmentation.	Need to reconsider traditional marketing strategy.

Appendix 2. **BMW Bank Status Progress**

Appendix 3: LIFETIME VALUE CALCULATION

Assumptions

1. Customer base is 180,000. BMW Card is available for purchasers of new cars and BMW approved cars of up to 3 years in age. Customer base is equal to 1996 sales (60,000) multiplied by 3 years.

Assumptions Continued (appendix 3)

2. Owners are assumed to replace their vehicles after 3 years.
3. Average cost of a BMW vehicle is £25,000.
4. Costs as a % of sales is assumed to be 75%.
5. Discount rate applied is 20%. This is not an indicator of inflation as all costs and prices are fixed. The discount rate reflects the interest that could have been earned had the cashflows been received in year 1, and the risk associated with relying on future income streams.

The formula used is:

$$D = (1+i)^n$$

Where

D = Discount rate

i = interest rate (conservatively assumed to be 20%)

n = number of years

So, if n = 4 years

$$D = (1+.2)^4$$

$$D = (1.2)^4$$

$$D = 2.0736$$

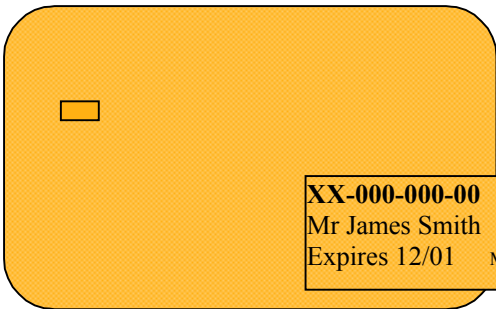
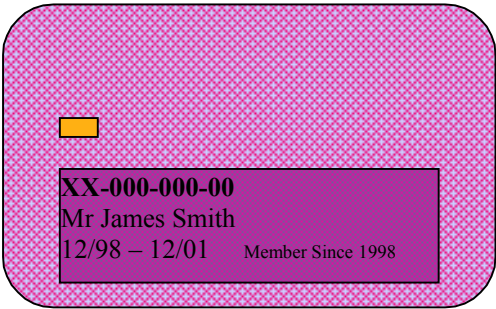
And, if n = 8 years

$$D = (1 + .2)^8$$

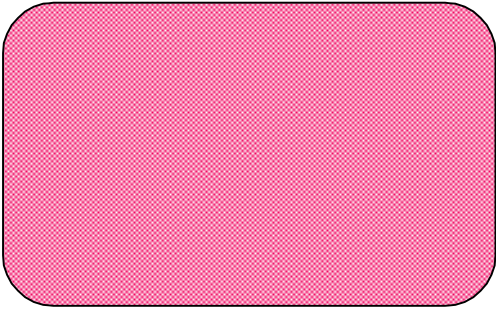
$$D = (1.2)^8$$

$$D = 4.2998$$

Appendix 4. The BMW Card Range



THE BMW GOLD CARD



Appendix 5. Loyalty Card Summary

LOYALTY CARD SUMMARY			
	<i>Annual Fee £</i>	<i>Points per £100 spend</i>	<i>Value for £100 spend £</i>
Bradford & Bingley	Nil	4	4
The GM Card	Nil	3	3
British Airways Diners Club	75	10-20(a)	2.27-2.64
BMW CARD	NIL	200	2
Tesco Clubcard Plus	Nil	200	2
American Express	37.50	100	1.6-2
Safeway ABC	Nil	100	1
Goldfish Card	Nil	100	75p-1
Diners Club International	38	20	65p-1
Nat West	12	5(a)	60p-1
Midland	12	10	60p-70p
Sainsbury Credit Card	10	50	50p-2
Alliance & Leicester	Nil	n/a	50p-1
Tesco Credit Card	Nil	50	50p
Liverpool Victoria	Nil	10	50p
First direct	Nil	10	40p-50p
Birmingham Midshires	Nil	n/a	33p-1
Barclaycard	10	10	30p-50p
TSB Trustcard	Nil	10	20p-25p
Note: (a) = air miles			

Source: NOP
Printed in The Guardian Newspaper 7/2/98

Appendix 6. Credit Card Interest Rates

CREDIT CARD INTEREST RATES	
	Annual Percentage Rate (APR)
Barclaycard	22.9
Alliance & Leicester	19.9
Birmingham Midshires	19.9
Capital One	17.9
Advanta	17.9
BMW CARD	14.9
ANZ Visa (Australia)	14.9
ANZ Mastercard	12.45
Note: Alliance & Leicester, Birmingham Midshires, Capital One and Advanta all have introductory low interest rates for the first 6 months. These have been ignored for the purpose of this comparison.	

Source: Surfing Those Wild Cards. The Guardian Newspaper, 7/2/98.

Appendix 7. **Smart Card Advantages and Applications**

“To compare a smart card to having a computer in one’s wallet or purse is not an exaggeration”¹⁴

The modern smart card is essentially a stand-alone computer much like a personal computer without a screen or a keyboard. Smart cards carry in built microprocessors enabling them to carry out intelligent functions. They have their own operating systems, temporary memory and file storage. The operating system will be installed on the card by BMW and cannot be changed, giving the card enormous flexibility. The advantages of this technology over the magnetic strip card are endless. Highlighted below are but a few:

- More intelligent access and security device
- More powerful multi-functional capabilities
- Store greater amounts of data (currently about 80 times more)
- Smart card is more “self sufficient”
- Smart card is more durable

Smart cards can be programmed to provide an unlimited number of functions on the one card.¹⁵ BMW only need to offer a handful of functions on their cards but the capability is there to expand in the future without the need to incur any major costs. Already smart cards are capable of performing a variety of functions, it is estimated that there are some 200 applications utilised by 39 countries world-wide.¹⁶ Listed below are listed some of the more common uses:

- Storing personal national health records
- Use as a retail debit card
- Use to pay tolls and public transport fares
- Use as a substitute for money in public telephones, vending machines etc.
- Unbreakable security identification cards
- Very secure bank credit card
- Use as an electronic purse¹⁷

¹⁴ The privacy committee of New South Wales (1995) op.cit.

¹⁵ Kaplan JM (1996) op.cit.

¹⁶ Kaplan JM (1996) op.cit.

¹⁷ Devargas M (1992) *Smart Cards & Memory Cards* National Computing Centre Ltd

Appendix 8. Sample BMW Card Statement



VISA STATEMENT

Account Name Mr James Smith

Account Number XX-0000-0000-00

This Statement shows all entries received for processing by BMW Visa
From 1 January 99 To 31 January 99

Opening Balance
£750

Date Processed	Reference	Transaction Details	Amount £
12 Jan 99	00100000	Italian Restaurant	125.50
16 Jan 99	50900006	Cash Advance Barclays ATM, Clifton Branch	500.00
21 Jan 99	99000001	Payment Received	500.00 CR

—	Amount Available at	Annual	
Credit Limit	Statement Date	Percentage Rate	Closing Balance
£5000	£4124.50	14.90%	£875.5

Minimum payment required for this statement	£42
---	-----

BMW Reward Points Summary

Opening Points (from 12/98)	62000
Points This Month	1251

Total BMW Loyalty Points 63251

Loyalty Point Special Offers For January!

- *2 'A Reserve' tickets Les Miserable at Bristol's Theatre Royal* 7,000
- *2 Adult tickets to see James Bond in Tomorrow Never Dies at Bristol's Watershed Cinema* 2,000
- *Weekend Break for you and your partner. Return tickets flying British Airways to Venice, including accommodation at the Regency Hotel, buffet breakfast each morning and airport transfers.* 75,000

Just phone 0115 4004000 to claim your BMW rewards!

Appendix 9. Strategic Database Applications

The database will be a central strategic management tool within BMW. Strategic uses would include:

- Strengthening customer relationships and building loyalty
- Reducing the dependence on Dealers for new vehicle sales
- Generating new products and features

The strengthening of relations with customers is imperative for BMW. A major threat facing the company is the forecast relaxing of Block Exemption legislation. A car dealer stocking BMWs, Mercedes and Audis would have little reason for promoting a BMW above any other vehicle. The BMW prospect lists would become non-exclusive lists of potential new car customers, whom the dealer would be equally happy to sell a BMW, Mercedes or Audi.

By establishing a strong relationship with the customers and instilling significantly higher levels of brand loyalty, BMW will be seeking to reduce the role of dealers in managing customer relations and their influence on purchase decisions. Customers may buy from mixed manufacturer car dealerships, but will be strongly motivated to purchase another BMW due to their strong association with both the company and the brand.

Analysing smart card data regarding the use of BMW vehicles would provide a wealth of information that can be analysed and used by engineers to improve the design of the vehicle by making it more appropriate for its usage patterns. If for example it was found that many more vehicle trips were made at night than was previously realised, the interior lighting may be redesigned to make night driving safer and more enjoyable. Taking it one step further, individual car usage patterns could be used to tailor the specifications of your new BMW to match your known driving patterns. For example, a 5-series driver who drives most days, covers a daily average of 25 miles, usually at slow speed through city streets and often in traffic jams may be better suited to a BMW with soft seats and suspension. By contrast, a 5-series driver who drives most days, travels an average of 60 miles, usually at high speed on motorways, may be better suited to a BMW with firm suspension, contoured seats and cruise control. By tailoring a car to match each driver's usage patterns brand loyalty will be engendered. The data will be exclusively known (& owned) by BMW, making the switch to a Mercedes or Audi less likely. A car tailored to match your driving pattern and style would provide a real differential advantage and customer benefit.

Appendix 10. Loyalty Building and the BMW Card

For brand loyalty to exist, repeat purchasing behaviour must be motivated by an underlying positive attitude towards the brand. The consumer may develop the positive attitude through the various communication channels, or through an actual experience with the product. This positive attitude may lead to purchase, when the consumer will experience and evaluate the product. Through instrumental learning consumers assess the product's ability to fulfil their needs, which will positively or negatively effect their attitude towards the product. Holding a strong positive attitude for a product as a result of the experience will lead to commitment to the brand, which may translate itself into loyalty. Brand loyalty may be initiated by customer preference for particular product benefit(s), or an emotional attachment developed through a brand's marketing activity.

BMW operates in a mature market, therefore actual product benefits between competitors are few and far between. BMW's past marketing activity has focused on developing emotional ties to the brand by building a sense of prestige and status in its brand name, in an attempt to create loyalty. This strategy has been relatively successful, but fails to create a truly loyal and a "lost for good" consumer. Whilst the status of driving a BMW will satisfy the consumers "self concept" and "belonging" needs, status is an attribute offered by tens of competitors, and therefore cannot be considered to be a particularly strong competitive advantage.

Loyalty only exists when "the customer regularly buys, and does so because of strong preferences"¹⁸ (positive attitudes). Satisfaction does not necessarily lead to loyalty, therefore the marketer must continually reinforce relative attitudes, and offer peripheral services/benefits for the consumer to remain involved with the product.

One reason BMW is struggling to evolve a loyal consumer is that the car is a durable, and highly involved product. Once a consumer has purchased a car they may enjoy the promotional activity of BMW that continues to show their peers what a socially aspiring vehicle BMW is. However they may well reject details of BMW marketing, as they are not partaking in an active information search. This effectively means that when the consumer begins their decision making process again in another three years time the consumer would not automatically buy a BMW. The reason for this is two fold, firstly the last time the consumer was open to BMW communication was three years ago, when they were undergoing their original information search. Secondly the information retained in memory/files, would be considered inaccurate due to the long timespan. Since a negative attitude has developed towards this information, the consumer is motivated to begin their information search afresh, and it is at this point in the process other competitors are considered. As little contact has been made with the consumer, they are no longer involved with BMW, and as a result relative attitudes have not been reinforced.

Therefore the key method of retaining the consumer is through communication, only then may a relationship develop. If one can continually update the consumer's attitudes and perceptions towards BMW, there is a higher chance of retention. The marketing challenge is to keep the consumer's attention, by creating a relationship. This can only be done by communicating to the consumer on a one to one basis.

¹⁸ M. Evans Lecture notes - Managing Loyalty

The proposed loyalty card builds brand loyalty for number of reasons:

Self-concept is extremely important to BMW's target market. As BMW has previously branded the name so effectively, the card allows the badge value to extend outside of the car- into restaurants, shops, hotels etc. For the first time the consumer may take the BMW badge status "off road". This (at the moment) is as significant competitive advantage, as only BMW owners can obtain a card. This means the consumer will automatically belong to a "club" that sets him apart from his peers.

The different gradings of card (silver, gold, platinum) also carries status power. Combined with the benefits that come with being a member, repeat purchase may be encouraged if the consumer knows that if they purchase another BMW they may "step up" a level. Here the benefits are greater, and the status has more impact on their peers. Once the consumer begins to see the tangible and intangible rewards of partaking in the scheme, they are likely to be motivated to try to get further "up the ladder".

The card will offer true value to the consumer. It offers a competitive interest rate to encourage use, and "points" with which the consumer may redeem with a variety of rewards (see appendix 1 and 2 & table 2). The card will be marketed to both the consumer's emotional and rational side. By offering true value, the consumer can relax in the knowledge that the BMW card financially makes sense, while the rewards appeal more to the emotional side. Offers such as race meetings with Damon Hill at Silverstone, VIP passes to BMW sponsored events, down to simple items such as BMW mobile phone covers can be redeemed. All product/services that the consumer would not be able to buy elsewhere, as the BMW's target market are affluent, they are likely to be able to afford anything their hearts desire from the high street.

As service history can be held on the card BMW is able to offer a higher quality service to the customer, therefore continually reinforcing the consumer's attitude of BMW as a high quality service provider. This satisfies safety needs (Maslow 1954) as the consumer knows that the car is unlikely to breakdown.

With the points system in place BMW have a "legitimate" reason for keeping the channel of communication with the consumer open. The consumer will be highly involved with the points scheme (and therefore with the BMW brand), as the consumer saves points for a day out to Epsom. Through the points scheme BMW are able to develop a relationship with the consumer, where it can reinforce relative attitudes. This combined with other augmented services offered and the experience of the events themselves increases involvement, creating a truly loyal consumer. Improving service quality and reinforcing attitudes will increase retention rates allowing a truly loyal customer base to develop.

Appendix 11. A Day In The Life Of A BMW Card Holder...

James awakes from his deep sleep at 6.45am when the mobile phone on his bedside table beeps loudly. “Yes Moneypenny” he says groggily. “I’ll be there right away”. He slips from under the white satin sheets, and then watches as the sheet slowly settles over the fine feminine figure still lying on the bed. He glances about the room, noticing scattered clothing, which seems to form a trail from the lounge room to the master bedroom. The smile it brings to his lips quickly subsides, as he sees the now empty ‘Smirnoff’ vodka bottle, and realises that his head is beginning to throb.

After a strong black coffee James, now dressed in his fine Saville Row suit, makes for the door. He picks up his wallet on the way out and places it in his inside coat pocket. Much lighter than it used to be he thinks to himself – of course now days he only has the one piece of plastic – the BMW Card. “Never leave home without it – ever” he says to himself. His front door unlocks as he approaches- his BMW Card *must* be in his wallet. As he nears his new BMW Z3 Roadster the interior light switches on. He places his hand on the door handle, which analyses his fingerprints and confirms his identity within milliseconds - the door unlocks. Now sitting in the driver’s seat a light illuminates James’s face. His retinal pattern is confirmed, and the engine starts automatically. No keys are needed for this BMW – just his BMW Card, which remains in his inside pocket.

As the car gently reverses toward the security gate James says “Open”. His identity is again checked and confirmed, this time through a voice recognition process. The security gate opens and James drives towards head quarters.

Whilst James drives, vehicle performance details, as always, are being recorded and transmitted via satellite to BMW. The Z3 has been called in for a service – apparently the fuel mix isn’t quite right. BMW, having identified and diagnosed the problem from the satellite vehicle performance information, sent the required replacement part to the BMW Service outlet nearest James’ workplace. Unfortunately James was overseas last week and was unable to be contacted. It really didn’t matter, as BMW knew where to send the replacement part. From past experience also BMW also knew to book the car in for midday – they also knew that James enjoyed eating at a fine Italian restaurant around the corner. In fact BMW took the liberty of booking him a table – for two (of course). Just who James would be dining with, BMW could only guess. As far as they could tell, there was no pattern to James behaviour in this regard.

The servicing of the BMW went as planned. This was not surprising – it was most unusual for the vehicle service personnel to find anything unexpected – other than the black lace underwear found in the glovebox – size 12. The mechanic was certain that the last time the vehicle was serviced he found a pair of white size 10’s.

Lunch was delightful. Good food, good wine and very pleasing company. Being the perfect gentleman, James insisted on paying the bill – he always did so, particularly on a first date. He removed his gold BMW card from his wallet for the first time that day. He placed the card, face up, on the small plate provided by the waiter. James lunch partner looked down at the BMW card noticing the light reflecting off the small computer chip embedded in the card. Her eyes moved slowly upwards, fixing upon

James face, staring longingly.

The waiter gathered the card and gave James a knowing look of respect before walking purposefully to the new smartcard terminal behind the counter. He watched the screen as the transaction was processed. He pressed a button on the screen that downloaded approved data from the card onto the terminal. The waiter noted that James had visited the restaurant 3 times in the last 2 months – a big spender he thought to himself. He returned to the table, handing back the Gold BMW Card, and thanked James for his continued patronage.

Back at the BMW service centre, the Z3 was waiting and ready. Again James removed the BMW card from his wallet. The card was inserted into the BMW card reader and details of the service were recorded on the card whilst the transaction was processed. Wherever James drove throughout the continent, his full service history travelled with him. Should he ever break down, the local motoring organisations would have access to this history assisting in the diagnosis of the mechanical problem. A comforting thought for James who had little understanding of what made this wonderful piece of high technology machinery work.

James was anxious to get back into the driver's seat. He loved his latest BMW. It had been modified in the factory whilst still on the production line to suit his somewhat unusual driving style. From the vehicle performance data that BMW had collected and analysed from his previous 7-series, they were able to recommend that James next BMW have slightly larger wheels and low profile sports tyres. The suspension was made a little firmer and contoured sports seats had been fitted. James loved the way the car gripped the road when he cornered at very high speed as he often did, as BMW knew only too well.

“Thank you Mr Smith, everything has been taken care of and the car is running beautifully” James daydream ended abruptly. The BMW service manager handed James his Gold BMW card. James placed the card to his wallet, which he returned to his inside coat pocket. As he made his way toward his Z3 Roadster the interior light switched on, the door unlocked moments after he placed his hand on the door handle and vehicle started automatically after he had settled into the driver's seat. Within moments he was cruising back to the headquarters of his growing sportswear company.

Yes, James Smith is one of a growing number of increasingly loyal BMW customers. Not just a repeat purchaser of BMW vehicles, but loyal to the brand.

Appendix 12

Appendix 12 (continued)

n
4
4
8
8