



BMW: The Ultimate Driving Machine Seeks to De-Yuppify Itself

During the 1980s, certain brands became icons of the “yuppie” consumer and the so-called “era of self-indulgence and conspicuous consumption.” These products ranged from the highly caloric, three-dollar-per-pint Haagen-Dazs ice cream, to \$180 leather-bound Filofax personal organizers, to \$35,000 BMW luxury cars. [Prices as of the end of the decade.] Marketers hyped the glamorous, fantasy-like lifestyles that consumers of these products purportedly led. BMW’s advertising agency, Ammirati & Puris, which also prepared advertising for Club Med and Waterford Crystal, among others, billed the car as “The Ultimate Driving Machine,” and produced commercials featuring expensively dressed consumers hob-nobbing in upscale settings.¹

These advertisements seemed to fit the mood of the nation. President Ronald Reagan had ushered in the roaring eighties by proclaiming that “it’s morning in America.” *Newsweek* analyzed the early eighties this way:

It had been twenty years since [America had] had a leader who was so openly comfortable with wealth and the wealthy. The public seemed fascinated by the air of unembarrassed extravagance that floated around the Reagans: Mrs. Reagan eventually spent \$25,000 on her Inaugural wardrobe. A planned redecoration of the White House family quarters cost \$800,000. The price tag for new White House china would be \$209,508. What a *relief* the Reagans were! The new First Family’s imperial lifestyle seemed to open a tap in the national consciousness, and all the longings for luxury that had been repressed in the parsimonious Carter years came flowing out.²

Reagan’s 1984 GOP nomination acceptance speech portrayed America as a land of limitless opportunity for any one who wanted it badly enough. “The choices,” he proclaimed, comparing his own Republican platform to that of the Democrats, “are not just between two different personalities, or between two different political parties. They are between two different visions of the future, two fundamentally different ways of governing—their government of pessimism, fear, and limits, or ours of hope, confidence, and growth . . . America is on the move again, and expanding toward new eras

¹ *The Wall Street Journal*, “Reality of the ‘90s Hits Yuppie Brands,” by Kathleen Deveny, December 20, 1990, p. B1.

² *Newsweek*, “The Eighties Are Over,” by Bill Barol, January 4, 1988, p. 41.

Research Associate Wendy Smith Schille prepared this case from public sources under the supervision of Professor Stephen A. Greyser as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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of opportunity for everyone . . . we are in the midst of a springtime of hope for America . . . Greatness lies ahead of us.”³

Boomtime in the Early Eighties

It was exactly this greatness that a group of consumers who came to be classified as “Yuppies” (Young Urban Professionals) sought to capture. The bulk of Reagan’s two terms in office encompassed the longest period of peacetime economic expansion in America’s history. His theory of supply-side economics was popularly interpreted to mean spending the nation’s way to prosperity. Americans by the thousands discovered that by leveraging their lifestyles, and living on credit, they could live better than they ever had before. The old-fashioned term “leasing” became known as “life-style financing,” a way to live the good life based on monthly cash flow rather than on savings or net worth. An example from *Forbes* makes it obvious why life-style financing was so attractive. In 1984, according to the magazine:

To lease a \$27,000 [luxury car], you need to put no money down, have a minimum debt-free income of only \$18,000 a year and be able to shell out just \$380 a month. That’s less than the monthly payments if you bought it, and you don’t have to make a 20%, or \$5,400 down payment. You can use those “savings” to leverage your life-style further with a ski trip to Vail or investments in the stock market—or a hot tub.⁴

Yuppie and yuppie demographics So who were these conspicuous consumers that helped define the decade of the eighties? True yuppies, as defined by the California think-tank SRI International, were actually quite rare. In 1984, they included 1.2 million Americans between the ages of 25 and 39 who lived in an urban area and earned \$40,000 or more per year from a professional or management job. A more comprehensive definition could be found in the category of “yuppies,” or young, upwardly mobile professionals. In 1984 this group included more than 20 million Americans between the ages of 25 and 39 who had gone to college, or who worked in white collar or technical jobs.⁵ Whether yuppie or yuppie, this group of consumers proved to be different from previous generations in at least two important ways: in pursuit of careers and personal fulfillment, they not only married later, but also had children later, leaving more disposable income to be spent on luxury cars, gourmet meals, and other indulgences.⁶

Because these wealth- and power-seeking yuppies and yuppies defined themselves by what they owned, and more important, because they controlled nearly one-quarter of the nation’s after-tax income, marketers were eager to attract the attention and loyalty of this group of consumers. In 1985, in an article entitled, “The cost of living it yup,” *Money* magazine had the following to say about the yuppie consumer:

Like any economic substratum, the yuppies can be identified by their essential artifacts, some of which [include:] Haagen-Dazs, San Pellegrino bottled water, \$130 New Balance jogging shoes, a BMW 320i. Membership in the yuppie clan does not come cheap. If it did, no one would care about it . . . Manufacturers and merchants knowingly exploit the yuppies’ affluent insecurity by defining quality in

³ *The New York Times*, “Transcript of Reagan’s Speech Accepting G.O.P. Nomination,” August 24, 1984, p. A12.

⁴ *Forbes*, “Leveraged Lifestyles,” by Thomas O’Donnell, May 21, 1984, p. 36.

⁵ *Newsweek*, “The Year of the Yuppie,” December 31, 1984, p. 16.

⁶ *Ibid.*, p. 28.

ever more obscure and expensive terms. So inflation will always be worse for these people, who view their ability to pay higher and higher prices as a badge of success. The law of yupward mobility is a cruel one: yesterday's best is today's not-quite-good-enough.⁷

BMW Brand History in the United States, 1980-1987

In the early 1970s, BMW was essentially a one-model franchise in the United States with a car called the 2002. In 1975, U.S. sales were a mere 15,000 units. What little advertising there was focused on BMW's German engineering heritage and the high quality and performance characteristics of its automobile. Ammirati & Puris, which became BMW's first American advertising agency in 1975, created the perennial slogan "The Ultimate Driving Machine" in that same year. At the time, according to then-copywriter Puris, "Nobody knew what BMWs were except for a small group of car nuts."⁸ Early advertisements highlighted BMW's cost-performance benefits and featured statements such as, "Extraordinary performance is the only thing that makes an expensive car worth the money" and "The BMW is built for roads you'd be wise to avoid in your present luxury sedan."⁹

In the early eighties, BMW's advertisements, along with its target market, moved upscale. Print advertisement headlines posed questions such as, "In a fuel-obsessed society, is it blasphemy to suggest a car should also be fun to drive?" and "Is it absurd to propose that even the rich deserve their money's worth?" BMW's new target market was defined as "affluent, well-educated activists who have more than a passing interest in driving a car."¹⁰

Despite the new emphasis on driving excitement, BMW advertisements continued to focus on value. In 1980 BMW ran a series of advertisements contrasting its 5-series car to Cadillac Seville, the Mercedes 280E, and the Jaguar XJ6. By comparing the original price of each model to the current value as defined by the National Automobile Dealers Used-Car Guide, BMW attempted to demonstrate its automobile's superior intrinsic value. According to the advertisement, BMW retained an average 84.1% of its original value over a five-year period. Mercedes retained 74.1%, Cadillac 67.3%, and Jaguar 61.8%.

In the same manner that Mercedes-Benz set the standard for engineering excellence in sedans at this time, by 1980 BMW was seen as the "standard" by which other performance aspirants in the luxury automobile category were judged. A 1980 ad for the *arriviste* Saab 900 GLE proclaimed, "[Saab] corners better than a BMW, stops better than a Volvo, feels better than a Mercedes and sips gas like a Datsun." Other comparative ads appeared as well, from competitors as diverse as the Volkswagen Rabbit GTI and the Cadillac Cimarron. Excerpts from the texts of several early 1980s luxury automobile print advertisements appear as **Exhibits 1A-1E**.

Competition in the luxury market The American luxury automobile market in the 1980s was generally defined as beginning at \$20,000 [in 1990 dollars] and was loosely segmented into three groups of cars: (1) lower-end, sportier, generally two-door coupes, priced from \$20,000 to \$30,000; (2) mid-range sedans, generally four-door, with larger engines, ranging in price from about \$30,000 to \$50,000; and (3) the ultra-luxury segment, cars priced above \$50,000. **Exhibit 2** provides an overview

⁷ *Money*, "The Cost Of Living It Yup," January 1985, p. 12.

⁸ *The New York Times*, "Performing In Print For BMW," by Philip H. Dougherty, December 12, 1979, p. D12.

⁹ *Advertising Age*, "BMW Tack: Same Cars, More \$," October 16, 1978, p. 119.

¹⁰ *The New York Times*, December 12, 1979, p. 119.

of the price and model history of the U.S. luxury car market during the 1980s. **Exhibit 3** presents demographic information on the owners of various luxury car models. The luxury segment, while small in terms of overall sales, was extremely important to automakers in terms of contribution dollars. For example, a subcompact such as the Ford Escort might contribute only a few hundred dollars to the manufacturer's profits. A luxury automobile in the \$20,000-plus range could contribute upwards of \$5,000.¹¹ **Exhibit 4** presents a ten-year overview of sales and market share by model line for the U.S. luxury car market.

By the mid-1980s, *performance* was a dominant theme for the luxury car category. Audi, which had previously focused its advertising on its cars' German Engineering, began to emphasize performance more explicitly. Jaguar, which epitomized sleek and elegant luxury, began highlighting the performance features of its automobiles as well. In 1982, Mercedes-Benz introduced a smaller, sportier, lower-priced "baby Benz" in West Germany. Advertisements for the baby Benz struck directly at BMW's reputation for advanced technology. Priced at \$24,000, the baby Benz competed directly with the upper end of BMW's 3-Series, a model which in 1982 accounted for 70% of BMW's U.S. sales. According to Mercedes officials, "Our market research showed that many people wanted to own a Mercedes, but thought it wasn't a young, dynamic, sporty car."¹² Mercedes planned to introduce the new model in the United States in 1983. Text excerpts of two 1982 performance-oriented luxury car ads appear as **Exhibits 5A** and **5B**. (Although the top of the line Mercedes S-Class cars were equipped with substantial performance features, ads for these cars focused mainly on the heritage and history of Mercedes. A typical headline read "The Mercedes-Benz S-Class And The Mystique Of The Big Mercedes." The text spoke to "the admiration verging on awe that surrounds the premier sedans of Mercedes-Benz.")

BMW reinforces its position To counter the threat to the niche it had created, BMW redoubled its efforts to remind consumers of its long-standing commitment to quality and performance. BMW's 1982 advertisements trumpeted, "Announcing the 55th straight year BMW hasn't had to rediscover the thrill of performance." Excerpts from the text of this ad are presented as **Exhibit 5C**.

At the same time, BMW began offering a 36-month/36,000-mile warranty and six-year rust-perforation warranty, the most comprehensive in the industry at that time. BMW of North America Senior Vice President J. Gordon Bingham believed such a move sent "a statement to consumers." In his opinion, selling cars in such a competitive market was not merely a matter of consumer brand loyalty, but "the brand must [also] be loyal to consumers."¹³

BMW also filled out its automotive lineup, offering consumers a wider range of models, each with a specific role, clear price niches, and a step-up plan for satisfied owners in terms of prestige and size. The lineup in 1980 included just three basic models, plus a sporty "image leader." The 320i ("i" for injection, as in fuel-injection) was a two-door, four-cylinder design meant to attract first-time buyers. The price for this model was about \$13,000 in 1980. The 528i was a four-door, six-cylinder mid-sized sedan, which, with a price tag of about \$20,000 was meant to attract older, more affluent buyers. The 733i was a four-door, six-cylinder large sedan for older and still more affluent buyers. It sold for about \$30,000. The top-of-the-line image leader for BMW was the 633CSi two-door luxury sports coupe, touted as "the epitome of truth in packaging." It sold for about \$35,000.

In 1982, BMW introduced its first all-new model since 1977, which was a replacement for the 528i called the 528e. The "e" stood for "economy." The "e" was lighter, had a smaller engine, and

¹¹ *Fortune*, "Detroit vs. New Upscale Imports," by Alex Taylor III, April 27, 1987, p. 70.

¹² *The Wall Street Journal*, "Mercedes and BMW Are About to Extend Their Gloves-Off Ad Campaigns to U.S.," by Roger Thurow, September 26, 1983, p. 33.

¹³ *Automotive News*, "Europeans Gear For Sales Gains, Hot Competition," by John A. Russell, March 4, 1983, p. E-2.

provided better gas mileage than the “i.” The base price was \$23,325. In 1983, BMW introduced the 533i, which it labeled “the ultimate sports sedan.” Its base price was \$30,305. The following year, BMW began offering the six-cylinder 325e coupe as a sportier alternative to the 320i. With a base price of \$21,000, the 325e sold for about \$5,000 more in 1984 than did the 318i.¹⁴ Advertisements for this new product declared, “Introducing the 325e. BMW affirms its dominance in the category it created.”

At the same time, BMW sought to differentiate itself more clearly from the increasingly competitive lower-end of the luxury market, which by 1984 included models from Volvo, Saab, and Toyota, as well as from Audi and Mercedes. Consequently, BMW began to place more emphasis, via both advertising content and advertising dollars, on its higher-priced 6- and 7-series automobiles. The strategy focused on redefining performance for the upscale market, to include such factors as comfort, safety, and technological innovation.¹⁵ The strategy was designed to retain yuppie drivers who might otherwise migrate to a Mercedes or a Jaguar as they got older and their incomes increased. This line of thinking resulted in an advertisement for BMW’s top-of-the-line sedan, which was headlined “The BMW 733i. It doesn’t scream wealth. It just quietly rewards insight.” Text excerpts from this ad are presented as **Exhibit 6A**. For its 635CSi sports coupe, BMW proclaimed, “As long as there are people who can afford perfection, BMW will continue to pursue it.” Excerpts from the text of this ad are presented as **Exhibit 6B**.

BMW backed up this new strategy with heavy advertising spending. In 1985, the company spent \$3.8 million to support its 6-series automobiles, increased from \$898,000 in 1984. The 7-series received \$6.8 million in advertising spending in 1985. The 5-series also received significant advertising spending with the introduction of the 535i, touted as “The Car That Blurs The Distinction Between Racing Machines And Luxury Sedans.” Excerpts from this ad are reproduced as **Exhibit 6C**. The 3-series advertising decreased dramatically in 1985, down to \$1.3 million from \$7.1 million in 1984. In terms of media, BMW spent heavily on network television advertising for the first time, nearly quadrupling its 1985 network budget to \$11.5 million from \$2.9 million in 1984. All BMW advertising retained the tag “The Ultimate Driving Machine.”

In 1986, in order to improve the company’s image further, BMW also increased its efforts in promotional and merchandising programs. BMW returned to racing after a several-year hiatus. In addition, the BMW/Skip Barber Advanced Driving School, run by the former Formula One driver, was incorporated into a direct marketing program, through which BMW solicited prospects for the course. BMW also increased the number of regional polo events it sponsored to 12 in 1986 from 5 in 1985.¹⁶

Exhibit 7A provides a summary of BMW’s U.S. advertising spending during the 1980s by model line. **Exhibit 7B** presents BMW’s U.S. advertising spending by media type.

In 1987, BMW entered the rarefied arena of ultra-luxury automobiles for the first time, introducing three new models priced near \$50,000 and another priced at \$70,000. The new models were intended to compete head-to-head with similarly priced Mercedes-Benz models. In a notable departure from traditional product-oriented, long-text-style print campaigns, the new 7-Series automobiles were introduced in advertisements containing only the tag line, “The BMW 7-Series. It brings new blood to a class of automobile that can certainly benefit from it.” The featured cars were shown in upscale settings such as a horse auction and a party on Embassy Row in Washington, D.C.

¹⁴ *Advertising Age*, “GM Strategy Powers BMW’s Marketing,” by Jesse Snyder, May 14, 1984, p. 99.

¹⁵ *The Wall Street Journal*, “BMW Goes for Buyers With Deeper Pockets,” by Steven P. Galante, October 3, 1984, p. 34.

¹⁶ *Advertising Age*, “Second 100 National Advertisers,” November 3, 1986, p. S14.

One analyst quoted in *The New York Times* quipped: "BMW is trying to get a wealthier buyer because it is in danger of becoming a Scarsdale High School senior's favorite graduation present," referring to the affluent New York suburb. "BMW wants to be the car that the senior's father buys for himself."¹⁷ Mercedes-Benz responded to this challenge with an advertisement that headlined, "The Mercedes-Benz 190 Class: The automobile every sports sedan wants to be when it grows up."

BMW officials conceded that the emphasis on higher-priced cars could make big sales gains more difficult to achieve. According to a company spokesperson, BMW was entering "a phase of qualitative growth, rather than quantitative growth."¹⁸

BMW, meanwhile, did not completely neglect its 3-series automobiles. The company dropped the 4-cylinder 318i for 1986 and introduced 6-cylinders in the remainder of its 3-series line. This move was made to help fend off the V-6 Acuras expected from Honda in the spring of 1986, as well as other sports-luxury entries expected from Nissan and Toyota by 1990. In November 1985, in a first for a U.S. auto marketer, BMW introduced a one-year, factory-backed used-car warranty for all of its models. The national program was designed to bolster the resale value of BMWs and strengthen the company's dealer network. A heavy print and television introductory campaign broke in February 1986, proclaiming BMW to be "[t]he only auto maker that stands behind its cars. Twice."¹⁹ In 1986 BMW became the first U.S. marketer to offer anti-lock braking systems as standard equipment on all of its models. [Mercedes had introduced ABS as standard on all but the 190-class cars in 1985. Excerpts from the Mercedes ad that introduced the anti-lock braking system are reproduced as Exhibit 6D.]

The Eighties Boomtime Crashes to a Halt

For many Americans, the eighties symbolically came crashing to an end on October 19, 1987, Black Monday. On that single day the Dow Jones Average lost 508 points, representing over \$500 billion, or more than 13%, of the market value of U.S. securities. It was a larger absolute drop than even the stock market crash of 1929, which helped precipitate the Great Depression. At that time the Dow Jones lost 228 points over a period of several weeks. To journalists, the financial community, and perhaps much of America, "[i]t felt like the end of the world . . . last week's global crash has created a whole new financial reality."²⁰ In the words of *Time* magazine, "The '80s . . . sputter[ed] to an end during the stock market's terrifying final hour of free fall on Monday. Although Wall Street may eventually stabilize, the tenor of the times will never be the same. What crashed was more than just the market. It was the Reagan Illusion: the idea that there could be a defense buildup and tax cuts without a price, that the country could live beyond its means indefinitely."²¹

Of course, the Crash of 1987 did not take the world completely by surprise. In retrospect, many pundits saw signs of cracks in the system. By 1987, the United States had become the world's largest debtor nation. Its twin deficits, budget and trade, continued to grow unabated. While 17 million new jobs were created during the course of the 1980s, and unemployment hit a 15-year low of 5%, many believed there was a dark underside to the nation's expansion. Harvard economist Lawrence H. Summers, for example, believed more people were working more jobs because they had to. "Stagnation in wages is responsible for employment growth," Summers said, and a "quiet

¹⁷ *The New York Times*, "BMW Aims for Older, And Wealthier, Buyers," by Eric Schmitt, July 22, 1986, p. D1.

¹⁸ Ibid.

¹⁹ *Advertising Age*, November 3, 1986, p. S14.

²⁰ *Newsweek*, "After the Meltdown of '87," November 2, 1987, p. 14.

²¹ *Time*, "After The Fall," by Walter Isaacson, November 2, 1987, p. 20.

depression in living standards" was preventing further gains against poverty.²² Insider trading scandals had tarnished Wall Street's image, as well as that of the yuppies who inhabited it, in the minds of many. Even that bastion of capitalist inspiration, *Fortune* magazine, bemoaned "the decline and fall of business ethics." In a December 1986 issue, one journalist decried:

What is this—the business news or the crime report? Turn over one stone and out crawls [convicted inside-trader Ivan] Boesky's tipster, investment banker Dennis Levine, dirt clinging to his \$12.6 million insider-trading profits. Turn over another and there's a wriggling tangle of the same slimy creatures, from minute grubs like the Yuppie Gang to plum granddads like jailed former Deputy Defense Secretary Paul Thayer . . . Almost everywhere you look in the business world today, from the E.F. Hutton check-kiting scheme to the Bank of Boston money-laundering scandal, you glimpse something loathsome scuttling away out of the corner of your eye.²³

This was four years before "the leading financier of our time and one of the most powerful men in America,"²⁴ Michael Milken, was sentenced to 10 years in prison for various securities trading violations. By then the public had come to expect such dishonesty from Wall Street. In 1988, four years after it had heralded the "Year of the Yuppie," *Newsweek* labeled the eighties "a time when avarice got respectable, poverty expanded and wealth became a kind of state religion."²⁵

Perhaps the most apocryphal financial event of the late eighties involved Drexel Burnham Lambert, the one-time junk bond king of Wall Street, that fueled many of the biggest corporate takeovers of the 1980s. It agreed in December 1988 to plead guilty to six criminal charges stemming from illegal insider trading activity. The firm initiated bankruptcy proceedings in February 1990.

Outside of the financial arena, world events of unprecedented scope caused many Americans to reevaluate their priorities. During 1989 alone, Poland's first noncommunist government in nearly 50 years was formed *peacefully*; the Berlin Wall, which not only divided the German city but also symbolically separated communism from democracy, was demolished by citizens from both sides; and in China, at Tiananmen Square, the world was given a graphic view of courageous individuals who were willing to fight, and die, for the democracy they craved. Reaching into the nineties, there was the Gulf War and the looming recession to further dampen materialistic cravings.

The end of an era Is it any wonder, then, that consumers who had spent the first half of the eighties trying to "have it all" began to back away from that ideal in the face of such serious political happenings and somber journalistic criticism. Americans began a search for simpler, more wholesome values with which to associate themselves. Then-Vice President George Bush captured America's sense of reawakening values in his 1988 presidential nomination acceptance speech. He said:

Some people who are enjoying our prosperity are forgetting what it's for. But they diminish our triumph when they act as if wealth is an end in itself. And there are those who've dropped their standards along the way, as if ethics were too heavy and slowed their rise to the top. There's graft in City Hall and there's greed on Wall Street and there's influence-peddling in Washington, and the small corruptions of everyday ambition . . . The fact is prosperity has a purpose. Prosperity with a purpose means taking your idealism and making it concrete by certain acts of

²² *Business Week*, "Why Isn't The Wealth Trickleing Down?" by Karen Pennar, May 1, 1989, p. 112.

²³ *Fortune*, "The Decline & Fall Of Business Ethics," by Myron Magnet, December 8, 1986, p. 65.

²⁴ *Forbes*, "A One-Man Revolution," by H. Rudnitsky, A. Sloan, and R. L. Stern, August 25, 1986, p. 34.

²⁵ *Newsweek*, "The Eighties Are Over," by Bill Barol, January 4, 1988, p. 40.

goodness . . . helping a child from an unhappy home learn how to read . . . teaching troubled children through your presence that there is such a thing as reliable love. Some would say that it is soft and insufficiently tough to care about these things. But where is it written that we must act as if we do not care, as if we're not moved? Well I am moved. I want a kinder, and gentler nation.²⁶

The United States Luxury Automobile Market in the Late Eighties

Such a change in attitude did not bode well for the United States luxury automobile market. The situation appeared particularly grim for the European automakers. The psychological blow of the stock market crash coincided with a deterioration in the value of the dollar that pushed up the price of imports. Further, the 1986 overhaul of Federal income tax laws restricted interest deductibility and curtailed business write-offs. This last change meant that many lawyers, doctors, and brokers who had formerly deducted their cars as a business expense were forced to make more practical choices.²⁷

In addition, new luxury entries from the Japanese were entering the American market more strongly and aggressively than predicted, shattering the twin myths that no one would pay more than \$20,000 for a Japanese car, and that any Japanese luxury car entry would flop in the United States for lack of "heritage and breeding."²⁸ In fact, the Japanese entries, which in 1986 held a mere 2% of the U.S. market for automobiles priced \$20,000 and up, held close to 12% by year-end 1989. European automakers, which held about 30% of the U.S. luxury market in 1986, slipped to 22% by year-end 1989. The Japanese manufacturers, it seemed, had discovered a new way to define luxury. Rather than offering ultra comfortable, ultra fast, or ultra costly automobiles, the Japanese makers were able to combine exceptional product quality, reliability, and value with superior sales and service organizations.²⁹ In the process, the Japanese offerings forced luxury car consumers to reconsider the rationale behind purchasing high-priced European models. To reinforce such misgivings, Acura ran the following headline in early 1987 for its Legend sports coupe: "Who says the best luxury sports coupes have to come from Europe? Not *Motor Trend*." The body of the advertisement revealed that the Acura Legend sports coupe, priced at \$22,000, had been selected as the 1987 *Motor Trend* magazine Import Car of the Year. According to Gerald Bengtson, vice president of marketing and distribution operation for [Acura parent] American Honda Motor Co., "We're targeting people who have not made up their minds that they are going to buy a Mercedes or BMW. They say, 'Hey, wait a minute—\$40-, \$50-, \$60,000? I don't know if I can justify that anymore.' It may be more important that the car just performs the duty it was designed for and doesn't have to worry about carting an ego."³⁰

The American nameplates, such as Cadillac and Lincoln, were not standing still during these years, either. Cadillac, once chided as "the heartbreak of America," was fighting back by producing cars with more distinctive styling, improved handling, and significantly reduced incidence of defects (which decreased 44% between 1986 and 1989). Lincoln, which was selling only one-third as many cars as Cadillac in the early eighties, nearly equaled Cadillac's sales by the end of the decade.

²⁶*The New York Times*, "Transcript of Bush Speech Accepting Presidential Nomination," August 19, 1988, p. A14.

²⁷*The New York Times*, "European Luxury Cars Fade," by Doron P. Levin, February 27, 1989, p. D7.

²⁸*Fortune*, "Luxury Cars: New Leaders In An Upscale Upheaval," by Alex Taylor III, April 10, 1989, p. 72.

²⁹*Fortune*, "The New Luxury Cars," by Alex Taylor III, July 2, 1990, p. 59.

³⁰*Marketing and Media Decisions*, "Lux in Flux," by Brian Bagot, May 1990, p. 97.

Both Cadillac and Lincoln benefited from the dramatic price increases for European models that were driven by the falling value of the dollar overseas. In 1990, an additional blow fell in the form of a federal luxury tax to be paid by consumers on all automobiles priced over \$30,000. **Table A** provides an overview of the average price on various makes in 1985 and 1990.

Table A The Price of Luxury

Make	1985 Average Price	1990 Average Price
Mercedes	\$35,340	\$54,484
BMW	23,965	37,473
Lexus	----	31,123
Lincoln	22,454	30,381
Cadillac	20,539	28,505
Acura Legend	----	26,814

Source: Based on manufacturers' suggested retail prices, excluding destination charges, state and local taxes, and optional equipment, in March 1985 and May 1990, as reported in *Automotive News*.

The European response There were several response strategies followed by the upscale European automakers during the late eighties. Mercedes and BMW, continued to emphasize the prestige inherent in owning a "true" luxury automobile. The execution differed substantially, however. BMW, for example, ran several 1988 advertisements which were headlined, "Of course there are less expensive imitations. The question is, would you really want to own one?" A 1989 BMW advertisement assured consumers, "Years may pass, but driving a BMW never gets old." BMW hedged its bets somewhat in 1989 by making more equipment standard on all of its models and by cutting prices on its 735 sedans by as much as \$5,000. In 1990, BMW froze or cut prices on its entire model line. In November 1989, a new print campaign broke for BMW's 7-Series cars that was dominated by a photo of the 750iL's 12-cylinder engine. The headline read: "Open The Hood of Your Car. It Will Tell You Something About the People Who Designed It." The text goes on to describe the BMW engine. A follow-on advertisement featured the luxurious interior of the 750iL, and was headlined "The World's Most Sophisticated Hardware Also Comes With The World's Most Elegant Software." TV spots for the 7-Series, which debuted at the same time, featured the cars in neutral settings and emphasized attributes such as performance, handling, safety, and styling.³¹

For 1988, Mercedes ran such advertising headlines as, "The Mercedes-Benz 300 class: its technology may boggle the mind, but the soul understands immediately." In 1989, a print campaign debuted which declared, "Frankly, Not Even the Engineers Know Precisely How Long A Mercedes-Benz Can Last," which pitched the quality and durability of the entire Mercedes line. Mercedes also followed a different pricing strategy in the United States from BMW: by 1989 the company had ceased offering cars in the United States priced lower than \$30,000. BMW continued to rely on models priced under \$30,000 (the 3-series) for close to 50% of its sales. In 1990, BMW introduced two new "entry level" 3-series models priced at around \$20,000. BMW also took a swipe at the new Japanese competitors, without naming them, in an ad that broke in August 1990, headlined "When They Make It Big in Tokyo, What Car Do You Think They Buy?" The ad went on to reveal that BMW was the best-selling luxury import car in Japan. Excerpts from the texts of advertisements for BMW's 7-Series and Mercedes-Benz's 300-Series appear as **Exhibits 8A-8C**.

Volvo and Saab attempted to differentiate their product offerings by dissociating them from traits commonly associated with luxury automobiles. A Volvo, it seemed, was not a luxury sedan at all, but rather a "high quality, upscale family car." A Saab, likewise, was not merely a sports coupe, but a "practical car." For example, a 1989 Volvo advertisement proclaimed Volvo to be "the

³¹ *Advertising Age*, "BMW Shifts Back To Performance," by Raymond Serafin, October 16, 1989, p. 32.

European luxury car that can survive a head-on collision with logic." The Volvo tag line read, "A car you can believe in." A Saab advertisement outlined "21 logical reasons to buy a Saab," which included such items as safety cage construction, fold-down rear seats, and a "modest" price, as well as "one emotional reason," embodied in a picture of a sleek Saab speeding along a rain-soaked highway. The Saab tag line read, "The most intelligent cars ever built."

Jaguar attempted to attract a larger customer base, while at the same time maintaining its exclusive image. This resulted in an advertisement which announced: "At \$39,700 We Haven't Lowered Our Standards. We've Simply Made It Easier For You To Raise Yours."

Audi was beset by exceptional difficulties in the late eighties in the wake of charges of "unintended acceleration" in Audi's 5000-model cars.³² Upwards of 500 consumers had alleged that their Audi 5000 automobiles had gone out of control suddenly and unexpectedly, resulting in numerous injuries and several deaths. Audi had exacerbated the situation by suggesting that "driver error" was the cause of the problem. A federal government study released in March 1988 exonerated Audi, and concluded that consumers in fact probably were to blame for the sudden acceleration by accidentally stepping on the accelerator instead of the brake. However, Audi sales had plummeted 62% between 1986 and 1988. Audi advertisements in the late eighties stressed safety, quality, and performance features, but the tag line "the art of engineering" was dropped.

During the first eight months of 1990, overall sales of luxury automobiles were up 8%, led primarily by Lexus and Infiniti. Mercedes-Benz sales were down 0.9% while BMW's overall sales were down 8.9%. American luxury makers seemed to fare better than the Europeans, suggesting that the Japanese models were primarily stealing share from European automakers. Lincoln sales were up 14.8%, while Cadillac sales were down 2.8%. Total U.S. automobile sales suffered a 6.6% decline.

BMW's 1991 Advertising Campaign

In mid-1991, BMW launched a three-month, \$30 million campaign to introduce its new model 325i. Network and cable television campaigns began running June 20, followed by 8-page inserts in *The Wall Street Journal* and *USA Today*, which appeared on June 24. The insert, which ran as a full-sized special section carrying the newspaper's banner, was declared by BMW's advertising agency to be an industry first. A 4-page advertisement spread, starting with the inside cover, ran in 20 magazines, including newsweeklies, enthusiast publications, and lifestyle and business books. Other advertising activity included spot television, outdoor, and BMW's biggest direct marketing campaign ever—aimed at 250,000 owners and 500,000 other prospects.³³

The television spot began with an unruly mob of journalists rushing to get a view of some as-yet unidentified important object. In the background, bits of broadcast news reports could be heard: "In Washington, new highway safety regulations are being debated this week among indications that a stricter . . .," and "Consumer spending remains cautious for the immediate future . . ." As the voice-over started, "We are in an era of fierce competition spanning not just the nation but the entire world," the "important object" was revealed to be the new BMW 325i. As photographers rushed forward, some equipped with anachronistic flashbulb cameras, some dropping to one knee (as if genuflecting) to get a low-angle shot, the voice-over concluded: "For these demanding times, BMW introduces what is without question the safest 3-series ever built. With a near-zero-maintenance

³² For details on public reaction to Audi's troubles, see "Audi 5000 And Unintended Acceleration," HBS case No. N1-590-057, by Professor Stephen A. Greyser.

³³ *Advertising Age*, "BMW Puts \$30M Behind Ads To Drive Away Yuppie Image," by Raymond Serafin, June 24, 1991, p. 1.

engine and perfectly balanced handling. The dramatically new 325i. BMW meets the demands of the '90s with its spirit intact."³⁴

The print campaign, which ran concurrently with the television advertisement, sought to reinforce the safety- and value-conscious features of the new BMW. Excerpts from the text of the print ad, which was headlined, "Introducing the re-designed, re-calibrated, re-engineered, re-invented BMW 3-Series," is reproduced as **Exhibit 9**. Subsequent ad headlines included, "BMW Proves A Safe Car Needn't Be A Boring One," and "For Those Who Remember How Much Fun Driving Can Be. From A Company That Never Forgot."

The new campaign attracted significant attention in the trade press, with headlines such as, "BMW Puts \$30 Million Behind Ads To Drive Away Yuppie Image." Managers at BMW had to decide whether the new campaign could achieve that goal, and whether it made sense to appear to be trying to do so.

³⁴ *Advertising Age*, "AdReview: BMW Steers New Course, But With Irritating Results," by Bob Garfield, July 1, 1991, p. 30.

Exhibit 1A Excerpts from Print Advertisement for BMW—1980

MEETING THE DEMANDS OF SOCIETY IS NO EXCUSE FOR BUILDING A BORING CAR.

If one accepts the dismal prophecies emanating from the automotive community, it appears we are destined to suffer a generation of thoroughly boring automobiles. Cars so utterly debilitated by societal necessities, safety regulations and anti-pollution paraphernalia that they no longer will be the least bit interesting to drive. All this pessimistic doom-saying, however, neglects to take into account the obsessive determination of the engineers at BMW in Munich, Germany to build extraordinary automobiles. Against all odds, the BMW 528i not only satisfies the laws of the land and the demands of the gas tank, it does so without ever once violating our conviction that extraordinary performance is the one rational justification for owning an expensive car.

FEW CARS PERFORMED THIS WELL BEFORE POLLUTION CONTROLS.

"Expensive sedans," writes *Car and Driver* magazine, "tend to ride like pillows when you cruise them and squeal like pigs when you push them." A bit caustic perhaps. But, an analysis of that makes the performance statistics of the BMW 528i seem all the more remarkable. Round a particularly hair-raising curve and the legendary BMW suspension system— independent on all four wheels—flexes with a resiliency that makes one feel as if the car were built into the roadway. Press the accelerator and the 528i's fuel-injected, 2.8 liter, overhead cam engine responds in a manner that can only be described as exhilarating—even by pre-pollution control standards . . .

LUXURY NEEDN'T BE MERELY A FACADE.

One's taste for luxury would have to be insatiable indeed to imagine an appointment or convenience lacking in the 528i. AM/FM stereo cassette, full-power accessories, air conditioning, and the like, are all standard equipment. Yet each facet has been strategically engineered to help eliminate the enormous strains of driving. Its seats are anatomically shaped buckets. Its front seats are so thoroughly adjustable that it is all but impossible not to find a comfortable driving position. All in all, in a time of lowered automotive expectations, amidst increasing mediocrity, the engineers at BMW have actually improved the BMW 528i. If you find the notion of owning such a car more than a little intriguing, we suggest you phone your nearest BMW dealer and he will arrange a thorough test drive for you.

Exhibit 1B Excerpts from Print Advertisement for Mercedes-Benz—1981

THE MERCEDES-BENZ 240 D SEDAN: THE \$22,000 AUTOMOBILE THAT HAS THE GALL TO PUT FUNCTION FIRST. Frivolity is out. The 240 D is one and a half tons of cold engineered logic—an automobile meant to reflect not your wealth but your perspicacity.

People choose the 240 D Sedan because—like Mercedes-Benz engineers—they believe that functional efficiency seldom comes from shortcuts. The 240 D is powered by one of the *saner*-sized engines in its class: a four-cylinder diesel engine, displacing just 2.4 liters. Few engines of any size are more expansively machined and balanced. (All pistons and connecting rods, for instance, are individually balanced as a set.) Such precision helps the 240 D's engine face the prospect of long, hard, heavy use unafraid. This power plant is so sophisticated in design that a built-in device adjusts the fuel injection rate *barometrically*, to help the 240 D run efficiently at 7,000 feet or at sea level. Yet it is so simple in operation that for its first 10,000 miles, total scheduled maintenance is about three hours . . .

No gadgets, no baubles

The 240 D is engineered to take the strains of high mileage and hard driving in stride. The car's lack of shimmy and shake on ugly roads owes much to its rigid, welded steel fuselage—a unit body. Its four-wheel disc brakes (with 456 sq. in. of swept area) could stop a vehicle many times its size and weight. The 240 D is not shy of pot-holed roads, humpbacked roads, or twisty roads. Sold as it is in 90 countries—few blessed with superhighways—it could not *afford* to be. Gadgets and baubles are absent. What could these add to efficiency? An electronic cruise control *is* provided, allowing you to hold a steady 55-mph—without fuel-wasting ups and downs. Because the 240 D is meant to take efficient care of its occupants, it incorporates 120 safety features. Many of these satisfy Federal laws. And many more are incorporated to satisfy the Mercedes-Benz obsession with safety.

Robots, hands, eyes

A well-built car is usually a more efficient car. It is for this reason that Mercedes-Benz lavishes such care on the 240 D's construction and finish. It does not feel tinny. The body is not bolted together but fused together as a unit structure—4,786 welds strong. Robots precision-weld the body. Since robots can't smooth body seams and joints, skilled workmen do.

The efficiency of value

The 240 D is a sensible but not a Spartan automobile. Even air conditioning is standard, and the interior is accented with a traditional wood grain that is created by *real* wood. Mercedes-Benz cars in America have written such a legend of retained value that this must be considered alongside that \$22,000 price tag. These cars—including the 240 D—have been shown to retain *80 percent of their original value* after the first three years. In this category, as in others, there is simply not another automobile like the Mercedes-Benz 240 D Sedan. At \$22,000 or any price.

Exhibit 1C Excerpts from Jaguar Print Advertisement—1981**THE 1982 JAGUAR XJ-S. Never has a more exciting car been offered with so much, to so few.**

The Jaguar S-type is first and foremost a driver's car. For here, under one dynamic, wind-cheating shape is a blending of power, response and handling with a degree of luxury and refinement unequaled in any four passenger touring machine. The XJ-S is unrivalled in the smooth thrust of power generated by its advanced V-12 engine, the only V-12 available in America.

For 1982, the S-type engine has been refined with the addition of advanced combustion technology available on no other car: the high-compression May head. The innovative design of the compression chamber swirls and compacts the fuel/air mixture at the point of ignition allowing a rapid yet complete burn. This enables the engine to run on a leaner mixture and a higher compression using regular unleaded fuel. The result: increased performance and response.

To match its performance, the S-type offers a level of handling and stability comparable to that of a racing machine. This is only natural for a car whose racing version competes successfully in grueling Trans-Am races. The steering is rack and pinion, power assisted and extraordinarily precise. The feel for the road is sure and positive with fully independent suspension on all four wheels. And the S-type stops with the authority of four wheel power disc brakes.

Probably no maximum performance car has ever offered so much luxury. The dashboard and door panels are inset with veneers of rare burl elm. The entire seating compartment is covered in supple leather. The new four speaker stereophonic AM/FM radio has a scan tuner and cassette with Dolby sound. The XJ-S is equipped with cruise control, power windows and door locks and much more. Few people will be privileged to own this dynamic new Jaguar. Yet, before you decide on any personal luxury car, you owe it to yourself to seek out the S-type and drive it.

Exhibit 1D Excerpts from Print Advertisement for Volvo—1981**A LUXURY SEDAN'S PRICE SHOULD REFLECT ITS WORTH, NOT WHAT THE TRAFFIC WILL BEAR.**

A lot of people today think the more a European luxury sedan costs, the more desirable it is. That's why some European car makers get away with charging outrageously high prices. But at Volvo we don't believe a car needs an exorbitant price tag to distinguish itself as a luxury sedan.

The Volvo GLE is a product of this philosophy. Like other fine automobiles it's made with meticulous attention to detail. So the doors fit perfectly and the finish is flawless. It features a powerful, fuel-injected, V-6 engine that performs smoothly and quietly. And it affords amenities like air conditioning and leather seats at no extra cost.

But there's one area in which Volvo falls far below other European luxury sedans. The price. Which is one reason so many people consider it an extraordinary value.

So if you are only interested in how much money you can pay for a car, there are any number of luxury sedans you can choose from. But if you're interested in how much car you can get for the money, buy the Volvo GLE.

Exhibit 1E Excerpt from Print Advertisement for Cadillac—1981**CADILLAC 1982 SAYS QUALITY AT EVERY TURN.**

For 80 years, Cadillac's unswerving quest has been for quality. A quest that continues in the 1982 Cadillac. From the triple-sanded finish (once with water and twice with oil) to that superbly refined Cadillac ride, the quality comes standard on Cadillac 1982. Including anti-corrosion measures that involve over 100 specially treated areas.

It's the big things—such as a final multi-phase "stress test" that every Cadillac must pass with a perfect 100% grade before it's shipped. And it's the less obvious quality touches such as triple plating of bumpers.

Today, as in 1902, Cadillac says quality. And it says it best when you're behind the wheel.

Source: Excerpts from various automobile advertisements, as referenced.

Exhibit 2 The United States Luxury Automobile Market in the 1980s

Make	1982	1984	1986	1988	1990
PRICE RANGE OF BASE STICKER PRICES OFFERED FOR HIGHEST- AND LOWEST-END NEW MODELS					
ACURA LEGEND	----	----	\$19,298	\$21,535-\$29,085	\$22,600-\$30,690
average price	----	----	\$19,298	\$25,901	\$26,814
number of models	----	----	1	6	6
AUDI	\$9,755-\$18,490	\$12,390-\$35,000	\$14,230-29,185	\$18,600-\$33,800	\$18,900-\$47,450
average price	\$13,107	\$16,139	\$19,265	\$25,154	\$29,292
number of models	5	8	9	10	11
BMW	\$13,290-\$36,995	\$16,430-\$40,705	\$19,580-\$42,920	\$23,750-\$67,000	\$21,500-\$73,600
average price	\$17,476	\$24,522	\$25,455	\$36,333	\$37,473
number of models	4	5	10	15	15
CADILLAC	\$12,215-\$30,349	\$12,614-\$31,512	\$13,128-\$35,895	\$23,049-\$56,533	\$26,960-\$58,683
average price	\$18,053	\$19,201	\$22,375	\$24,358	\$28,545
number of models	9	10	10	12	12
INFINITI	----	----	----	----	\$23,500-\$38,000
average price	----	----	----	----	\$32,280
number of models	----	----	----	----	2
JAGUAR	\$29,500-\$32,000	\$31,100-\$34,700	\$33,900-\$37,400	\$43,500-\$50,450	\$39,700-\$57,000
average price	\$29,855	\$31,794	\$34,679	\$43,731	\$41,790
number of models	3	3	3	5	7
LEXUS	----	----	----	----	\$21,050-\$36,000
average price	----	----	----	----	\$31,123
number of models	----	----	----	----	2
LINCOLN	\$16,923-\$24,533	\$18,071-\$24,807	\$20,764-\$26,960	\$24,373-\$28,520	\$27,986-\$32,854
average price	\$20,535	\$21,375	\$23,849	\$26,775	\$30,381
number of models	12	10	8	7	7
MERCEDES-BENZ	\$21,858-\$51,956	\$22,850-\$56,800	\$25,080-\$62,110	\$29,190-\$75,850	\$31,600-\$83,500
average price	\$33,192	\$34,658	\$40,602	\$50,318	\$54,484
number of models	8	9	9	12	16
SAAB	\$10,650-\$16,860	\$11,100-\$17,400	\$12,585-\$22,145	\$14,983-\$28,141	\$16,995-\$32,995
average price	\$14,368	\$14,718	\$16,893	\$21,484	\$24,242
number of models	4	6	7	8	12
VOLVO	\$10,045-\$16,720	\$11,330-\$22,470	\$14,615-\$25,425	\$16,585-\$37,790	\$18,820-\$39,950
average price	\$12,415	\$19,238	\$18,419	\$22,441	\$23,045
number of models	10	10	13	12	15

Source: Based on manufacturers' suggested retail prices, excluding destination charges, state and local taxes and optional equipment, as reported in *Automotive News*, various years.

Exhibit 3 Buyer Demographics for the U.S. Luxury Automobile Market

Automobile Model	% Male	Median Age Years	% Married	Median Household Income
All New Car Buyers	57	40	N.A.	\$ 35,600
All Luxury Car Buyers	70	55	N.A.	65,900
Domestic				
Cadillac	70	59	79	\$ 57,702
Lincoln	67	57	76	63,427
Import				
Audi	67	40	73	62,918
BMW	65	35	58	61,031
Jaguar	64	44	80	100,000
Mercedes-Benz	68	46	76	87,501
Saab	62	35	62	53,501
Volvo	65	37	75	51,393

Source: *Automotive News*, "New-Car Buyer Demographics," March 11, 1985, and *American Demographics*, "New Car Buyers," April 1987, p. 35.

Exhibit 4 United States Luxury Automobile Sales in the 1980s

Make	1980 Sales	1981 Sales	1982 Sales	1983 Sales	1984 Sales	1985 Sales	1986 Sales	1987 Sales	1988 Sales	1989 Sales	1990 Sales
ACURA (Honda)											
Legend	----	----	----	----	----	----	----		70770	64638	53666
AUDI	42483	50817	45954	47934	71237	74061	59795	41322	22941	21283	18324
4000-series	14681	18941	16336	13222	15320	17352	12261	9043	573	103	12
5000-series	27802	29323	25094	30532	48318	47477	37114	20960	7254	357	1
80	----	----	----	----	----	----	----	550	5702	4591	4402
90	----	----	----	----	----	----	----	768	6106	4423	3380
Quattro/Coupe	----	2553	4524	4180	7568	9335	10420	10002	----	1309	----
100/200	----	----	----	----	----	----	----	----	3306	10500	10529
BMW	37015	41761	52392	59243	70897	87873	96759	87839	73359	64881	63341
3-series	25786	31902	36461	34619	44448	53930	61822	57772	36672	31174	28819
5-series	7992	6267	10540	16004	15395	19580	25016	15983	18628	20219	22524
6-series	1190	1138	1515	2613	2695	4423	2979	1944	1863	1483	252
7-series	2047	2454	3876	6007	8359	9937	6942	10028	13308	10399	10460
M-series	----	----	----	----	----	----	----	2112	2888	1606	1286
CADILLAC	213002	230655	249295	300337	320017	298762	304057	261284	266548	266899	258168
INFINITI	----	----	----	----	----	----	----	----	----	1723	23960
JAGUAR	3029	4695	10349	15815	18044	20528	24464	22919	20727	18967	18728
LEXUS	----	----	----	----	----	----	----	----	----	16302	63534
LINCOLN	69704	63830	93068	101574	151475	165138	177584	166037	191624	200315	231660
MERCEDES-BENZ	53790	63059	65964	73690	76522	89098	99314	89918	83627	75714	77103
190	----	----	----	4180	23013	25691	21803	17545	16740	14503	14145
200-series	12166	16388	13516	9728	26	----	859	6160	6370	----	3196
300-series	28613	34742	38571	42763	32852	30333	34371	30397	31412	32807	46217
380	12008	11926	13855	10183	16423	----	----	----	----	----	----
420	----	----	----	----	----	10885	15958	14945	8500	7493	6715
500/560	----	----	----	6836	6208	19988	24311	19956	19325	14639	6525
Other	1001	93	22	----	----	2201	2012	915	1280	868	305
SAAB	13558	14613	18463	26323	33631	39068	47414	45105	38490	31576	26397
VOLVO	56999	64477	72375	88857	99454	104267	113267	106539	98497	102620	89894
ALL U.S. SALES	8973345	8531531	7977570	9177777	10391365	11041513	11463241	10225316	10595072	9713125	929573

Source: *Automotive News*, various years.

Exhibit 5A Excerpts from Performance Advertisement for Audi—1982

TO AUDI, LUXURY WITHOUT PERFORMANCE IS UNTHINKABLE.

It is rather puzzling why some carmakers are still building low-performance luxury cars. Here in Bavaria, Audi engineers find it inconceivable that a true luxury car can't maneuver through the mountain roads of Oberbayern without stumbling, or rocket down the Munich-Salzburg Autobahn without maintaining directional control. We have never sacrificed mindful performance for mindless luxury.

Granted, we do appreciate thick carpets, sumptuous seats and the like. So a luxury Audi comes replete with the *de rigueur* amenities that the modern world expects in a car. But it also comes replete with something else: legendary engineering finesse. Searching constantly for new innovations, such as our front-wheel drive, high-efficiency five-cylinder engines, negative steering roll radius, and torsion crank rear axles is what makes Audi engineering unique. It makes every Audi we build a driver's car. A performance car.

Indeed, it's not surprising that Audi offers perhaps the greatest variety of performance oriented German automobiles sold in America, including the 5000, the 5000 Turbo and Turbo Diesel, Quattro Coupe, and 4000 Gas and Diesel. After all, who takes performance more seriously than Audi?

Exhibit 5B Excerpts from Performance Advertisement for Mercedes-Benz—1982

THE MERCEDES-BENZ 300 D TURBODIESEL: America's best-performing diesel is also one of the world's most civilized sedans.

A diesel that loves hills and sprints away from stoplights . . . a sedan that laps up sports car roads. The 300 D Turbodiesel is both. Meanwhile, it coddles you and your passengers in that secure comfort unique to the automobiles of Mercedes-Benz.

Mercedes-Benz engineers have extracted more sheer power from the 300 D Turbodiesel Sedan's five-cylinder engine than any other engineers have yet extracted from any other passenger car diesel, huge domestic V-8's included. Their secret was to couple an advanced engine design with a power-boosting turbocharger. Even other turbocharged diesels are left flatfooted; this spacious, solid, 3585-lb five-passenger Mercedes-Benz sedan ranks as the best performer of any diesel automobile sold in America. The 300 D Turbodiesel is meanwhile perhaps the most *conscientious* performance automobile in America, because it is so inherently efficient that EPA figures show 27 mpg city estimated and 33 highway. An almost uncanny *balance* of power and frugality is thus struck. So exotic is engine technology that the interior of each moving piston is constantly cooled by precisely timed jets of oil. But deep down this is still a diesel: a rugged, reliability-minded diesel that will never require a conventional tune-up.

Do not disturb

Over-the-road performance is superb. This means not only that the 300 D can swallow up roller-coaster back-country roads, and nip rather than lurch around corners—but that its occupants usually feel so *undisturbed* in the process. Generations of Mercedes-Benz engineers have toiled since 1931 to develop, refine, and refine again the principle of four-wheel independent suspension that is primarily responsible. These engineers have endowed the car with an exquisitely responsive steering mechanism, guided by 24 recirculating ball bearings. It feels liquid-smooth and seemingly frictionless. The shift lever is mounted down on the transmission tunnel—but look again. The quadrant reads P-R-N-D-S-L. It is no mere automatic but a four-speed automatic, and is designed to serve equally well when shifted by hand. America's most advanced automotive braking system is four-wheel *disc* braking. An 11-inch disc brake is fitted to every wheel of every 300 D Turbodiesel Sedan. Mercedes-Benz engineers care little if the outside world knows that total swept brake area is a massive 456.5 square inches, or that the 300 D's front suspension geometry is devised to help minimize front-end "nose diving" in hard stops. Their main concern is that the driver is better served by these and myriad other technical flourishes.

Designed, not decorated

Even when fully padded and finished, the interior of the 300 D's welded steel body shell measures almost five feet in width—sufficient to easily accommodate three adults in the rear seating area, for example. Electronic cruise control, AM/FM stereo radio/cassette player, automatic climate control system and electric window lifts—whatever conventional luxury sedans furnish by way of real conveniences, so does this sedan. Garishness, however, is absent. The instrument panel is no entertainment center twinkling with gadgetry but an exercise in ergonomics, meant to ease the driver's task by simplifying it. The engineers continuously strive to make driver controls fewer and less awkward to use, and so reduce driving complexity. Item: the single steering-column lever that lets you perform nine different driving functions—without taking your hands off the wheel. Seats are not designed to *look* luxurious but to support your body that you *feel* relaxed, even after an all-day drive. Interior wood trim is genuine wood from Mercedes-Benz shops, handworked and fitted and finished. A small thing, but it epitomizes this car's unrelenting honesty of character as its 120 built-in safety features epitomizes its seriousness of character.

The luxury of retained value

The 300 D Turbodiesel boasts a final and powerful distinction. As a Mercedes-Benz, it shares a name so coveted by American buyers today that after the first three years, the *entire Mercedes-Benz line*—not just a few isolated models—has been shown to retain an average of 84 percent of original value. If retained value is a form of luxury, then perhaps the 300 D Turbodiesel *is*, after all, a luxury car.

Exhibit 5C Excerpts from Performance Advertisement for BMW—1982

ANNOUNCING THE 55TH STRAIGHT YEAR BMW HASN'T HAD TO REDISCOVER THE THRILL OF PERFORMANCE.

The automotive industry is busy proclaiming, with maximum media fanfare, that The Thrill Is Back. Conspicuously absent from the festivities is the BMW 320i. Which enjoys a certain advantage over those cars currently welcoming back performance. The advantage of never having bade it farewell.

THE 320i: PERFORMANCE THROUGH REFINEMENT, NOT REDISCOVERY.

The 320i's engine is the basis of those now competing successfully on the International Grand Prix circuit, engineered for both heady responsiveness and the grueling test of endurance runs. Its steering and suspension are fine enough for the quick, reflex corrections that driving conditions of all kinds make necessary. Both are complemented by a gearbox whose "jeweled action and surgical accuracy invite you to play stick-shift concertos." (*Car and Driver*).

In fact, the story of BMW is a story of refinement--uninterrupted refinement supported by a higher proportional investment in research and development than any other European car maker. Placing between the 320i and various rivals a distance unlikely to be made up in the current model year, the magic of marketing notwithstanding.

REDISCOVER THE THRILL OF SOLVENCY.

The 320i also outdistances most other cars, not to mention many investments, in sheer preservation or capital. According to the April 1982 NADA Used-Car Guide, the average 320i sold during the past 3 years has retained an astonishing 95.7% of its original purchase price. Your investment is further preserved by BMW's 3-year/36,000 mile limited warranty and a 6-year limited warranty against rust perforation.

All of which sets the 320i apart: a genuine high-performance sedan that also helps you rediscover the thrill of solvency.

Source: Excerpts from various automobile advertisements, as referenced.

Exhibit 6A Excerpts from BMW 7-Series Advertisement—1983

THE BMW 733i. IT DOESN'T SCREAM WEALTH. IT JUST QUIETLY REWARDS INSIGHT.

It's no secret that there are some expensive sedans that are purchased for their sheer expensiveness. Sedans that serve as a sort of public declaration of prosperity and status. Such cars are the antithesis of the BMW 733i—the luxury sedan engineered in the belief that performance, not self-congratulation, is the ultimate measure of a car's true worth.

A PANACEA FOR PURISTS.

The 733i is a car whose subtleties of engineering and technology place it beyond the needs of all but a handful of purists. (Which is perhaps just as well, given its limited supply.) For those serious drivers, however, it is as close to a necessity as a \$35,000 sedan can come. Its fuel-injected engine delivers the sort of heady response that suggests an oversized power-plant beneath the hood. Not so. The 733i's 6-cylinder engine arrives at high performance through refinement, not brute force. A system of microprocessors gathers data on fuel mixtures, engine speed and other factors. It then orders ignition to occur at the optimum moment—accomplishing through elegance of design what might otherwise require additional cylinders and extra girth. Its suspension handles the landscape with precision instead of bluntness—removing almost surgically the wallowing, skittishness and related uncertainties from bumps and curves. (One reason: a new rear suspension that incorporated one of the most significant breakthroughs in independent rear suspension design in a generation.)

The 733i is also designed for those who prefer the subtleties of road topography to the anesthetizing ride of limousine-like sedans. Its highly tactile steering places you in touch with that alternatively pleasant and harsh reality called the road—filtering out just enough of its harshness, while never removing the reality. The result is a machine that is as much system as car, one so perfectly balanced and rigorously self-policing that it even calculates when routine service is needed.

ENGINEERED FOR DRIVING, NOT JUST SITTING.

Inside, the 733i is engineered for activities of considerably more subtlety than sitting. Its interior literally helps you drive, rather than merely accompanying you on the trip. Its supple leather seats are designed to follow the curvature of the spine, placing the driver in postures that are anatomically correct and help reduce driver fatigue. An Active Check/Control provides readings on 7 different measures of the car's operational readiness. While an on-board computer provides all manner of trip information, such as the distance remaining to your destination. In fact, no detail in a BMW 733i ever suffers from inattention because it's judged 'minor.' And its warranty reflects this obsessiveness. The 733i is backed by BMW's 3-year/36,000-mile limited warranty and a 6-year limited warranty against rust perforation. All of which lead *Car and Driver* to conclude that the 733i's "parts and pieces...work so well together they must have been melded in another world." It may be seen, however, in much more convenient locations. We invite you to visit your nearby BMW dealer, who will be happy to arrange a test drive.

Exhibit 6B Excerpts from BMW 6-Series Advertisement—1985

AS LONG AS THERE ARE PEOPLE WHO CAN AFFORD PERFECTION, BMW WILL CONTINUE TO PURSUE IT.

"Life," the accountants are often heard to say, "is a series of compromises." If you can afford to ignore this wisdom, BMW would like to draw your attention to a car that disdains it, too: the new 635CSi sports coupe. Justifiably priced at about \$40,000, the 635CSi demonstrates what can be achieved when automotive engineers are free from the usual cost constraints and the importunities of mass production. And when, of course, they have an ideal worth pursuing in the first place.

THE GRAND COUPE THAT IS UNABASHEDLY GRAND.

In the case of the 635CSi, the ideal is an aristocratic one: the European Grand Touring tradition, combining uncommon style and luxury with definitive performance. The 635CSi fulfills the first two criteria even before you turn the ignition key. Its finely honed body panels and exterior surfaces, meticulously hand-fitted and hand-examined, add up to a virtually objective definition of automotive beauty. "As automotive sculpture, it's a Rodin" (*Road and Track* magazine). Its amenities include supple hand-stitched leather seats, and electronic two-way sunroof, and cockpit-like ergonomics. "And everything is put together as if lives depended on the coupe's solidity" (*Car and Driver*). Its front and rear carpeting is a molded single piece for a perfectly tailored fit. Even its trunk is lined and plushly carpeted on the notion that fine objects are carried in a fine car. But it's when you actually turn the key that you discover how far the 635CSi advances the cause of Grand Touring.

BMW ENHANCES GOING AND STOPPING ALIKE.

The BMW coupe's new 3.5-liter, fuel-injected engine propels it from 0 to 60 in 7.8 seconds. A prowess abetted by the latest generation of BMW's Digital Motor Electronics, which sustains peak performance by adjusting fuel delivery and ignition timing literally hundreds of times a second. As well as via a new rear axle ratio that further improves acceleration.

Because stopping is as important as going, however, you should appreciate another new 635CSi feature: a computerized ABS anti-lock braking system. Operating on the same principle that brings 287-ton 747 jet aircraft to a secure halt, it prevents the brakes from locking. And permits the car to be maneuvered even during emergency stops. The new 635CSi, in sum, serves to confirm the BMW coupe's position as "the benchmark" without which "you won't know how to judge anything else" (*Autoweek*). And, not incidentally, the managerial astuteness of a car company where even the head of finance is an engineer. A handful are at BMW dealers, now, awaiting automotive enthusiasts who also don't have to report to accountants.

Exhibit 6C Excerpts from BMW 535i Introductory Ad

INTRODUCING THE CAR THAT BLURS THE DISTINCTION BETWEEN RACING MACHINES AND LUXURY SEDANS.

How much luxury are you willing to forgo for the sake of performance? How much excitement are you willing to relinquish in the interests of comfort? The new BMW 535i is a car that poses neither of these questions. Rather, it poses a third: Why settle for an automobile that forces such painful choices when you can choose one that offers both in perfect tandem?

THE BLOODLINES OF PERFORMANCE.

"It eats up the road—any road—at ungodly speed without a hiccup." Such was *Car and Driver's* description of the 535i's predecessor. The 535i continues that lineage. With a power plant expanded to 3.5 liters and a boost in horsepower exhilaratingly evident in all gears. Yet its breeding is apparent not simply in how fast it goes, but in how well it goes fast. With a fully-independent suspension that thrives on rough terrain. A computer controlled engine management system. And an ability to stop that matches its extraordinary ability to go. Its ingenious anti-lock braking system, proven over millions of miles, uses electronic sensors on each wheel to help the driver maintain steering control—even in panic stops.

CIVILIZATION WITH ISOLATION.

The 535i is a luxury sedan with an interior designed to intensify the experience of driving, not disguise it. To connect you with the machine, not to distance you. Toward that end, the amenities include orthopedically-designed leather seats, as limitlessly adjustable as the body. Electronic climate control. A two-position electric sunroof. And BMW's Onboard Computer. It delivers the uncommon luxury of being well-informed. An elegant environment in which, "You just feel the car cutting through its land-bound galaxy, ripping a hole in the air" (*Motor Trend*). That experience is available in your part of the galaxy. At your BMW dealer. Where the new 535i stands poised for test drive.

Exhibit 6D Text of Safety-Oriented Advertisement for Mercedes-Benz—1985

FOR 1985, MERCEDES-BENZ INTRODUCES SOMETHING MORE IMPORTANT THAN A NEW MODEL.

The Mercedes-Benz sedan speeds straight toward a patch of test track slicked down with a diabolical mixture of soapsuds and water. A splash as the tires meet wet pavement and then the driver slams on the brakes. But what seems bound to happen in the next heart-stopping instant, doesn't happen. Violent braking action on that treacherous surface sets off no violent counterreaction. That Mercedes-Benz sedan simply snubs down to a quick, straight-line stop. Soapsuds and water and all.

THE MERCEDES-BENZ ANTI-LOCK BRAKING SYSTEM COMES TO AMERICA.

That Mercedes-Benz sedan has just demonstrated the most emotionally reassuring advance in passenger car braking control since the disc brake. It is the Mercedes-Benz Anti-lock Braking System, or ABS. And having pioneered both its early development and its subsequent use in production automobiles, Mercedes-Benz now proudly introduces this significant engineering feature to America. It is being fitted as standard equipment to every 1985 Mercedes-Benz [above the 190-class automobiles].

Functioning in concert with the car's four-wheel disc brakes, the Mercedes-Benz Anti-lock Braking System is meant to first sense the impending lockup of one or more of the car's wheels in a sudden braking emergency—then to act, with lightning speed, to avert it. The benefits are clear. By minimizing the risk of the car's wheels locking up in hard braking, the system can also minimize the potential consequences: the sudden loss of tire adhesion that could turn a steerable vehicle into a sliding object no longer under the driver's full control. More reassuring still, the system is designed for braking emergencies on slippery-wet roads as on dry roads—indeed, to maintain optimum braking performance almost regardless of road surface conditions.

SENSING TROUBLE BEFORE IT BECOMES TROUBLE.

The decision-making "brain" of the Mercedes-Benz Anti-lock Braking System is an on-board computer. Electronic sensors, placed at both front wheels and at the drive pinion of the rear axle, are the system's vital nerve ends. In a moving car under normal driving conditions, those sensors are constantly signaling the rotational speed of the wheels to the computer. Registering a millisecond-by-millisecond electronic bulletin on the precise state of adhesion between the car's tires and the road surface.

Then comes that sudden emergency. The driver reacts to the danger ahead by reflexively hitting the brake pedal hard; hard enough, in a conventional braking system, to risk locking up one or more of the car's wheels. But those electronic sensors have already detected the onset of wheel slip and alerted the computer. And the computer starts regulating fluid pressure in the brake lines. Modulating and cadencing brake pressure via valves in the brake lines, as often as *ten times* per second. Countering lockup of all four wheels or any individual wheel. And thereby allowing the car to be swiftly and smoothly decelerated. Allowing the car to be precisely steered and maneuvered as it decelerates. Helping the driver avoid a collision, or simply to stay on the road.

6,000,000,000 MILES.

Mercedes-Benz began development work on the principle of the anti-lock braking system as far back as 1959, first fitted a working system to a production automobile in 1978, and has since seen 250,000 of its cars roll up over *six billion miles* of experience with the system worldwide. Once again, following where Mercedes-Benz has shown the way, some domestic and foreign makers will shortly introduce similar anti-lock braking systems to America. They can emulate the idea. They cannot emulate the depth of experience. More than 50 percent of the logic circuitry programmed into that on-board computer is safety circuitry: the entire system is designed to be electronically self-checking, constantly monitoring itself and primed to shut down instantly should a malfunction ever be indicated. The car's separate four-wheel disc brake system would, of course, remain fully operational.

In terms of enhancing control of the car in a braking emergency, the Mercedes-Benz Anti-lock Braking System may be the best ally a driver has ever had. In terms of automotive leadership, this major advance underscores the truth of the motto below: for 1985, as for the past 99 years, the automobiles of Mercedes-Benz are indeed engineered like no other car in the world.

Source: Excerpts from various automobile advertisements, as referenced.

Exhibit 7A United States Advertising Expenditures for BMW by Model Line 1984-1990 (in millions)

BMW	1984	1985	1986	1987	1988	1989	1990
3-Series	\$ 7.1	\$ 1.4	\$ 6.3	\$23.8	\$10.7	\$14.9	\$24.9
5-Series	2.6	4.7	7.9	13.5	13.3	14.4	10.1
6-Series	0.9	3.8	1.9	0.2	0.8	0.7	0.0
7-Series	6.8	6.8	7.1	14.6	24.6	20.6	14.3
Non-Specific	0.1	8.4	9.0	9.6	4.6	8.0	14.4
TOTAL	\$17.5	\$25.1	\$32.2	\$61.7	\$54.0	\$58.6	\$63.7

Sources: Advertising Age, Marketing and Media Decisions, Leading National Advertisers, various years.

Exhibit 7B Advertising Expenditure For BMW (by Media Segment) and Other Luxury Automobile Manufacturers, 1984-1990 (in millions)

Media Type	1984	1985	1986	1987	1988	1989	1990
BMW							
Magazines	\$ 9.0	\$10.0	\$11.9	\$22.3	\$29.6	\$22.6	\$20.5
Newspaper	6.1	7.5	10.9	16.1	10.5	12.0	16.9
Business Pubs	0.3	0.2	0.1	0.0	0.0	0.0	0.0
Network T.V.	2.9	11.5	17.7	27.5	17.7	17.5	17.1
Spot T.V.	6.6	5.0	3.6	5.1	4.7	7.5	8.2
Spot Radio	1.9	2.9	1.8	2.9	0.0	0.0	0.0
Network Cable	0.1	0.5	0.7	1.6	0.9	1.3	1.4
Outdoor	0.0	0.1	0.0	0.0	0.0	0.0	0.6
Total Measured	\$26.9	\$37.7	\$46.7	\$75.5	---N.A.---	---N.A.---	\$64.7
Unmeasured	8.5	12.0	14.8	24.0	---N.A.---	---N.A.---	---N.A.---
TOTAL	\$35.4	\$49.7	\$61.5	\$99.5	\$63.4	\$60.9	\$64.7
Mercedes-Benz	\$28.8	\$64.8	\$29.0	\$59.8	\$64.9	\$78.5	\$88.4
Acura Legend	-	9.9	32.2	38.8	37.5	46.0	48.9
Lexus LS 400	-	-	-	-	28.8	37.8	70.6
Infiniti	-	-	-	-	-	-	100.0

Source: Advertising Age, Marketing and Media Decisions, Leading National Advertisers, various years.

Exhibit 8A Excerpts from BMW 7-Series Advertisement—1989**OPEN THE HOOD OF YOUR CAR. IT WILL TELL YOU SOMETHING ABOUT THE PEOPLE WHO DESIGNED IT.**

It will tell you whether they are limited by cost constraints and timetables, or only by their imaginations. It will tell you whether they are simply content with compromise, or resolute about perfection—people who are passionate about spending months just to perfect a single component. Looking carefully at the engine of your car is the best way to distinguish advanced engineering from organized chaos. And there is no finer example of the former than the 296-horsepower, fuel-injected 12-cylinder power plant you'll find inside the BMW 750iL. After all, if there's no rhyme or reason to the engine, what can you possibly expect from the rest of the car?

Exhibit 8B Excerpts from BMW 7-Series Advertisement—1990**THE WORLD'S MOST SOPHISTICATED HARDWARE ALSO COMES WITH THE WORLD'S MOST ELEGANT SOFTWARE.**

Recently, the 12-cylinder BMW 750iL earned its place on *Motor Trend Magazine's* list of the world's best performance cars—alongside Ferrari, Lamborghini and Porsche. Not terribly surprising, for a BMW. But very surprising, considering the 750iL is the only four-door luxury sedan in the lot. Few interiors, even those without wheels, can compete with the 750iL for quietness and tasteful elegance. Its leather seating is a tribute to craftsmanship. Its next-century electronics exist not to dazzle, but to supplement the natural driving instincts. Visit your BMW dealer and test drive the 750iL. It's one of the world's greatest performance cars. Even when it's standing still.

Exhibit 8C Excerpts from Mercedes-Benz Response Advertisement—1989**MERCEDES-BENZ 300 CLASS; ITS TECHNOLOGY MAY BOGGLE THE MIND, BUT THE SOUL UNDERSTANDS IMMEDIATELY.**

The engineers at Mercedes-Benz have long been noted for their uncanny ability to turn remote technical exercises into rewarding automotive experiences. With the 300 Class, Mercedes-Benz engineers have done nothing less than turn the theoretical into the phenomenal. Distilling esoteric technology into what one automotive journal calls "a mechanical symphony." Creating an automobile of sublime driving pleasure.

An automobile whose electro-mechanically controlled six-cylinder engine produces robust power-177 horsepower in three liter form. Power so smooth that even at test-track velocities, the engine's exertions can barely be felt. Other advanced engineering concepts produce further refinements of the classic Mercedes-Benz driving character. A multi-link independent rear suspension system preserves near perfect geometry between tire and road, resulting in a ride that *Car and Driver* terms "nothing short of magical." While the same journal reports handling prowess so inspiring that "you can charge unfamiliar territory as though you were on your daily route to work.

Advanced aerodynamics have shaped a 300 Class sedan body that drags to a slippery 0.31 Cd--and wind noise at cruising speed to near silence. The advanced application of microprocessors results in an Anti-lock Braking System that modulates braking pressure up to 15 times per second in sudden hard stops, preventing skidding and preserving steering control. And advanced technology addresses the concern for occupant safety: microprocessors in the Supplemental Restraint System are primed to deploy a driver's-side air bag and front-seat emergency tensioning retractors within *milliseconds* of a major frontal impact.

In pursuit of a superbly capable automobile, the engineers of Mercedes-Benz have created one of the most sophisticated production cars ever built. But you need not be an automotive engineer to appreciate the achievement. You need only drive any one of the 300 Class automobiles: 260E and 300E Sedans, 300CE Coupe and 300TE Station Wagon. You—and your soul—will understand immediately.

Source: Excerpts from various automobile advertisements, as referenced.

Exhibit 9 BMW 3-Series 1991 Print Campaign**INTRODUCING THE RE-DESIGNED, RE-CALIBRATED, RE-ENGINEERED, RE-INVENTED BMW 3-SERIES.**

In today's economy, even people of means are asking one question that should alarm the world's automobile makers: What makes this car worth the money? The new 3-Series welcomes such scrutiny. For not only does it embody BMW's traditional passion for driving, it offers a complete set of more practical-minded virtues: most notably safety, durability and ease of maintenance. The 325i sedan isn't merely a re-working of some previous 3-Series design. Rather, it's an entirely new way of looking at the sports sedan. It comes after eight years of intensive thought from virtually every automotive discipline--an effort unparalleled even in BMW's lengthy history.

IT MAKES OTHER CARS IN ITS CLASS SUFFER FROM A TECHNOLOGY DEFICIT.

In designing and building the new 3-Series, our engineers have been able to draw from an extraordinary resource. They have incorporated technology gained in developing BMW's most advanced automobiles: The 5-Series sedan, the elegant 7-Series sedan (*Automobile Magazine's* "Best Car in the World" for two years in a row) and the grand touring coupe, the 850i. These advances are literally found throughout the 3-Series, from its new 189 horsepower, 24-valve engine to its aerospace-inspired gold-plated electrical connectors that virtually defy the corrosive effects of weather. The new 325i is 60% more rigid than its predecessor, providing a safer environment for all occupants. It has 20% fewer welded parts, to diminish the chances of developing squeaks and rattles. And it's been designed so every nut, bolt and crevice can be bathed with anti-corrosive protectant.

THE NEXT BEST THING TO A CAR THAT MAINTAINS ITSELF.

Remarkably, the engine in the 325i doesn't require valve or timing adjustments during its regularly scheduled service checks. That's because every second it's running, it is automatically making adjustments to itself. Its new-generation drive belts are designed to last the engine's lifetime. And its advanced motronics have eliminated the need for a distributor altogether. So overall, the new 325i engine requires little regular maintenance beyond the simple routine of changing the oil, filters and spark plugs. Unlike many engines that use computers to aid in diagnostics, this one is equipped with a black box system that can "play back" past engine events for the BMW technician, revealing problems that would otherwise prove difficult to observe. Or even describe.

Source: Excerpt from automobile advertisement, as referenced.