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Launching the BMW Z3 Roadster

January 1996 marked the beginning of Phase II of BMW of North America Inc.'s Z3 roadster introduction. Phase I had centered on the placement of the new \$28,750 two-seat convertible in the James Bond hit movie, *GoldenEye*, which premiered several months earlier. While not yet critically evaluated, results of the "out-of-the-box" pre-launch campaign appeared very positive: word-of-mouth concerning the Z3 and the James Bond cross-promotion were favorable, and product orders far exceeded BMW's initial expectations. The challenge now was to design a marketing program that would sustain product excitement until dealer product availability beginning in March. Phase II planning had to be undertaken within the context of other important events in the BMW product family: (1) the April launch of the redesigned 5-Series; and (2) the company's role as "official international automotive sponsor" of the 1996 Atlanta Summer Games, which would begin in earnest with the Olympic Torch Relay 5-Series event in June.

While these other elements of the BMW product family clearly impacted the Z3, the marketing approach and ultimate results for the Z3 would influence the whole BMW operation in the United States. Dr. Helmut Panke, Chairman and CEO of BMW (U.S.) Holding Corp. since 1993, noted that the Z3 was destined to be "the first BMW not made by mythical little creatures in the Bavarian woods. This car will be made in Spartanburg, South Carolina. Some people think BMW means German-made. With the Z3, we must show we can be successful as a global company, manufacturing at strategic locations—even if not in Bavaria. Assembling of cars in the United States requires BMW to replace 'Made in Germany' as a symbol of quality with 'Made by BMW'." As *Brandweek* put it, Panke was "saddled with the task of exporting BMW's mystique from the Bavarian hills to the fields of South Carolina." Industry commentators characterized the Z3 as "the new standard bearer for a line that had relied on German engineering as its point of difference," and wondered whether "the mystique of the BMW brand, so closely interwoven with its Munich parentage, could survive and even thrive after a surgical transplant to South Carolina." Panke and his team were aware of the new era BMW was entering and of the "new and unique" challenges this presented. Meeting the unique challenges was the prime responsibility of Victor Doolan, President of BMW North America.

Project leadership for the Z3 launch in the United States was the job of James McDowell, BMW's Marketing Vice President. The objectives of the roadster launch were two-fold: (1) to use the roadster to motivate and stimulate the dealer network to meet higher standards to qualify for the roadster; and (2) to build an order bank to enable the new Spartanburg plant to build to the specifications of BMW customers. To this point in the Z3 launch, BMW had been quite innovative in addressing their marketing goals, using for example the Bond film placement as a centerpiece of the marketing plan.

Professors Susan Fournier and Robert J. Dolan prepared this case. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management.

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Now Doolan and McDowell had to put the rest of the program in place to make sure the new “Made in the USA” Z3 was successful, in its own right and for the BMW franchise as a whole.

Background

BMW Business Strategy

BMW was a global company with a significant position in the luxury/ performance segment of the U.S. automotive market, having rebounded considerably from setbacks imposed by Lexus, Acura, and Infiniti in the mid-to late-1980s (see **Exhibit 1**). The company reversed the sales decline beginning in 1992 with a program that included a repositioning of the brand from “Yuppie Status Symbol” to the more quality-oriented “Ultimate Driving Machine.” At the same time, BMW adjusted model prices as necessary in light of the new competitive situation, improved the dealer network to bring the consumer buying experience in line with evolved expectations for service, and made significant improvements to the product line. All the while, the company’s overall business strategy remained the same: To provide the world market with luxury/ performance vehicles that were each “the best in its class, with a unique and definitive positioning in the marketplace.” While focused on being “the best” rather than the “biggest,” BMW wanted to position itself to attain an annual unit sales volume near 100,000 units in the United States as this was a mark that identified major players in the global automotive marketplace and permitted operation at an efficient scale.

Franchise expansion into more youthful targets seemed the most promising way to add incremental sales to the brand. Related recommendations included an updating of the corporate image and a new product development program capable of sustaining that image. As *Adweek*¹ put it: “BMW needs to be perceived as a little less serious and tradition-bound... they need to preserve their reputation for driving performance but reposition their German-made cars as being stylish and fun to drive as well.”

The BMW Z3 Roadster New Product Initiative

As related by Bert Holland, BMW’s Series Manager of the Special Projects Group, the development process that led to the identification of the roadster concept all started in 1992 with the decline of the worldwide motorcycle market. This sparked an internal effort to identify product concepts that were capable of addressing the same feelings, emotions, and fantasies that motorcycles had satisfied. Several alternative platforms on which to execute the “emotional fantasy theme” were developed: race cars, dune buggies, sport utility-vehicles, roadsters. The roadster sportscar concept was adopted because it fit best with the overall BMW positioning of driving excitement, evoked BMW’s heritage as a producer of roadsters in years past, embodied the spirit of the company, and captured the essence of the BMW brand. Also, while the concept reflected a niche opportunity, it fit the corporate goal of being the best, not the biggest. No products on the market at the time delivered against this positioning. However, other luxury car import manufacturers (e.g., Porsche, Mercedes) were rumored to have similar concepts under development, so BMW had to move quickly to secure competitive advantage.

The roadster product concept was refined over the next two years. The two-seater convertible Z3 would use the same 1.9 liter 4-cylinder engine as currently used in some 3-series models. The base

¹ Source: *Adweek Eastern Edition*, September 11, 1995, p. 7.

model would include a six-speaker sound system, power windows and seats, fog lights, cruise control, and air conditioning. Leatherette upholstery would be standard, with upgrades to leather available.

Concept tests revealed high interest across a number of lifestyle-defined segment, e.g. Generation Xers interested in unique image statements, men and women in their 40s who expressed a desire “to have that roadster I’ve been dreaming of all my life,” and nostalgic late-Baby Boomers yearning for roadsters of yesteryear. Common across these diverse demographic groups was a “lover of life” mindset and a propensity to seek unique expressions of individuality indicating a target market defined in psychographic versus demographic terms.

Being the first BMW vehicle from the company’s new Spartanburg, South Carolina manufacturing plant, and its first 100% “Made in America” offering from the German engineering leader, the Z3 roadster project assumed strategic importance beyond its franchise-expanding mission. Other German manufacturers were already trying to promote skepticism among consumers regarding BMW’s impending U.S.-manufactured cars. Helmut Panke explained the strategic significance of the Z3:

Spartanburg is much more than simply escaping Germany’s high cost environment. Yes, the plant will cushion BMW against international monetary fluctuations. More importantly, though, Spartanburg demonstrates that we are firmly committed to the U.S. market and rededicated to the performance values that made BMW a cult here in the 1980s. The investment tally at Spartanburg is \$600 million dollars and growing. The plant can build 250 to 300 cars a day and production is set up to be flexible so that it can produce several models on the same line in random sequence. The plant currently employs 1,500 people and the plan is to grow to 2,000 by the end of this decade. This is our first auto plant outside Europe. This is a chance for BMW to take a step away from being a German car manufacturer towards its long-term goal of becoming a truly global brand. Spartanburg can really change what BMW stands for.

Victor Doolan commented on the system-wide implications of the Z3 launch:

Spartanburg offers us the opportunity to develop a new set of relationships in North America. With news of our commitment in Spartanburg, our dealers have gotten serious about this franchise again, and have begun to reinvest in facilities, equipment, and manpower. You can see a complete rejuvenation in enthusiasm for the brand and our products. Dealers are ecstatic about this plant. And that enthusiasm carries into the marketplace.

The Roadster Introductory Marketing Plan

Setting the Preliminary Marketing Platform

In early spring 1994, the launch team led by James McDowell, Vice President of Marketing, articulated a preliminary marketing platform for the Z3 introduction. As one BMW manager put it, the central goal of the launch was “to expand the BMW franchise and further the rejuvenation of the BMW brand by positioning the Z3 squarely in American culture and settling into the hearts and minds of the American public.” Managers talked of “weaving the car into the fabric of the American experience,” “putting it in the American landscape,” “aligning it with everyday experience,” and “establishing the vehicle as a cultural icon.” According to James McDowell:

The intent was get people to talk about the roadster in the course of normal daily events: in essence, to get the car on people's conversational agenda. The plan was to leverage the excitement and enthusiasm of the core customer base in a way that would draw broader attention and interest to the brand. Management referred to this as 'leveraging the buzz.'

Given this intent, the launch team focused on "nontraditional" marketing methods believing them more effective than the standard fare of television and print advertising.

The strategic import of the launch dictated the need for something quite different, attention getting. (Bert Holland, Product Advocate)

It's a unique vehicle, so we were looking for unconventional ways to introduce it. (Tom McGurn, Corporate Communications Manager)

By their very nature, nontraditional media are inherently more capable of leveraging the buzz. (James McDowell, Vice President Marketing)

Nontraditional media give you more exposure. (Carol Burrows, Advertising Manager)

Given our psychographic segmentation, nontraditional media are more cost efficient per dollar spent. Traditional media are sold more on demographics. Nontraditional delivers a broader base, something we found especially valuable in light of our goal of getting into the hearts and minds of a large group of publics. (George Neill, Consumer Communications Manager)

BMW also wished to be "multi-media" in its communications strategy. As one executive put it:

We wanted consumers to experience the message in many media, to hear it in many voices. This was a philosophy directly opposed to the repetition philosophy governing traditional advertising thought. This idea operated more along the lines of a 'choir' but we recognized that literal ties and threads must be evident across the disparate message elements and that all elements must strengthen and reinforce each other. This would require agencies willing to integrate across each other in an atypical team environment.

In June 1994, requests for proposals were sent to a broad collection of 30 advertising, public relations, and promotional agencies believed capable of mounting an unconventional campaign to achieve company goals. BMW pursued serious discussions with ten of those agencies based on mutual interests and relevant prior experience. Agencies were prepped with a stock footage video expressing the basic concept of the car. They also received input concerning BMW's view of what types of elements qualified as "nontraditional," and preliminary opinions regarding nontraditional marketing tools that might be especially effective. Ideas for a product placement in a premier film, a TV show sponsorship, and a fashion world tie-in ranked among BMW's top choices though agencies were encouraged to come up with their own recommendations.

Based on a review of solicited proposals, seven agencies were invited to make presentations at BMW. Many elements were selected from a proposal by Dick Clark Corporate Productions, a leading Hollywood-based promotional agency known for its experiences in the entertainment industry. These were added to a framework of core events and programs that BMW had developed internally including an aggressive program of dealer facility upgrading, staff training, and the production of 150 pre-production cars for use in pre-selling promotions at the time of the product launch.

A corporate switch from Mullen Advertising to Fallon McElligott was also instituted at this time. Mullen, a small creative shop in Wenham Massachusetts, had been retained in February 1993 to

reposition BMW beyond its Yuppie image. Fallon was selected based on their proven experience in integrated and electronic marketing—key skills for a nontraditional launch.

Fixing the First Marketing Element: The GoldenEye Product Placement

BMW's predisposition toward movie placements in fact reflected a broader industry trend toward the addition of product placements into the marketing mix.² For film producers, manufacturers' branded products added authenticity and realism to settings and aided in character development through the provision of instantly-recognized symbols. Payments and free merchandise also helped defray costs in an increasingly expensive production and marketing environment.³ Manufacturers who offered their brands for placement sought many rewards beyond exposure and visibility through their Hollywood alliances. The trade press commented on these benefits to corporate partners:

It's a great way to build brand equity.⁴

In this increasingly fragmented world, advertisers are forced to go to great lengths to reach their audiences. When we [the viewers] can zap a commercial out and move on, they have to find new ways to reach us. This is a more subtle way for advertisers to reach us.⁵

In addition to a dollop of glamour, movies give marketers access to two audiences that are hard-to-reach through network TV or print: foreign viewers and young people.⁶

In general, fees for movie placement deals ranged from nothing to several million dollars, with an average fee of \$40,000⁷ for a highly-visible placement in which the star actor actually used the product (an "impact placement," in industry terms).⁸ Many placements were conducted on a quid pro quo basis, however, with manufacturers receiving product visibility in exchange for providing movie producers with product-related cost savings.⁹ BMW, as a matter of policy, does not pay for movie placements.

In a newspaper interview, Norm Marshall, a long-standing consultant to BMW, commented on the uncertainty of movie product placement effects:

Why don't companies have to pay big bucks to get their goods in a picture? In some cases we do. But the counter balance against that is that they can't guarantee anything as they can when you buy an ad. And you never know if it is going to be in the movie or not. And even if it is, you don't know if the movie is going to bomb or not. The reality is, the vast majority of

² Source: "Planning for a Market Fall," *Brandweek*, July 22, 1996, pp. 32-39.

³ Source: "Now It's the Cars that Make the Characters Go," *The New York Times*, April 21, 1996, section 2, p. 13.

⁴ Source: "Casting Call Goes Out Products Play Major Roles in Movies," *Marketing News*, July 31, 1995, p. 1.

⁵ Source: "Movie 4 Sale!," *The Courier-Journal*, May 30, 1996, p. 1C.

⁶ Source: "Cue the Soda Can," *Business Week*, June 24, 1996, pp. 64, 66.

⁷ Source: "It's a Wrap (But Not Plain): From Budweiser to BMW, Brand Names Are Popping Up More and More On Screen," *The Los Angeles Times*, September 3, 1995, p. 4.

⁸ Source: "Junior Mints: I'm Gonna Make You A Star," *Forbes*, November 6, 1995, p. 90.

⁹ Source: "Product Placement: How It Began, How It's Grown," *St. Louis Dispatch*, April 8, 1995, p. 4D.

movies are not successful at the box office. So we make choices. Hopefully we are right more than we are wrong.¹⁰

Exhibit 2 contains examples of some noteworthy movie product placements from 1983 to the present.

BMW entered into deal negotiations with MGM/United Artists on the James Bond *GoldenEye* film in fall 1994. Immediately upon reviewing the script, BMW pegged the opportunity as “a perfect fit” for both parties: MGM sought a partner that could help them revive their 33-year old Bond franchise; BMW sought a premier movie placement capable of reinforcing its brand image. Other firms that contracted with MGM for the *GoldenEye* film included Omega, Perrier, Sharper Image, Yves St. Laurent, and IBM.

Karen Sortito, MGM’s Senior Vice President of Promotions, described her first encounter with the Z3:

We had seen spy photos of the car and it looked great. We all snuck out to BMW’s production facility one morning to see the car. It was like an episode of *Get Smart*: we were going through all these doors and they were slamming behind us. They pulled the cover off the car and we all “ooh’ed and aah’ed.” Then we took turns sitting in it, just to make sure it was cool enough for Pierce Brosnan, our newest James Bond.¹¹

McDowell elaborated on the perceived fit between Bond and the Z3 brand personality:

BMW was looking for a hero, and a glamorous one at that. The Bond character fit the bill perfectly. He was handsome, sexy, wealthy, resourceful, and adventurous. He was perceived as a man who loves life and is in control of his destiny. He was known for the technology he used. Heck, he was even recognized as a man with a penchant for good, fast cars! The quintessential hero for a quintessential car!

BMW was excited by the strategic significance of the film for MGM and the dollar investment MGM was willing to put behind the re-launch of its cultural icon. Management believed that this level of support and commitment would play well with the dealers. MGM was also talking of the possibility for a multi-movie deal, a prospect that offered continuing leverage potential.

The BMW/MGM agreement was orally sealed in January 1995, and formally signed in July 1995. The basic exchange was simple: MGM got the use of several prototype vehicles for their movie; BMW got placement of the Z3 in *GoldenEye* and obtained worldwide rights to reference that placement in corporate communications through March 1996.

To movie industry insiders, the BMW/MGM deal qualified more as a “co-launch” than a traditional movie product placement. The basic marketing agreement between MGM and BMW was that from September through December 1995, the two marketers would jointly promote the Bond actor (Pierce Brosnan), the *GoldenEye* film, and the BMW Z3 roadster. In addition to covering product costs for prototype vehicles, BMW agreed to invest in advertising to support the Z3 as James Bond’s new car. MGM, in turn, agreed to support the Z3 in *GoldenEye* movie previews and film trailers.

¹⁰ Source: “We Ought to Be in Pictures: That’s the Rallying Cry as Companies Vie to Get Their Products in Movies and TV,” *St. Louis Dispatch*, April 8, 1995, p. 1D.

¹¹ Source: *Brandweek*, March 11, 1996, p. 21.

The Z3 appeared in the movie for only 90 seconds, but was prominent in that it replaced the Aston-Martin, Bond's signature car. "That Aston Martin is such an engrained part of Bond. It's his trademark, really. This marked a first-ever use of the car category in the film series' history," noted Marshall.¹² Bond is presented the Z3 by Q, the legendary R&D engineer at Britain's MI5 Secret Service Agency who says: "Now, pay attention Bond. First your new car. A BMW . . ."¹³ The Z3 placement was noted in the marketing press for its "seamless integration" into the storyline, as explained by Entertainment Resources Marketing Association President, Dean Ayers:

A word that comes up a lot in our work is seamless. Subtly rendered. A blurring of the lines between advertising and entertainment. That's the way placements have to function to be successful. People prefer to see a can of Pepsi or some other familiar brand rather than one that just says 'Soda.' But nobody wants to pay to see a commercial. You have to pay just the right amount of attention to the product to get this effect.¹⁴

Acclaim for the seamlessness of the roadster product placement was considered ironic by some in light of the product's limited exposure in the film, as McDowell described:

A lot of people were surprised that the car was not in the movie for a great amount of time. The car shows up in two segments for a total airtime of 1.5 minutes. It really was intended only as a preview, a teaser. We much rather wanted the car to fit naturally into the film than to look as though someone had forced it into the scene and it was there so long it wore out its welcome.

The *GoldenEye* box office opening was scheduled for November 17, 1995. While the six-month gap between the film launch and Z3 dealership availability presented obvious tactical challenges, the timing fit well with other planned BMW product events and gave the factory the opportunity to build cars to exact customer specifications. The early launch also gave BMW a leg up on the forthcoming Mercedes introduction. By virtue of its timing, the Bond connection became the foundational element around which the remaining Z3 launch plans were formulated.

The Final Pre-Launch Marketing Plan

With the *GoldenEye* placement agreed to in January 1995, the launch team sought to build the other complementary elements of the program that would both pre-sell the Z3 and generate dealer traffic, stimulating interest in other models in the BMW product line. Among the additional elements which would form the launch program for the Z3 were:

1. Neiman Marcus Christmas Catalog offer of a Special Bond Edition Roadster.
2. Featuring the Z3 on BMW's site on the World Wide Web.
3. A large-scale public relations event "unveiling" the car in New York's Central Park.
4. An appearance on Jay Leno's *Tonight Show*.
5. The Radio DJ Program.

¹² Source: "It's a Wrap (But Not Plain): From Budweiser to BMW, Brand Names Are Popping Up More and More On Screen," *The Los Angeles Times*, September 3, 1995, p. 4.

¹³ Que is the research and development engineer responsible for design of Bond's state-of-the-art weaponry.

¹⁴ Source: Ibid.

6. "Go: An American Road Story" Video.

Along with these elements, BMW planned some television and print advertising as well as dealer activities. Each of these programs is described in turn below. A timeline of key program decisions and events is provided in **Exhibit 3**.

1. Neiman Marcus Catalog Offer

BMW put together a promotion in which a Special Limited Edition Bond Roadster would be available in the Neiman Marcus Christmas Catalog (see **Exhibit 4**), a publication renowned for its unusual product offerings. On September 11, the catalog insertion and vehicle were featured on the *Today Show*. Originally BMW and Neiman Marcus had set a 20-unit sales goal over the 3 ½ month Christmas selling period: "the 20-unit number seemed right in light of past experience of the catalog," according to McDowell. In two days, 100 Z3 orders were placed, so BMW agreed to increase the total production to 100 units. By Christmas, Neiman's had received 6000 customers orders or waiting list applications for the 100 cars.

2. BMW Internet Site

In October, BMW unveiled its new Website. Among the items on the site were *GoldenEye* film segments and the *Today Show* clip featuring the catalog offer. A module developed by the Fallon Agency proved impactful in generating "hits" on the site. This "Build Your Own Roadster" module allowed the site visitor to select exterior, interior, and top colors as well as various options for a Z3. The module then displayed the user "his/her car" from a variety of perspectives, e.g. top up and top down. It also provided the MSRP for the car with options as selected by the user. Hit rates tripled with the addition of this module, from an average of 35,000 hits per day to 125,000. Apple Computer, whose technology was employed to build the module, approached BMW in December for rights to reference the "Build-Your-Own-Roadster" module in their own corporate advertising (see **Exhibit 5**). Apple's TV spot aired during the Academy Awards in March 1996. "And we got a full 25 of those 30 seconds," noted McDowell.

3. Press Launch in Central Park

The most prominent PR event was the Central Park Launch in which the Z3 was formally introduced to the public. Over 200 media representatives were on hand as *GoldenEye* character Q detailed the specifications of BMW's "latest invention." The Z3 was revealed amid a splash of special effects precipitated by CEO Panke's entry of "the secret code" that exploded the crate shielding the car. To cap the event, Bond actor Brosnan drove onto the scene in his Atlanta Blue Roadster after completing a circuit through Central Park with a motorcade escort.

On the morning of the press launch the Z3 was also showcased in a segment of the *Today Show* that included an interview with CEO Helmut Panke and test-drives with the show's host.

The Central Park event generated extensive coverage in both broadcast and print, including mention on *Hard Copy*, *This Morning's Business*, *The Money Wheel*, and all major network news programs. McDowell added: "There were even cartoons published in the newspapers about how

Brosnan was being upstaged by a car!" **Exhibit 6** contains a sample press clipping from the event. **Exhibit 7** contains the cartoon from *Automotive News*.

4. Jay Leno *Tonight Show*

In early November, prior to the *GoldenEye* premier, the Z3 appeared on the *Tonight Show*. BMW had offered Jay Leno the use of a Z3 on his show "should he find it useful in anyway." NBC accepted for Leno without specifying his intent. Leno's writers incorporated the Z3 in a skit where Bond dodged all approaches from NBC Security in crossing the studio lots. In the end, it was a case of mistaken identity since Pierce Brosnan was already in the studio. McDowell commented:

The unpredictability of the message content was almost unbearable: It was a carefully calculated gamble. We did not know what Leno would say or do, and we would basically not know until the rest of the country knew it as well. We sent one of our guys to sit in the studio audience during filming, and he called us on his cellular to tell us what was going on. But it all worked out very well.

5. Radio DJ Program

Timed coincident with the beginning of TV advertising in early November, the Radio DJ Program featured DJs from leading radio stations in 13 major metro markets. DJs were screened on the basis of disc jockey personality, show content and listener demographics. Qualifying DJs were approached with the opportunity to design a program segment that would somehow incorporate the Z3 into their radio shows or scheduled personal appearances. DJs were encouraged to be innovative in their proposals and to adopt creative license in whatever they did. They were informed that while BMW would suggest potential copy points, they would not censor accepted programs in any way.

Twenty-five radio stations participated with some interesting programs. A DJ in Atlanta, for example, dressed up in a Santa suit and drove his borrowed Z3 roadster onto the Atlanta Falcon's playing field at half-time of a National Football League game. Another gave away a Z3 roadster during a live radio broadcast in L.A. Baba Shetty, BMW's Media Communications Manager commented on the overall effect:

The DJ Program was considered the most 'at-risk' element of the plan. It was not until the 11th hour. . . only one and a half weeks before d-day. . . that management finally committed to go with it. But it was a great. The DJs granted amazing credibility to our product message. The event was very successful in getting the brand into the conversational milieu. We think it had three times the word-of-mouth effect of other programs. We got over 6,000 spots from the event and we were only promised 3,800.

6. "Go: An American Road Story" Video

The BMW Communications Group, in conjunction with Dick Clark Productions, created this story of Faber, an overworked architect who decides to relive a cross-country road trip he took with his Aunt Edna Rose when he was ten years old. Faber drives his Z3 from Savannah to Oregon, retracing his Aunt's steps along the way. The story provides a "celebration of the road focused on the emotional character of the driving experience." The story's original song title, "Feel the Wind in your

Soul,” captures this theme. The video was made available through BMW’s 1-800 number in December, with references to the tape made in corporate advertising.

TV and Print Advertising

In concert with these “nontraditional” activities, BMW considered a possible complementary role for advertising to be produced by their new agency Fallon McElligott. The extent of advertising and the most appropriate media were issues to be considered in light of the “nontraditional” platform. Fallon developed TV and print advertising that, it was ultimately decided, would break nationally on November 1st. While the advertising used “traditional” media of print and television, the launch team felt the nontraditional spirit was maintained. “Even traditional media can be executed in nontraditional ways,” noted one BMW executive.

The advertising message was a simple one: James Bond traded in his car for a new BMW. “In essence it was a new Bond in a new world in a new car. Life had evolved and so had Bond,” explained Carol Burrows, BMW’s Advertising Manager. The tonality of the advertising was bold, witty, and entertaining. The new campaign with its central elements of humor and fantasy provided a sharp departure from traditional BMW advertising, which tended to emphasize performance capabilities in a no-nonsense manner.

The multi-million dollar campaign included two television spots scheduled for placement in popular network shows (*Seinfeld*, *ER*, and *90210*) and lifestyle cable programming. National print advertising (see **Exhibit 8**) was placed in business and lifestyle books (*Business Week*, *Forbes*, *Fortune*, *Traveler*, *Vanity Fair*) as well as auto buff magazines (*Car and Driver*, *Auto Week*, *Auto World*). Advertising was scheduled through December, with heavier weight in the initial period to prime excitement for the Bond film. (See **Exhibit 9** for comparative launch advertising expenditures in the industry).

The resulting advertising was impactful, according to Market Research and Information Manager, William Pettit:

We attained more mentions of advertising content than ever before. A full 15% of TV viewers demonstrated proven advertising recall. We have not seen a number this high in ten years. This was 50% higher than the 10% proven recall Mercedes was able to generate for their similarly-timed E-class launch advertising, with an estimated launch budget three times as great. This type of data is great because it provides a sort of controlled experiment of a traditional versus nontraditional launch of an entirely new product line.

Dealer Advertising and Promotions

As with all new car launches, generating dealer motivation and cooperation behind the program was critical to success. BMW wanted its dealers to be integrated into the promotion from the outset. Baba Shetty, Media Communications Manager, commented:

They were not overly enthusiastic when we first told them we wanted them to spend their scarce resources promoting a brand new car that would not be ready for delivery until March of the following year. The Z3 situation provided an important test of BMW’s renewed dealer relations. We had to get it right.

Shetty began dealer visits in June 1995 with a presentation emphasizing the strategic value of the launch to BMW, the marketing support levels both BMW and MGM were putting behind the Bond

campaign, and the positives of the launch timing vis-à-vis other planned BMW activities. Shetty commented on his dealer road show experience:

Plan execution was complicated. We had 345 dealers and only 150 cars available for them to display in their showrooms during the promotional period. We had to run the program in three waves, with the vehicles circulating among dealers. Now, that would have been enough in and of itself, but the presentations were about as tough as they get. Some of the dealers just sat there, looking at me in disbelief as I explained this phenomenal opportunity that would not come to fruition until . . . March of 1996. I basically told them, 'Look. You can go with this and make the most of the opportunity, or you can ignore it. It is your choice. But we are behind it, and MGM is behind it, and we are both behind it 150%.' The quality of the promotional materials did the rest.

The dealer promotional package showcased a private screening of the Bond film and car before the box office film opening. Dealers compiled a guest list of 200-400 of their best customers and mailed personalized invitations to the film screening. Dealership owners were on hand at opening night to greet customers and deliver motivating introductory speeches. Some dealers hosted cocktail receptions before or after the show. "007: Licensed to Sell" kits (see **Exhibit 10**) were also created. These included multi-media kiosk videos, a film canister of "spy films" of the product in action, and a mock "BOND 007" license plate. Car toppers, showroom display cars (for a limited loan period), and database-building ideas were also made available to participating dealers. The theater arrangements for the screening events were made courtesy of MGM studios, at the participating dealer's expense. These events attracted great local publicity, appearing in local newspapers, and often reported on metropolitan television and radio.

Frederick Tierney, General Manager of Foreign Motors West, Boston's largest BMW dealership, commented further on dealer reactions to the overall launch plan:

I had no problems with the overall program or the advertising. It was innovative. It seemed impactful. To be honest, I thought that they were overdoing it. The Z3 was a special interest niche car, it was only shown in the Bond film for a minuscule amount of time, and BMW was going to such elaborate lengths to publicize it. What if they sold too many roadsters with all the hype? How were we going to maintain all this momentum and keep the customers patient? It seemed like a big job ahead for the dealerships.

Success of the Phase I Launch Plan

The final launch plan budget was split 40/60 between what might be labeled "traditional" and "nontraditional" elements. Internally and externally, the MGM/BMW co-launch was declared a success. The Bond film had the largest opening weekend in MGM's history, grossing \$26.2 million in ticket sales (see **Exhibit 11** for box office performance data of other notable film placement examples). Marshall estimated that "the advertising, promotion, and associated publicity from the BMW tie-in added millions to *GoldenEye's* earnings."¹⁵ Z3 product reviews were favorable (see **Exhibit 12**). Over 9,000 Z3 product orders were pre-booked by December 1995, as compared with 5,000 projected. The product's unavailability, once viewed as a potential liability, was retrospectively viewed as a great asset. According to James McDowell: "It heightened the excitement value of the message and made people ripe with anticipation for the experience." Dealers agreed, as reflected in comments by Sales Manager Joe Santamaria of Boston's Foreign Motors West BMW dealership:

¹⁵ Source: "Now It's the Cars that Make the Characters Go," *The New York Times*, April 21, 1996, section 2, p. 13.

It was a real shot in the arm for us. Traffic in the dealership was up, and lots of people came in saying, 'Hey! That's the car that Bond drives!' Or 'I saw that in the movie!' They were placing orders for the car sight unseen. The hype in the movie was excellent.

The net result was that the dealers upgraded to meet the challenge, BMW developed an order bank, the roadster was successfully launched, and a niche was created. Management also noted cost efficiencies gained with the nontraditional launch plan. Management was left with the feeling that the dollars spent were more impactful than they would have been if placed in traditional programs.

We spent about 50% less than the Share-of-Voice/Share-of-Market rule dictates.¹⁶ (Baba Shetty) (See **Exhibit 13**).

We definitely got higher impact per dollar spent. (George Neill)

Bill Pettit added a more sober summary: "Bottom line, how do we measure the success of the program? Nothing blew up."

Phase II Launch Strategy

Phase I of the Z3 launch created "a sort of paradigm shift" at BMW. McDowell explained:

We will probably never return to traditional programs after getting a taste of the power of a plan like this. Sure there are negatives but the impact simply cannot be matched using traditional elements. Usually the risks of new product introduction are so great you find yourself relying on traditional marketing elements for the false sense of security they provide. But that's what it is: a false sense of security. It would have cost at least three times more to do what we did relying solely on traditional media.

This change in philosophy colored January planning meetings in which Phase II Z3 strategies and tactics were to be set. The whole process had been invigorating for the managers involved. But as the January planning progressed, fond memories of Hollywood premiers and rendezvous in Central Park with celebrities were mixed with recognition of the \$600 million investment in Spartanburg and the strategic significance of the Z3. As one manager put it, "This is fun. But we better get it right."

¹⁶ Share of voice (SOV) refers to a company's share of total advertising expenditures for all products in a given category. The Share-of-Voice/Share-of-Market rule for ad budget setting declares that all things being equal, the advertising share of voice should be set equal to the company's share of market.

Exhibit 1 BMW Unit Sales History (U.S. and Worldwide)

	U.S. Unit Sales ^a (in thousands)	Worldwide Unit Sales ^b (in thousands)
1984	70.9	434.0
1985	87.9	440.7
1986	96.8	446.1
1987	87.8	461.3
1988	73.3	484.1
1989	64.9	523.0
1990	63.6	525.9
1991	53.3	552.7
1992	66.0	588.7
1993	78.0	534.4
1994	83.8	573.9
1995	94.5	590.1

^aSource: *Ward's Automotive Yearbook*.

^bSource: Bayerische Motoren Werke AG BMW, various years.

Exhibit 2 Notable Movie Product Placement Examples

Movie	Product/Brand	Placement/Fee	Placement Detail	Media Comments
E.T. The Extraterrestrial	Reeses Pieces	NA	Candy trial used to coax E.T. out of hiding place	M&M's decline of original deal cited as "marketing blunder that ranks with Ford Edsel and New Coke." ^a Reese's pieces sales increased 66%. ^b
Risky Business	Rayban	NA	Tom Cruise sports Raybans in his new role as pimp	Rayban sales tripled. ^b
License to Kill	Lark cigarettes	\$350,000	Lark as Bond's cigarette brand of choice	"Cigarette placements are tricky. Most companies don't want any part of it anymore because they hear too much negative feedback." ^b
Grand Canyon	Lexus	NA	Lexus breaks down in seedy L.A. neighborhood	NA
Silence of the Lambs	Arby's Roast Beef	NA	Crumbled Arby's wrappers and cups included among decrepit décor of serial murderer's house	"Focus group participants very outspoken about how they would never eat at that restaurant because every time they saw the logo they thought of the killer. I think we can count that as a bad placement." ^b
Forrest Gump	Dr Pepper	NA	Dr Pepper portrayed as Gump's beverage of choice	"if that's not the best placement of '94, I don't know what is." ^a
Dumb and Dumber	Hawaiian Tropic Suntan Lotion	Products and ads for filming	Last 5 minutes of movie show Hawaiian Tropic Girls in Hawaiian Tropic Tour Bus	"Hawaiian Tropic received over 100 placements last year. It's the best kind of advertising there is . . . the fee was small compared to our marketing budget." ^c
Natural Born Killers	Coca-Cola	"Polar bears" and licensing rights	Coke commercial aired as backdrop to violent crime scene	NA
Get Shorty	Oldsmobile Silhouette minivan	Products for filming	Silhouette, touted as "Cadillac of Minivans," ^b becomes one of film's running gags	Vehicle selected over Ford for side door that opens automatically. Sales down, though dealers liked traffic and word-of-mouth that movie generated.
Waiting to Exhale	Mercedes Benz	NA	Disgruntled wife burns husband's Mercedes	Company was looking for "nice upscale placement," not pleased with the way vehicle depicted. ^d
Twister	Dodge Ram Pickup Truck	5 \$25,000 trucks; 20 windshields	Investigative team chases tornadoes in Ram trucks	Ford battled over this "perfect script for a truck" but lost.
Mission: Impossible	Apple PowerBook	\$15 million tie-in ad campaign	Laptops prove integral to solving intrigue plot	Apple sales continue long-term sales.
Flipper	Pepsi	\$40,000	Shot of crunched-up soda can on dock	Pepsi label digitally added after scene shot with Coke can in response to marketing deal with parent.

^aSource: "We Ought to Be in Pictures," *St. Louis Post-Dispatch*, April 8, 1995, p. 1D.

^bSource: It's A Wrap (But Not Plain): From Budweiser to BMW, Brand Names Are Popping Up More and More on Screen," *Los Angeles Times*, September 3, 1995, Calendar Section, p. 4.

^cSource: "Casting Call Goes Out; Products Needed to Play Major Roles in Movies," *Marketing News*, July 31, 1995, p. 1.

^dSource: "Now It's the Cars that Make the Characters Go," *New York Times*, April 21, 1996, section 2, p. 13.

Exhibit 3 Timeline of Key Events

Date	Event
1992	Special Project Group founded to lead new product development initiative
1993	Beginning of product clinics to develop roadster concept
May 1993	Spartanburg facility announced. Car(s) to be produced there not specified to public
Spring 1994	Z3 launch team specifies “nontraditional” launch
June 1994	RFP’s to 30 agencies for “nontraditional, innovative launch plan”
September 1994	First U.S. made BMWs roll off Spartanburg production line
Fall 1994	Negotiations with MGM begin for <i>GoldenEye</i> film
January 1995	BMW/MGM oral agreement (signed six months later)
June 1995	Dealer visits begin
September 11, 1995	Neiman’s catalog promotion announced on the <i>Today Show</i>
November 1995	Central Park Launch Event, <i>Tonight Show</i> appearance, Radio DJ Program, “Go: An American Road Story” Video, and <i>GoldenEye</i> Premier
March 1996	First cars available at dealers

Exhibit 4 Z3 Roadster Neiman Marcus Christmas Catalog Offer^a

BMW, JAMES BOND'S BMW



54. You can own a limited-edition luxury version of the BMW Z3 roadster, minus the guided missiles, that James Bond® drives as 007™ in the upcoming film GoldenEye. The James Bond BMW Z3 roadster features a blend of modern and classic styling and performance — created as James Bond would design a car. The limited edition BMW Z3 roadster equipment package includes: a commemorative "Specially Equipped 007" dash plaque, cellular telephone, hi-fi system with cassette and CD player, high-tech beige leather sport seats, special alloy wheels, and a wind deflector. You also have your choice of automatic or 5-speed manual transmissions. The cockpit of every Bond Roadster comes trimmed with a custom wood package including wood shift knob, console, and steering wheel. The car, which comes in Bond blue-gray, is also outfitted with a deluxe chrome ensemble including a rear luggage carrier and special roadster luggage.

To complete your James Bond roadster experience, customers who order their BMW Z3 roadsters prior to October 31, 1995, will receive two VIP tickets to the GoldenEye Harris Cancer Center pre-screening and cocktail reception in Los Angeles in early November. The host for the evening is Pierce Brosnan, the new James Bond.

You can be one of the few to hit the road in the luxury version of the James Bond roadster next summer. As an added bonus, you'll earn 30,000 InCircle® points for your purchase. To learn more about this rare opportunity, call 1-800-625-8000, ext. 8303.

54. BMW Z3 James Bond® roadster, \$5,000 (U.S.).

The BMW roadster, \$5,000.00, exclusive of taxes, title, destination and handling, license and transfer of title fees. Options additional. Delivery time based on availability. BMW equipment subject to change based on production specifications. Travel and accommodation expenses for the pre-screening are not included. James Bond and 007 are federally registered trademarks of GoldenEye Group's DANZON, INC. and UNITED ARTISTS CORPORATION. ALL RIGHTS RESERVED. BMW and its logo are federally registered trademarks of BMW North America, Inc.

BUILT FOR TODAY'S 007

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Exhibit 5 1996 Apple Corporate Print Advertising Referencing BMW Websites

Once again, BMW showcases some of the world's best technology.

Only in this case we're talking about BMW's amazing new web site. The web site that actually lets you test-drive the Z3 roadster in the comfort of your living room. And how did BMW put one of the most innovative web sites on the Internet? With Apple technology, of course. As Jim McWhorter, VP of Marketing at BMW of North America, puts it, "We wanted our web site to have the same performance and excitement as our BMW products. Apple was the perfect partner." So visit www.bmwusa.com to check out some technology that really moves. Oh yeah, and while you're at it, check out the car.

Macintosh for webmasters, webmasters and webusers.

Print the technology to the web. Apple. Archiving into the BMW Z3 roadster on the world's fastest highway.

With innovative Apple technology such as QuickTime™, the BMW web site is a virtual roadster. Explore the roadster into a virtual reality. Explore the roadster inside and out by moving forward and backward, zooming left to right, up and down. Just about the only thing you can't do is drive the car.

Load time never. Digital takes so much time that it's almost impossible to make the 12 seconds for a new order in the world to your home.

To serve up their web site, BMW uses the Apple Internet Server Solution, one of the fastest ways to put a site on the Net and powerful enough to handle over 200,000 hits per day.

More multimedia Internet sites are created on Macintosh than on any other computer.

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Exhibit 6 Sample Press Clipping from the Central Park Z3 Roadster Launch Event^a

BMW Roadster meets Bond, James Bond

By Melanie Wells
USA TODAY

NEW YORK — BMW of North America is hitching a ride with Hollywood for the introduction of its new two-seat roadster. Brace yourself for BMW 007.

In *GoldenEye*, the latest James Bond flick from MGM/United Artists, Hollywood's favorite spy exchanges his \$135,000 Aston Martin for a BMW Z3 Roadster. The BMW is expected to sell for under \$30,000 when it rolls out in the first quarter of 1996.

The link offers the kind of highbrow panache that a low-priced luxury sports car could only find in movie-land. David Stolkos of Automotive Marketing Consultants calls the deal a "marketing coup" for the carmaker.

BMW was able to approve the *GoldenEye* script for the studio's use of its car. It's also able to feature the movie's latest Bond, actor Pierce Brosnan, in two TV spots without having to pay a customarily steep celebrity endorsement fee. Why? The actor appears as part of the movie's promotion.

TV commercials break tonight from BMW's new ad agency, Fallon McElligott. Print ads will also feature cuts from *GoldenEye*.

Among the other advertising and promotional plans for the Roadster:

► BMW's first-ever cinema commercial — a two-minute spot that will run closer to the time of the Roadster's launch — and an airplane in-



'GOLDENEYE': Ads for BMW Z3 Roadster feature images from new James Bond movie.

flight video, both coordinated by Dick Clark Corporate Productions in Burbank.

► A promotional appearance for the car during late night NBC programming, probably on *The Tonight Show*.

► Prominent placement during the Olympic Torch Relay, of which BMW is the official "mobility" sponsor. The color of the BMW featured in *GoldenEye* is a new cerulean shade the carmaker calls Atlanta Blue.

BMW vice president of marketing James McDowell says the Roadster's launch will comprise about 15% of the carmaker's 1996 ad budget.

The German automaker spent \$64.9 million on all advertising during the first seven months of '95, according to Competitive Media Reporting. The total for 1994: \$102.6 million.

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Exhibit 7 Automotive News Cartoon^a



^a© Arkie G. Hudkins, Jr. As seen in *Automotive News*, November 20, 1995. For T. A. Brooks. Reprinted with permission.

Exhibit 8 Introductory Print Advertising for the BMW Z3 Roadster



Exhibit 9 Comparative Launch Advertising Campaign Expenditures^a and Introductory Year Sales

Product/Brand	Launch Date	Introductory Year Sales ^d (units)	Launch Advertising Support (millions)
<i>Sport Utility Vehicles</i>			
Kia Sportage	January 1995	8,015	30.0
Toyota RAV-4	January 1995	29,815	30.0
Ford Expedition	January 1996	NA	35.0
Acura SLX	November 1995	1,657	40.0
<i>Sedans/Minivans</i>			
Dodge Neon	January 1994	93,300	88.7
Plymouth Breeze	January 1996	NA	45.0
Hyundai Accent	February 1995	50,658	99.9
Ford Contour	September 1994	140,987	55.3
Ford Windstar	March 1994	62,317	57.0
Mazda Millenia	April 1994	29,096	30.0
Nissan Altima	September 1992	69,489	70.9
Oldsmobile Aurora	May 1994	33,206	42.7
<i>Luxury/Performance</i>			
Land Rover Discovery	October 1994	14,085	9.4
Acura RL	January 1996	NA	40.0
Infiniti I-30	May 1995	15,194	35.0
Lexus LX-450	January 1996	NA	20.0
Mercedes C-Class	November 1993	19,351	
Average Launch Budget			\$20 million
Average Launch Reach^b Goal			75-90%
Average Launch Frequency^c Goal			2.5

^aSource: Competitive Media Reporting and *Media Week* "SuperBrands 1995."

^bNote: Reach defined as percent of target audience exposed at least once to advertising in a given period.

^cNote: Frequency defined as average number of times target audience member is exposed to advertising in a given period.

^dNote: Sales figures reflect first 12 months after launch date.

Exhibit 10 "007: Licensed to Sell" Dealer Promotional Kits



Exhibit 11 Box Office Draws for Noteworthy Product Placement Movies^a

Film	Introductory Year	Opening Week Ticket Sales (in millions of dollars)
Twister	1996	\$41.1
Mission: Impossible	1996	56.8
Flipper	1996	4.5
Waiting to Exhale	1995	14.1
GoldenEye	1995	26.2
Get Shorty	1995	12.7
Natural Born Killers	1994	11.2
Dumb and Dumber	1994	16.4
Forrest Gump	1994	24.5
Silence of the Lambs	1991	13.8
Grand Canyon	1991	0.3
License to Kill	1989	8.8
Risky Business	1983	4.3
E.T. The Extra Terrestrial	1982	13.0

^aSource: *Variety*, various dates.

Exhibit 12 Sample Product Reviews from Major Automotive Magazines

It's movie star looks notwithstanding, the Z3 is at its best on sun-blurred country lanes, when the engine is in full, reedy song and your hair is buffeted into bug-laced dreadlocks. This is a great sports car, an enthusiast driver's first wish from the genie. Sexual dynamite on the outside, as intimate as a shared cigarette on the inside, perfectly constructed and effortless fun to drive, the Z3 leaves one wounded with desire. Not bad for a car made in Spartanburg, S.C. (*New York Times*, Automobiles section)

At the start of the day-long press event, I wasn't quite sure that the world really needed another roadster, but by noon I was convinced the BMW Z3 is a vehicle that mankind can't do without. And with the announcement of a \$28,750 base price, it's certain that great hordes of Americans will find the Z3 just as irresistible. Z3 fans wishing for more romp in their roadsters will have to wait for the release of versions with the new 2.8 in-line six, which will deliver about another 60 horsepower. But, before you gripe about this machine's lack of tire-burning power, consider this: the 1.9 liter four makes the \$28,750 price, putting the Z3 in reach of many more buyers than would a six-powered version, which will be closer to \$40,000. (*Motor Trend Magazine*)

I wanted to drive the Z3 to see for myself what all the shouting was about. But I probably would have wanted to put the car through some paces even if it hadn't been the star of the latest Bond movie. There were at least three good reasons for being curious about the Z3. First because it is a Beemer. We all know that the Bavarian factories don't design any junk. The BMW—any BMW—has that good, unmistakable solid feeling of careful German engineering that everyone likes and responds to in a car. The second reason was that it is built in Spartanburg, S.C. The third reason has to do with money. Everyone likes a deal, and the Z3 was priced at just under \$30,000 which seemed like a bargain. Word was that Mercedes and Porsche were floored by the price, since they are scheduled to bring out competitive cars in the next year or so but hadn't been planning on giving them away. Maybe, people said, BMW was going to sell the car as a kit . . . you do the final assembly and paint the thing. Well, I got to drive the Z3 and I am here to report, straight out, that BMW isn't selling any kits, and that the car is as exciting as the price. Is the car fun to drive? The answer is: yeah, man. I kept thinking that this was a car that fills a particular niche and fills it just about perfectly. It'll be worth it, believe me. (*Forbes*)

Exhibit 13 1995 Unit Sales and Advertising Spending within the U.S. Luxury/
Performance Segment

Manufacturer	Total Sales ^a (units)	Media Expenditures ^b (millions)
Acura	112,137	\$197.2
Audi	12,575	25.8
BMW	84,501	87.5
Cadillac	162,672	227.4
Ford/Lincoln	120,191	30.6
Infiniti	51,449	106.7
Jaguar	15,195	34.5
Land Rover	12,045	18.9
Lexus	87,419	202.8
Mercedes	73,002	88.4
Porsche	5,838	10.9
Saab	21,679	31.2
Volvo	81,788	56.5
AVERAGE ADVERTISING EXPENSE PER LUXURY CAR SOLD		\$982
AVERAGE ADVERTISING EXPENSE FOR ALL CARS SOLD		\$372

^aSource: 1995 J.D. Power & Associates.

^bSource: 1995 LNA Competitive Media Reporting.

Note: Spending includes local dealer and dealer association dollars.