BMW NA 50th Anniversary | 50 Stories for 50 Years
Chapter 43: "Sustained Growth in the 21st Century"

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In 2024, BMW of North America sold 371,346 automobiles in the U.S. Though that number represents just two and a half percent of the nearly 16 million cars sold nationwide last year, it also represents a record for BMW in this country. It also represents a remarkable increase from the mere 19,419 cars sold in 1975, BMW of North America's first year of operation.

Announcing the year-end sales total, BMW NA CEO Sebastian Mackensen called it a "fantastic result, which is a direct reflection of the BMW brand's strength and superior product lineup." Mackensen credited the BMW NA team as well as the dealer network, who had "established a collaborative spirit and a focused dedication to our brand as well as a clear commitment to excellence in customer service."

Those ingredients are essential to the success of any company hoping to sell cars in this market, but they haven't always been present in the right proportions at BMW of North America. Putting the company on track to reach successive milestones—from 100,000 cars per year to 200,000, then 300,000.

As BMW of North America approaches the 400,000-automobile milestone, it's worth examining that effort, as well as how BMW NA has responded to significant challenges over the last 50 years, including a global recession and shifting consumer preferences.

The first of those challenges came in the late 1980s, when a sharply declining dollar-to-Deutschmark exchange rate made BMW's cars overly expensive in the price-sensitive U.S. while stringent U.S. emissions requirements kept its highest-performing models out of this market altogether. Those factors had already seen BMW's sales decline from a high of 96,759 cars in 1986, but they would pale in comparison to the impact of Lexus's arrival in 1989.

Built by Toyota, a company legendary for reliability and value, Lexus offered reasonably priced, V8-powered luxury cars backed by superb customer service. Lexus took direct aim at U.S. customers who would otherwise be driving a BMW or Mercedes, and its cars were an immediate hit. Unfortunately, Lexus's success came at BMW's expense: In 1991, BMW of North America sold just 53,343 cars, just 55 percent of the total from five years earlier.

In response, BMW AG appointed Karl Gerlinger as President and CEO, and Victor Doolan as Head of Sales and Marketing. Their predecessors, Dr. Gunther Kramer and Carl Flesher, moved to different positions within BMW. Doolan in particular placed renewed emphasis on performance, a traditional strong suit for the Bavarian brand.

“What was clear was that our model range simply did not live up to ‘The Ultimate Driving Machine,’” said Vic Doolan. “We knew that to compete we had to excite and please the BMW owner.”

In 1993, Doolan would take over from Gerlinger as BMW NA President, while the company gained an energetic new CEO in Dr. Helmut Panke. The following year, longtime BMW enthusiast Rich Brekus was hired as Head of Product Planning, with the goal of re-orienting the BMW NA lineup to better reflect its advertising tagline. That goal was furthered immeasurably by new V8 engines that made the 5 and 7 Series sedans more appealing to American customers, and by the surprising success of the petite Z3 roadster assembled at BMW’s recently-opened plant in Spartanburg, South Carolina.

Competition from Lexus spurred the creation of products better suited to America tastes, and it also pushed BMW NA to improve customer service at the dealer level. “Our dealer network was demotivated and unprofitable,” Doolan said. “Poor dealer service was the result.”

Doolan's Champion Strategy put renewed focus on customer service while improving the value of BMW's products with added features and reducing the cost of ownership via free scheduled maintenance. BMW NA improved technical training for its dealers, and made a strong effort to ensure that customers were given courteous and efficient treatment throughout their interactions with BMW dealers.

Those interactions included the purchase process, which was aided by the 1992 establishment of BMW Financial Services, a "captive finance" arm that allowed customers to complete the sale or lease without leaving the dealership. Customers could access attractive rates, and they could roll into another new BMW when their loans or leases expired a few years later. BMW NA and its dealers benefitted from increased customer loyalty, and the Full Circle program ensured that dealers would have a steady supply of high-quality used automobiles to resell. "That whole strategy was a big piece of BMW's success going

from the '90s into the 2000s," Brekus said.

Indeed it was. By 1996, BMW NA had recovered the ground lost to Lexus and then some, with sales reaching a record 105,761 automobiles at year's end. A good portion of those sales were represented by the E36 M3, a lower-priced, lower maintenance version of the high-tech European E36 M3 that arrived in the U.S. in 1995. The U.S.-spec E36 M3 turned the U.S. into the world's largest market for M cars almost overnight, a position that was solidified in 2000, when the M3 was joined by a V8-powered E39 M5 that could have been tailor-made to suit American tastes.

Also in 2000, the M cars were joined by the all-new X5. Doolan and Brekus had pressed BMW to put a Bavarian twist on the sport-utility vehicles that were replacing minivans as the preferred vehicle of American families, and the X5 became BMW's first Sport Activity Vehicle, as Doolan dubbed it. With a powerful V8 engine and track-worthy handling, the X5 became a huge success straight out of the gate, and allowed BMW NA to "own the garage," taking the slot that might otherwise have gone to another marque's SUV. Assembled exclusively at BMWs' Spartanburg plant, the X5 exemplified BMW's commitment in the U.S. market, too.

In May 1999, Tom Purves had taken over as BMW NA CEO following the three-year term of Dr. Heinrich Heitmann. Purves would preside over BMW NA for the next nine years, a period of unprecedented growth that saw sales reach 213,127 automobiles in 2001—more than double the total from just five years earlier. A native of Scotland, Purves was instrumental in bringing MINI to the U.S. in 2002, adding a small, sporty car to bolster BMW's performance-oriented lineup. Customer service continued to improve, while an innovative marketing campaign including the BMW Films series brought unprecedented attention to the brand. In 2007, BMW would sell a record 293,794 cars.

By then, however, economic difficulties were already brewing in the subprime mortgage market. In 2008, the global economy slipped into a full-blown crisis. Auto sales dropped sharply, and only a federal bailout saved domestic manufacturers General Motors and Chrysler from bankruptcy. BMW NA didn't need a bailout, but it faced considerable exposure, nonetheless. The company's annual sales fell to 249,113 cars in 2008 and then to just 195,502 cars in 2009. Demand for new cars plummeted, and the residual value of leased BMWs fell accordingly. Here, BMW Financial Services proved crucial to BMW NA's business model, as it continued to provide financing to customers and BMW dealers. That allowed BMW NA to outperform the industry as a whole during the worst of the financial crisis, with sales that dropped by just 32 percent compared to 54 percent for the overall U.S. market.

BMW NA's solvency benefitted from the cost-cutting moves imposed by CEO Jim O'Donnell, who replaced Purves as CEO in 2008. Expenditures were cut further in Munich, which centralized BMW's marketing efforts in ways that didn't always resonate with BMW's diehard enthusiasts, but which nonetheless helped BMW attract new customers who'd been put off by the company's rather cool, high-tech image.

In 2011, O'Donnell was replaced by the charismatic Ludwig Willisch, who arrived in Woodcliff Lake after leading BMW's sales operations in Germany, Sweden, and Japan. He'd also led the M division, a dream job for a performance enthusiast with a passion for motorsport, and a role that made him well-suited to lead the world's largest market for M cars.

Along with motorsport, Willisch was passionate about improving BMW's product quality. BMW hadn't always fared particularly well in the crucial JD Power surveys, or in testing by Consumer Reports, so Willisch encouraged on-the-spot repairs at BMW's vehicle delivery centers—i.e. the ports—as well as the addition of accessory items like USB adapters on the production line at. Those seemingly minor improvements had a positive effect on customer perceptions, and they helped persuade customers to stay with BMW when their lease or loan expired.

By 2013, BMW NA's annual sales hit 309,280, a new record as well as a figure that marked the company's full recovery from the global financial crisis. All the while, BMW's product offerings had been moving steadily upscale, becoming larger, more complicated, and more expensive. With younger customers being priced out of new BMWs, Willisch persuaded BMW to export its smaller cars to the U.S.—in part to offset CAFE fines for excess fuel consumption—along with the affordable 320i sedan. "It may not sound too exciting, but the 320i together with the X1 and the 2 Series Coupe gave us three products to fight the competition, namely the Mercedes CLA," Willisch said. "And we won!"

Those new models helped BMW NA's annual sales increase to 351,851 cars in 2015, but the following year saw a near 13 percent drop to 307,672 automobiles. In the sixteen years since its introduction, the X5's popularity had spread to Europe and China to the point that demand far exceeded the capacity of the Spartanburg plant. In an effort to satisfy demand from all markets, BMW NA's allocation of X5 production was well below the requested number.

"We simply didn't have the product, and if you're not ready to deliver, you lose out," Willisch said. "In the U.S., people go to the dealership and want to drive home with a new car. If you say no, they can't have it, they're not only frustrated but they're going to buy something else. And it isn't the case that a customer who wants a German car won't consider an American brand, because they'll consider almost any SUV that's available."

The X5's global popularity prompted BMW to expand production beyond Spartanburg, BMW's "Center of Competence" for SAVs and the main assembly plant for the X6 Sport Activity Coupe as well as the midsize X3. In 2018, BMW added X3 production in China, allowing BMW NA to sell a greater number of Spartanburg-assembled X5s in the U.S. Even so, BMW NA's annual sales had recovered to just 311,093 cars in 2017, when Willisch retired as CEO.

To replace him, BMW's Board of Management selected Bernhard Kuhnt, who'd previously been responsible for sales in all of BMW's import markets. (He'd also helmed the U.S. sales subsidiary for a rival German automaker, giving him valuable experience in the Americas.) Also in 2017, BMW NA appointed Shaun Bugbee as Executive Vice President of Operations, and Stefan Richmann as Executive Vice President of Finance and CFO.

Replacing its top three executives in one fell swoop was unusual, but it allowed BMW NA to transform its culture to emphasize teamwork rather than hierarchical leadership. The company's new priorities were laid out in a presentation called “Team USA: Leading The Way,” which addressed important topics like profitability, customers, dealers, product and brand through illustrations and simple phrases rather than a complicated mission statement.

“It was a reference point for the BMW NA vision of where we would like to go, and how we get people to buy in on it,” Kuhnt said. “All of a sudden, you saw the company going in the right direction.”

Improving BMW NA’s relationships with its customers and dealers was crucial and so was having the right products for the market. The X5 supply was now adequate, but BMW NA still lacked an SAV with three rows of seating or a full-size battery-electric vehicle (BEV) with comparable range to an internal combustion vehicle. While Tesla was transforming the BEV market with its 300-mile Model S, BMW’s sole BEV offering was the i3 city car, which could cover barely 100 miles between charges. “My role, together with the product team in America, was to make Munich aware of what’s happening, how successful Tesla was, and how they’re taking market share away from established manufacturers,” Kuhnt said.

By 2019, BMW NA had the cars it needed to be successful in the U.S. market. After a long gestation, the X7 brought the crucial third row of seating to the SAV segment, bookending a full lineup of X vehicles that started with the compact X1. Also in the compact class, the M2 filled out a lineup of M cars that culminated with the elegant M8. Crossovers between the M and X vehicles ensured that customers didn’t need to choose between utility and performance.

Sales rebounded smartly that year, and BMW NA entered 2020 with some 40 new or substantially revised models to offer U.S. customers, including an exciting new M4. The company was looking forward to a banner year, but fate had other plans. That March, the COVID-19 pandemic brought the global economy to a near-standstill, just as the financial crisis had done twelve years earlier. Once again, BMW's sales organization scrambled to adapt, this time with online sales tools and other new ways of selling cars. BMW Financial Services made its own accommodation, adjusting payments or extending lease terms for its 1.3 million customers.

In terms of both business and public health, the recovery from the COVID-19 pandemic would be erratic. By 2023, however, BMW NA was once again setting new sales records, with 362,244 cars in 2023

followed by another record of 371,346 cars in 2024. It's a small number relative to the U.S. automobile market as a whole, but it has made BMW the biggest-selling premium brand in the U.S. for five years running commanding roughly 16% of the premium segment.

The key, Bugbee says, is a strong and varied lineup, starting with the small cars. "I think the 2 Series, the M2, the X1, and the X2 actually play a vital role as far as people coming into the brand," Bugbee said. "The M2 does about 80 percent of the volume of the M3, which is our staple performance model, and that makes it a very strong product."

The U.S. continues to be the world's largest market for M cars, which make up about 20 percent of BMW NA's total sales. The X vehicles, led by the Spartanburg-assembled X5 and X3, remain the most popular, constituting some 60 percent of BMW NA's sales volume and reflecting a commitment to the U.S. as more than just a market. The remaining 20 percent are battery-electric or plug-in hybrid vehicles, including the long-range i4, i5, and i7 BEVs that Bugbee said make BMW "the Number One conquest vehicle from people coming out of the Tesla."

That product array reflects the "Power of Choice" strategy announced by BMW's then-board member for sales Pieter Nota at the 2019 Los Angeles auto show. Rather than use powertrain-specific platforms like the carbon-fiber chassis built for the i3 and i8, BMW now employs two basic architectures—one for rear/all-wheel drive vehicles and the other for front/all-wheel drive vehicles—that can accommodate all of BMW's drivetrain options. That allows customers to choose virtually any BMW or MINI model equipped with an internal combustion engine, hybrid, or battery-electric drivetrain, and it makes the company's cars singularly appealing among automakers. Thanks to the "Power of Choice" flexible vehicle architecture, BMW NA posted record sales in 2023 and 2024, and it looks likely to set another new record in 2025 despite an uncertain business environment.

“At the end of the day, we have a variability that our customers can choose from,” said VP of operations Bugbee. “It’s not about having the cheapest car but about having the right product set. If someone wants a seven-seater SUV or a two-seater or a sedan, we have that product. That variety of offerings, along with having our dealer network in lockstep with us in terms of product presentation and competitive offers, has really led to that sustained growth. Our product offering is really our secret sauce.”

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