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MASTER THESIS

**THE IMPACT OF VEHICLE ELECTRIFICATION ON CONSUMER  
BRAND PERCEPTIONS OF BMW i**

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JURE HODNIK

## AUTHORSHIP STATEMENT

The undersigned Jure Hodnik, a student at the University of Ljubljana, School of Economics and Business, (hereafter: SEB LU), author of this written final work of studies with the title »THE IMPACT OF VEHICLE ELECTRIFICATION ON CONSUMER BRAND PERCEPTIONS OF BMW i«, prepared under supervision of Assis. Prof. Živa Kolbl.

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## **LIST OF ABBREVIATIONS**

**IPCC** – Intergovernmental Panel on Climate Change

**ICE** – Internal Combustion Engine

**EV** – Electric Vehicle

**BEV** – Battery Electric Vehicle

**CV** – Conventional Vehicle

**BMW** – Bavarian Motor Works

**PHEV** – Plug-in Hybrid Electric Vehicles

**IEA** – International Energy Agency

**ZEV** – Zero-Emission Vehicle

**OEM** – Original Equipment Manufacturer

**LDV** – Light Duty Vehicle

**SUV** – Sport Utility Vehicle

**ROI** – Return On Investment

**R&D** – Research & Development

**US** – United States

**COO** – Country Of Origin

**COOW** - Country Of Ownership

**EU** – European Union

**ROS** – Return On Sales

**FMCG** – Fast Moving Consumer Goods



## INTRODUCTION

“Global warming has brought the electric car – and its close cousin, the hybrid – back from obscurity.” This quote by Nigel Burton (2013, p. 18), the author of the book “A History of Electric Cars” is the perfect opening into the complex matter of electric transport and the surrounding infrastructure. The quote indicates two significant events that led to the current state of the automotive industry. The first event in question is the ever-growing concern in regard to global warming. Even though there have been several attempts to revive the electric car throughout history, it was not until 2007 that the world faced an economic, financial, and environmental crisis. The event that led to a worldwide recognition of global warming was the 2007 Intergovernmental Panel on Climate Change (IPCC) and its Fourth Assessment Report (IPCC 2007). After the IPCC report was published, Germany, a country with one of the most substantial automotive sectors, dedicated over 5 billion euros to promote electric mobility and carbon footprint reduction in transportation. Other governments also followed the initiative, one of which was Norway (Schwedes & Keichel, 2020, p. 48).

Contrary to popular belief, gasoline-powered cars were not the first to revolutionize transportation and replace horse-drawn carriages. In fact, the first electric horseless carriage was invented by Robert Anderson sometime between 1832 and 1839. With the invention of the rechargeable lead-acid battery in 1859, many other inventors and manufacturers saw the potential of this technology and began building electric cars years before the first car with an internal combustion engine car was created (ICE). At the beginning of the 20th century in the US, it is estimated that 40% of cars were steam-driven, 38% were electric, and only 22% were powered by petrol. However, electric cars were limited by their short drive range and battery capacity, which led to their decline and the rise of practical gasoline-powered cars on production lines, such as those by Ford Motors. It wasn't until the second millennium that electric cars were brought back and started to show their market potential once again (Schwedes & Keichel, 2020, p. 55; Burton, 2013, p. 33).

Since the return of the plug-in hybrid electric vehicles (PHEVs) and battery electric vehicles (BEVs), there has been research done to unveil the major entry barriers for consumers, identify what keeps them from making the switch from internal combustion engines (ICEs) to BEVs, and explore the brands they perceive to be leaders and pioneers in the field and why. We also know the market entry strategy BMW used when they initially entered the EV field in 2013. To the best of my knowledge, there is a lack of research that would gather and analyze BMW i's brand perception in connection to their vehicle electrification process.

By analyzing BMW's electrification process, their market entry strategy, their initial sales performance and their product offerings in the EV sector, this research aims to fill the gap between BMW i's activities, direction, and strategy compared to the consumer's perception of the newly established sub-brand BMW i. This gap represents an opportunity for a qualitative research that would uncover consumers' perceptions, hidden opinions, fears, and

the impact of vehicle electrification on both the sub-brand BMW i, the potential effect on the parent brand BMW and the overall trend of vehicle electrification. To get a deeper insight into the topic, I will seek answers to the following research questions by conducting a focus group:

Research question 1. (brand awareness): How would you describe BMW i's product offerings and their electrification strategy?

Research question 2. (perceived quality): How do you perceive BMW i regarding quality compared to other electric car manufacturers?

Research question 3. (brand heritage): Because BMW i is a sub-brand of BMW, does this fact bring up any positive feelings or nostalgia towards their products, and how would you describe them?

Research question 4. (brand trust): How does the BMW i brand influence your trust in buying an electric vehicle?

Research question 5. (brand equity): Suppose another automotive brand would offer the same product as BMW i, would you still instead choose BMW i and why?

Such insights can be useful for BMW's decision makers, product managers, developers and lastly, the shareholders. It is also essential for future product development and strategic decision-making.

Before delving deeper into understanding the importance of brands in the process of vehicle electrification, I conducted a global BEV trend analysis and an overview of the European BEV market. After reviewing the global trends and the sales figures in the European BEV market, it was clear that the transformational trend of vehicle electrification is in full motion.

## **1 ELECTRIC VEHICLE MARKET OVERVIEW**

### **1.1 Global trends**

Global electric vehicle sales of BEVs and PHEVs have risen enormously in the last decade. According to the IEA (2020) (International Energy Agency), there were only 17000 electric vehicles on the world's roads in 2010. At the end of 2019, IEA (2020) reported a total of 7.2 million electric cars being present on the roads. The electric vehicle market has experienced a continuous growth trend within the last decade, and there are no signs of this trend ending. Despite the market contraction of overall vehicle sales in 2019, electric vehicles continued to sell at an increasing rate despite certain obstructions. At the beginning of the decade, governments in key electric vehicle markets (China, Europe, and the USA) offered subsidies and tax reliefs to promote electric vehicle sales. In 2019, many countries in key markets reduced purchase subsidies, which slowed down the segment's growth. However, despite the reduction of subsidies, IEA's Global EV Outlook (2021) states there were 10 million electric



vehicles on the roads at the end of 2020. The electric vehicle segment recorded another year of rapid expansion despite the COVID-19 pandemic, which caused global automotive sales to drop by 16%. For the first time since 2010, the European market overthrew the Chinese EV (Electric Vehicle) market's reign as the world's biggest EV market. Furthermore, in the latest IEA report on the global EV outlook, it is clear that despite the macroeconomic situation of the world, the global sales of electric cars have kept rising in the first quarter of 2022. With over 2 million EVs sold just in the first quarter of 2022, the sales are up by 75% compared to the same period in 2021. This data comes as a surprise considering the effect that rising electricity costs have had on potential EV buyers in key global markets. According to Deloitte's 2022 Global Automotive Consumer Study, possible increases in the price of electricity may sway a significant number of consumers away from a PHEV/EV purchase in most global markets.

Due to the economic downturn, many European countries increased their purchase incentives to ensure the success of supporting environmental policies. By 2020, more than 20 countries worldwide announced the ban of conventional vehicles (with internal combustion engines) or mandated all new future sales to be ZEVs (Zero-Emission Vehicles). As the world's second-biggest EV market, China decided to delay its eventual subsidy reduction. As a result of increased incentives, the number of EV models increased and battery costs fell in the first quarter of 2021; global EV sales rose by approximately 140% compared to the same period in 2020. The growth of the segment has been recorded throughout 2021, with China as the market responsible for half of the growth. Both the European and the US market have also shown significant growth. The same trend has been observed in 2022 (IEA, 2021; IEA, 2022).

The anticipation of a growing EV market has made many car manufacturers and original equipment manufacturers (OEMs) prepare EV programs, most of which are already being executed and can be observed on the roads throughout the world. In research from IBM Global Business Services (2011), 83% of the interviewed automotive executives have been convinced that a product portfolio leaning toward electrified vehicles is the best option for the future. Their predictions from 2011 have proven to be correct. As of 2021, 18 of the 20 largest OEMs that accounted for 90% of global car sales in 2020 have announced their intentions to increase their production and development of electric LDVs (Light-Duty Vehicles). To a further extent, many of the largest OEMs have already declared they will only sell fully electrified vehicles as soon as possible. Volvo will only sell EVs from 2030. Ford will only sell EVs in Europe from 2030, General Motors will only offer EVs from 2035, and Volkswagen is set to achieve 70% electric car sales in Europe and 50% in China and the US by 2030. With the increase of EVs on the roads, the need for affordable and convenient charging will also rise. Contrary to the reduction of the subsidies and tax reliefs in 2019 as described in the IEA (2020) report, the main pillar fueling this growth is sustained policy support. As evident in the latest IEA report on the global EV outlook from 2022, government spending on subsidies and EV incentives almost doubled in 2021 to nearly USD 30 billion.

OEMs have also contributed to this growth by increasing the number of electrified models in the product assortment (IBM Global Business Services, 2011; IEA, 2021; IEA, 2022).

Macroeconomic barriers and consumer concerns have not stopped OEMs in their plans for an electric future. Despite the negative outlook from Deloitte's 2022 study, the IEA still reports that the world's largest OEMs have announced their intention to release more than 200 new electric car models in the next five years. Most of these will be based around the current most popular shape of the automobile, the SUV (Sport Utility Vehicle). The same trend is proven to continue, as is shown in the IEA's 2022 report (IEA, 2022).

Due to an economic downturn caused by the COVID-19 pandemic and Russia's war in Ukraine, the Deloitte (2021, 2022) Global Automotive Consumer Study showed that the intention to buy gasoline or diesel-powered cars has spiked when consumers seek comfort and reliability in uncertain times. The same study also revealed that building value in EVs and connected technology is the key to a positive ROI (Return on Investment) on massive R&D (Research & Development) investments that OEMs are making. Connectivity and infotainment are the most sought-after technology categories when customers choose new vehicles. Business models working for certain manufacturers like Tesla, which has no conventional dealerships and where most of the purchase process can be accomplished online, are being increasingly revealed as ill-aligned with how most consumers prefer to buy new vehicles. Consumers still like to see, touch, smell and drive a vehicle before purchasing. Being able to experience the product in real life can be a positive factor for established automotive manufacturers with pre-existing dealership locations.

## **1.2 European market**

Despite the recent global automotive market contraction, which resulted in a 22% drop in 2020, the European EV registrations more than doubled. Of the 1.4 million new EVs registered, 395,000 were sold in Germany, 185,000 in France, and 176,000 in the UK. Nordic countries of Europe are leading the way in the sales share percentages of new EV registrations. In Norway, 75% of all newly registered cars were electric, followed by Iceland at 50% and Sweden at 30%. Battery electric vehicles accounted for 54% of all EV sales in Europe. The share of BEV registrations was the highest in the Netherlands (82%), followed by Norway (73%), the UK (62%), and France (60%). Despite the automotive market's contraction in 2020, which came as a consequence of the COVID-19 infused consumer insecurity and supply chain interruptions, the European market sustained strong growth in the EV segment. Even though the automotive market has yet to fully recover from the previously mentioned factors, EV sales continued to increase in 2021. The record of 65% year-on-year growth resulted in 2.3 million units sold. Overall, EVs represented a 17% share of all Europe's auto sales in 2021, with the last quarter finishing at a record 27% (IEA, 2021; IEA, 2022).

The primary influence on the rising EV sales in Europe was the target year (2020) for the European Union's CO<sub>2</sub> emissions standards, which dictated and limited the average carbon dioxide emissions per kilometer for new cars. The second influence was the mentioned increased subsidies offered to consumers to counter the economic downturn caused by the pandemic. Both these influences are a good predictor of the future of European EV sales that are expected to rise. The expectations set by the European Union's Climate Action were correct and supported by the IEA's past three Global Electric Vehicle Outlook reports and Deloitte's Global Automotive Consumer Studies (European Commission, 2019; IEA, 2020; IEA, 2021; IEA, 2022; Deloitte, 2021; Deloitte, 2022).

With a clear trajectory for future growth of the segment, car and original equipment manufacturers have their electrification plans ready. Several manufacturers announced their intention to only sell EVs in Europe after 2030. Under the guidance of the European Union's net-zero 2050 target, numerous European countries have announced their ban on internal combustion engines as soon as 2035. With policies like the European Union net-zero 2050 and the European Union Sustainable and Smart Mobility Strategy, the European Union Clean Vehicle Directive formed a Sustainable Development Scenario in which the common share of EV sales should be just over 70% by 2030 (electric buses, trucks and passenger light-duty vehicles combined). To support the growing EVs on Europe's roads, the EU Green Deal plans to install one million publicly accessible chargers by 2025 (IEA, 2021).

### **1.3 Consumer trends**

Research by Haustein and Jensen (2018) shows the differentiation between the drivers of conventional vehicles (CVs) and drivers of BEVs. They concluded that there is a difference in demographics, mobility patterns and the attitude towards BEVs. To transform CV users into potential BEV buyers, researchers suggested to improve the environmentally friendly "green" symbolism and fill the knowledge gaps in regard to the driving range and other improvements of the latest generation of BEVs. Researchers also concluded that potential BEV buyers still express concern about the lack of charging infrastructure. Additionally, convincing CV users to make the switch to a BEV has proven to be much easier if the BEV hesitant demographic gets a chance to physically experience BEVs. The findings of this research coincide with those of Deloitte's Global Automotive Consumer Study (2022). Despite the four-year time difference, the main barriers of entry remain the same, and so does the desire to try out BEVs in real life. Despite the fact that a modern car buyer likes to compare models and gather information online, which was shown in research by Anoop and Sandhir (2018), both of the research papers we listed show that first time BEV buyers seek an in-person purchase experience. Research by Utami, Yuniaristanto and Sutopo (2020) on adoption of electric motorbikes in Indonesia again confirmed the enthusiasm for electric motorbike adoption; however, the lack of infrastructure again proved to be one of the main purchasing barriers.

According to the annual IEA Energy Outlook report (2021), the consumer profile in the electric car market has evolved from the early adopter stage to technophiles and mass adoption. This transition happened in the last five years. It was heavily influenced by the extended driving range, lower purchase cost, and introduction of more affordable models such as the Tesla Model 3. However, Deloitte's Global Automotive Consumer Study (2021) showed that the intention to buy petrol or diesel-powered cars has spiked when consumers seek comfort and reliability due to uncertain times. Despite the consumer profile transition influences that the IEA (2021) mentioned in their annual report, both Global Automotive Consumer Studies from Deloitte (2021, 2022) still found that the most significant concern regarding BEVs is still the driving range, the lack of charging infrastructure, and EVs' price premium.

Past research rarely puts any emphasis on the social aspect of EV ownership. Research by Omahne, Knez and Obrecht (2021) point out the lack of papers that evaluate the impact of EVs in regard to social welfare, user experience, chances of EVs helping individuals to build new friendships and the perception of EVs as status symbols. According to the authors, these aspects of EV perception are gaining traction. They believe the inclusion of social aspects into EV and sustainability research papers would make for a more comprehensive approach to the topic. Research by Zhgulev, Bozhuk, Evdokimov and Pletneva (2018) identified the need to switch to the concept of environmental marketing business philosophy and the need to adjust the Russian consumer's consciousness with a culture of ecological consumption. They also identified the need to expand the charging infrastructure; however, their main conclusion was that EVs should be marketed differently (with an emphasis on both the social and the environmental aspect of EVs) to the Russian public.

## **2 BMW i BRAND**

The focus point of this thesis will be the BMW sub-brand, under which they release electric vehicles called BMW i. BMW announced the launch of a new sub-brand called BMW i on 21 February 2011. According to BMW, the sub-brand BMW i stands for sustainable vehicles and mobility solutions. They use this sub-brand to release products and services conceived around a "revolutionary approach". This approach includes purpose-built and designed products for sustainable premium mobility. You can see the new BMW i sub-brand logo and symbol in the figure below (BMW Group, 2011).

*Figure 1: BMW i sub-brand logo design*



*Source: BMW Group (2011)*

According to Ian Robertson, who at the time was a member of the Board of Management of BMW and was responsible for Sales and Marketing, BMW i offers: “visionary cars and services, inspiring design, and an entirely new concept of premium mobility – all with a focus on sustainability”. Regarding the sub-brand, Ian Robertson emphasized that they are building on the success and strength of their core brand, BMW. Robertson also predicted the changing mobility requirements in rapidly expanding megacities. BMW i and a BMW venture capital company called “BMW i Venture” also plan on expanding the offerings of the sub-brand outside of EVs. One of such investments was a New York city-based app called “My City Way” that allows users to find free parking, detect traffic jams, and more. With the announcement of the sub-brand, BMW committed to developing car-enabled mobility services like BMW ConnectedDrive (BMW Group, 2011).

## **2.1 BMW i's market-entry electric vehicle assortment**

To commemorate the launch of the sub-brand BMW i, they also presented the first two vehicles to be released under the new sub-brand. The BMW i3 (as seen on the figure below) was known as the “Mega City Vehicle” while it was in the conceptual stage of development. It is the first fully EV that aligns with BMW i's mission statement of providing connected premium mobility with zero emission standards. The second car that was released simultaneously was the BMW i8. While the i8 is not a BEV, it still offers the option of zero-emission driving at a shorter range. BMW i8 is more connected to BMW's original values, while still offering a BMW I experience and design language (BMW Group, 2011).



*Figure 2: BMW i3, the first fully electric BMW*



*Source: BMW Group (n.d.)*

In the book “The Electric Car: Mobility in Upheaval” the authors Oliver Schwedes and Marcus Keichel (2020) focused on the BMW i3. The BMW i3 was a fascinating model as it took a completely new approach to the design and structure of the exterior and interior, and it completely disregarded the tradition that BMW was built upon. The i3 was a car that did not resemble anything BMW made in the past. As I will present later on, it was the i3 that brought up the issue of branding in vehicle electrification. They predicted that consumers will positively receive the visual difference. The i3 still looks like a car, but it does not look like anything else on the road, and is certainly unlike any BMW before. Considering the findings of Burnap, Hartley, Pan, Gonzalez and Papalambros (2016), which show that BMW designers have the least design freedom during the design process, this study showed that alternating designs and increased design freedom between BMW models quickly lead to decreasing brand recognition. Among the four luxury automotive brands, the BMW consumer proved to be the most sensitive to major design changes. BMW’s marketing and brand image heavily rely on the visual attractiveness of the products. This is the critical factor for product success in the automotive field and is why car manufacturers keep the design of future vehicle models a secret before the official reveal. This tactic is usually not seen when it comes to electric mobility. BMW revealed several photos of the i3 and the i8 before their official releases in 2011. The reason for this is the belief that consumers who seek zero-emission mobility solutions also seek something that is differentiated at first sight. To say that the i3 and i8 are differentiated on sight is an understatement. The book's authors in question predict that this was the sole reason why BMW created the sub-brand BMW i. BMW did not want to disrupt and unsettle the regular BMW clientele, so they deployed the electric models under a different brand.

In an interview with BMW’s head of design, Adrian van Hooydonk, he explained that BMW i vehicles are so visually differentiated because of the changing streetscape in megacities.

They are designed in the same way as they are constructed. The design of both the i3 and the i8 expresses the use of lightweight materials such as carbon and their advanced aerodynamics. He noted that, by looking at BMW i vehicles, he senses that the future of mobility has arrived. In his opinion, there are apparent differences between BMW i and BMW because the core brand traditionally expresses sporty elegance (Schweddes & Keichel, 2020, p. 70).

To summarize, Adrian Van Hooydonk believes the design of BMW i electric cars transmit the values and principles of modernity, aerodynamics, and lightweight construction. The appearance of BMW i products and vehicles are formed with clean lines and shapes, representing clean and effortless zero-emission mobility. In order to not stray away from the core brand, the design of BMW i vehicles still includes front “kidney” design radiator openings and the brand’s traditional sharp lines and air vents, even though electric cars do not need cooling air vents (Schweddes & Keichel, 2020, p. 71).

In 2019, BMW confirmed that there will be no successors to the BMW i3 and i8, despite both models still being on sale but nearing the end of their long production run. While the i3 has been a moderate market success (BMW sold more than 150 000 units), BMW’s early electrification strategy still showed a lack of commitment as pioneering EV companies like Tesla dominated the European and even the German market (Barnard, 2019).

To understand how a vehicle platform affects the branding and the future of BMW i, it is crucial to analyze BMW’s past and future electrification strategy.

## **2.2 BMW’s electrification strategy**

As mentioned earlier, with the announcement of the sub-brand BMW i, BMW i also released two models: a fully electric i3 and a hybrid-powered i8. Both cars were built on an entirely new platform, with exclusive lightweight carbon fiber materials which were not included in any other BMW at the time. While certain design elements of the BMW i cars still resembled the core BMW brand, the new sub-brand was a standalone entity with new brand values and plans. This was an early and bold move considering the state of the EV markets in 2011, where uncertainty was still great (BMW Group, 2011).

One of the first market analysts that saw BMW’s flawed electrification strategy was Barnard (2019), the chief strategist at TFIE Strategy Inc. While there were several sales comparisons with the market-disrupting brand Tesla, he considered the comparison of BMW sales with Tesla sales especially interesting. Market analysts were impressed with the sales performance of the first generally affordable Tesla Model 3. In the US market, the all-electric Tesla Model 3 outsold the 2, 3, 4, and 5 BMW Series combined (both ICE models and PHEVs). At the same time, the bigger, more expensive all-electric Tesla Model S outsold both the BMW 7 Series and the 6 Series. To make the situation even direr for BMW, Tesla

also managed to outsell them in their home market, Germany. Following the claims by Barnard, BMW's development director Klaus Frolich stated that European customers are not demanding EVs. In an interview at the NextGen conference in Munich, he pointed out that there are regulator requests for BEVs, but no customer requests. One of his concerns is the lack of infrastructure that worries the European EV customer. Despite Tesla's success in the European market, he claimed that European customers do not buy BEVs because BMW tried to press these vehicles onto the market and there was no demand. At the same time, the general topic of the conversation was BMW's future electrification plans. He ended the discussion by saying that running a four-cylinder diesel is cheaper in areas like Munich, where electricity costs 50 cents per kWh. When questioned about the lack of range that their electric models offer, he argued that people need to understand that more range equals a higher price and that not many people are willing to pay for the "range premium". The shift to electrification is overhyped, and raw materials for vehicle and battery production still cost more than materials needed for ICE vehicle production. He also expects these costs to increase as demand for raw materials increases (Taylor, 2019).

This raises whether the issue lies within the BMW i brand or product assortment because the historic sales data shows a clear demand for BEVs, judging by the success Tesla is experiencing in the US and Germany. It is more likely that the problem lies within BMW's electrification strategy, which can be observed by their constantly changing approach to the EV market (IEA, 2022; Deloitte, 2022).

By observing BMW's electrification strategy in the past two years, it is clear that they adapted the course and have no longer stayed true to the initial values of BMW i. Their current electrification strategy includes producing at least 25 electrified models by 2023, 13 of which will be fully electric. They are also aiming at a 30% electrified vehicle sales growth and a 33% share of BMW Group vehicles to be electrified in Europe by 2025. The percentage of BMW Group's electrified vehicles in Europe by 2030 is planned to reach the 50% mark. BMW Group also announced a unified CLAR platform upon which all new BMW and BMW i models will be built. This means the same platform will be used for a car with an ICE, a PHEV drive, and a BEV. This was a significant change from their approach in 2011, when they dedicated an entirely new platform for the i3 and i8. They also announced that by 2023, their BEV would have a reach of up to 600 km. To summarize, BMW's and their sub-brand BMW's plan to offer a wider variety of EVs to cover all areas of the market. This is indicated by the recent release of a fully electric BMW iX3, which happens to be their best-selling ICE-powered small SUV. Along with the electrification of popular ICE models like the X3, BMW i will be releasing the BMW iX and BMW i4, which will feature both a bespoke platform and their fifth generation electric powertrain, which will be a direct competitor to Tesla based on the range and power capabilities. (BMW Group, n.d.; BMW UK, 2021; BMW Group, 2021)



### 2.3 Branding within the electric vehicle market

Automotive companies are taking entirely different approaches toward the electrification of their product assortment. As mentioned, BMW took the approach of creating a sub-brand while other large European car manufacturers like VW and Mercedes-Benz created separate product lines (Volkswagen ID and Mercedes-Benz EQ) or single-drive adaptation model variants (Volkswagen E-Golf, available in ICE or BEV). Pioneering companies like Tesla chose a different approach dictated by a commitment to full battery electric drive vehicles without even considering the PHEV or ICE variants. Because vehicle electrification on a grander scale took place in recent years, there is little to no research depicting the role of automotive branding in the process of vehicle electrification (Volkswagen AG, 2023; Mercedes-Benz Group, n.d.).

Long, Axsen, Miller and Kormos (2019) analyzed data from the 2017 Canadian Zero-Emission Vehicle Survey. They concentrated on responses about battery electric vehicles (BEVs) and the Tesla brand. According to the study, only 5% of respondents who could name a make and model of a zero-emission vehicle mentioned BMW, while 26% mentioned Chevrolet and 27% mentioned Tesla. In terms of respondents' perceptions as to which brand represented the future of BEVs, 40% of respondents believed Tesla represented the future of BEVs, while only 3% believed BMW did. The study also discovered that 55% of current BMW owners would be more likely to purchase a BEV from BMW in the future, and 27% would only buy a BEV from BMW and no other brand. Purchasing a BEV from BMW demonstrates high brand loyalty among BMW owners. According to the study, 71% of those familiar with Tesla reported that Tesla increased their belief in the functional characteristics of BEVs and positively influenced their perception of symbolic BEV benefits. According to the study, respondents who were familiar with Tesla were more likely to describe the products as attractive, sporty, stylish, trendy, and high performing. The authors used factor analysis to identify five factors related to Tesla consumer perceptions: skeptical, symbolically appealing, pro-social innovation, economical, and expensive. A demographically controlled regression analysis found a positive relationship between the factors of symbolical appeal and economical appeal, but a negative relationship between the factor of its expensiveness. In a study by Wardani and Gustia (2017), a sample of 150 BMW owners was used to determine the effect of BMW's brand experience on brand satisfaction, brand trust and brand attachment. The authors found that, as with the study by Long, Axsen, Miller and Kormos (2019), there was a high level of brand loyalty among BMW owners in the sample. Brand satisfaction showed a positive influence on brand trust, however but also showed that brand experience did not have a significant influence on this. Brand attachment among the BMW owners in the study was positively influenced by brand trust, and it was shown to be significantly less influenced by brand satisfaction.

Research by Björck and Lu (2019) focused on the effects that the country of origin (COO) and country of ownership (COOW) have on the consumer perception of brand image. COO

is defined as one aspect of a brand origin and defines the country to which a brand belongs (example: BMW and Germany). COO influences the consumer perception of product quality (example: German Engineering), perceived value, and brand attitude. It also affects consumers' purchasing behavior and brand evaluation. On the other hand, the country of ownership or COOW defines the origin of the brand/company owner. This can positively or negatively impact the consumer's attitude towards the brand. This knowledge was well-used and displayed in the research by C.D. Simms and P. Trott (2006) which analyses the perceptions of the BMW Mini brand. In this study, it was clearly defined how the historical associations, which include COOW, have a clear impact on the perception of the Mini brand. Through BMW's purchase of the brand, the research has shown how important it was for BMW to not change the brand, but to nourish its British roots (COO) and to keep the historical associations in mind through the changing of the COOW.

Research by Björck and Lu (2019) focused on domestic Chinese automotive EV brands (BYD, NIO, BAIC, BJEV), mixed blood companies and brands (NEVS, Denza), and foreign brands (Tesla). For domestic Chinese brands, the researchers concluded that Chinese consumers have a strong sense of ethnocentrism and that they support domestic brands to support the country. For mixed blood brands, consumers seek to validate the foreign components of mixed blood brands as a guarantee of cognitive evaluations such as quality, design, and manufacturing. When it comes to foreign brands, in this case Tesla, Chinese consumers seek the status and social approval that a foreign brand vehicle conveys. Recent BMW i announcements of the first tailor made models made exclusively in China for the Chinese market suggest that BMW has been trying to project an image of a mixed blood brand. This BMW announcement came soon after the realization of the findings presented in the research by Hu and Yuan recent (2018). Authors propose that Chinese policy support for native automotive manufacturers disadvantages premium car manufacturers like BMW in the new energy vehicle (NEV) sector ((BMW Group PressClub, 2022)).

The Chinese exclusive BMW i3 eDrive35L is a project of BMW's Chinese joint venture, BMW Brilliance Automotive Ltd. In theory, it is the first 100% Chinese BMW with ownership and manufacturing roots tying it to China. Whether this influences the perception of COOW or not, research by Johansson, Koch, Varga and Zhao (2018) revealed that changing the COOW in the automotive sector leaves consumers confused about the perceived brand image. Further research in this particular market would be needed to determine the effect of Chinese based BMW models (BMW Group PressClub, 2022); BMW Brilliance, 2003).

BMW i, despite being a BMW sub-brand, is a German brand owned by a German company that instils the perception of quality both in the domestic market and across the borders. This opens the question regarding whether people are still keen on choosing an EV with lesser capabilities, based on positive brand perception, or whether they are seeking the best EV capabilities such as range, acceleration, and price/performance ratio. Key factors influencing

consumers' purchase of EVs are price premiums, life expectancy and prices of batteries, the lack of charging infrastructure, and the time required to charge an EV. This was proven in research by Deloitte's Global Automotive Consumer Study (2021) and by Tu and Yang (2019). Consumers also put a lot of weight on external influences and self-control ability, despite believing in objective information communicated by the manufacturers.

### **3 BRAND CONCEPTS**

BMW founded BMW i in 2011 as a sub-brand for their electric vehicle releases. As it is a reasonably new sub-brand, there is little to no known research done regarding its brand equity. Furthermore, we are interested in how the sub-brand affected the BMW parent brand and how consumers perceive BMW i in the space of electric vehicle branding. BMW i is competing against other major brands and their EV sub-brands, and newcomers or pioneer brands such as Tesla. (BMW Group, 2011)

These brand concepts were chosen based on a literature review of past studies indicating the relevance of the chosen brand concepts on the consumer-based brand perception. Research by Phan, Nguyen, Truong and Huynh (2019) showed a statistically significant impact of brand equity factors on both the brand loyalty and the willingness to purchase automobiles in Vietnam. Among these concepts, researchers found that brand loyalty positively impacted purchase intention. Building upon these concepts, a study by Lashari, Ko and Jang (2021) found several consumer perceptions that influence consumer intention to purchase EVs. Furthermore, research by Huang and Sarigöllü (2014) confirmed the positive impact of brand awareness on consumer preference, market outcome and the positive relationship of brand awareness and brand equity. Perceived quality, brand attitude and electronic word-of-mouth have also been shown to have a significantly positive impact on purchase intention. This connection was found by Nuzula and Wahyudi (2022) who also found that perceived risk does not significantly impact the purchase intention of luxury products. A research paper by Eslami (2020) found numerous connections between the elements of brand equity, most notably the significant effect of brand image on brand loyalty.

Understanding how consumers perceive both the parent brand and the sub-brand BMW i is crucial to understanding how the electrification and connected brand activities affected consumers perception of the brand at hand. This can be done through analyzing the elements of brand equity. These concepts can be used to understand the impact of vehicle electrification on the BMW brand and how it can impact consumer perception, loyalty, and willingness to purchase.

To further explore BMW i's brand and its relationship to the parent brand and competitors, brand concepts which include pioneer brand advantage, brand dilution, brand heritage and brand trust were also included. To understand the core problem of this thesis it is important

to explore how the introduction of the BMW i sub-brand influenced the perception of the parent brand BMW and how BMW i's market entry influenced the brand heritage, potential brand dilution and brand trust. Relevant studies to support the chosen concepts are listed in the following subchapters.

### **3.1 Brand equity**

According to Aaker (1991, p. 14) consumer-based brand equity comes as a result of a high level of awareness and familiarity with a particular brand which consumers see as favorable, unique, and memorable. Consumers also develop specific unique brand associations; in some cases, brand awareness alone is enough to create a positive consumer response. Positive brand awareness alone is enough when consumers make low-involvement decisions based on their familiarity with a particular brand. When consumers are faced with more significant purchases, brand associations and uniqueness play a critical role in the decision-making process. When considering repeat purchases, consumers also consider the best brand experiences and brand loyalty. In the context of buying an electric vehicle, the decision is undoubtedly not considered a low-involvement one. In the case of BMW i, more research is needed to uncover the potential shared benefits of parent brands such as BMW. Another factor greatly benefiting BMW's and BMW i's brand equity is also brand experience. To experience a BMW, one does not need to own one. They are around us, and every one of us has probably had an experience with the brand in day-to-day life. In research by Pina and Dias (2020) it is shown how brand experience has a positive influence on consumer-base brand equity. The same findings were found in research by Amin Beig and Ahmad Nika (2019). While that might be true, this thesis needs to focus on electrified BMW models only. An exploration of BMW i brand experiences and their influences will be included in the empirical part of the study.

Research by Phan, Nguyen, Truong and Huynh (2019) investigated the factors of brand equity and how they affect the purchase intention of car buyers in the city of Ho Chi Minh, Vietnam. While their results aligned consistently with those of previous research, they have determined a new factor called "Brand psychology", which showed a statistically significant impact on brand loyalty and consequently purchase intention. With these findings, the researchers confirmed past research judgements that factors such as brands preferences, design, models of cars and psychology do impact the consumers' consumption intentions. While this study limits its research to the city of Ho Chi Minh, Vietnam, it is reasonable to presume that automotive designs and models impact the purchase intention of consumers in other markets as well. The major change of design language that came with vehicle electrification at BMW was pointed out by Schwedes and Keichel (2020). Authors agreed that the newly introduced models (the i3 and the i8) did not resemble anything BMW made in the past. Exploring these subjective perceptions and their impact proved to be worthwhile for future research.

### 3.1.1 Brand awareness

Research by Keller and Swaminathan (2019) divides brand awareness into two parts. The first one is brand recognition and the second one is brand recall. Brand recognition is defined as the consumer's ability to recognize the brand based on prior exposure when given the brand as a cue. Brand recall is the consumer's ability to retrieve the brand from their memory when thinking of a particular product category. When it comes to brand recognition and recall, consumers are generally more adept at recognizing the brand than recalling it. Strong brand awareness is a critical factor for both product and service brands. To build a strong brand in the minds of the consumers, it is crucial to create brand awareness that influences the formation and the strength of the associations that make up the brand image. The first step to creating a brand image is to establish a brand node in the consumers' memory, in which all the later brand associations and other brand-related information will be stored in the minds of the consumers. These findings are confirmed by numerous studies, including a study by Khurram, Qadeer and Sheeraz (2018) which confirmed that the higher the brand in the memory of the consumer, the greater the purchase intention. The same study also confirmed the notion that the most recalled brands enjoy a better market performance. Therefore, a conclusion can be drawn that brand awareness positively impacts both the purchase intention and the equity of a brand.

When making a purchasing decision, a consumer will create a consideration set of potential brands and products. High brand awareness will increase the likelihood that the brand will be a member of the considerations set. Prior research has shown that consumers are very loyal to just one brand, but also have a small set of brands between which they choose. The higher the brand awareness and the more positive associations a consumer has with a brand, the higher the chance that a consumer will pick out the brand from his narrow consideration set. This has been confirmed by both research papers cited in this paragraph. A high level of brand awareness can affect the choices among the brands in consideration, even if there are no other associations to those brands. Former research by Macdonald and Sharp (2020) has shown that consumers sometimes tend to adopt a decision rule to buy only the more established and familiar brands. The same research also shows the tendency among brand aware buyers to dominantly pick the brand they are familiar with. Reflecting the findings of these studies should result in BMW i carrying a significant brand awareness advantage of being a sub-brand of a well-known, established, and highly familiar brand (Keller & Swaminathan, 2019, p. 49)-

Keller and Swaminathan (2019) use a concept called “consumer purchase ability” in the context of product categories, where knowing the quality of a product is hard without necessary knowledge or experience. The example the authors mention are products with a high degree of technical sophistication. In such cases, consumers will use shortcuts that make their decisions as simple as possible. The importance of providing the consumers with a brand experience and knowledge through the use of automotive dealerships has been proven

in two consecutive Deloitte Global Automotive studies (2021, 2022). The importance of providing first-time EV buyers with a product experience was also identified in research by Zarazua de Rubens, Noel and Sovacool (2018). However, the authors found that dealerships pose a significant purchase barrier at the point of EV sales. In 82 out of 126 analyzed EV purchase experiences, authors identified a dismissive relation towards EVs, which resulted in misinformed shoppers and a drop in EV sales. Keller and Swaminathan (2019) also mention that consumers sometimes simply choose the brand they are most familiar with and aware of. Seeing that electric vehicles are a novelty and technically sophisticated products, consumers might find themselves overwhelmed with their purchasing decision. In this sense, introducing BMW i dealerships should result in positive brand experiences and increased purchase intention.

### 3.1.2 Brand image and associations

According to Rosenbaum-Elliott, Percy and Pervan (2018), building strong brand awareness through repeated exposure, whether in advertising or other relevant exposure cues, is needed to create substantial brand equity. Brand images are created by forming favorable memories and associations in the minds of the consumers. Brand associations might be related to either brand attributes or brand benefits. Brand attributes are descriptive features that characterize a product or a service, while brand benefits represent personal values and the meaning behind the products and services. Consumers constitute beliefs about their brand attributes and benefits not only through marketing activities but also through other channels such as word of mouth, consumer reports, logos, personal identification with the brand, etc. Marketers should also manage other sources of brand image in the best way possible. Brand associations should be unique and favorable and should not be shared with competing brands. The open concept to mention here is existing brand knowledge and product information. The more knowledge a person has in, the deeper the person thinks about the brand, and the more significant the resulting brand associations will be. These findings raise concerns regarding BMW's major design change, which was described by Schwedes and Keichel (2020) as a completely new approach to interior and exterior design which completely disregards everything that BMW has done in the past. What this means is that BMW i changes the major elements that build brand image and associations.

It is generally accepted that direct experiences create the most potent brand attribute and benefit associations, representing the most influential factor in the consumer's decision process. BMW is a brand that heavily relies on its showrooms and resellers to provide potential consumers with a direct experience of their products. To bring the vehicles closer to consumers, BMW and BMW i was one of the first brands to open up a so-called "urban store" inside shopping malls in seven countries worldwide. This was part of BMW's future retail strategy, which aimed to redevelop BMW's physical experience at the dealership and how BMW consumers interact with the product in the sales process. Opening a BMW i exclusive dealership may also minimize risk mentioned in research by Zarazua de Rubens,



Noel and Sovacool (2018) which identifies dealerships as a barrier to EV sales based on the fact that dealerships prefer to prioritize sales of ICE vehicles (Rosenbaum-Elliott, Percy & Pervan, 2018; Gallo, 2014).

### 3.1.3 Perceived quality

Keller and Swaminathan (2019, p. 166) define the difference between perceived quality and actual or data quality in that persistent quality acts as a basis for building high levels of perceived quality. Perceived quality is defined as the consumers' perception of the overall quality of the product, or its superiority concerning its intended purpose in relation to the alternatives. It cannot be objectively determined. It is purely subjective and differs from person to person and based on their personalities, needs, and preferences. A consumer can be satisfied with a product of inferior quality if the price matches the expected quality of the product. However, high perceived quality is never consistent with low expectations. It is best described as an overall feeling about the brand that is defined based on underlying dimensions such as reliability, performance, and characteristics of the product and services. To better understand what those underlying dimensions are, a study by Stylidis, Wickman and Söderberg (2020) developed a perceived quality framework based specifically on the automotive industry. By conducting qualitative research with 10 automotive OEMs, the authors defined the dimensions upon which the factor of perceived quality can be objective and reproducible. Perceived quality attributes that showed a significant impact on the concept are paint quality, appearance quality, illumination quality, joining quality, material quality, geometrical quality, solidity, sound quality and smell quality. Having automotive based perceived quality attributes builds upon the findings of Aaker (1991) and provides both researchers and OEMs with a framework that can be applied when assessing automotive product quality.

High perceived quality is often the key reason for a purchasing decision when the consumer feels overwhelmed by all the information. This makes it hard to make an objective determination of quality. This is also true when objective information may be unavailable, or the consumer may not have the ability or resources to obtain and process the information. In these situations, perceived quality factors as a big “reason to buy”. According to David A. Aaker (1991), high perceived quality makes all the marketing program elements more effective. If a brand suffers from a perceived quality problem, it is hard to overcome it in a short time. Perceived quality is built with consistency, sound work/proof of work, and time. High perceived quality is also a determining factor for product differentiation and brand positioning. Brands with high perceived quality control the price premium and increase profits or resources for further research and development. If a brand does not decide to charge a price premium but offers a superior quality product for a competitive price, it is a good strategy for increasing their customer base, brand loyalty, and more effective and streamlined marketing programs. Research by Marakanon and Panjakajornsak (2017) points out the importance of noting that perceived quality is still a personal perception, which

differs from consumer to consumer and is based on the product or services that come without definite standards. Researchers also found that perceived quality does not directly affect brand loyalty. The relation of perceived quality to brand loyalty is indirect, however, the same research confirmed the impact of perceived quality both on perceived risk and consumer trust. The same relationship is observed by Aaker (1991).

In research by Jacobson and Aaker (1987), the following insights between the perceived quality and other vital strategic variables, including ROI and ROS (Return on Sales), were discovered: perceived quality impacts market share (the higher the perceived quality, the higher the market share of the product), perceived quality alters the price (brands with higher perceived quality can charge a significant price premium), perceived quality influences overall profitability without the implication of an increased market share and price premiums (this is done through higher customer retention and less competitive pressure), and perceived quality does not impact cost negatively (I did not want consumers to perceive a brand as high-quality and not costly. When a company provides high objective quality, the positive benefits of high perceived quality will follow as well).

To assess the perceived quality of a specific brand, it is necessary to consider what influences it. To determine perceived quality, a set of quality dimensions is used, as recommended by Moore (2016) and backed with research by Marakanon and Panjakajornsak (2017) that shows the significant effect of performance, product safety, worthiness, and reliability on perceived quality. Furthermore, research by Ariffin, Yusof, Putit and Shah (2015) also shows that in the field of environmentally friendly products, green value and emotional value both act as a significant influence on perceived quality. When using the quality dimensions, it is essential to use and understand the context of the brand. BMW i is a brand that projects a “green” image and falls into the category of environmentally friendly products. Following is an assessment of BMW i with the principle of quality dimensions based on all three research papers:

1. Performance: How well do BMW i electric vehicles perform in terms of speed and range and in comparison to direct competitors?
  2. Features: Do BMW i vehicles offer modern competitive features?
  3. Conformance with specifications: Are BMW i vehicles safe and secure?
  4. Reliability: Will electric BMW i vehicles work each time when needed?
  5. Durability: How long will electric BMW i vehicles last?
  6. Serviceability: Is BMW i's service system competent, efficient, and convenient?
  7. Fit and finish: Do BMW i vehicles look and feel like a product of premium mobility?
1. Tangibles: Do the end finish, vehicle design, service, and show centers imply quality? Does this product promote an environmentally friendly image?
  2. Relations to parent brand: Does an electric BMW i still replicate the values of BMW?

These dimensions will serve as the foundation for further empirical research.



### 3.1.4 Brand loyalty and brand trust

According to Aaker (1991), brand loyalty is commonly named a core figure of brand equity. Brand loyalty measures a consumer's level of attachment to a brand. High brand loyalty is observed when consumers choose a particular brand even if the competitors offer superior features or better pricing. This proves that the brand provides certain benefits. The benefits and the value that loyal consumers perceive are therefore based on an attraction to a brand, its slogan, symbol, and legacy. Brand loyalty is not something which brands can buy or quickly gain; it is formed by years of effort and building brand trust. The positive effect of brand trust on brand loyalty was also found in research by Kwan Soo Shin, Amenuvor, Basilisco and Owusu-Antwi (2019) and Evans, Jamal and Foxall (2009). Both authors name brand loyalty as an outcome of brand trust. Additionally, research by Kwan Soo Shin, Amenuvor, Basilisco and Owusu-Antwi (2019) also identifies the positive relationship between brand commitment and brand loyalty. These finding can be intertwined with the insights from research by Long, Axsen, Miller and Kormos (2019) which have shown that committed BMW owners show much higher levels of brand loyalty when asked if they would purchase an electric BMW. To understand why brand loyalty matters, Aaker (1991) defined it as a vital strategic asset that, under correct management, reduces marketing costs and trade leverage, attracts new customers, and gives the company more time to respond to competitive threats. Furthermore, to keep this strategic asset and the value it brings, it is crucial to maintain and enhance consumer loyalty. The concept of brand loyalty is best explained in the context of a five-level pyramid, as seen in figure 3 below.

*Figure 3: Brand loyalty pyramid*



*Source: Aaker, 1991*

At the lowest level of the pyramid are consumers indifferent to a brand. They are non-loyal buyers and will gladly switch brands based on price and convenience. The second level represents the consumers who are satisfied with the brand or at least dissatisfied. These consumers are often called habitual buyers and represent a group of consumers considered vulnerable to competitors who can convince habitual buyers to switch brands. The third level of the brand loyalty pyramid consists of consumers who are satisfied with the brand, but in addition, they have certain switching costs, making them less vulnerable to marketing actions from competitors. If competitors want to convince this group of consumers, they have to guarantee the same level of performance, and secondly, the benefits of switching the brand have to be greater than the switching costs. The fourth level of the brand loyalty pyramid is the first level where one can find consumers who like the brand. They have positive brand associations, high perceived quality, and can identify with the brand's symbolism. They are emotionally connected to the brand and develop long-term loyalty to the brand without having a precise reason. Defining why they develop these feelings is hard to specify. The final fifth level represents the committed buyers. The brand helps them express who they are and the values they stand for. They are proud to be users of the brand and gladly spread their excitement about it to others. A study by Mabkhot, Shaari and Salleh (2017) on brand loyalty in the Malaysian automotive industry shown the importance of brand loyalty to prevent consumer migration to competing brands. The same study also points out the importance of brand trust, brand image and brand personality to increase levels of brand loyalty and keep consumers at the top of the brand loyalty pyramid (Aaker, 1991).

Research by Munuera-Aleman, Delgado.Ballester and Yague-Guillen (2003) defined brand trust as a state of feeling secure while interacting with a brand perceived to be reliable and devoted to the satisfaction of the consumer. According to Lalaounis (2020), one of the aspects consumers worry about when buying products (everything from FMCG products to more significant purchases, such as cars) is the risks associated with their buying decision. Those risks include the operational risk (will the product work), the physical risk (will the product hurt me or those around me, which is an essential factor when buying an electric vehicle), the financial risk (is it worth the price), the psychological risk (will it communicate the right message to those around me), time risk (will I have to spend more time to find a product that suits me if I am disappointed with my purchase) and lastly the social risk (will it contribute to my well-being and satisfy my expectations). All the risks listed are reduced when a brand develops a trustworthy image in the eyes of consumers. Brands with high levels of perceived brand trust are perceived as dependable and with consumers' interests in mind. Trusted brands also fulfil consumers' expectations. Trustworthiness is a significant factor impacting consumers purchasing decisions as it reduces the fear of the risks mentioned above. Brand trust is developed through several pathways, such as word of mouth, consumers' experience, advertising, and reputation. Another thing applicable to premium products is the effect of brand trust on price tolerance. Potential buyers will be more tolerant of higher price points if they perceive a brand as trustworthy. All the above-mentioned risks are exceedingly profound when considering the financial risk of buying a new car. In

research by Simsekoglu & Nayum (2019), high purchasing cost remains the most substantial barrier keeping people away from choosing an electric vehicle.

BMW as a brand enjoys the benefits of having dedicated consumers that form clubs and owner events. These BMW lovers proudly wear BMW lifestyle clothing and other merchandise provided by BMW. The question that remains open for research is how these BMW lovers will translate into BMW i lovers once BMW moves towards an electric future. Are BMW lovers also BMW i lovers, or is the electric sub-brand too far removed from what BMW stood for in the past 50+ years? Objectively speaking, BMW i seems far removed from the origins of the brand and their past slogans such as “The Ultimate Driving Machine” and “Sheer Driving Pleasure”. As mentioned before, BMW i vehicles still feature the infamous front kidney design, which is an element that links electric BMW i vehicles to their parent brand and their legacy. Both of the concerns were also shared in the book by Schwedes & Keichel (2020). BMW i’s initial market entry strategy was to create standalone vehicles that featured a standalone BMW i platform. They followed this strategy with the BMW i3 and the i8 but have since created a hybrid strategy, in which consumers are offered regular BMW models, such as the 3 Series, but electrified. This also ties BMW i closer to the parent brand and models their consumers love (the established 3 Series, 5 Series and others), just electrified (BMW Group Classic: BMW Clubs, n.d.; BMW USA, n.d.).

Whether this was the right strategy is a question that needs further in-depth research through a focus group in the empirical part of the thesis.

### **3.2 Pioneer brand advantage**

As mentioned in the global market overview, there were only 17000 electric vehicles on the roads at the end of 2010. By the end of 2019, there were 7.2 million electric vehicles on the world's roads. The vehicle electrification trend opened up market opportunities for previously unknown brands, who took this transformation as an opportunity for a sudden rise and market share prevalence. Research by Besharat, Langan and Nguyen (2016) on pioneer brand advantage shows that the order of entry to the market influences how a brand is perceived and how consumers evaluate its attributes. An early entry into an emerging market can determine how the product attributes are valued and how an ideal product is constructed (an ideal combination of attributes). However, research by Mady (2018) shows that even more than being the first to the market, it is important to be the first in the mind of consumers. This is especially true in emerging markets such as India, where social norms play a bigger role than in developed markets such as the USA. Pioneering brands enjoy the privilege of being highly representative of a product class. A pioneer or a first mover gets the advantage of building brand loyalty, creating switching costs for consumers. They also have time to develop broader product lines to pre-empt competition and achieve economies of scale. However, contrary to the research by Besharat, Langan and Nguyen (2016), research by Mady (2018) shows that this is not universally true. Consumers in developed

markets might perceive pioneering products as being “prototype” like, which means they might come with certain initial problems that can be better tackled by later market entrants. According to the author, consumers might also perceive later market entrants positively as they put in more effort to overcome the pioneer’s beneficial position (IEA, 2020).

In research by Besharat, Langan and Nguyen (2016) and Zhang and Markman (1998), the focus is put not only on the benefits of pioneering brands, but also on the strategies that late entrants can take to capture a significant market position. Seeing as BMW i is a late entrant, it is essential to analyze its entry and determine the success of its strategy. It is presumed that late entrants to the market can implement three different market positioning strategies in order to compete with an early entrant who obtained the pioneer brand advantage. The first strategy is called the “enhancing strategy”, which is built upon the fact that a brand has to provide a superior product performance and common and similar product attributes. The second strategy is based upon providing a unique feature that does not align with the common product attributes of the product class. The third strategy, commonly applied to fast-moving consumer goods (FMCG), is based on copying the attributes of the pioneering products. This strategy is often called the “me-too” strategy, and the products which use this market entry strategy position themselves based on price. The “me-too” strategy is ineffective when competing brands have no prominent price advantage. The research by Besharat, Langan and Nguyen (2016) then concluded two experiments that examined the value relevance of attributes that are aligned and not aligned. The two experiments showed that the market's late entrants could benefit from a distinctive or an enhancing strategy. What matters is the relevance of the new attributes. This goes against what prior research deemed best. It was thought that the best late entry strategy was an enhancing strategy built upon a product's recognizable attributes. An enhancing strategy was not recommended, as non-aligned attributes were perceived as less effective and valuable. Another valuable finding by Besharat, Langan and Nguyen (2016) was also the role of pricing when conducting a late market entry. The researchers discovered that in a scenario where consumers value a non-aligned attribute, price differentiation does not affect the ability of the late entrant to overtake market share from a pioneering brand. In an opposite scenario, when consumers do not value the non-aligned attributes of a late entrant, products with higher prices can overtake a significantly bigger portion of the pioneer's market share compared to products with lower prices.

According to EV release dates and several Reuters contributors Taylor, Shirouzu and White (2020), Tesla is considered a pioneering brand in the 2010 - 2021 battery electric vehicle market. Tesla first presented itself to the market with the Tesla Roadster, but its real success began with introducing the Tesla Model S sedan. Tesla Model S was first sold in 2012 and immediately revolutionized the BEV market with its prominent attributes, the same attributes upon which Tesla builds their brand today. The 2012 Tesla Model S had a range of 335 km and a 0-100 km/h speed of fewer than 5 seconds. These performance figures are still impressive today, which explains why the Model S was so pivotal to the automotive

market in 2012. Its spacious interior, high-tech features, and comfort immediately became a threat to the renowned German sedans such as the BMW 5-series, Mercedes S-class, and other non-electric luxury cars of the time.

To determine what market entry strategy BMW used in 2013 (over a year later than Tesla), it is necessary to compare the product attributes of both BEV models. The BMW i8 will not be included in the comparison as it is not a battery electric vehicle. The models in the comparison will be the base model 2012 Tesla Model S and the base model 2014 BMW i3.

*Table 1: Base model Tesla Model S and BMW i3 comparison*

<b>Features/Characteristics</b>	<b>2012 Tesla Model S (Base model)</b>	<b>2014 BMW i3 (Fully electric, no hybrid range extender)</b>
<b>Pricing – US Domestic Market</b>		
Retail price at release	\$49.648,46	\$38.810,50
<b>Powertrain</b>		
Engine	Electric	Electric
Power	380 hp @ 5000 rpm (283 kw)	168 hp @ 4800 rpm (125 kw)
Torque	430 Nm	249 Nm
Transmission	Single-speed	Single-speed
Drivetrain	Rear wheel drive	Rear wheel drive
<b>Battery</b>		
Battery type	Lithium-ion	Lithium-ion
Energy	60.0 kWh	19.0 kWh

Table continues

Table 1: Base model Tesla Model S and BMW i3 comparison (continued)

Features/Characteristics	2012 Tesla Model S (Base model)	2014 BMW i3 (Fully electric, no hybrid range extender)
Charging times	120V: 65.0 h 240V: 10.0 h 400V: 1.2 h	120V: 15.0 h 240V: 6.0 h 400V: N/A
<b>Range</b>		
Electric autonomy	335 km	130 km
<b>Aligned attributes</b>	Fully electric drive, same battery technology, keyless entry, same transmission concept and engine start/stop technology, wireless connectivity, internet access, different driving modes, digital tachometers, dual led screens, similar infotainment options (before September 2014, Tesla later announced their auto-pilot functionality, again making them differentiated from competition)	
<b>Non-aligned attributes</b>	Superior almost doubled performance figures at a less than double the price, a revolutionary cockpit design with almost zero physical buttons (everything in the car is controlled via the 17-inch center screen), readily available and expanding charging infrastructure on all continents, and innovative features (autopilot, dog mode, video games, movie streaming, HEPA grade air cabin filter, incredible safety rating)	Superior built quality and finishing, advanced construction materials (carbon fiber chassis, aluminum light body panels), premium interior materials (high quality cloth or faux napa leather used both on seats, front panels and door panels), LED headlights, and range extender option (hybrid drive)

Source: Tesla (2012); BMW Group (n.d.)

Based on this comparison, it is clear that BMW i took a different approach to the market than Tesla, which is considered to be the pioneer. BMW i's vision is based on providing the consumer with a local emission-free mobility option that did not try and top Tesla's performance figures but instead built its name on providing unique features expressed through the use of advanced materials both in construction and in the interior finish. The i3 is also much more adapted to urban living with its compact size and lower battery range. Two empirical studies by Degirmenci and Breitner (2017) found that environmental

performance acts as a stronger predictor of purchase intention than price value and range confidence. Considering these findings, BMW i's approach could prove to be correct (Tesla, 2012; BMW Group, n.d.).

According to the strategic framework developed by Besharat, Langan and Nguyen (2016), we could claim that BMW i's late entrant strategy was based on providing the consumer with unique features that set them apart from the market pioneer. Based on the success of Tesla, one could say that the market preferred the offering of Tesla, despite the higher initial cost. Even though Tesla enjoyed the status of a market pioneer, its popularity and sales records are surely based on providing a highly usable and advanced electric vehicle.

### **3.3 Brand dilution**

Research by Ahn, Park and Hyun (2018) describe brand dilution with an example of consumers being faced with a new and different line extension of products that do not fit with their expectations set by the parent brand. This may lower their perception of the parent brand. This is frequently an occurrence that emerges when a parent brand releases a line of products that do not match with the expectation set by the parent brand, which in return can lead to parent brand dilution. Building on that premise is the importance of a strong brand identity in high-tech luxury products and industries. The researchers pointed out the importance of a strong parent brand in the luxury automobile sector. This is especially important when tackling new and vast markets such as China. With vehicle electrification at the center of attention, many automobile brands, including BMW, have introduced several new products. Brand extension strategies significantly benefit by capitalizing on the parent brand's brand equity. However, as pointed out by Shin, Eastman and Mothersbaugh (2017), it is essential to understand that transferring benefits from the parent brand onto the brand extension is not always successful. Various factors play a part in customers' evaluation of the extended brand. Failures of the extended brand can significantly negatively affect parent brand equity, especially for luxury brands such as BMW. One such example in the automotive field was presented by Kim, Lavack and Smith (2001). The negative effect of a vertical step-down brand extension was observed when Cadillac introduced the sub-brand Cimarron. Although there was no brand cannibalization, the sub-brand still watered down the prestige status of the parent brand. Due to the high risk seen in Cadillac's case, automotive and luxury brands are more prone to using horizontal brand extensions. As opposed to vertical extensions (sub-brands), horizontal brand extension represents the safer option as new products are released under the existing parent brand name and in the same product line or a separate product category. This kind of horizontal brand extension is commonly seen by automotive brands introducing their first electric vehicles. One example is Volkswagen's ID line of electric vehicles released under the existing brand name (Boisvert & Ashill, 2018).

Ahn, Park and Hyun (2018) investigated the impact of brand-related attributes on consumers' evaluation of an extended service brand, using brand equity as the theoretical framework.



They conducted a web-based survey with 324 consumers over 20 who had experience buying luxury brands, focusing on a well-known luxury automotive brand. The results showed that brand awareness, brand association, and perceived quality significantly impacted brand loyalty toward the parent brand. Additionally, brand loyalty significantly impacted the attitude and evaluation of the extended service brand, with future purchase intention varying based on demographic factors such as gender and income.

However, they found that the future purchase intention was different based on the type of consumers. Female participants were much more eager to purchase services from the extended service brand than male participants. The same pattern of higher purchase intention could be observed when analyzing older and high-income groups (Keller & Swaminathan, 2019, p. 341).

By tackling the popular belief that brand dilution comes as a consequence of poorly executed brand extension activities, research by Bacchiega, Colucci, Denicolo and Magnani (2022) found that brand dilution might be a desirable outcome and an opportunity for managers to divest their brand and exploit the financial incentives that come with brand extension. This research does not disapprove of previous findings that confirm financial harm associated with brand dilution; however, it identified cases where brand dilution was used as a monetization tool. Authors do point out that managers need to assess the stage at which a brand can use brand dilution as a viable growth strategy. BMW decided to extend its product line up with electric and hybrid vehicles under the sub-brand BMW i, which is not only a mobility brand but a lifestyle, mobility, and service brand, as BMW stated in their press release. To promote BMW i as a lifestyle brand, BMW i regularly releases “BMW i Collections” that comprise a wide array of clothing and lifestyle products that embody their dedication to premium quality, innovation, and exceptional design. This might indicate that BMW as a mature brand tried to do more than simply release a line of electric vehicles under a new sub-brand. The intention to spread the brand to several non-automotive products is apparent, and it might coincide with the recent findings from Bacchiega, Colucci, Denicolo and Magnani (2022). BMW i is not just a car brand, as BMW once was. It is now a lifestyle brand based on sustainability and mobility in all aspects of life. When making such transitions, brands have to be aware of brand dilution that is based on brand rejection. Research by Khalifa and Shukla (2021) has shown that while brand rejection does not directly impact behavioral intentions. However, if a brand with a highly connected consumer base, like BMW, gets rejected by the said consumer group, brand dilution might appear as a consequence of negative emotions. Peer induced pressure and conformity with the opinions of other brand lovers has to be managed by carefully planned branding and marketing activities that promote feelings of community and inclusion ((BMW Group PressClub, 2018).

This raises a set of questions, which I aim to answer within the scope of a focus group. With the announcement and the activities under the sub-brand BMW i, did BMW i step too far away from the expectations of the parent brand’s customer base? Do their actions harm the



parent brand in any way in the eyes of consumers, or is this the future that a BMW customer seeks as the world looks for ways to reduce automotive CO2 emissions. Is promoting a car brand as a lifestyle brand a good strategy for the modern consumer?

### **3.4 Brand heritage**

Pecot and De Barnier (2017) define brand heritage as a tool to source value from the past. The influence of brand heritage was observed in the case of the automotive brand Mini in the research by Simms and Trott (2007). Authors define Mini's brand image as the key to its differentiation in the small car segment, and several key brand associations have been developed in the minds of the consumers. Those key brand associations that play a part on the emotional level are also based on the brand's history and heritage. When the former British automotive brand Mini went under the ownership of BMW, the cars built under the Mini brand went up in price, but they also received the quality build of a BMW. However, BMW made sure that the roots of the Mini brand have not been forgotten, as they serve as the main selling point of a Mini. Similar findings have been confirmed in the research by Leigh (2006) which confirmed the importance of nostalgia and authenticity in the case of MG owners. Furthermore, research by Urde, Greyser and Balmer (2007) defines brand heritage as a part of brand identity that builds its identity on track record, longevity, core values, symbols and an organizational belief that heritage defines the brand. The research identifies Volvo as a brand that builds its brand on continuous development of safety systems and an organizational belief that having a rich history sets them apart in the market due to history induced brand trust. Research by Pecot, Merchant, Valette-Florence and De Barnier (2018) defines brand heritage as a branded representation of the past and something which influences cognitive and affective responses. Their research focuses on consumers' perceptions of brand heritage. They aimed to develop and validate a measurement scale for perceived brand heritage. The researchers structured the scale based on three dimensions: stability (defined as the perception of duration), longevity (defined as the perception of immunity to radical changes), and adaptability (defined as an ability to adjust to changes in the environment). The developed scale proved stable across different product categories and showed its ability to separate brands within a category. Even though brand heritage proved to be positively related to brand credibility and personal nostalgia, it is still different. Research by Rose, Merchant, Orth and Horstmann (2016) also emphasizes the positive associations and emotions resulting from brand heritage through personal experience and previous associations. Nevertheless, most importantly, they concluded that brand heritage impacts the consumer's purchase intention. The same conclusion, of direct influence of brand heritage on purchase, was also found in research by Song and Kim (2021) and Ford, Merchant, Bartier and Friedman (2018). The research by Song and Kim (2021) also confirmed the positive influence of longevity and nostalgia on purchase intention.

Pecot, Merchant, Valette-Florence and De Barnier (2018) investigated the cognitive effects of brand heritage on consumer outcomes. Their goal was to implement brand heritage into

the brand equity model and observe if brand heritage engages the consumer into paying a price premium or if it raises their perceived quality of a specific brand. The researchers constructed three studies. The first study tested the basic model designed to determine if brand heritage leads to higher levels of brand credibility and perceived brand quality. The researchers used the established chocolate brand "Lindt" as an example and a 10-item scale they developed. The results confirmed their hypothesis and revealed a positive effect of brand heritage on two significant variables: brand credibility and perceived brand quality. The second study was based around three automobile brands with different consumer perceptions, despite their possession of corporate heritage. The aim of the second study was to reveal the extent to which brand heritage is associated with certain levels of perceived brand quality, willingness to pay a premium, and brand credibility. The pretest of the second study was based on a survey of 10 automobile brands with similarly priced offerings. Based on the same brand heritage scale (this time with six items), the participants ranked the ten automobile brands based on the level of brand heritage. Volkswagen was chosen as the brand with the highest brand heritage, Ford with a medium-level brand heritage, and Skoda as the brand with the lowest level of brand heritage. The participants were later asked to declare how much they would pay for a small city car based on the three brands. The second study concluded with the support of the main hypothesis: that brand heritage enhances the perceived brand quality and price premium that the brand can attach to its products. It is important to note that the results of the second study are also influenced by the fact that the participants already knew the brands well. This called for an additional study based around a fictional company with two different logos. One logo expresses modernity, and the second logo is tied to the brand's history and heritage. This study proved once again that even in the case of an unknown brand, signaling brand heritage does evoke feelings of quality in the consumer and, in return, can demand a price premium from the consumers.

Based on the reviewed literature, brand heritage should affect the brand perception of BMW i. BMW is a staple brand in the luxury automotive industry, well known amongst the consumers, which should serve as a beneficial factor when evaluating the BMW i sub-brand. BMW handled the transfer of values and the importance of brand heritage and historical associations with their purchase of the British brand Mini, where they successfully transferred the brand heritage aspect of the brand and applied their footprint to future products.

## **4 METHODOLOGY**

The following part of the master's thesis is based on a qualitative research method that will help discover the hidden opinions and deeper insights into the topic. Through this research, I seek to find the answers to the research questions which I defined at the beginning of the research:

Research question 1. (brand awareness): How would you describe BMW i's product offerings and their electrification strategy?

Research question 2. (perceived quality): How do you perceive BMW i regarding quality compared to other electric car manufacturers?

Research question 3. (brand heritage): Because BMW i is a sub-brand of BMW, does this fact bring up any positive feelings or nostalgia towards their products, and how would you describe them?

Research question 4. (brand trust): How does the BMW i brand influence your trust in buying an electric vehicle?

Research question 5. (brand equity): Suppose another automotive brand would offer the same product as BMW i, would you still instead choose BMW i and why?

The topic of vehicle electrification and its impact on the automotive industry is still not researched enough, especially when considering the impact of electrification on specific brands, such as BMW i. This calls for further qualitative research, which can reveal deeper insights than quantitative research. As defined by Myers (2019, p. 6-13), qualitative research gathers opinions, hidden thoughts, and fears, making it the correct type of research when exploring a new field or topic with little to no prior research. On the other hand, quantitative research allows the researcher to gather a more significant sample of data in the form of numbers which can later be generalized to a more significant population. Research by Gerring (2017) defines qualitative research as based on bits and pieces of incomparable observations that address various angles of a problem. The problem described in this thesis is suitable for using a qualitative research method, as no prior research touched upon a particular brand and its transformation through vehicle electrification. Qualitative research is based on the notion that a researcher cannot understand why someone did something, why someone made a particular decision or why something happened without talking to people about it. Qualitative research methods were developed to help researchers in the social sciences understand the numerous social and cultural phenomena. The records of qualitative research are primarily a record of what participants say, but they can also include their reactions. The motivation behind qualitative research is that besides observing the natural world, we as researchers can talk to people and read what people wrote. In that way, we can explore their thoughts and understand their actions. A qualitative researcher asks questions that begin with what, why, how, and when. There are, however, also downsides to qualitative research. Qualitative research makes it difficult to generalize concepts to a larger population. The sample size, which can be a single or a few organizations, cannot be defined as a sample that we can later generalize to a larger population. Qualitative research is also time-consuming and results in a large amount of raw data that needs work and objective analysis. Qualitative research can only generalize from a study to a theory. This generalization can later be used as a basis for a quantitative study with a more significant sample.

To make the results of my study more credible, I have constructed my qualitative study and study results by implementing guidelines and findings from relevant research I analyzed in the theoretical part of the master thesis.

#### **4.1 Focus group method description**

I used a qualitative research method called “Focus group” to gain a deeper insight into my topic. Barbour (2018, p. 8) defines focus groups as an interview type of research designed for a small group of unrelated individuals. Group members are chosen by the researcher and the criteria that he establishes. The focus group attendees are then led through a series of questions by a facilitator (often called a “moderator”). Myers (2013, p. 9) points out the importance of keeping the focus group dynamic, where the moderator must form an environment where a debate between the focus group members is possible. Through this discussion, conscious, semi-conscious, and unconscious psychological processes and patterns are learned and recorded. The essence of a focus group lies in the exchange among the participants. The focus group method uses group interactions as part of the data collection method; we do not seek the opinions of individuals in a group setting. If our goal is only to collect data on events, behaviors, and feelings, it is better to use one-on-one qualitative methods such as interviews.

According to Krueger M.A. Casey (2022) focus groups usually consist of a few participants; no more than seven for complex problems. A facilitator manages this small number of participants, typically called a “moderator”. A skilled moderator can draw out the participants' hidden beliefs, impressions, and emotional concerns. The moderator must keep the group under control. A controlled focus group is a focus group in which data is gathered optimally and effectively. A moderator must steer the debate in the right direction and manage the dominating members while encouraging the more silent participants. To make this possible, it is best to keep the focus group smaller. In the case of large groups of people, it is best to break the research into smaller groups. Myers (2019, p. 11) prefers smaller groups as they are less likely to become unwieldy and fragmented into smaller subgroups. Bigger focus groups also tend to be more difficult to transcribe, and there is more “group think”. “Group think” is a phenomenon where several group members agree with an idea or a notion due to peer pressure from other group members.

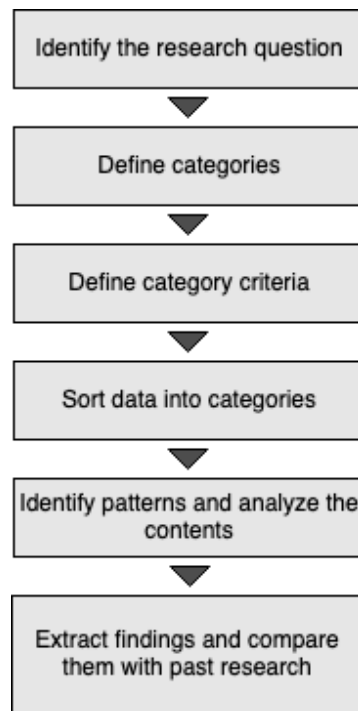
Myers (2019, p. 11-14) conducted an extensive scale literature review to compile the best guidance for focus group moderators and researchers. Based on that review, he established an eight-point ingredient list of focus groups. The first element is a clearly defined objective and research problem. The second element is the formation of a group. The researcher should decide what kind of group is best for the problem (homogeneous/heterogeneous). The group should be appropriate for the research question at hand. The third element is connected to the overall atmosphere of the group. The researcher must create an environment where all group members feel comfortable sharing the information. Furthermore, the researcher must

assure confidentiality for everything the group members say. On the other hand, the researcher must remind the participants that he cannot guarantee the same level of confidentiality from other group members. The fourth element is connected to the moderator. A moderator has to listen actively and follow the direction of the debate. While he must have a defined focus group schedule, he must also allow the flexibility of the debate if the topics are relevant to the research problem. This leads to the fifth element, which demands the moderator to be well-organized and prepared. A moderator can have a list of specific questions or at least conversation topics prepared in advance. While the moderator must structure and guide the debate, the sixth element of the focus group demands that he does not overlap his role. He must avoid giving opinions, suggestions, and comments. The second to last or the seventh element suggests a second researcher present. He serves as an assistant to the moderator. His duties include technical assistance (managing the sound or video recording device), additional observation (observing the group's behavior, paying attention to details), and creating field notes. The last element touches upon the activities that follow a successfully executed focus group. The researcher must analyze the transcript of the focus group systematically. Research by Nyumba, Wilson, Derrick and Mukherjee (2018) analyzed 170 articles using the focus group method. They found that it is important to focus on a clear rationale before choosing a focus group method, to consider why a method is being selected, and to explore if there a better way to approach a topic. Similar to Myers (2019), they point out the importance of focusing on the facilitator skills which must include having good active listening skills, the ability to stay impartial, good communication and observation skills, and the ability to create an environment where people can feel comfortable and supported.

As mentioned, the researcher must systematically analyze the executed focus group transcript. I used the “Content Analysis” method to do this properly. Content analysis is a thorough systematical examination and interpretation of a particular material. It must be done carefully to identify patterns, themes, assumptions, and meaning. The content researchers can be in the form of a video, audio recording, text, or photos. An essential part of content analysis is the coding process, which must allow for examining research questions and data interpretation (Lune & Berg, 2016, p. 165).

The diagram below depicts the process I followed when conducting a content analysis on the focus group transcript. The diagram was developed by Lune and Berg (2016).

Figure 4: Content analysis process



Source: Lune & Berg (2016)

Both Myers (2019, p. 18) and Neuendorf (2017, p. 122, 158) point out that the benefit of content analysis is that it can be easily repeated. It is also straightforward and clear, allowing the final results to be transparent. Its main drawback is the narrow focus of the researcher who pays attention to smaller parts of the data. This results in a loss of context. This method also allows for researchers' bias. Data can be easily interpreted toward the desired outcome.

#### 4.2 Focus group execution plan and discussion topics

I began the focus group discussion by greeting the participants and repeating the discussion topic. I then told the participants what the purpose of their participation was. At the same time, I made sure that the participants knew that they were welcome to debate with other members, form counterarguments and ask questions. I then briefed the participants about the discussion topics and assured them of complete anonymity.

The discussion began with each participant introducing themselves to familiarize members of the group and to test their computer equipment (microphone, connection). I then began the discussion with light introductory questions, which represented the first assembly of questions. The topics discussed were as follows: general opinion on electric vehicles, EV brand recognition, BMW i familiarity, EVs, and the future, EV purchase barriers, and important purchase characteristics.



The second assembly of questions touched upon the importance and the concepts of brands. The participants were asked about the importance of an established brand when choosing an EV. The discussion also discussed the reasons that would convince them to select BMW i before considering other brands. Finally, we closed the second assembly of questions by debating the concept of sub-brands and whether they like that BMW i stands as a separate sub-brand and not just a line of products.

The third and the most extensive assembly of questions focused on BMW i-specific questions. The questions at this point become more in-depth as the participants became more relaxed and willing to talk after the initial two question assemblies. The topics in this part of the focus group touched upon the BMW i brand, design specifics of EVs and BMW i EVs, product materials, BMW i lifestyle products and the brand loyalty of current BMW drivers. The second to last question assembly is dedicated to the competitors of BMW i. The first question of this assembly is about the brand pioneers of EVs and is followed by questions regarding the most significant competitors of BMW i. After that, the debate continued with questions about the functionalities of BMW i products and the respective products from competitors. This section concluded with two questions asking the participants to fill a role of a brand advisor to BMW i and to name their suggestions for the brand's future and what would have to change at BMW i to convince them to purchase their products.

The focus group ended with four questions about how the participants detect BMW i's marketing activities in their environment. The participants are also asked to add any opinions they might have held back during the focus group.

The focus group was structured but the participants were allowed to steer the discussion in a different direction when the course was correct and contributed to the topic.

### **4.3 Focus group sample presentation**

I chose the focus group method to gain a deeper insight into the research topic. Because the research focuses on a particular brand and product, little to no prior research touches upon the consumer perception of the said brand. Therefore, I conducted one focus group with carefully selected participants to get the desired data in the focus group. All the participants have either owned or own BMW vehicles, studied BMW's offerings, had a general knowledge of electric vehicles, know who BMW i's main competitors are, know how a car is constructed (chassis, drivetrain, undercarriage, materials), and follow the news regarding the BMW brand and its direction. When choosing the participants, the emphasis was on their knowledge base regarding BMW i and less on their demographic. My prediction was that a debate could only occur with participants who would be able to understand some of the more in-depth questions about BMW i, electric vehicles and BMW i's competitors.

Table 2: Participant information table

Participant	Age	Gender	Owns or has owned BMW vehicles	Open to the idea of electric vehicles	Education level
Participant 1	44	Male	No	Yes	Upper secondary education
Participant 2	22	Female	Yes	Yes	Upper secondary education
Participant 3	29	Male	No	Yes	Master's degree
Participant 4	35	Male	Yes	Yes	Bachelor's degree
Participant 5	29	Male	No	Yes	Bachelor's degree
Participant 6	25	Male	Yes	Yes	Doctoral degree

Source: Own work

## 5 RESEARCH RESULTS AND FINDINGS

The analysis was done according to the plan constructed by Berg and Lune (2016) and featured in Image X. By doing a systematic analysis of the qualitative data I gathered, I extracted the main findings from a considerable amount of content. In addition, the video and audio recordings I recorded served as a basis for transcription. The said transcript can be found in Annex X. After several readings of the transcript, I developed eight categories. I then sorted the data into the appropriate categories based on the criteria I developed for each of the eight categories. Once the data was allocated adequately in relevant categories, I focused on finding the most common patterns and themes. Based on this process, I later discovered the answers to the research questions:

Research question 1. (brand awareness): How would you describe BMW i's product offerings and their electrification strategy?

Research question 2. (perceived quality): How do you perceive BMW i regarding quality compared to other electric car manufacturers?

Research question 3. (brand heritage): Because BMW i is a sub-brand of BMW, does this fact bring up any positive feelings or nostalgia towards their products, and how would you describe them?

Research question 4. (brand trust): How does the BMW i brand influence your trust in buying an electric vehicle?



Research question 5. (brand equity): Suppose another automotive brand would offer the same product as BMW i, would you still instead choose BMW i and why?

In the end, I summed up the findings and compared them to the literature that was reviewed earlier.

## **5.1 Focus group results**

The focus group took place on 20 October 2021 and lasted one hour and five minutes.

### **5.1.1 Introductory questions**

I opened up the discussion with seven essential questions related to the participants' general opinion on electric vehicles and the state of the automotive market and its future. I also touched upon their stance towards BMW i and inspected their current brand knowledge.

I began the focus group by examining the participants' general opinion of electric vehicles. Some embraced them as the future, but the participants were generally cautious about owning an electric vehicle. Participant 1 stated: "Maybe I am not that much of an electric vehicle fan, I like the smell of petrol. But the technology is advancing and going forward and so does the time, so we have to follow that too, I think". Participants 2 and 6 agreed with his opinion and added that they still support petrol and diesel engines. Participants 5 and 4 stated that it seems too early to switch to an electric car. Their statements were: "for now, I think it is too early even to consider such a vehicle. None of the electric vehicles has drawn me in, or better yet, no manufacturer has been able to do so."

When asked about what electric vehicle brands they can name from memory, they named Tesla most frequently, followed by Hyundai and Volkswagen. Some participants also named other brands, such as Porsche, NIO (a Chinese brand), BMW, Mercedes, and Audi. Notably, one participant highlighted BMW as a key player in the electric vehicle market. However, it is important to keep in mind that participants' responses may be influenced by personal preferences, location, and other factors, and may not provide a comprehensive overview of the market.

In the third question, the participants were asked about their familiarity with BMW i and what they found remarkable about BMW i EVs. Participant 1 shared that they believed the first BMW i was the i3 in 2013, which they saw in person and found intriguing due to its unconventional design and the narrower tires it sported. They also mentioned being aware of several newer BMW i models. Participant 3 acknowledged having seen the "i" letter used by BMW but said they had only just realized it was a distinct sub-brand. The unique design of the BMW i vehicles was a prominent feature noted by all participants, with Participant 4 specifically remarking on the i3's futuristic appearance. Overall, the participants had some

basic familiarity with the BMW i brand and were familiar with its most well-known products.

In the fourth question of the introductory question segment, the participants were asked about their brand associations with BMW. The majority listed "sportiness" as the primary brand association, with other answers including good quality, attention to detail, and a history of motorsports. When asked if they would assign the same associations to the BMW i sub-brand, four out of six participants disagreed, with three stating that BMW i lacks the athletic spirit of the parent brand. They agreed that BMW i needs sportier models in their line-up and a sportier sound.

Participants were asked about the future of the automotive world, and two debated whether the future of the automobile would be electric. They pointed out rising electricity costs as a barrier to electrification, and one participant suggested keeping a petrol car for pleasure.

When asked about the barriers to owning an electric vehicle, participants listed characteristics of EVs such as price, infrastructure, charging time, and range, as well as a lack of similarity to current petrol and diesel vehicles they own. Participant 1 opened the debate with several insights: "I would make a decision based on the price and not just the purchase price. As of now, I would consider the rising price of electricity and if owning an electric vehicle will still be feasible or not. If I needed an electric vehicle for short distances of 10, 20 km daily, I would consider a smaller EV, like a Renault ZOE". Some participants also mentioned emotional ties to their vehicles. One participant pointed out the rising price of electricity as being an important factor when making a decision, while another pointed out concerns regarding the lack of "soul" (due to a lack of engine sound) and the infrastructure for EVs. Another interesting insight was the difficulty of finding an electric car with a good driving range and fast charging outside the luxury segment. Participant 3 pointed out that unless you are able to afford a top-end luxurious EV, you are still limited by the poor driving range and a lack of fast charging time. One participant also expressed concerns about the warranty for EVs as he still perceives them as novelty products that carry a high risk.

#### 5.1.2 Brand concept-related questions

In the second segment of questions related to branding concepts, participants were asked if they would feel safer choosing a product of an established brand when buying an electric vehicle. All participants agreed that they would feel safer choosing a sub-brand of BMW or Mercedes instead of a new brand like Tesla or NIO. Some participants noted that electric cars are in the early stages of development, so there are fewer known faults. Participant 1 pointed out: "when looking at petrol or diesel cars, it is different, we know what brand and model has certain faults...". He pointed out that there are significantly fewer known faults with EVs due to their place in the early stages of electric mobility. Participant 5 said that he

already chooses automotive brands he trusts based on reputation, and Participant 6 would choose Mercedes-Benz because it is his brand of choice for non-electric cars.

The second question asked why participants would choose BMW i over other brands with competing products. Participants had varied responses, but they revealed insights into concerns about the quality and long-term reliability of the cars' battery and electric motors. All participants agreed that they were not drawn to BMW i based on the brand's reputation or for the social status it conveys. Participant 2 noted that she would choose a vehicle from a respected brand because she expects that they have enough experience to make a good and safe car. None of the participants would buy a BMW i solely based on the brand.

The last question asked for the participants' opinions on the BMW i sub-brand. Opinions varied from “I don't care” to “I like the sub-brand concept.” Participant 1 was indifferent towards the sub-brand, but said that people would still associate it with German quality and history, so the parent brand would not lose anything. Participant 2 did not care about the sub-brand, while Participant 3 defended BMW's decision to release EVs under a sub-brand. He believed that it showed dedication to differentiation and a separate platform to dive into. Participant 5 agreed and said that engineers from the BMW brand and BMW i sub-brand are likely on different learning principles. Participant 6 said that he believes BMW will always strive towards quality, and they will work on developing their technology and not copy other brands.

### 5.1.3 Focusing on BMW i product specifics and problems

During the debate about BMW i products, several questions were asked. The first question asked the participants whether they thought it was essential to have an electric vehicle built on a completely new platform. All participants stated that they did not care about the platform of a car. However, Participant 1 wondered if a classic-looking BMW with a fully electric drivetrain would equate to higher sales.

The second question asked the participants if they valued the brand or the ratio between price and performance more. Participant 3 stated: “Yes, I think I would take notice of that ratio, but I would also include the look of the car and the trust into that equation. To be honest, I do not trust Chinese manufacturers, nor their systems, assistance systems I especially don't trust, so I would not choose a Chinese car for those reasons”. Participant 4 noted that an established, trustworthy brand is important, and that he would look for better vehicle performance, but that the price also has a limitation. Participant 5 agreed with Participant 4's opinion and stated that he would pick an older premium brand car to stay loyal to the premium brand. Participant 6, on the other hand, stated that he would seek out a car solely based on the range and the lowest cost of maintenance. Overall, the answers were mixed. We had two participants favor the performance/price ratio, and two participants were

determined to seek a car from an established brand. The most common theme out of all the answers was the emphasis on the price.

The third question asked the participants their opinion on the specific design of the i3 and the i8 and whether they preferred the design language of the parent brand. Participants 1, 3, and 4 welcomed the futuristic design language and the fact that BMW was establishing its style. Participant 4 welcomed the futuristic design language with the following comment: “I think that if we want to step into the future, it is sensible for cars to look futuristic or at least different to what we are used to. We will have to slowly adjust to a new world, a different reality”. Participant 6, however, had an alternate opinion and stated that he was not a fan of EV designs.

The following question divided opinion. When asked about the importance of premium interior materials in BMW cars, Participant 1 believed that high-quality interior materials played a big part in the overall appeal of the car, while Participant 2 did not see it as a priority. Participants 3, 4, and 5 were in agreement that interior materials were not that important. Participant 6, despite his previously expressed dedication to the price/performance ratio, stated, “It is always a good idea to pay extra, I always seek additional comfort”. It is interesting to see that while four participants do not see premium interior materials as a deciding purchasing factor, two still find them highly significant and worthy of a price premium.

Regarding the BMW i lifestyle brand, four participants were not interested in purchasing BMW i lifestyle products, stating that they preferred the brand to stick to what they know best: making cars. On the other hand, Participants 1 and 6 saw no issue with owning lifestyle items and already own similar products from other automotive brands.

When asked if they would trust BMW to make a good EV solely based on their brand reputation and engineering expertise, two participants had no issues with trusting BMW i. However, the majority of participants noted that battery quality, which is often manufactured by outside suppliers, is crucial to the overall reliability of the EV. Participant 3 commented that BMW does not have as much experience in electric engine building as they do with ICEs. Participant 1 stated: “I think yes. But I also think there is a lot depending on the battery, in my opinion. The battery will eventually need replacing, that is logical, no matter the brand. Still, it does matter who will produce the battery, or better said, what the quality of the battery will be.” Participant 3 continued: “they (BMW i) are not the main manufacturer of the most crucial system, for instance, the battery is either Chinese or Korean..., there is not 20 or more experience on engine building, like there used to be.” Participant 4 also noted that not enough time has passed to confirm the quality of such a novel technology. To end the debate, Participant 5 added: “I just heard that Hyundai, I think for an upcoming electric model, offers a 10-year guarantee on their own battery, so”. This was one of the most interesting

takeaways, as I could see the display of in-depth technological knowledge and how it impacts their brand perceptions and purchasing decisions.

Participant 2, who is a current BMW driver, was uncertain if she would remain loyal to the brand when purchasing her first EV, noting that the price/performance ratio would be a deciding factor.

#### 5.1.4 Pioneer brands and questions regarding BMW i's competition

During the theoretical discussion, the topic of “Pioneer brand advantage” was brought up, and I started by asking the participants about their perception of the pioneer of the recent electric vehicle (EV) market from 2010 to 2022. All the participants unanimously agreed that Tesla was the pioneer in this market. While Participant 3 mentioned “the other German manufacturers,” and Participant 4 cited Audi, the majority still saw Tesla as the clear leader in the EV market.

As we continued the debate, I asked the participants about their thoughts on other brands like Hyundai and Kia, which have a strong presence in the EV market. Only two participants shared their opinions about these brands, and they both expressed interest in Korean brands due to their affordability and performance. According to Participant 1, “my coworker owns the Hyundai Ioniq, he's owned it for two years now... He has no problems, but it was not his first choice, he test drove the BMW i3 when it came out, but soon realized that it just would not make sense financially. So he chose the Ioniq.”

Participant 5 also shared a similar view, stating that Korean brands like Hyundai and Kia make financial sense for buyers. He was impressed with Hyundai's advanced features like active cruise control and early versions of Autopilot, which he found to be surprising for an affordable electric car. In his own words, “I did some research on the Hyundai, and I was surprised to see such features in an affordable electric car. Hyundai offers advanced features that can even be compared to luxury cars.”

The topic of specific functions of BMW i and its competitors was discussed as we continued. I started by asking why the participants see Tesla as the main competitor and requested that they list some specific functions of Tesla and BMW i. Participant 3 provided some insightful thoughts, stating that “the market capitalization of Tesla is so big that they can afford to throw much money into a product and see what comes out. And then also, they are located in Silicon Valley, so they have access to the world's largest talent pool, which makes the car smarter. Moreover, the brand (Tesla) built a reputation in this market like no other. They are also vertically integrated and make the most of their resources. I know they are both trying, but Tesla already has a good system in place which allows the car to drive in most city centres basically on autopilot.” Participant 1, while not knowing any specific BMW i functions, expressed his belief that the autopilot on Tesla is a temporary fad: “I think that is

temporary, like a hybrid back in the day, if the cars do start successfully communicating and driving on their own, then you will be able to have an office in the car while driving to work. But I think we are far from that at this point.”

Participants 2 and 4 knew about specific functions of Tesla, like the “Dog Mode” and video games. Participant 4, however, had an opinion about BMW i: “meanwhile, BMW is staying true to their elegance, business setting, in my opinion.” Participant 6 countered this argument, stating that “in the end, you have to ask yourself, are you buying a car, or are you buying a thing, where you intend to play games and watch movies. A car is still just a means of transportation. So I ask myself, the amount of apps inside a Tesla, do you even use them and will the end-users, 90% of them, be capable of using them.” In conclusion, except for Participant 5, all the participants were familiar with the specific functions of Tesla, but not one of them could list the specific functions of a BMW i.

As a final question, I asked the participants to come up with suggestions for the BMW i brand. I asked them to step into the shoes of a brand advisor and propose the best actions to combat Tesla better. Participant 2 immediately brought up the theme of the previous question: “I think that their (BMW i) vehicles could stand out more when it comes to functions. They should create more talking points, like the way people talk about Tesla and some other electric vehicles. There is no wow effect that would make me go, “Wow, I want this car”. She also noted that there is little to no emphasis on charging, presentation, service, and other vital things. Participant 3 suggested: “they should be more involved, have a bigger part in the production. They should also be more design orientated, follow the established recipe, not experiment with i3 designs and such”. He also suggested they explore new models and solutions for batteries, either a subscription-type model or something else. Once again, the topic of batteries occurred, and Participant 6 had, even more, to say: “I think BMW i should be more independent, they should not copy others, like everyone else is doing, but they know that the biggest problem is the battery. The electro motors are the easiest to make and produce. The battery should last longer right, and the capacity should hold up when the outside temperatures are 10 degrees below 0. That is the thing they should work on, we are seeing the same problems on our smartphones, the batteries give out after some time, the batteries lose capacity and performance and that will be the same problem, I don't know what will happen with these car batteries in 5–10 years, will we just replace them constantly, where will these batteries go”. Participant 1 shared the same concerns about batteries. Generally, a conclusion can be made that based on these answers, consumers need more information about the long-term ownership costs and capabilities. The participants were not focused on functionalities but agreed that the core technology still needs further development.



### 5.1.5 Concluding questions

I ended the focus group by assembling four concluding questions tied to how the participants see the electrification trend progressing in the future and how their opinion about electric vehicles have changed over the years. I also asked them how they perceive the BMW i brand in their local environment and if they know their marketing activities.

During the concluding questions, participants were asked about their perception of electric vehicles over the last five years. While some have noticed increased interest and technological advancements, others expressed concerns about the financial viability and environmental impact, particularly regarding the sustainability of batteries. Participant 1 sees electric vehicles as a viable option for some, but not yet for himself. Participant 2 has noticed the increased interest but is not a fan of them yet. Participant 3 believes that when it makes economic sense, they will be more in favor of electric vehicles. Participant 5 is concerned about the financial viability but has a positive outlook on the industry's developing direction. Participant 4 has the same opinion as five years ago, as there are still unanswered questions about the sustainability of batteries.

The participants were later asked to share their experiences with the BMW i brand in their local environment. Participant 2, who works in marketing, expressed her opinion that the brand neglects its electric vehicles and does not advertise or promote them enough. She mentioned that BMW i has a glass cube with an electric car exhibited in a shopping center in Ljubljana, but beyond that, there is little brand awareness. Participant 4 also agreed that BMW i should invest more in marketing, as he has not noticed any significant advertising campaigns. He pointed out that everyone knows about Tesla, but not many people talk about the BMW i3 or the upcoming i4. Additionally, Participant 6 addressed the high price of BMW i vehicles, questioning whether it makes sense to pay €30,000 for a base model i3 as a second family car. Participant 6's answer was the perfect introduction into the next unplanned question. I wanted to find out if other participants also share the same opinion on BMW i's pricing. So, I asked all the participants if they would be prepared to pay the amount BMW i is asking for the base level BMW i3. When I mentioned the current prices, all the participants unanimously answered "no". I even discounted the price based on the current rate of the government subvention, but they still answered with a clear no.

During the final part of the focus group, I asked two questions related to the BMW i brand's leadership in the electric mobility industry and their recent shift in strategy towards electrifying existing BMW models. Participant 3 stated that they would consider BMW i as a leader if their electric cars were competitively priced and had other desirable features. They are unwilling to pay a premium for an electric car. Participant 1 believed that BMW i has the potential to be a leading brand if they focus more on technological development and marketing. He thinks that BMW i's decision to electrify existing BMW models might attract more buyers who appreciate the classic BMW design. Participant 5 sees the potential for



success of BMW i in attracting more positive word of mouth like Tesla. Participant 6 questioned BMW i's new strategy, as he thinks that BMW fans who own powerful petrol BMWs might not switch to an electric car, despite the incredible performance figures. He also stated that an electrified BMW still lacks the soul and engine sound that comes with a petrol engine.

## 5.2 Emerged themes

By systematically analyzing the transcript, I could identify eight critical themes throughout the focus group. I then identified and coded the focus group's entire content, which helped me assign the answers to the appropriate theme. Counting the number of coded answers, I could later identify the most common themes. This is shown in the table below. The table is sorted by the number of occurrences of a specific theme.

*Table 3: Emerged themes*

<b>Emerged themes</b>	<b>Number of identified and coded answers under a specific theme</b>	<b>Percentage of coded responses</b>
Negative perception of the BMW i brand and activities	36	23%
Specific (visual/technical) characteristics of EVs	31	19%
Resistance and concerns related to EV purchasing and ownership	28	18%
Competing EV brands	20	13%
Importance/Unimportance of premium brands	16	10%
EV price premium	13	8%
Positive perception and knowledge of BMW i	8	5%
Positive attitude towards the parent brand (BMW)	8	5%
<b>SUM</b>	<b>160</b>	<b>100%</b>

*Source: Own work*

### 5.2.1 Negative perception of the BMW i brand and activities

The most common theme in the focus group is the “Negative perception on the BMW i brand and activities”. Out of 160 coded answers, 36 answers (23% of all answers) were about or related to the negative perception of the BMW i brand and their activities. Participants felt that BMW i products lack the sporty character of the parent brand vehicles and do not assign the same qualities to BMW i as they do to BMW. Answers in this theme also include the opinion that they are not attracted to BMW i, just based on the brand reputation. Some participants even feel that BMW could release EVs under the parent brand. When compared to their competitors, participants said that BMW i do not spark the same excitement as their competitors. Participants felt that BMW i sub-brand marketing activities do not include the technical capabilities of their vehicles (driving reach, charging time, etc.), and they also felt that BMW i products are under-promoted and not talked about in public. When talking about BMW i's future, participants felt that BMW i does not present any innovative solutions. One participant felt the same about their new strategy (fully electrifying existing models). He found it unfit.

Participants generally felt that BMW i do not put enough effort into their products and marketing activities. They see BMW i's competitors, mainly Tesla, as the more exciting option that people are talking about whenever someone mentions EVs. When comparing BMW i to their competitors, they feel as if BMW i do not bring innovative features as perhaps expected from a BMW sub-brand.

### 5.2.2 Specific (visual/technical) characteristics of EVs

This theme was the second most mentioned during the focus group, with 31 answers (19% out of all) relating to the specific look and design of EVs or the specific technological features of EVs. Half of the respondents associated EVs with their specific design language and exterior features. The same participants also welcomed the specific design, while only one participant found the specific design to be unnecessary. BMW i products were and (some) still are built on a completely stand-alone platform. This specific technological feature is something that the participants found utterly redundant. Another specific technical feature of BMW i is the premium quality interior materials used. Five out of six participants agreed that interior materials are not a significant deciding factor when buying a car. However, they did find it reasonable that a BMW sub-brand is using premium quality materials, but one participant mentioned that this is something he is unwilling to pay an additional price premium for. Finally, specific technological functions of EVs are something that could not be left out of the debate. Unsurprisingly, five out of six participants were aware of the advanced functions of Tesla and other EVs. On the other hand, half of the participants saw these advanced functions as a gimmick and not something they would prioritize when choosing an EV. Half of the participants were also likely to be future EV owners.

Generally speaking, the participants were well aware of the specific design language of EVs and their specific functionalities. However, they were unaware that BMW i developed a completely separate platform for their i products. With all the participants agreeing that they do not care if a vehicle is built on a shared platform, one must ask themselves if that decision was the right one to make for BMW i. Based on the participants' knowledge of the competitors' advanced functions, BMW i should focus its R&D efforts in that direction. However, even though the advanced functions do not play a deciding purchasing factor according to the participants, it seems that essential characteristics (driving range, charging times, etc.) are still the main focus of the participants.

### 5.2.3 Concerns related to EV purchasing and ownership

The focus group's third most common theme (28 answers related to the theme, 18% of all the answers) was about the concerns related to EV purchasing and ownership. In one of the introductory questions, five out of six participants expressed resistance to EV ownership. This theme turned out to be one of the more interesting ones as the debate dived deeper into EV-specific properties. Two participants did mention their resistance due to a lack of charging infrastructure. This is a known purchasing factor and a so-called “roadblock” as I covered in the theoretical part. The most significant factor for EV ownership and purchasing was the lithium-ion battery and its longevity and reliability in the long term. Participants were aware that the battery poses considerable financial risk, reliability risk, and environmental impact once it needs to be recycled. One of the participants noted that it does not matter if an EV is a BMW brand or not. BMW i do not make both the electric motors and the battery. This means that two of the most critical components are outsourced. Two participants also pointed out the current state of the energy market. The increasing prices of electric energy put the financial viability of EV ownership in jeopardy. Participants noted that certain brands offer eight years of battery warranty, but no brands have answered the question of what happens after the warranty ends. What is the replacement cost, and how is the old battery recycled? One participant mentioned that the Chinese EV brand NIO offers a subscription-based business model. This theme turned out to offer one of the most significant insights of the focus group.

### 5.2.4 Competing EV brands

Following the theme of EV resistance, the next most common theme of the focus group was the topic of competing EV brands. This theme is prominent, and one initial question asked the participants to list the brands they associate with EVs. Five out of six participants listed competing brands of BMW i as the brands they associate with EVs. The most commonly named brand was Tesla. Later in the debate, the participants also unanimously listed Tesla as the pioneering EV brand. When asked about the specific EV functionalities, four out of six participants also listed Tesla as the leader in the field. Despite their awareness of Tesla, not all participants are proponents of the brand. Two participants mentioned South Korean

EV brands (Hyundai, Kia) as the better option when considering the price/performance ratio. Tesla was also the most common topic when discussing EV brands' marketing activities. Participants listed Tesla in relation to the amount of word-of-mouth marketing they observe, which is something they do not notice with other brands.

#### 5.2.5 Importance of premium brands

This theme is named importance of premium brands because the opinions about the significance of a premium brand are highly varied. The first out of 16 coded answers (10% of all answers) that were filed under this theme was brought up by two participants, who agreed that an EVs reliability is more important than a premium brand of the vehicle. At the same time, five out of six participants agreed that they do not trust BMW just because of brand reputation. However, two participants confirmed that they would still choose BMW i because of the high perceived quality. When comparing the importance of a brand with qualities like reliability and features, two participants agreed that those features are more significant than the brand itself. During the debate on this question, two participants noted that they would not trust unestablished brands (one mentioned being the novelty Chinese brand NIO) and agreed that an established brand is needed for a final quality product. The topic of premium brands also arose when the focus group discussed lifestyle products, the same as which BMW i promote under their name. Participants were generally against the idea of buying a lifestyle alongside the EV. However, two participants, fans of other premium brands, found the idea of BMW i lifestyle products entirely sensible. The final answer, from a current BMW owner participant, concluded the theme with the opinion that brand loyalty alone will not be the reason she chooses a BMW i EV.

Throughout the debate, the participants felt a constant divide about the importance of an established brand. On one side, certain participants defended the importance of an established brand. Others, however – perhaps the participants with more technological expertise – shared the opinion that a brand has a lesser impact in an electrified automotive market. This was shown by the typical appearance of the previously mentioned topic of battery reliability and sourcing. The same participants were aware that BMW's rich engineering history has very little significance in EV productions, where the main component is being outsourced. An EV from an established brand is also connected to an even more significant price premium when compared to an EV from a less established brand. There is no doubt that EVs still come with a price premium compared to their petrol or diesel counterparts. This was also recorded in the focus group debate.

#### 5.2.6 EV price premium

The theme of price premiums was expected when debating EVs; some questions were also attached to the matter of price premiums, which were mentioned 13 times in the participants' answers (8% of total answers). The topic of price premiums first surfaced when I asked the participants to list the things that are keeping them from buying an electric vehicle. Three

out of six participants named the price as one of the reasons they are not keen on buying an electric vehicle. When the participants chose between an established brand or an EV that offers a better price/performance ratio, three participants mentioned the price as a significant deciding factor. While they did show some degree of favor to the established brands, they did note that ultimately the price has a significant role in their decision-making. One consumer stated that he would instead choose a three-year-old premium brand EV like BMW i that has also depreciated than a new EV from a lesser brand like Peugeot (Peugeot was the participant's brand of choice for this comparison). The debate then continued into the participant's perception of BMW i marketing activities in the participant's local environments (Slovenia). While all the participants agreed that they rarely notice any BMW i marketing activities, one participant noted that marketing activities would make no change in his perception of the brand. He based his opinion on the price of a base model BMW i3. Because I found his opinion interesting, I asked all the participants if they would be prepared to pay what BMW i is asking for the base model i3. The participants unanimously agreed that they would not be willing to pay the price that BMW i is asking for. After coding the answers, it is easy to see that participants are well aware of EV price premiums and that those premiums still present an obstacle when buying an EV.

#### 5.2.7 Positive attitude towards the parent brand (BMW)

During the debate, the parent brand of BMW i, BMW, was also a common topic of discussion. There were eight coded answers (5% of the sum) categorized into this theme. The parent brand was first mentioned when I asked the participants to name what they associate with the BMW brand. Four out of six participants associated BMW with their dedication to motorsports, and two associated the brand with higher quality. All the participants shared a positive outlook toward the BMW brand. However, not one of the participants could agree when asked if they would assign the same associations to BMW i. When the participants were asked if they would feel comfortable buying an EV from an entirely new brand (an example they were offered was NIO, the brand one of the participants mentioned in an earlier question), five participants agreed that they would feel much more comfortable buying from an established brand like BMW, or BMW i. The last answers categorized under this theme appeared at a question that recapped what was already debated through the focus group. Out of six participants, two agreed that they would trust BMW i to produce an upscale, high-quality EV because they are a sub-brand of BMW i. On the other hand, two other participants agreed that they would not trust BMW i just based on their strong brand. This was also one of those questions where participants once again expressed their worries about the reliability of lithium-ion batteries.

Overall, the perception towards BMW was positive, even from the participants who were not fans of BMW. This only proves BMW's strength as a brand. It is perceived as a leading brand when considering higher quality and sportiness. However, that perception's effects were not directly transferable to the BMW i sub-brand.

### 5.2.8 Positive perception and knowledge of BMW i

The main topic of the focus group, BMW i was not always positively perceived. As this analysis showed, the theme of negative perceptions towards the BMW i sub-brand was much more common than the theme at hand. Compared to 23 answers that were categorized under the “Negative perception on the BMW i brand and activities” theme, only eight coded answers (5% of the sum) were categorized into this theme. For example, when asking what brands the participants associate with EVs, only one answer included the BMW brand (not BMW i specifically). When asked what the participants already knew about the BMW i brand, only two participants shared extensive knowledge of the brand and its products, and four of them did not have the same knowledge and positive perception. The debate then explored why the participants would choose a BMW i EV. Two participants mentioned that they would select a BMW i EV due to its high perceived quality. When asked if they liked that BMW released an EV under a separate sub-brand, only two participants felt that this was the right move. Three participants, however, thought that BMW could quickly release these vehicles under the parent brand. The last coded answer that has been categorized under this theme was when the participants debated the current and future EV strategy of BMW i. Only one participant supports the current BMW i brand strategy, while others think that BMW remains in the shadow of competitors regarding innovation and brand promotion.

## 5.3 Synthesis of results

Based on the gathered data, I can now extract answers to the research questions I set in the disposition of the master thesis. First, the focus group data revealed specific patterns of thoughts and unexpected information about the participant's perception of BMW i and its products. Despite having no previous expectations of the outcome of the focus group, I have found the most value in the information that was not anticipated. One such example would be the amount of thought that the participants addressed with the problem of lithium-ion batteries and their longevity.

**Research question 1. (brand awareness):** How would you describe BMW i's product offerings and their electrification strategy?

I gathered the answers to my research questions directly and indirectly by posing additional questions throughout the focus group that would reveal how much BMW i's marketing strategy has communicated to my focus group participants through their marketing means. The first research question explored participants' knowledge about BMW i's product offerings and their electrification strategy. The chosen participants have shown a certain degree of knowledge regarding the BMW i brand, their products, and their electrification strategy. Throughout the focus group, I observed that all participants shared the same surface knowledge regarding the BMW i's product offerings and electrification strategy. None of the participants knew product specifics such as a separate platform, BMW i's use of premium



environmentally friendly interior materials, reasons for a different design of BMW i3's wheels, and how BMW i is changing their electrification strategy. All the points listed above are BMW i's key selling points. They serve as the basis for the BMW i vision, as stated on their website: "...sustainable premium mobility – combining electric drives, innovative materials and technologies in revolutionary concepts for the future". As none of the participants were aware of all these values that BMW i is promoting and bringing to life in their products, I think the problem does not lie in the participants. BMW i has failed to inform these consumers (e.g., focus group participants) what BMW i's vision is and how it takes form in their products. On the surface level, BMW i is just an electric vehicle sub-brand, and the BMW i3 is just an electric car.

**Research question 2. (perceived quality):** How do you perceive BMW i regarding quality compared to other electric car manufacturers?

To get an answer to the second research question, I analyzed the directly related questions and all the answers that included information relevant and related to the previously mentioned dimensions of perceived quality.

The first dimension of perceived quality is performance. Compared to direct competitors and even the parent brand, participants felt that BMW i does not express the same performance-orientated values that the parent brand expresses. Furthermore, participants felt that BMW i do not express their performance figures enough compared to its competitors. At the same time, participants felt that BMW i does not put enough effort into assuring its lithium-ion battery's long-term performance and reliability.

The second dimension is "features". Participants immediately recognized that EVs offer modern and EV specific features in the question that was directly related to the specific EV features. The majority of participants also recognized Tesla as the leader when it comes to modern competitive features. BMW i, on the other hand, was not recognized as a competitive brand regarding modern features. None of the participants were able to list specific BMW i features.

The third dimension relates to BMW i's conformance with specifications, and while there was not a question directly related to this dimension, the topic still came up during the debate. Two participants noted that when it comes to general conformance with specifications, BMW i can be trusted because it has a strong parent brand backing the sub-brand. Additionally, two participants agreed that they would choose BMW i based on the high level of perceived quality. Finally, none of the participants named conformance conflicts as why they would not choose a BMW i.

The fourth dimension, reliability, has proven to be the most talked about topic of the entire debate. This was a surprise; none of the research I reviewed initially named reliability and



long-term reliability as a factor of concern when it comes to purchasing EVs and owning EVs. However, the concern for reliability has been one of the most common topics I encountered throughout the debate. In total, it was mentioned in seven different focus group questions, with all the participants expressing some concern for reliability. The main setback was that the participants perceived EVs as new and unproven technology, which brought up many worries about the long-term reliability of the lithium-ion battery. This theme was brought to light without expectations and revealed what consumers who carry fundamental knowledge of EVs think and worry about. Furthermore, it revealed that their setbacks in buying an EV are far more complex. Two participants also noted that their worries stem from the fact that all crucial components of EVs (battery and electric motors) are not made by BMW i but are outsourced.

The fifth dimension, related to durability, is partly related to the previous dimension, reliability. As mentioned before, it came as a surprise, but long-term reliability has shown great concern to the focus group participants. Four participants realized their habit of buying second-hand used vehicles might be a much more unfavorable purchasing decision regarding EVs. One participant pointed out that most manufacturers offer a maximum of eight years guarantee on the lithium-ion battery, which might not be enough for second-hand buyers. They also pointed out the potential cost of having to replace the battery at their own cost.

The sixth dimension, serviceability, was not debated in the focus group. However, the last dimension, fit and finish, was a topic debated on multiple questions. Regarding interior finish, most (5) participants did not find interior materials and finish as a purchasing decision factor. However, two participants found high-quality materials as a positive factor. Half of the participants approved the EV-specific exterior design and finish. Participants noted that a high-quality finish is expected from a BMW sub-brand.

To summarize and answer the second research question, I would say that the perception of high quality has translated well from the parent brand to the BMW i sub-brand. The general opinion of the participants was that high quality is expected from BMW i, and they do believe that BMW i is of higher quality, but their main concern is that BMW does not make the major components such as the lithium-ion batteries.

**Research question 3. (brand heritage):** Because BMW i is a sub-brand of BMW, does this fact bring up any positive feelings or nostalgia towards their products, and how would you describe them?

The third research question explored the participant's emotional connection to the brand. In the theoretical part of the thesis, I explored the concept of brand heritage, which could significantly impact the consumer's perception of the BMW i brand. I first investigated what the participants associate BMW with, and the central insight is that the participants equate BMW with sportiness and driving dynamics. None mentioned BMW's legacy and heritage,

but two participants mentioned a high perceived quality. When asked if they would transfer the same associations to BMW i, the answer was a unanimous no.

To conclude, the fact that BMW i is a sub-brand of BMW certainly influences the perception of BMW i. Even though the participants of the focus groups did not equate the associations between BMW and BMW i, they confirmed that BMW's heritage and history influence their purchasing process. The concept of brand heritage, therefore, does influence the perception of BMW i as it makes the participants feel safer and more confident in their purchasing decision. However, the fact that BMW i is a sub-brand of BMW does not bring up feelings of nostalgia towards BMW i products.

**Research question 4. (brand trust):** How does the BMW i brand influence your trust in buying an electric vehicle?

The fourth research question is intertwined with the concept of brand heritage, which was the topic of the third research question. Furthermore, despite there not being any emotions tied to nostalgia and history when it comes to BMW i, there certainly is an influence of brand heritage and historical value regarding safety and brand trust. Therefore, the fourth research question investigates if the BMW i sub-brand gives the participants confidence and certainty in buying an electric vehicle.

While discussing the competitors of BMW i, I asked the participants if they would feel safer and more secure by choosing a known, historical brand compared to a relatively new brand (Tesla, NIO, etc.). All the participants agreed that they would feel more secure when picking an established brand with a historical record of precise engineering. This indicates that BMW's brand heritage influences the participants' purchasing journey.

Additionally, there have been several indications throughout the focus group that also contributed to the statement above. For example, certain participants expressed that they would choose BMW i due to the high level of perceived quality, and two other participants found the mission and overall sub-brand BMW i going in the right direction, which again indicates the confidence and trust they have for BMW i. However, it is worth mentioning that aside from the fact that BMW i is a sub-brand of BMW, the support and confidence in BMW i is minuscule.

**Research question 5. (brand equity):** Suppose another automotive brand would offer the same product as BMW i, would you still instead choose BMW i and why?

Based on the focus group findings, the participants would rather choose other competitor brands, mainly due to three reasons:

1. They do not believe BMW i is the brand leading the way in the EV market. Not only does it lack the modern features of its biggest competitor, Tesla, but two focus group participants also felt that compared to South Korean EV brands (Hyundai, Kia), BMW i is not offering the same amount of value for their money.

2. The pricing of the entry model BMW i EV has been unanimously agreed to be too expensive amongst the focus group participants. Throughout the focus group, participants mentioned that they would rather seek the brand that offers the most value (in terms of driving range, infrastructure, and features) for the price. Moreover, BMW i is not amongst the brands offering the best price/performance ratio.

3. Multiple participants noted in the focus group that the brand of the EV itself does not carry much weight when BMW i is not the producer of the crucial components: electric motors and the lithium-ion battery. Seeing how EVs are still considered new technology, the participants expressed more significant concern for reliability and future costs than brand and status.

Based on the reasons above, I am led to believe that according to the focus group, participants would not buy a BMW i solely on the fact that BMW makes an EV. If another car manufacturer were to offer an EV with the exact specifications as a comparable BMW i model, but at a better price, the participants would have no hesitation to choose the competitor's vehicle.

## 6 DISCUSSION AND IMPLICATIONS

The purpose of the discussion is to summarize the main findings of my research and contrast my findings against the other work in the field.

In research by Long, Axsen, Miller and Kormos (2019) only 5% of the survey participants named BMW as a brand that represents electric mobility. This has proven to be the case in my research as well. Compared to **other EV brands and the branding practices** in the EV space, the BMW i brand is not yet perceived as a typical representative of the segment. Only one of the five participants named BMW as a brand they associate with EVs. While the actual percentage is not the same, the brand recognition of BMW in the electric vehicle segment is still low. The same research also found that brands play a significant role in choosing an electric vehicle. Throughout the focus group, there were several questions that focused more on the value and the specifications rather than the brand itself. And while the participants did note that when they would buy an EV, they would feel safer picking an established brand rather than a novelty brand like NIO, upon further questioning, I determined that established brands did also include the more affordable South Korean brands like Kia and Hyundai and not necessarily only BMW I, Tesla, etc. This was an insight I have not observed in any of the past research in this field. Participants also noted that while a

brand does matter, it is far from the only important thing. This finding is supported in research by Deloitte's Global Automotive Consumer Study (2021) and Tu and Yang (2019). Both of these researches concluded that consumers put more weight towards the objective capabilities and price premiums rather than brands.

During the focus group, it was apparent that the participants mentioned that BMW is a German automotive brand. This led me to believe that the **country of origin played** a big part in the eyes of the focus group participants. In research by Björck and Lu (2019), it was clearly shown that the country of origin influences the consumer's perception of product quality. Participants agreed they would feel safer choosing established German brands like BMW i and Mercedes as their first EV. However, on several occasions, they did note that certain Asian brands offer incredible features and capabilities while remaining much more affordable. This opens up the question as to which COO appear high quality in the eyes of the consumers. Based on the focus group, it was clear that the participants perceived the quality of products based on the COO. While I did not ask the participants to rank the countries by the degree of their perceived quality, it was clear that German brands were considered to be at the top, South Korean brands were the middle, more affordable option, and they clearly stated that they would not feel safe picking unproven Chinese automotive brands as their first choice for an EV.

Deloitte (2021) and research by Tu and Yang (2019) have shown that the **key factors influencing consumers' purchase of EVs** are still price premiums, battery lifetime and price, infrastructure, and charging time. During the focus group, participants did note that price premiums are still the most prominent obstacle keeping them from choosing an EV. They also mentioned that price is closely related to performance in terms of the time of charging and the electric driving range. However, contrary to the findings of Deloitte and Tu and Yang, participants also mentioned the fluctuating prices of electricity and the warranty length of the battery. Furthermore, unexpectedly, three participants of the focus group also focused on the fact that the brand of the EV is not as important as the quality of the essential part of an EV (the battery). Two focus group participants quickly noted that BMW i is not a lithium ion battery manufacturer. This immediately raised questions regarding the reliability and warranty. The insight here is that consumers, like the ones participating in this focus group, tend to look deeper into the product. This topic of outsourced batteries in EVs came about with no expectations but became one of the most common themes throughout the focus group. There is no prior research that identifies these factors as significant. What also shown to be interesting is that the same participants that carried in-depth technological knowledge at the same time presented a rather surface level knowledge about BMW i brand specifics. By this we mean that none of the participants knew the fact that BMW i's vehicles feature a standalone lightweight platform, premium interior materials and special tires designed to improve drive range. The participants were focused on all the factors that presented as key barriers in research by Deloitte's Global Automotive Survey (2021) and Tu and Yang (2019).

The insight here is that consumers at this stage of EV development still focus on the factors that they deem crucial for everyday BEV usability.

Research by Besharat, Langan and Nguyen (2016) showed that early market entrants determine how consumers evaluate later market entrants' attributes. Their research on **pioneer brand advantage and brand loyalty** show that pioneering brands in a segment become typically become representative of the segment. They develop brand loyalty and product lines earlier than the late entrants to the market. The participants of the focus group all felt that Tesla is the pioneering brand in the electric vehicle segment, and they also noted the number of advanced features that a Tesla has and a BMW i does not. This is perfectly aligned with the research findings of Besharat, Langan and Nguyen (2016). Based on the guidelines by the same research, I already determined that BMW i's late entrant strategy was based on providing the consumer with unique features and attributes that set them apart from the market pioneer, Tesla. This strategy can be successful if the consumers find the unique attributes relevant to their needs. The relevance of the said attributes of BMW i's market entry model BMW i3 was discussed in the focus group. The finding here is that apart from the special EV-adjusted design, none of the attributes were found to be relevant in the eyes of the focus group participants. Focus group participants found Tesla to be the market leader both in terms of performance and in terms of features. Mady (2018) found that even more important than being the first on the market is being the first in the mind of consumers. According to the results of the focus group, BMW i has not secured that position despite its rather early market entry. Furthermore, the same research also claims that later market entrants to developed markets often gain the image of being less "prototype" like and consequently gain the perception of being more reliable. This also did not happen according to the perception of the focus group participants.

Research by Ahn, Park and Hyun (2018) pointed out the **importance of a strong parent brand** when introducing brand extensions. They specifically pointed out this importance in the segment of luxury automobiles. The fact that BMW i is a sub-brand of BMW did prove to be highly beneficial in the eyes of the focus group participants, as half of the participants would trust BMW i to make a good EV just based on the reputation of the parent brand. Additionally, five out of six participants would feel safer choosing an EV from an established brand such as BMW and consequently BMW i. This finding goes in hand with the earlier findings of Dawar and Anderson (1994) who found that brand extensions can benefit significantly by capitalizing on the parent brand's equity. The focus group revealed that while opinions about BMW introducing an EV sub-brand were halved, no focus group participants found the introduction of the sub-brand harmful to the parent brand. According to BMW, BMW i is also a lifestyle brand. Only two participants responded positively when asked if they are keen on buying and adopting a lifestyle as well as an EV. Others shared that they are only interested in a car, not a lifestyle. According to the focus group, there are no signs of brand dilution in the eyes of the focus group participants.

There were, however, apparent differences in **perceived brand image and associations**. Focus group participants associated BMW with sportiness, athletic spirit and quality, but they did not assign the same associations to BMW i. None of the participants described BMW i as “sporty”. This divide seemed to be expected due to BMW i’s completely new interior and exterior design approach, which was described by Schwedes and Keichel (2020). Significantly changing a brand’s descriptive features might lead to confusion.

In a 2019 research by Pecot, Merchant, Valette-Florence and De Barnier it was found that **brand heritage** positively impacts brand credibility and perceived brand quality. While I did find that five out of six participants would feel safer choosing a BMW-made EV compared to an EV made by a novelty brand with no history, it was also evident that the brand's reputation and history alone were not enough to convince all the participants to choose a BMW i. Although three participants agreed that they would trust BMW i to make a good EV based on their history, they also noted that there are several nuances they would consider before, price being one of them. In the same research, it is also noted that brands that signal high brand heritage can attach more significant price premiums to their products. They all refused by asking the focus participants if they were willing to pay the asking price for a base model BMW i. However, based on the focus group's findings, I can conclude that brand heritage influenced their purchasing decisions and intentions, which was also found in research by Rose, Merchant, Orth and Horstmann (2016). Based on BMW’s inherent ties with motorsports and the brand heritage research by Urde, Greyser and Balmer (2007) it can be assumed that performance is a major part of BMW’s historic brand heritage. Focus group participants noted that BMW i does not exhibit the same performance orientated values as the parent brand. The direction that BMW i took does not coincide with the suggestions by Urde, Greyser and Balmer (2007) that recommend building a brand based on its historic and organizational values. It is evident both in BMW i’s marketing campaigns and in the eyes of the focus group participants that this sub-brand breaks historic ties. Several research papers confirm the connection of brand heritage to purchase intention, which might suggest that severing the ties to that heritage might not be ideal.

Seeing how important **brand experience** is for consumer-based brand equity, as shown in research by Pina and Dias (2020) and Amin Beig and Ahmad Nika (2019), an important finding of the focus group is the lack of such experiences as conveyed by the focus group participants. Two of the participants expressed their opinion that in their local environment (Ljubljana, Slovenia) they hear or see very little to no promotion of BMW i vehicles. While they do see them on the road, they agree more could be done in terms of marketing. Elevating the level of brand awareness is also a major factor influencing purchase intention, as shown in research by Keller and Swaminathan (2019) and Khurram, Qadeer and Sheeraz (2018).



## **6.1 Theoretical contributions**

This study makes an influential theoretical contribution by discovering underlying factors of general EV perceptions and brand perceptions of BMW i. The focus group research method used in this thesis also revealed several insights that help understand the key barriers to EV purchasing better than past quantitative research methods could.

This research answered the further research suggestion set by Tu and Yang (2019). Authors recommended that “future researchers use different methodologies from this study to investigate electric vehicles and compare the differences in order to promote the popularization of electric vehicles”. By using a qualitative research method, rather than a questionnaire, this research aimed to discover hidden opinions, factors and barriers that potential buyers hold. This thesis focused on the BMW i brand and how this leading automotive brand tackled the recent automotive electric transformation. By taking into account all the dimensions of brand equity and additional concepts such as pioneer brand advantage and brand dilution, this thesis contributes to the previous understanding of automotive brands in the process of electrification.

Past research by Tu and Yang (2019) and Deloitte (2022) found that consumers tend to hold a reserved approach towards EVs due to a lack of relevant knowledge source. While this thesis did find that BMW i does not put in enough effort to communicate the benefits of their electrification approach, the empirical part of this research uncovered participants’ in-depth knowledge about EV technology which is not conveyed by the manufacturers but proved to have a significant impact on their purchase intention.

This research also advanced the understanding of the relationship between design and brand recognition. Research by Burnap, Hartley, Pan, Gonzalez and Papalambros (2016) found that the BMW brand offers the least design freedom before there is a decline in brand recognition. By analyzing the design language of BMW i and how they impact the newly established sub-brand BMW i, the results of qualitative research show that the change in design and powertrain severely impacted brand image and associations.

Lastly, the findings of this thesis can act as an aid when constructing vehicle electrification strategies or serve as a basis for further research in the process of product development.

## **6.2 Managerial implications**

Established car manufacturers, such as BMW, must work to improve their brand recognition in the electric vehicle market, as consumers currently prioritize the value and specifications of the EV over the brand itself. Pronouncing the importance of country of origin in consumers' perceptions of product quality in the electric vehicle market, and how they can use this to improve the marketability of their electric vehicles, proved to be crucial. At the same time, managers should strive to optimize their vehicles to the needs of consumers. The



key attributes of future vehicles should be based around the needs of potential consumers and not virtuous ideas of an electric future.

To make their electric vehicles more appealing to consumers, managers should focus on lowering price premiums and improving battery lifetime and price, infrastructure, and charging time. Car manufacturers should be transparent and educate the consumers about the technology underlying electric vehicles, as consumers become more informed and concerned about the quality of an EV's essential components, particularly the battery. Managers must be aware of the significance of battery warranty length and fluctuations in electricity prices, as consumers become more critical when evaluating the quality of electric vehicles. At the same time, they should keep in mind that consumers are becoming more interested in the origin of batteries in EVs, and they should make certain that the batteries used in their EVs are of high quality and come from reputable suppliers with a good warranty.

Managers should also think about collaborating with charging infrastructure providers to make charging more convenient for customers. This can help consumers overcome some of their charging-related concerns about electric vehicles. Managers should invest in educating consumers about the environmental and financial benefits of electric vehicles, as this can help consumers overcome some of their financial concerns about electric vehicles. At the same time, there should be more investment in marketing and advertising campaigns emphasizing the environmental benefits of electric vehicles as well as the savings that consumers can realize by opting for an electric vehicle over traditional gasoline-powered vehicles.

### **6.3 Limitations and future research**

The main limitation of the research was the inherent fault of the focus group method, which is the sample size. The focus group results cannot be generalized to a bigger population due to the low number of participants in the focus group. Additionally, the analysis of the gathered data is subject to researchers' subjectivity and cognitive biases, the difficulties of controlling group dynamic, the limitation of time that the participants have to express their thoughts and lastly, the difficulties that arise when analyzing a large scope of data that includes wide-ranging discussion and many topics. As this was my first time moderating and planning a focus group, my performance also impacted the data's quality. Through the focus group discussion, I found it hard not to let certain members dominate the debate while others had no opinion or were reluctant to share one.

A significant limitation to this research is the speed of the rapidly evolving EV market. During this thesis, BMW announced several new electric models that took their electrification approach differently. Consequently, research done in the EV field should be executed faster and regularly, allowing the researchers to include further technological advancements and EV models into the research framework.

Despite these limitations, the focus group research method still proved to be a useful tool that allowed me to explore this topic in depth. By keeping these limitations in mind, I could minimize the effects of said limitations on my research and provide meaningful insights and suggestions for further research.

The qualitative research conducted in this thesis revealed numerous hidden insights. It revealed how people perceive subjective matters such as design, personal habits and purchasing journeys. Organizing multiple focus groups with different potential EV buyers would also be beneficial to gain as much qualitative data as possible. There seemed to be a great divide between the insights given by focus group participants who possessed more automotive and technology-related knowledge. This indicates that gathering data from participants in various professions could reveal even more about the topic. Organizing a single focus group was appropriate for this stage of research. However, I do think there would be benefits in organizing one or two more focus groups before proceeding.

Based on the data from this focus group, further quantitative research should be executed to gain a broader view of the topic and to enable the quantification of certain factors uncovered in this research. This qualitative research could serve as a basis when forming a survey or other type of quantitative research methods. Quantitative research methods should focus on gaining more considerable insight into the importance of the COO. During the focus group, the COO seemed to carry much weight in the decision process of the participants. Gauging how different COOs are perceived in the eyes of consumers would greatly benefit companies in developing their electrification strategy and positioning. This research also focused on pioneer brand product attributes and the product attributes of the BMW i3 which was the market entry model for the BMW i sub-brand. Further research should include a joint analysis that would help provide an understanding as to which attributes are most valued in the eyes of consumers. For example, current research revealed that focus group participants did not appreciate the unique attributes of BMW i, nor did they agree with the pricing of the said product. Further theoretical analysis of competitor product lines would also be beneficial.

## **CONCLUSION**

The purpose of this master's thesis was to investigate the electrification process in the case of BMW i. I have analyzed their market entry strategy, their EV models and how consumers perceive the sub-brand and its products. To gain consumer insight, I conducted a focus group where I gathered deeper insight into the impact of vehicle electrification, sub-brand extension of BMW i, and general purchase influence factors regarding EVs. Almost every major automotive manufacturer now has an electrification strategy in place, but there is little or no research on the impact of electrification on the parent brand.

Through the research, I have found that focus group participants have not positively evaluated the unique attributes that the BMW i sub-brand has integrated into their market entry strategy. Despite detecting a high level of brand heritage and perceived quality, the focus group participants did not agree with the price premium of the BMW i EVs. Through the focus group, I have learned that despite having focus group participants with a base knowledge of EV technology, none of the participants had extensive knowledge of the BMW i brand, what it stands for and how that translates into their products and product attributes. This led me to believe that BMW i has room for improvement when it comes to informing its potential consumers of these attributes and values it stands for. However, BMW has successfully imprinted the parent brands' perceived quality onto their brand extension.

Despite the successful imprint, however, the price premium is still the most significant obstacle of BMW i as all the focus group participants found their entry-level model too expensive. The participants also mentioned numerous times the importance of key attributes such as driving range, charging times and battery warranty. The latter, battery warranty, and reliability were key topics that cropped up multiple times throughout the focus group. This indicates that assuring consumers with a more extended warranty or some other form of long-term fee reduction for battery replacement would be a sensible strategy for any company looking to electrify their product line.

Based on the findings, the brand of the EV is of lesser importance than assuring potential consumers with a fully functioning, long-term reliable vehicle that will be able to accomplish everything their current gas or diesel vehicle is capable of. This comes as a consequence of the fact that EV technology is still considered a novelty in the automotive world and that feelings of safety and trust are far more important than branding and social signaling.

The ending of the focus group was related to consumer perceptions of the BMW i brand in their local environment. Three participants all expressed the opinion that there is no presence of BMW i marketing activities in the central region of Slovenia. Furthermore, when asked if they see BMW i as the future leader in the EV space, none of the participants agreed. According to the participants, the factors separating BMW i from the leading brand is the lack of Tesla-like features and lower price premiums.

Based on the research executed I can conclude that BMW i's electrification strategy did not negatively impact the parent brand BMW. However, the perception of BMW i has also proved to be primarily negative due to the failed market entry strategy with unique features that the consumers did not appreciate. It appears that BMW i may have encountered some challenges in reassuring consumers about the longevity and reliability of their batteries. There may be some room for improvement in terms of building trust and instilling feelings of security when it comes to providing information on these aspects of their vehicles.

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## **APPENDICES**

## APPENDIX 1: SUMMARY IN THE SLOVENE LANGUAGE

Cilj moje magistrske naloge je bil preučiti proces elektrifikacije pri podznamki BMW i, analizirati njihovo strategijo vstopa na trg, modele električnih vozil in potrošniško percepcijo podznamke in njenih izdelkov. Da bi pridobil vpogled v to temo, sem izvedel fokusno skupino o vplivu elektrifikacije vozil, razširitvi podznamke, njenih atributov in percepcijo ter splošnih dejavnikih vpliva na nakup električnih vozil.

Ugotovil sem, da kljub visoki percepciji dediščine blagovne znamke BMW in zaznani kakovosti, ki se je z matične blagovne znamke preslikala na podznamko BMW i, udeleženci fokusne skupine še vedno ne podpirajo cenovne umestitve vozil BMW i in njihovih ključnih atributov. Ugotovil sem tudi, da imajo udeleženci omejeno znanje o znamki BMW i in njenih vrednotah, kar nakazuje priložnost za BMW i, da izboljša komunikacijo s potencialnimi potrošniki.

Udeleženci fokusne skupine so poudarili pomen dosega vožnje, časa polnjenja, garancije za baterijo in zanesljivosti. Precej manj pomembna se jim je zdela sama blagovna znamka. Daljša garancija za baterijo ali dolgoročno znižanje nadomestila za zamenjavo baterije bi bila smiselna strategija za vsako podjetje, ki želi elektrificirati svojo linijo avtomobilov.

Opombe potrošnikov o BMW i v Sloveniji so bile mešane. Nekateri izmed udeležencev so bili mnenja, da v osrednji regiji trženjskih aktivnosti BMW i ni. Udeleženci niso videli BMW i kot prihodnjega vodilnega proizvajalca v prostoru električnih vozil, navajali so pomanjkanje funkcij, podobnih Tesli, in omenili, da bi vozila morala biti cenejša.

Strategija elektrifikacije vozil in ustanovitev podznamke BMW i ni negativno vplivala na matično znamko BMW, vendar obstaja prostor za izboljšave pri zagotavljanju potrošnikom glede garancije in zanesljivosti baterije. BMW i mora tudi izboljšati komunikacijo s potencialnimi potrošniki in obravnavati pomisleke, kot so cenovna dostopnost in doseg vožnje z enim polnjenjem baterije.

## **APPENDIX 2: FOCUS GROUP FRAMEWORK IN SLOVENE**

### **Fokusna skupina**

Pozdravljeni v fokusni skupini za naslovom "Vpliv elektrifikacije na percepcijo blagovne znamke BMW i". V fokusno skupino ste bili izbrani z namenom pridobitve globjega vpogleda v svet električnih vozil, elektrifikacije vozil in vašega pogleda na tematiko. Nekateri izmed vas ste vozniki BMW vozil, ljubitelji avtomobilizma in tudi nasprotniki elektrifikacije vozil ter znamke BMW. Predno začnemo z uvodnimi vprašanji bi rad poudaril, da ne obstajajo napačna mnenja, ne obstajajo napačna vprašanja in vsekakor je zaželeno, da se tudi med vami, udeleženci ustvari debata. Kljub temu, da se fokusna skupina snema je vaše sodelovanje anonimno. Posnetek fokusne skupine se ne bo nikjer delil ali objavljial.

### **Začetna vprašanja**

1. Kot sem že omenil, je današnja širša tema pogovora električna vozila. Kakšno je vaše generalno mnenje o električnih vozilih?
2. Katere blagovne znamke so prve v vaših mislih, ko omenim "električna vozila"?
3. Ena izmed znamk, ki je osrednji predmet te raziskave je BMW i. Linija električnih vozil BMW. Kaj že veste o tej znamki? Kaj bi se še radi naučili o tej znamki?
4. Kdaj ste prvič slišali za znamko BMW i in katere modele vozil že poznate?
5. Ko omenim blagovno znamko BMW, kakšne so vaše prve asociacije? Bi enake asociacije pripisali tudi blagovni znamki BMW i, zakaj ja in zakaj ne?
6. Ali menite, da so električna vozila prihodnost avtomobilizma?
7. Kakšne zadržke imate pred nakupom električnih vozil? Obrazložite.
8. Na katere faktorje oz. karakteristike bi bili pozorni pri nakupu električnega avtomobila?

### **Koncepti blagovne znamke**

1. Bi se ob prestopu na električno vozilo počutili varneje z izbiro produkta priznane znamke?
2. Ali bi se za nakup avtomobila znamke BMW i odložili iz razlogov kot so družbeni status, promocije povezanega življenjskega stila, močne identitete blagovne znamke, unikatnosti in slovesa? (Iz kakšnega razloga bi se odločili za nakup BMW i?)
3. Ali vam je všeč koncept samo-stoječe blagovne znamke za linijo električnih vozil? v primeru BMWja je to BMW i. (Podvprašanje o brand dilution)

### **Osredotočenje na probleme BMW i**

1. Prvi popolno električni avtomobil znamke BMW i, i3, je bil zgrajen na povsem novi platformi, kar pomeni, da si ni delil nič skupno s preostalimi modeli BMW. Vam je kot potencialnim kupcem to pomembno ali vam je bližje elektrifikacija že poznanih vozil BMW, naprimer: električna verzija dobro poznane BMW serije 3?

2. Ko pride do električnih avtomobilov, kako pomembna vam je blagovna znamka?
3. Ali vam je blagovna znamka bolj pomembna kot razmerje med ceno in zmožnostmi?
4. Prva električna avtomobila BMW i sta dobila povsem drugačno podobo, kot smo jo bili vajeni pri ostalih vozilih BMW. Vam je drugačen izgled električnih vozil pomemben ali bi raje videli, da bi avtomobili izgledalo bolj klasično?
5. Ob predstavitvi BMW i vozil, je BMW jasno dal vedeti kako velik poudarek je na uporabi kakovostnih materialov v notranjosti vozila. Vam je visoka raven kakovosti materialov v notranjosti pomemben vidik vozila? Ste za višjo kakovost materialov pripravljeni plačati več?
6. BMW i poleg vozil, pod enako blagovno znamko prodaja tudi izdelke za življenjski stil. Bi poleg avtomobila BMW i kupili še BMW i jakno, BMW i majico in kapo?
7. Ali na podlagi slovesa znamke BMW (nemški inženiring, tehnološka dovršenost), posledično zaupate tudi kakovosti električnih vozil znamke BMW i?
8. Nekateri izmed vas pristonih ste vozniki BMW vozil, boste ob nakupu prvega električnega vozila ostali znamki BMW? (Vsi ostali lahko podajo mnenje)

#### **Vprašanja o konkurentih BMW i**

1. Katera blagovna znamka je po vašem mnenju pionir na trgu električnih vozil?
2. Katera blagovna znamka je po vašem mnenju največji konkurent BMW i in zakaj?
3. Omenili ste konkurenta X, kaj pa konkurenti Z in Y?
4. Katere funkcije ponujajo konkurenčne blagovne znamke, ki jih BMW i ne ponuja? Lahko se osredotočite na posamezne modele.
5. V katerih aspektih je blagovna znamka BMW i po vašem mnenju superiorna ali inferiorna?
6. Kaj bi priporočili blagovni znamki BMW i in njihovim produktom, da bi se lažje postavili ob bok največjim konkurentom? Kaj bi lahko BMW i naredil, da bi bili vi bolj naklonjeni k nakupu njihovega električnega vozila?

#### **Zaključna vprašanja**

1. Ali se je vaše mnenje o električnih vozilih v preteklih letih spremenilo?
2. Ali ste opazili marketinške in prodajne aktivnosti blagovne znamke BMW i? Morda v vaši okolici?
3. Bi ob koncu želeli še kaj dodati v povezavi z blagovno znamko BMW i?
4. Ali je po vašem mnenju blagovna znamka BMW i ena izmed blagovnih znamk, ki bo v prihodnosti vodilna na tem področju?



## **APPENDIX 3: FOCUS GROUP FRAMEWORK IN ENGLISH**

### **Focus group**

Welcome to the focus group entitled "THE IMPACT OF VEHICLE ELECTRIFICATION ON CONSUMER BRAND PERCEPTIONS OF BMW i". You were selected for the focus group with the aim of gaining a deeper insight into the world of electric vehicles, electrification of vehicles and your view on the subject. Some of you are BMW drivers, motoring enthusiasts and also opponents of vehicle electrification and the BMW brand. Before we start with the introductory questions, I would like to emphasize that there are no wrong opinions, no wrong questions, and it is definitely desirable that a debate be created among you, the participants. Although the focus group is recorded, your participation is anonymous. The focus group recording will not be shared or published anywhere.

### **Initial questions**

1. As I mentioned earlier, today's broader topic of conversation is electric vehicles. What is your general opinion about electric vehicles?
2. What brands are the first in your mind when I mention "electric vehicles"?
3. One of the brands that is the central subject of this research is BMW i. The BMW line of electric vehicles. What do you already know about this brand? What else would you like to learn about this brand?
4. When did you first hear about the BMW i brand and which vehicle models do you already know?
5. When I mention the BMW brand, what are your first associations? Would you attribute the same associations to the BMW i brand, why yes and why not?
6. Do you think electric vehicles are the future of motoring?
7. What reservations do you have before buying electric vehicles? Explain.
8. On which factors or characteristics you should pay attention to when buying an electric car?

### **Brand concepts**

1. When switching to an electric vehicle, would you feel safer by choosing a product from a recognized brand?
2. Would you hold off on buying a BMW i car for reasons such as social status, promotion of a connected lifestyle, strong brand identity, uniqueness and reputation? (For what reason would you decide to buy a BMW i?)
3. Do you like the concept of a stand-alone brand for a line of electric vehicles? in BMW's case, it's BMW i. (Sub-question about brand dilution)

### **Focusing on BMW i's problems**

1. BMW i's first fully electric car, the i3, was built on an entirely new platform, meaning it shared nothing in common with the rest of BMW's models. Is this important to you as a potential buyer or are you closer to the electrification of already known BMW vehicles, for example: the electric version of the well-known BMW 3 Series?
2. When it comes to electric cars, how important is brand to you?
3. Is brand more important to you than value for money?
4. The first BMW i electric cars got a completely different look than we were used to with other BMW vehicles. Is the different look of electric vehicles important to you, or would you rather see the cars look more classic?
5. At the presentation of BMW i vehicles, BMW made it clear how much emphasis is placed on the use of quality materials in the interior of the vehicle. Is the high level of quality of interior materials an important aspect of your vehicle? Are you willing to pay more for higher quality materials?
6. In addition to vehicles, BMW i also sells lifestyle products under the same brand. Would you buy a BMW i jacket, a BMW i T-shirt and a cap in addition to a BMW i car?
7. Based on the reputation of the BMW brand (German engineering, technological perfection), do you also trust the quality of BMW i electric vehicles?
8. Some of you are competent BMW drivers, will you stay with the BMW brand when you buy your first electric vehicle? (Everyone else can give an opinion)

### **Questions about BMW i's competitors**

1. Which brand do you think is a pioneer in the electric vehicle market?
2. Which brand do you think is BMW i's biggest competitor and why?
3. You mentioned competitor X, but what about competitors Z and Y?
4. What features do competing brands offer that BMW i does not? You can focus on individual models.
5. In what aspects is the BMW i brand superior or inferior in your opinion?
6. What would you recommend to the BMW i brand and their products in order to stand up to their biggest competitors? What could BMW i do to make you more inclined to buy their electric vehicle?

### **Closing questions**

1. Has your opinion of electric vehicles changed over the years?
2. Have you noticed the marketing and sales activities of the BMW i brand? Maybe in your area?
3. Finally, is there anything else you would like to add in connection with the BMW i brand?
4. In your opinion, is the BMW i brand one of the brands that will be a leader in this field in the future?

## APPENDIX 4: FOCUS GROUP TRANSCRIPT

Moderator: So, hello everyone, in the focus group entitled The impact of electrification on the perception of the BMW i brand. You were selected for the focus group in order to gain some deeper insight into the world of electric vehicles and vehicle electrification, and to gain your insight into this topic, ammm, some of you are BMW drivers, I think only Participant 2 today if I don't mind, others are fans of motoring, and some here are opponents of the electrification of vehicles, and even opponents of the BMW brand, but no. So yeah, before we start the opening questions, I'd like to, I'd like to point out that there are no wrong opinions, there are no stupid questions... so whatever's on your mind, just say it, even if it seems stupid, ammm, in such a way that it is desirable that a debate is created among you, the participants, so that, for example, if you disagree with someone, to counter him, to maybe say that you agree with someone, so that... That's why, that's why the point is that we're all here at the same time. Um, even though I'm recording it, it won't be published anywhere, half the time your names will be hidden, so you don't have to worry about that. Ammm, yes, if you all agree, let's start, ammm and that's it. Umm, but you can just say your names at the beginning, and let's say where you stand with regard to the BMW brand, each one individually, I don't know if it would be Participant 1, but let's start.

Participant 1: But the first one, ok. Hi, I'm Participant 1. Basically, um, what, where do I stand on the BMW brand...

Moderator: So, are you the owner? Do you have any experience?

Participant 1: Umm, no, I own more Renaults, ammm, but I have experience - a lot of friends have BMWs, and M also has this, brother-in-law, and another, so... As for the brand, I like BMW anyway known for a very long time, also liked, everything... Maybe I'm not so much a fan of electric vehicles, I'm more of a fan of gasoline vapors, well. Um, but technology moves on, time moves on, so we have to keep up with that too, but no.

Moderator: Ok, Participant 2?

Participant 2: Um, yeah, I'm basically a BMW driver, so, um, but basically more, um, gasoline fumes here, like Participant 1 said, than electric vehicles.

Moderator: Great, Participant 3?

Participant 3: I'm not a BMW driver, I'm not a fan, I'm not a hater, ammm. I'm a little interested in what's happening on the market, that is, electric cars for everyone... Ammm. Yeah, I don't have any particular opinions, ammm.

Moderator: Ok. Great. Participant 5?

Participant 5: Amm. Hi, I'm Participant 5. Umm, yes, I'm not actually a BMW driver either, amm, but as for electric vehicles, for once I think it's still too soon, well, to even decide on such a vehicle. Um, for once I've never been attracted to, well, electric car manufacturers.

Moderator: Mhm, Participant 4?

Participant 4: Yes, hello, my name is Participant 4. Umm, I'm not a BMW driver either, umm, I have one other German brand, but I have quite a few close ones, my father also uses a BMW, the 320b in question, year 2014, um, my cousin has, um, a BMW. That's right, it's different with electric vehicles, and so, one year ago I was exactly about to buy a new car or a used one, two years old, and I just thought about it, but should I buy an electric one or not. But somehow I don't know, somehow I still swear by diesel, for once, but, we'll see, as Participant 1 said, we'll have to go with the times.

Moderator: Participant 6 yet?

Participant 6: Hi. I'm Participant 6. Um, I don't currently have... I was basically a previous owner of a Mercedes. I'm more of a fan of gasoline engines or diesel engines than electric ones. Umm, otherwise I know quite a few people with BMWs, so, a little something...

Moderator: Then you will say something about this topic. Ok, let's get started. As I already mentioned, but not, today's broader topic of conversation is: electric vehicles. I already got your general opinions, so we'll go ahead with these questions. Mostly like you said, you are, you know, you know something about electric vehicles, none are users yet. What are the brands that first come to mind when I mention electric vehicles? Which one would it be? So... just off the top of my head, what brand is associated with electric vehicles?

Participant 4: Maybe the odd BMW, maybe, but well, what kind of cars are they, some i8, but that's already affordable, well, unattainable for us in my opinion... Maybe a Golf, a Tazga, maybe it's current?

Moderator: Ok, so, BMW, Volkswagen, let's just go brands, let's talk...

Participant 1: But Hyundai, let's say also Renault, to which I followed the car in the beginning, and also a colleague has had a Hyundai for almost more than two years, almost, he drives from Kamnik every day, so I know a little about that too. Ioniq.

Participant 2: Tesla is Porsche. Tesla and Porsche.

Moderator: Tesla, Porsche, yes bravo. Okay. Another one, right? Participant 6, say, what brands come to mind?

Participant 6: Electric? Yes, first of all Tesla, no, then we have practically everything, we already have Mercedes, but no, but Audi is coming back, entering, but no, practically all of them are German...

Moderator: Mhm. Participant 3, say?

Participant 3: Chinese, yes I mean besides Tesla, then we have the Chinese NIO. I know about them, I know that they have a bunch of others who have quite a large domestic market, but they are trying to force their way elsewhere...

Moderator: Penetrate yes in Europe as well. And Participant 5?

Participant 5: Amm. Yes, Volkswagen, Hyundai and Tesla, that's what I...

Moderator: Ok. In other words, one of the brands that is the central subject of today's research is BMW i. That is, the line, line, line of BMW electric vehicles. What do you already know about this brand? What, what do you know from? The first thing you know about this brand?

Participant 1: 2013 was that first model, no, i3, no. As far as I know. Another colleague I know got it for a test, the odd fellow who bought half a Hyundai, but well, it doesn't matter. It was on test, so I saw it live for the first time and it was, I know, I really liked it, the interesting thing is... The construction itself, I would say the appearance of the vehicle, because it was completely out of the box for BMW- yes, but no, completely different, design and all. Umm, narrow tires, great, things like that really stood out to me, but only half the standard one... What is the range, but when the new technology is in practice, but no... Otherwise, you still have half the i4 , but I'm looking at the tele ix models a little now.

Moderator: Ok, we'll talk about that in the sequel... But what you said, that he then preferred Hyundai, we'll talk about that... because I'll be more interested. And others, let's say, do you have something special, something like that in your head regarding the brand itself? What stands out to you about the BMW i brand itself?

Participant 4: Maybe, maybe with these and older ones and these current ones, these, um, around the wheels, these felt ones, this is quite obviously true for these BMW vehicles, well, that's possible.

Moderator: Ok, um, so when did you first hear about this brand, when would you say you were?

Participant 1, you said 2013...

Participant 1: 2013, immediately, he came out.

Moderator: How about the others? Do you think...

Participant 3: I heard yesterday that it was... I knew it had an i, but yesterday, I saw two messages that it was a separate brand...

Moderator: Aha, aha, that is to say, yes exactly, that it is a different brand than BMW itself, that they distanced themselves from the partner brand. Participant 5, say, when did you first hear about BMW i?

Participant 5: Me, as far as I remember it was an i8, I just don't think it was quite electric, was it?

Moderator: No, it's a hybrid, yes.

Participant 5: Yes, but it was a bit more futuristic-looking, then the next one was the i3, and I don't know the rest, but to...

Moderator: Great, ok. Um, when I mention the BMW brand, I mean, now we're talking about BMW - what are your first associations, whatever? What do you associate with BMW?

Participant 1: M.

Moderator: M.

Everyone: Laughter

Participant 1: Well, mainly sportsmanship seems to me, well, history... sportsmanship, amm, the last drive of such things, well.

Moderator: Aha, ok. Second?

Participant 4: Maybe so, but no. They say in Germany, for example, Audi, something in between, Mercedes for gentlemen, well, BMW, but that sports car. That's possible.

Moderator: Ok. Participant 2 you, as a driver, what would you say? Your association?

Participant 2: Yeah, I don't know, it's a good car, higher quality. Um, yeah, that's it, well.

Moderator: Ok. Participant 3, say, your association? You all mention sportsmanship...

Participant 3: The quality is good, as long as there is no sloppiness...that it has details...

Moderator: Ok, Participant 6. Participant 6, what would you say?

Participant 6: It's usually like that, no, if someone says BMW, you know it's top-notch driving dynamics, but no. Mainly, that the driving dynamics are at the highest level, well, they've been in motorsport for a long time, so yes. They put the most emphasis on it.

Moderator: I mean, now, would you attribute the same associations to the BMW i brand? Would you, would you say that the BMW i is so much Participant 2 with BMW, that you would say that it is..., that you would attribute the same associations to this new brand?

Participant 1: I think we could try it out, or rather, maybe time will tell, or maybe, now, if some sports models came out, like amm, electrified, so that they would really be M, what are they, i 4, well. If it turns out in practice. In my opinion, time will tell, well. That's what I'll say, well.

Moderator: Aha. What about the rest, for example? Would you say, but would you say the same associations for the BMW i?

Participant 4: No, I don't think so, well. So, in my opinion, they still lack quite a bit regarding, regarding, amm, that is, I would say that it can be a brand, that is, BMW, that it can really be as sporty as a regular, I don't know, M, or a regular BMW, well.

Moderator: In other words, I would say that there is too much difference between i BMWs and ordinary BMWs.

Participant 4: Yes, it seems too big to me. Yes, because, I mean, I believe that they are, that they have been involved in this for some time, but I still think that there is too much difference in this, well.

Moderator: Mhm, but Participant 2, you say, as a driver? What would you say?

Participant 2: No, I wouldn't say yes, I mean I wouldn't attribute the same characteristics, as everyone has said so far, well. It seems to me that they still lack a lot to be on the same level as classic BMWs.

Moderator: Ok.

Participant 3: Um, but I saw that they have a new one, what is the i4...

Moderator: I4, yes.

Participant 1: Yes, i4, yes.

Participant 3: Aha, yes, which, it has 500 kW, amm, which it said is more than the M version, which I think it already could be.

Moderator: To be able to change this opinion in the future.

Participant 1: I also have something to add.

Moderator: What...



Participant 1: Maybe, maybe, one factor that is missing, especially if we look at sportsmanship is otherwise it's sound, no. Now, I don't know, it seems to me that it also fits very well with Ma, every classic one. Amm, if we look at the electrics now, if the ground looks so good, it should still have as many horses when you remove the sound, just like with the formula when they went to e, no, there was also a difference, no. And in terms of viewership and everything, I think that's also a factor.

Moderator: Yes, yes. Time will not bring sound, but no.

Everyone: Laughter

Participant 1: Yes, yes. It can be artificial, but it will never be the same, no.

Moderator: Yes. It is, yes, I agree. Umm, but in your opinion, do you think electric vehicles will be the future of motoring? Automotive? And you? How do you...

Participant 1: In general?

Moderator: In short, yes. Generally.

Participant 1: It can be, yes, but, considering the current situation in the energy sector, everything will be fine, and in my opinion, everything will still be very interesting, well. I do not know. It is the future, but we will see how it will go financially, no

Moderator: You Participant 6? What do you think, as a fan of gasoline?

Participant 1: Ah, yes, well, I'm more old school, no, just. I'd rather have a classic, no, gasoline fumes. That's all you're infected, if you're infected, you're infected, no.

Moderator: Participant 6, you? What do you say?

Participant 6: Slowly, I think, now, if the policy will really go in this direction, but not that gasoline will be discontinued, but no, we will probably be the ones with gasoline and diesel engines - I will say what we said, but no, petrol engine enthusiasts, we'll probably keep at least one in the garage, but no.

Participant 1: Oldtimer. Oldtimer.

Participant 6: So, so that he will become an old-timer.

Participant 1: For the soul.

Participant 6: So, for the soul, yes.

Participant 1: Right, right.

Participant 6: To remain, I don't know, that sound, but no, 6 cylinder or 8 cylinder engine, but no.

Moderator: Ok, valid. But what if, if I put you in front of the fact that you have to buy an electric car tomorrow. What are your current reservations? What would you, what would you, what would hold you back? About what...

Participant 1: In general? A BMW brand?

Moderator: In general, in general, now we are talking about electric cars.

Participant 1: In my opinion, first of all, I think I would also make a decision based on the price, no, the purchase itself, anyway, no.

Moderator: Ok.

Participant 1: Amm. Then, as I say, just like at the moment, now here's the increase in electricity, and this, of course, I would think about whether it's worth it or not, but, well, in my opinion, the price and everything, and if you need it, what is it for? you need If you need it for every day for 10, 20 kilometers, then you can also have a smaller one, ZOE or I don't know what. For something bigger, there is, well, a need, it also depends on the needs.

Moderator: You, Participant 2, for example? What would hold you back?

Participant 2: Umm, yes, probably first the price, and umm also depending on the charging time itself, and the charging stations. For once there aren't that many, well. And then probably also the fact that I personally think such a car has no soul, because it has no sound, because there is no engine, no. I mean, there's still a difference.

Moderator: Ok, how about Participant 5? The more I know you, the more inclined you are towards technology.

Participant 5: (laughs) Yes, but the price is the same, I think it's gasoline, she replied already at the start, well, then the question is also how much range is there now, on which car, no. Umm, how much is the warranty, how much warranty do you get when you buy a car, no, I think they offer different options. I think so somewhere.

Moderator: Participant 3, you for example?

Participant 3: Umm, in my opinion, the main thing now is that it's still difficult to get, even if it's not a luxury class, an affordable one, you get a car when you don't have to worry about the range, but about the mileage... The main problem is... it seems

Moderator: Mhm, now we, now we answered the following questions on the spot, that is to say, most of you would pay attention to the price, and the range, and as Participant 2 said, also the infrastructure. In other words, where will you charge it, but you will, but you will get paid for charging it... Ok, let's move on. If you decide to switch to... Decide to switch to an electric vehicle. But would you feel safer if it was, if this car was, that is, a product of a recognized brand? For example, Participant 3 previously mentioned the brand NIO, which is quite new, not yet recognized in Europe. Well, let's say if we also take Tesla... Would you feel better if you chose BMW than if you chose one brand that is relatively new?

Participant 4: Yes, absolutely, that's for sure, that is, it's not just about electric vehicles, you're already looking. You're probably looking at the same price, I don't know, I'm talking off the top of my head... If we're looking at a car for €20,000, I personally prefer a car that is, in other words, a better brand, or if it's a little newer, a worse brand... Sorry, Participant 1, but let's say it's like a debate... Maybe I'd rather take a BMW than a Renault, don't get me wrong. Maybe because of the brand, not because of anything else. But, yes, too, me too...

Participant 1: Yes. As for me, in principle, I always stick to these more proven... amm, as I would say models, but ok, if we look now for gasoline engines, it was a different matter, did you know which brand... which model has some faults, up - down, no.

Participant 4: Yes, yes.

Participant 1: So, yes. Yes, I agree, I understand completely. Understandable.

Moderator: That is, if Participant 1 switched, if he switched to an electric car, but would rather stick to such brands as Renault, for example?

Participant 1: Yes, rather than not stamps yes.

Moderator: Rather than unknown...

Participant 1: These new ones, yes. So.

Moderator: Participant 6, you for example? As a Mercedes fan? Would you take something new or stick with it?

Participant 6: Yes, now, if you are forced to take, but not, an electric vehicle, I would probably go for a Mercedes...

Moderator: Mhm. But would you trust them, would you trust them based on the brand or would you delve into the details?

Participant 6: Yes, but Mercedes is a brand known for its quality, but not

Participant 3: Recognized brands..

Participant 2: I would trust verified brands.

Moderator: Yes.

Participant 6: ...I would probably stick with that.

Moderator: Ok. If you were to decide to buy, that is, an electric car from the BMW i brand. Amm. For what reasons would you choose to do this? Would it be, for example, social status, promotion of a connected lifestyle, strong brand identity... What, for example, would lead you to the BMW i brand?

Participant 1: Yes, but certainly not because of social status, rather I would say that I would like to, because I would just decide to do it, or if, when I do, that I will really research about it, just for my concepts, based on experience but no. That is to say, now these electric vehicles will be on the scene for so long that you will know which series of which manufacturer has any faults or not. Although I agree here that there are actually so many less, amm, wearing parts except for these electric motors, so I think that the battery might be a problem, ... if we're talking about used ones at all, let's say, but no, then just everything else, the infrastructure, and that, as Participant 2 said, and the charging stations that. So, yes, in my opinion based on experience, well. From others, well...

Moderator: Ok. Well, Participant 2, let's say, how would you... given that you are already a driver? Why would you choose, for example, a BMW, then continue?

Participant 3: I think that such a brand unintentionally promotes a certain social status, which I don't like.

Sebastjan: I agree with Participant 1.

Participant 2: Yes, I think that because of these things that you mentioned, certainly not, umm, now, otherwise if I decided to buy an electric car, umm, I would choose a well-known company, because I conclude that they already have a lot of experience to make a good, and

above all, safe car. Umm, but it's true that it probably wouldn't be a BMW, because I personally don't like them visually, umm, but if you decided, it would probably be a reason to take care of the environment and all these things that come with it .

Moderator: Ok, how about Participant 5, you?

Participant 5: Amm, now because of the social status of ziher no, well. It seems to me that all these cars are made, how should I say, above all safe, well. To me, it's more important that the car gets from point A to B, not so much the brand, but certainly that it's a little better quality, well.

Moderator: Ok, valid, amm. Now, one more thing, we mentioned earlier that, let's say, some of you didn't even recognize that BMW i is an independent brand, that is, a sub-brand of BMW. Do you like BMW's decision to go with the, um, sub-brand concept for electric vehicles, or would you rather see electric vehicles released under the BMW brand? That it wouldn't be, that there wouldn't be a BMW i brand?

Participant 1: Mmm, no.

Participant 4: Umm no. Sorry, Participant 1, just say it...

Participant 1: It doesn't really matter to me, well, I would say, just tko folk, if you look at whether it's a BMW or there's the letter "I" next to BMW, we'll still associate it with German quality, with history, with that, tko so as not to elaborate.

Moderator: In your opinion, the main brand does not lose anything?

Participant 1: No, no, that's for sure, no.

Moderator: Participant 6, you? What do you think?

Participant 6: I mean, in principle, I don't really care about these i BMWs, but no, I'm not... but it's good if they go in that direction, because they're forced to go anyway, but no, it's.. Well, like we said, like they said, a BMW is a BMW. They will probably always aim for quality, but no, because if they don't lose customers, especially those who, for example, are already on them, but don't stay with this brand so that they don't go to another one, they will probably always look for some way, that they try to do, I don't know if they make their own batteries, I'm not quite sure about that, but well, they will probably go for making their own technology, but not that they won't copy from some other brands.

Moderator: Ok, Participant 3 what do you think? You mentioned earlier that you didn't even know that BMW i was an independent brand.

Participant 3: I think that this shows that they have some really, amm, intention to really differentiate it, to really go deep into this area, but they don't. So they made separate platforms, and for that they really go to great lengths, not that it's just a side-by-side, side-by-side alternative version of the existing car, but it's a separate series, a separate brand. That it's just, if you're in favor of it, that it's a plus, that it's really the trust that they're going in that direction.

Moderator: I understand...

Participant 2: I don't care.

Participant 4: Maybe, maybe, I could add something here.

Moderator: Tell me.

Participant 4: I agree with the opinion of Participant 3a, I also think that it is better somehow that these are two completely different brands. Maybe the first association is already because, amm... Somehow engineers from the BMW brand and engineers from the "i" BMW brand are probably on a completely different learning principle, or rather they are on their own, they are on their amm, that is to say, engineer level, as well as on the BMW brand, so that maybe because of this two completely different amm brands of vehicles, well, maybe because of this.

Moderator: Ok, great, yes, you can. But now we will focus more on the problems of the BMW i brand itself, and let's say we start, as Participant 1 mentioned earlier, their first fully electric car was the BMW i3 and it was characterized by being built on a completely new platform. Which means it shared nothing with the rest of the BMWs. It was a brand new car, new platform, amm. As a potential buyer, is it important to you that the car is built on a new platform? Would you prefer it if, say, it were an electrification of a familiar model like the 3 Series? Is it important to you that the car has a new platform, for example?

Participant 1: My...

Participant 4: I am...

Participant 1: I'm too fast again. (laughs) In my opinion, maybe, um, mostly, at least in my terms, visually, but no. If I don't know, a classic BMW three-wheeler, which is fine anyway, whoever likes it likes it, it's beautiful, it's up and down... If I just electrified it, well, in my opinion, I don't know, well, maybe even more, I don't know, maybe to have more customers, maybe, I don't know. This, this first i3, but it was really such a breakthrough, no, one of the

first was that it was logical that they were testing new technology, everything, they couldn't convert just one classic sedan into an i3, but that's also quite clearly, no.

Moderator: Mhm, let's say who of you knows the platform of your car now, the name of the platform of your car? Would any of you be able to tell?

Participant 1: No, no.

Moderator: No?

Participant 1: No.

Participant 4: No way.

Moderator: No way, ok (laughs).

Participant 1: But they are common, and I know that many manufacturers have a common platform, but they don't.

Moderator: Yes. Ok, that's it. But yes, let's say here it was interesting that BMW decided to go for its own platform, which is also a more expensive development in the end, but no. And as a result, it also affects the price of the car, and from that point of view I was wondering, no, whether you think that makes sense or not.

Moderator: Ok, we'll leave it at that... But is the brand more important to you, say, than the ratio between price and capabilities... Earlier we talked about new brands and established brands, and let's say if you notice that one of the new ones has brands have a much better ratio between capabilities and price, but would that be more important to you than the brand of the car itself?

Participant 4: Now that I already interrupt Participant 1a in advance, because I know that he will be the first again... No, I'm just kidding. First of all, let's say when I buy a car, I first set a budget, and then what I want and what I want. And somehow it's always in between, that is, do you want to travel 3,000 km a month, but it's only to work and back, maybe from that point of view. Umm, then we move on to the characteristics, how powerful a car do you want, do you want a petrol engine, a diesel engine, that's it... In the end, it's the price anyway, but no.

Moderator: But where does the brand, where does the brand of soil come into this equation of yours?



Participant 4: Basically, it's like that, somewhere in the middle, now it's like if I have two different cars for the same price, and as you mentioned before, I have a choice of Mercedes and Peugeot, with the same characteristics, maybe, I don't know, probably because the BMW is maybe two years older, I personally would choose a BMW.

Moderator: Ok, what about the others, say Participant 2, you?

Participant 2: Umm, yes, it seems to me that in the end some other things still prevail before the price, umm, but, yes, I think the price is also important.

Moderator: What about the abilities themselves? Let's say if we look at electric cars? Also the range, but charging that? Would you compare it, for example, before deciding on an electric car? Would you calculate what you would get for your money?

Participant 2: Oh, yes, yes, definitely, just like I said, they probably dominate then, or rather before the price, but no.

Moderator: Ok. Participant 6, you mentioned earlier that if you were to buy an electric car, you would go for a Mercedes... But if you found out, for example, that Tesla offers you much better capabilities, acceleration, range, free charging for the same money... But maybe because of this, would I compromise on the brand and decide on Tesla or would I still go for Mercedes?

Participant 6: Yes, I will say that if, if it is necessary to go, everyone should go to electric vehicles, but no, I would go anyway just for the sake of having a car from point A to point B and I wouldn't really care how much the car goes, what kind of performance it has, the only thing that would matter to me would be the range, so that I don't have to, now I don't know, go through thinking about where I'm going to go now to fill up this car, how long I'll have to fill it up, that it will be charged and I would practically look for a car for the lowest possible price, when it was like that, I don't really care, but I have 0 to 100, but it takes 15 seconds, but it takes 5 seconds, because it's not a car for my soul, I would rather have a car for Sundays, parked there in the garage, when I would know exactly what the car is intended for from point A to point B, but I would look strictly at the range and at the lowest possible maintenance costs, like that.

Moderator: Ok, great, Participant 5, you, for example?

Participant 5: Yes, the brand certainly matters a little, no, now if you choose a better brand, you also get better capabilities of the car, but it is true that you also win on the price, no. So... When I buy, I certainly look at the capabilities, well. But is the price also a limit, no.

Moderator: Participant 3, you? What would you watch? You mentioned the NIO earlier, as one of the few...

Participant 3: Yes, I mean, I would look at this relationship, but I would still include in this relationship what it looks like and how you trust. Well, I don't trust the Chinese, no, I wouldn't trust Zhihu in terms of systems, assistance systems, so I wouldn't choose it for that reason alone, well.

Moderator: Mhm. Ok, let's move on. That is to say, the first electric cars, as Participant 1 said earlier, the i8, the i3, looked completely different than any BMW so far. The i8... the i3 is that little round, round thing, the i8, quite so futuristic. Umm, what do you think, given that manufacturers are deciding that the design of electric vehicles is totally different from conventional vehicles? Do you like it, or would you prefer to see electric vehicles look more classic and similar to gasoline and diesel vehicles?

Participant 5: Yes, I think that considering that we are going to a certain future, it makes sense that the cars look more futuristic, different from what we are used to until now, no. It will be necessary to slowly get used to something different, a different reality, as I would call it.

Moderator: Ok.

Participant 3: I also think that it is quite clear to all of us by now that they should go their own way, no. That they don't just try to electrify existing models, but go for their own style. And now he is slowly saying that they are not ugly, but they are not. They were ugly before.

Moderator: That they are not ugly, yes, no. I mean, I would personally agree, yes. Participant 1, tell me what you would...

Participant 1: Yes, I think, for me personally, appearance is very important, and the appearance of the car. Let it be BMW, let it be whatever, but I think that this was also conditioned by new technology, they had to anyway, they couldn't put all this technology in one classic shell from the three, they had to adapt to it. Plus, at the beginning, battery capacity, range, and these things, when the 2013 i3 came out, they had to look at it first, to do something, so that it would be at least as much, able to compete with the classic gasoline or diesel, but no. That probably didn't work, the weight was big up and down like that, yes. But I agree that appearance is very important to me, well.

Moderator: Ok.

Participant 6: I'm not a fan of electric vehicle design, it's still just cars?

Participant 1: At least to me.

Moderator: After the presentation, that is, of the BMW i3, BMW also made it clear how much emphasis they put on the interior materials in the BMW i3. Umm, how important is, say, a high level of quality of interior materials to you? Would you be willing to pay more for this, despite the fact that high quality is expected in, say, BMW? ... Is this one of the factors that would guide you in purchasing, say, interior materials?

Participant 1: Yes, I'm sure, for example, you've always been a fan of cars with more equipment. Also, as Participant 4 said earlier... I prefer something a little older, but with more equipment, at least in my opinion and let's say for the interior, ok, Germans, in general, I admit they have a very good quality of materials and everything, amm, so, that it plays a very big role for me, yes, for sure. Quality of materials.

Moderator: Participant 6, you said earlier that you would only care about, say, how much range it has, you would not care about speed. I would still be willing to pay more for I don't know perforated leather on the seats...

Participant 6: Yes, comfort is always important, but no, because I say if you have to get from point A to B, but no, you have to drive strictly to work, or for some trips, you have to make sure that the car is as comfortable as possible, what do I know, cooling, heating, but not that it has these basic... but these comforts, when they are, but not. It's always nice to pay extra, I'm always looking for some comfort, now, in today's cafes, but no, especially when everything, I'll say it this way, everything that's modern, amm, it's the same now, no, the same as if you were watching just phones. Phones have also advanced so much, but no one can imagine that they would still be with those buttons and without the touch screen, but it's the same with cars, well.

Moderator: I understand, yes... Participant 2, you, for example, as a BMW driver, probably expect the materials to be up to par in the interior. Umm, but would you be willing to pay more for an electric BMW that had premium materials, or would that be one of your points, extra points, let's say, well? I will say so.

Participant 2: Umm, I think, just like you said before, it seems to me, first of all, with a brand like BMW, you probably expect that they already have quality materials and that everything is up to par. Um, now I personally probably wouldn't be willing to pay more for some interior materials, because I don't think that's still a priority when buying a car, well.

Others: It is not the most important thing for us.

Moderator: Ok. Now I'm going to digress a bit, digress from the cars, but BMW i, in addition to vehicles, is also a lifestyle brand. This means that in addition to cars, they sell jackets,

amms, t-shirts, caps, they also have shoes, among other things, electric bikes... If you were to buy an electric car - BMWs, but you were only buying a car, would you also be buying a lifestyle? How, how, let's say already... Let's say you're buying a car now, or let's say, someone who is a Mercedes fan, let's say Participant 4, do you also have a jacket from Mercedes, but you also have their shoes?

Participant 4: Umm, I have, just like that, I happen to have a jacket from Mercedes, because my neighbor gave it to me, otherwise, not that I would, but the keys are from Mercedes, because they already come with it, but otherwise, um, no, to add something like this... Let's say some people are very obsessed with having perfumes from Mercedes and shoes from Mercedes, I'm not like that. The car is important to me, nothing else.

Moderator: Valid. Participant 6, you? ...in addition to the car, would there be a lifestyle or not?

Participant 4: To tell one anecdote. Last but not least, my girlfriend wanted to buy me a Mercedes, and then we were talking, um, it's called perfume, and we're talking, ah, I said, I said: "Never mind"... She said: "Yeah, meh, because you have the odd Mercedes, it's fine". I said: "No, no, no, I'm not like that, well".

Moderator: Ok. Participant 6, you?

Participant 6: Me, my previous, my previous car that I... basically I don't have it anymore was a Roadster... And I had a, um, a Mercedes cap anyway, he said if you drive without a roof, but no, you have to throw a cap on your head and anyway, you will have a Mercedes cap, but what else will you have, but no. So, yes, yes, but now, as you said, for example, he now owns a BMW, sells electric bikes, and this, I'll just say that everyone should stay with what they know how to do, but no.

Moderator: Aha, ok.

Participant 6: ...those bikes, compared to those who just do it...

Participant 1: I have Renault stuff, why not.

Moderator: Since you are also a cyclist, I assume that you know about it as well.

Moderator: Participant 3, for example, would you buy a lifestyle or would you only be looking for an electric car?

Participant 3: No, I wouldn't, I wouldn't buy the style. Definitely not.

Moderator: No, we wouldn't sell to you. Participant 5, you?

Participant 5: Laughter. No way. (Laughter).

Moderator: Participant 2? Are you perhaps a bit more fashion-forward?

Participant 2: No, me neither, basically like Participant 6 said, I think they should stick to what they are good at, well, um, and leave the rest of the things to others. After all, you are buying a car or means of transport, but not a lifestyle or style.

Moderator: Ok, that is to say, we basically reworked the next question from the conversation, that is, if based on the reputation of the BMW brand, their German engineering, technological perfection... that is, most of you said that based on this, they would trust, that they will also be able to prepare a good electric car. Do you agree, do you agree?

Participant 1: In my opinion, yes.

Participant 4: Yes.

Participant 6: Yes.

Participant 2: Yes.

Participant 5: I don't think so.

Everyone: Laughter

Moderator: Really, right? Tell me if you don't agree. I'm looking for someone to disagree.

Participant 5: It's too soon to make that decision, because look, if we had, if I saw someone in twenty years, still driving an i3, all credit, I'll say, "Okay, this is really high quality". Electric vehicles have been out for two, three years, maybe a little more, no, it's not yet at a point where I can say: "Oh, this is really a German quality".

Participant 1: In my opinion, a lot depends on the batteries here, well, in the first line, in my opinion. It will definitely have to be replaced, that is logical, it has nothing to do with the brand, but it probably has something to do with what kind of battery supplier it will be, or rather what quality of batteries it will be, but no.

Participant 3: I would say this, when they go to these waters, they no longer work here, they are no longer the main manufacturer of one of the key systems, for example the battery is, I think, Chinese, but Korean...

Participant 1: It's not from BMW, yes...

Participant 3: Which is already separate but not. Then, anyway, this set is for self-driving, self-driving, but not. It's new, it's a new thing that's new for BMW, like it's new for everyone else, no. There is no twenty years or so experience on motorbikes here, but no.

Moderator: I understand, I understand. I.e...

Participant 4: Now I've heard that, odd now I've heard that Hyundai, I think the new vehicle for the same... just electric offers a 10 year warranty on its battery, now...

Participant 1: I heard, yes...

Moderator: That is, yes, on the one hand, we would trust the brand, but on the other hand, as you can see, most of you are aware that not everything depends on the brand. That there are also some external battery suppliers, so that before buying an electric vehicle, a person should basically research who the battery manufacturer is, for example, but Samsung is a battery manufacturer, but it is some unknown brand. So interesting. Ok, great, great. Amm, that is, some of you present are drivers of BMW vehicles, as I already mentioned, today it is only Participant 2. Amm, you will, you will, let's say, I will direct the question to you Participant 2. When you buy your first electric vehicle, will you stay with the BMW brand and, or, or not?

Participant 2: Um, probably not, well. Umm, I don't know, I'll think about it then, I think I'll think about it when I decide to buy an electric vehicle. If I ever decide to buy an electric one.

Moderator: You said earlier that you would definitely look at the relationship between price and capabilities, no.

Participant 2: Yes, it's true.

Moderator: If I remember correctly. That's right, let's move on. That is, which brand do you think is a pioneer in the electric vehicle market, that is, if we look at this period now, this electric vehicle boom. Who is the pioneer, the pioneer? Who started this?

Participant 4: Tesla.

Everyone else: Tesla.

Moderator: Do you all agree on Tesla? Everyone, ok. In other words, which brand would be the biggest competitor of BMW i at the moment, and why? Let's say in your eyes, who would have...

Participant 4: Tesla.

Participant 1: I think Tesla, well. I think so too. Because of, because of, simply the number of cars sold and made, because it's not only the European market, it's much bigger in America, no. I think Tesla is the biggest, well.

Moderator: Mhm, Participant 5, you, what would you...

Participant 1: Competitor...

Participant 5: Yes, now if we look at the European market, well, well, yes Tesla, well, but also Audi, well.

Moderator: Audi, ok, yes interesting. Participant 3, you?

Participant 3: Yes, also, yes, that is, the rest of the Germans, no, I think that they are, um, that they are quite close to each other. Well, they cover the market well with electric cars, but Tesla does too, well.

Moderator: Yes, now, given that your question, your answer is Tesla, if we just look at sales let's say, Tesla with its Model S, sold more Model S than BMW 5 series gasoline and diesel combined, more than BMW series 7 gasoline and diesel combined, so that Tesla ran them over the whole line, not only in the electric area, but also in, also in the gasoline and diesel area. Umm, it's true, I mean most of you have mentioned Tesla, let's say, but how do you feel about Hyundai, how do you feel about Kia? How is this more Korean front, how do you view them?

Participant 4: As for them, I kind of think that they are trying to do the same as you said before, that is, BMW is BMW i, but no. Somehow they are trying the same thing, they say with classic diesels, but petrol drivers are trying it because they see, well, that there are already a lot of these electrified cars on the market, somehow. That's how they try... They mainly come in with a price, it seems to me. Other vehicles seem to me to be much cheaper, to be much more expensive than, say, Hyundai now... Somehow Hyundai, Kia, in my opinion these cars are, in my opinion, these cars are still the most financially attainable, above all. Above all, that they, with the price, walk in well.

Participant 1: Yes, that, exactly that. Let's say my colleague who has an Ioniq, now I think it will be two years no. He is satisfied and simply drives from Kamnik to Vrhnika to work every day and fills it every day. He doesn't have any problems, but the first thing that happened when he had the test i3 was that he saw that it just wouldn't work out financially. And then he decided on the Ioniq and for once he is very satisfied. We'll see what time will bring.



Moderator: Yes, also, yes, let's say in the Norwegian market, where Tesla is strong, let's say Hyundai is also very strong, so yes. Like you, Participant 4, as you already mentioned, the price, no, this is definitely their advantage, but also technologically, let's say, they are coming after them. So, great, yes.

Participant 4: Somehow, odd now, no, yes, sorry, Participant 5. Odd now, a colleague actually bought this Hyundai, electrified, and when we made it, I mean, I was wondering about some characteristics, let's say that I only list these active cruise controls, autopilots, that is to say, my, my, my 2017 Mercedes already has it all, let's say, they have only just started adding it to electric cars, but well, above all, all these characteristics, or rather, these functions, or rather, these i.e. to help start up and so on. In other words, even electrified vehicles have this in them now, for example, they have what I would say are better cars in the higher price class, that is, a couple of years ago, well.

Moderator: So you think you already get Hyundai, Hyundai and Kia?

Participant 4: Yes, yes, exactly, yes, yes.

Moderator: Um, I mean, a lot of you mentioned Tesla as your biggest competitor. Could you say why, for example? Let's say if we compare the cars themselves why would, why would we compare, why would we choose Tesla as the biggest competitor? What features does the Tesla have that...

Participant 3: ... Market ...

Moderator: Say it, say it...

Participant 3: The market capitalization is already so big, yes, they can afford to throw so much money in, yes, even for sleeping, so that it comes out, but no. Then, yes, they are in Silicon Valley, but no, they have the greatest talent in the world, as far as, um, brains from a car, but no. Well, the brand, the recognition of the brand is such that the others don't have it, but they don't. As for the electric ones, well, this vertical integration is the best for them, but no. They do most of the work themselves.

Moderator: Yes... What about functions, functions, if you were to compare the functions of Tesla and BMW... But would you be able to say, for example, some outstanding ones, you said the smartness of the car. Would you be able to list some outstanding features of BMW compared to Tesla?

Participant 3: I know that they are both trying the same thing, amm, I know that Tesla already has at least a good system so that the car can go through any city center by itself, but no. Um, yes.

Moderator: You, Participant 2, for example, would you like to point out such a function?

Participant 2: Umm, yes, basically, it's weird that the car drives itself without your help, but I think Tesla has this dog mode when it doesn't...

Moderator: Oh, so you can leave the dog in the car?

Participant 2: Yes, yes, yes. You can let him in, but umm, you go... But I really don't know about other things, well.

Moderator: Mhm, the others, say? Could you list any specific BMW features, would you?

Participant 4: Um, no.

Participant 1: I don't know.

Participant 5: I don't know, it seems to me that Tesla has a lot of these functions, from playing games on the display, to I don't know what, but some children's things, while BMW remains on that elegance, the classic business version, in my opinion ....

Participant 6: Yes, now in the end you just have to ask yourself, are you buying a car, or are you buying something where you're going to play I don't know the game, but you're not. Well, I watched movies, but no, I mean, a car is a means of transportation after all.

Moderator: Ok, ok...

Participant 6: So, full of these applications inside that this Tesla probably has, the question is, but do you use them at all. But 90% of users will know how to use them...

Participant 1: In my opinion, this is a temporary, one-of-a-kind hybrid, as in the past, if it really turns out that cars will talk to each other, communicate, well, let's say, that is, they will drive independently, then you will be able to have office in the car, on the way to work, or whatever, but I think we're still a long way from that.

Participant 6: Far from it, yes.

Moderator: I mean, we're all aware of these special features, it's kind of a talking point, let's say if you, if you bought a Tesla you would definitely brag to your friends that, um, you can watch Netflix inside. Yes, yes, I would agree that...

Participant 1: I would show everyone an insane button that they have...

Everyone: Laughter

Moderator: Is this smartness of the car, as Participant 3 said, the smartness of the car, is it some kind of talking point where, say..., where you couldn't say one of the functions for BMW, for example, although BMW is also considered in principle as very smart car. I3 is one of them, let's say. So, um, based on everything we've talked about now, what would you recommend as a brand? Let's say you could, say, be a BMW i consultant for a day. What would you recommend to them, so that they could stand by Tesla's side? If we said the biggest competitor, most of you said Tesla, what would you recommend to them? Let's say Participant 3, I'll start with you, who was the most knowledgeable on this topic.

Participant 3: Umm, yes, I think that it lacks more of its own, let's say that they are trying, for example, batteries... at least to collect a bigger margin, so that they lower themselves at least to have a bigger part in the production, no, but yes let's say they go more sovereignly into, into design, amm, so they no longer try with some i3 designs.

Moderator: Ok

Participant 3: Um, just like they used to be, yeah...

Moderator: Yes, let's say just as Tesla is known for the fact that, for example, the car looks very classic, even if, for example, the Tesla Model S, Tesla is like a classic sedan, anyone who is not familiar would say that it is just a car as a car, but no. Whereas when you see a BMW i3, as Participant 1 mentioned, you immediately notice the tires, they're something special, as Participant 4 mentioned earlier, I mean you see, you see the rims, they're something out of this world, amm, like that. Okay. And the other Participant 2, let's say, what would you say? What would you recommend?

Participant 2: Umm, yes, I think that in general the vehicles could stand out more, as far as the functions themselves are concerned, umm, but also basically it is not talked about as much as, say, Tesla or other electric cars, it is not that kind of wow effect, to say to yourself: "Oh, I'd really like to have it!", you don't hear about it that much.

Moderator: Mhm, mhm, what functions would you like to add, what would, what would attract you to be more in favor of BMW? Whatever?

Participant 2: (laughs) I don't know, generally the presentation itself, um, charging time, service, all these things that are probably important to you if you decide to buy a vehicle.

Moderator: Ummm Participant 6, what would I say to you? What would you recommend to BMW at this point? What would convince you, what would convince you, say, to BMW?

Participant 6: But to really buy it, a BMW?

Moderator: Yeah, what would you... What would they have to do to get you to their side?

Participant 6: ... I don't know, amm.

Moderator: Something very revolutionary, I guess...

Participant 6: He could, yes, in my opinion, I think they're just doing their own thing, they're not going to copy something, just like everyone copies from each other, amm, because they know that the biggest problem now is the battery here, but no . The electric motor is the smallest problem to make. The battery is, but it will last for a while, um, but the capacity of the battery will still be as strong when it's, I don't know, minus 10 degrees outside, well, but no... This is just one such thing, when they could have done a little more digging.

Moderator: Yes, that is, let's say Tesla, Tesla is trying to reduce let's say the price of a car, according to their capabilities, let's say Model Y...

Participant 6: I mean, I know, sorry to interrupt you...

Moderator: No, no, say it, say it.

Participant 6: Umm, a colleague, for example, works at Avant2Go, which are... rentacar, they had a pair of Teslas there. He said it himself, I don't know, when it was minus 10 outside, the Tesla was automatically at 75% capacity right from the start, but no. So that we all know what the problem is with the battery itself, but no. Will they work on better insulation around it, so that there will not be such an influence from the outside, but this is difficult in my opinion. It's the same with the phone itself, if you look at the battery, but not the capacity, and this will probably be a problem for a couple of years, if they don't give up on it in the end, we'll see.

Moderator: That is, you would rather, you would rather than look for some games in cars, you would look for some solutions in the field of these key...

Participant 6: Yes, I mean, if we look at it now, the batteries, what, what will happen in I don't know 5, 10 years, where will they put all these batteries, what will they change this indefinitely. I mean, I don't know, we'll see what happens with that, well.

Moderator: Mhm, what about Participant 3, you mentioned NIO earlier, but no. Could you tell me about their battery plan? Have you seen anything about their battery strategy?

Participant 3: Umm, that's not me, but I know that they are directly in the same center where all this is produced, umm, I know that they, yes... They are right next to these, these biggest battery manufacturers , amm, so... As for the rest, I don't know. I know, just to have enough finances, but no.

Moderator: Yes, let's say it's interesting at NIO, they were the first to present the concept of being able to charge your car in fifteen minutes, no, not to charge your car, but to come to a repair shop and have the whole battery replaced. Let's say it is, this is one of the visions of this Chinese brand NIO. Would you like that, for example? What kind of business model would totally change this battery charging. Participant 1 also mentioned that he was concerned about the long-term Participant 3, say the state of the batteries. If you, for example, could get new batteries every week, they would be constantly in circulation.

Participant 1: Plug and play, to basically make the battery easily changeable in one model...

Moderator: It's like changing the batteries on a TV remote.

Participant 1: Well, it wouldn't be bad, maybe, that would be something to think about, from an economic point of view, and above all, and time-wise, and the first thing I would say is that you have an option, I would say old for new, what do I know, refurbished batteries, used for new or what I know. This is all conditional on finances, of course.

Moderator: Yes, that... Say it, say it.

Participant 3: Yes, I think so, but that would go, um, on a subscription model, which I don't think is the best...

Moderator: Well, ok, it is valid, amm. But how have things been in the last, in the last, if we look now at the last, let's say the last 5 years. How has your opinion of electric vehicles changed. Participant 1, you mentioned that a colleague has an electric car, Participant 4, you also mentioned that a colleague has an electric car. How did that affect, say, your opinion about electric cars?

Participant 1: I think it's completely feasible, amm, and useful in, amm, but it just depends on the type of person, and what he needs and doesn't. Just as I think Participant 6 said earlier, if you need this, a car from point A to point B, then in the final stage you just have to look at the characteristics, and whether it suits you, I don't know, depending on the distance, depending on where you will be chargers, how much money will you charge for, amm, but then you have fans of fully electrified vehicles who will go to this technology in any way, or maybe to, or rather I, who am not so much in favor of it, but with time, maybe, I don't know from three cars at one house, or two, and one will be electric, but not, we'll see.

Moderator: Mhm: I would say that...

Participant 4: But odd, odd, that's possible... Umm colleague, umm, I mean, now he and his wife went to buy amm, that is, an electrified vehicle and she now has it for daily driving, just like what Participant 6 said, from work to home, that's say 60 kilometers a day, that is,

Ljubljana - Vrhnika, but they have diesels for every day in the afternoon, for Sunday, for Saturday, and for weekends, no, that's to say, maybe that's something to think about, I do not know.

Moderator: Let's say Participant 4 you, you, are you more, are you more inclined to buy an electric car now than you were, say, three years ago?

Participant 4: Certainly, certainly because of how it is advertised, because of how many other functions they have, because of, because of the promotion of the car, because from the beginning when they talked about these batteries of theirs, that is, until the development of batteries, that is to say, this already convinces me that it is possible, but we will see how it will be, when it will be, that is to say also financially. Above all, the economic aspect, that's the main thing.

Moderator: Mhm, Participant 3, you, for example, you who work in the field of technology... but you... are very fond of it, or are you more like Participant 1?

Participant 3: I just don't know when it will pay off financially, then, then I'm more like five years back, that's because technology has moved on...

Moderator: Mhm, ok. Participant 6, I won't ask you, you have given your opinion (laughs). Participant 2, you for example?

Participant 2: Um, yeah, I think it's more talked about today, but like Participant 4 said, because of the promotion itself and because of all the way they present these electric cars, well. So, yes, um, but, for once, I'm not there yet.

Moderator: Ok, amm, Participant 5, you mentioned earlier, you mentioned one of the few, this, environmental aspect, environmental friendliness. Are you, for example, more inclined to buy an electric car now than you were 5 years ago because of this aspect and also because of other things?

Participant 5: No, my opinion remains the same, because still no one has presented a permanent solution to where these batteries will go, how it will be recycled, amm, there is still too much impact on the environment, well, or rather, many unknowns that arise by buying an electric car, well.

Moderator: Mhm, I understand, I think, I agree. Now, let's say you are in your area, let's say, most of us are from the Ljubljana area, but have you noticed the marketing or perhaps sales activities of the BMW i brand in your area? Umm, let's say Participant 2, I'll start with you, since you work in marketing, how do you feel about their marketing?

Participant 2: Umm, I think that they are basically neglecting these electric cars at the brand itself, I personally have not noticed any commercials or promotions anywhere. Now, I know that there in BTC near the Crystal Palace they have one glass cube and inside it is their electric car, but, well, you don't really hear or see them anywhere... Otherwise, I believe that it's probably theirs the target customer is not someone who sits on the couch all day and watches TV and sees commercials, they just don't have that brand awareness and basically, if you don't know the brand itself, you don't even know why exactly, but where you can find them.

Moderator: Mhm, Participant 5, you are, say, from Celje, from Slovenske Konjice, but where did you notice, for example, any promotion of BMW i vehicles?

Participant 5: No, actually, I didn't notice anywhere. I'm of the opinion here that we could basically put more on this, on this marketing, amm, because when you think like that around people, I don't know, everyone knows Tesla, Tesla, I don't know, no one talks about the BMW i3 or i4, no. Umm, so when I look around here, I don't know 3 or 4 young people have, um, I don't know Tesla anymore, the only i3 I know is from the village pastor, that's it.

Moderator: Why, why would you say that no one is talking about BMW, what would, what would be your reason, if you had to think of a reason, why would you say that everyone is talking about Tesla, no one is talking about BMW?

Participant 5: I don't know, Tesla already has its own charging stations, I don't know where else you see anything. Although there is no marketing, or to say that you see a billboard on the side of the Tesla road, there is no such thing, but no. But I also didn't notice from BMW that now they would say that they have, that they have some kind of marketing campaign, well, that it would be noticeable.

Moderator: Mhm, Participant 6, you, what do you think? As far as I know you live in Ljubljana, no, how would you say it? Do you notice anything?

Participant 6: In principle, there are no advertisements, but no. I think that people, only those who drive, do not know that Avant2Go is here, when they are car sharing, but not that they are electric vehicles, the question is if everyone else knows that an electric vehicle is at all. Just like that. In my opinion, electric vehicles will probably be considered for some time more as city vehicles, than as some vehicles that you will drive across the whole of Slovenia, I don't know, or on trips abroad, well.

Moderator: Yes, but do you think, let's say, that in the eyes of people, BMW could change something, with more marketing activities, for example? With more promotion?

Participant 6: I could, I could, but now the question is who will buy this car, but not because it's such a price, but no. Probably for the first vehicle in the family, for example, if one family has, say, two cars, I doubt that they will both have electric vehicles, well. There will probably be at least one vehicle with internal combustion, but no, gasoline or diesel, ammm, but one will be more like that, for someone who drives on shorter distances. So that I don't know, given €30,000 or how much is the i3, but no, it's the cheapest model, for a car, another vehicle, I mean, who has so much money now that he'll spend so much money on... I don't know, well, I mean my opinion.

Moderator: No, yes, that's great, because that's what I'm looking for. Amm, who would say, let's just go like this, because you mentioned the cheapest i3 model is €35,600 and has a range of, say, 300km, which of you would be willing to pay that much for a BMW i3?

Participant 4: No way, no no way.

Participant 1: Me neither.

Moderator: No way... Participant 3, you?

Participant 3: (laughter)

Moderator: Participant 5, you?

Participant 5: No.

Participant 2: No.

Participant 1: Although there are, aren't there still subsidies for electric cars? But, despite that...

Moderator: It will come, but it will come in such a way that a subsidy of €2,000, €2,500,...

Participant 6: It's still 30000 plus (laughter).

Moderator: Yes (laughter). You can't get below 30,000.

Participant 1: Yes, yes, sure.

Moderator: Yes, it is valid, ok, let's move on. One last question. In your opinion, will the BMW iv brand be the leader in this field in the future? Given the current situation? Would you say they have...



Participant 4: Now I'll, I'll say so, let's say I finish this thought first. If they do so much on actions, as Tesla did, and so much on some basically network marketing, so I will say that the network is basically with addiction, that they know again, but if they somehow fall behind with site, that is, with I have a hard time believing the current sites.

Moderator: Ok, what do the others think? Do they have? Are they on the right track or not?

Participant 1: Definitely put a little more marketing into it, if they want to catch this Tesla, but then, well, the technology itself. If they make a breakthrough in a slightly larger capacity, or, amm, what kind of newer additional technology is known, but it would have to be something bigger in order to overtake Tesla in my opinion.

Moderator: Mhm, how do you like it, for example, that, as I mentioned earlier, that now BMW, for example, has done, amm, at the moment, let's say, BMW has changed its strategy, that it went from having only a special platform until now, that is, BMW i3 its own platform, that it has now also come to the point that the BMW i4 is built on the platform of the BMW four, no. Do you think this is the right way or do you think it is better that they keep some, some special, special structure?

Participant 6: I, for one, think that, in my opinion, they wanted to gain some more enthusiasts with this, when they have, I don't know, m4, but no. Just a question, those who have the m division, I will say so, but no, they are more likely fans of gasoline engines. I doubt they'll go electric now. I mean, I don't know, well. I don't think so, at least not for a while until they are forced to.

Participant 1: I think they tried, yes, exactly what I mentioned earlier. It's just for those who care a lot about appearance that they tried it, now it's obvious that it was also financially sustainable, or not. It will be time if they even justify it. Because probably the cost was that they went into the development of, um, what I would say, the 4 series, electrified, but not. But will it be worth the cost to them, or will...

Moderator: Amm.

Participant 6: ... if you look, because the car is going, but no, because the car has, I don't know what kind of performance, you fall down, even better than, I don't know, a gasoline engine, but it's just a pleasure, I think you drive there, but you are in silence, you get there in pa... I mean...

Participant 1: You have a sound imitator in the cabin...

Participant 6: Yes, it is, it's just that it's like you're playing games, but you're not (laughter).

Moderator: Ok. Participant 3 let's say, but would I convince you by having an electric 5 series that looks good like the 5 series looks good?

Participant 3: Umm, yes, he would have convinced me if he could, if he could not pay the bonus until then, but no.

Moderator: Mhm, so that the series would also be competitive in price, right?

Participant 3: Yes, of course, if the price was competitive and other things were at the same level, then I would have no qualms about not having it.

Moderator: Would you like it? That the design is closer to BMW?

Participant 3: Yes, I wouldn't have it, it wouldn't bother me if it was, if other things were up to par, and if I didn't have to pay a premium just for it being electric.

Moderator: Thank you all for your cooperation, that would be all for today. Thank you all for your cooperation.

