



Official name: *Bayerische Motoren Werke AG.*

Owned by:

Stefan Quandt: 29%
Susanne Klatten 21%
Public shareholding: 50%

Owens: BMW, Mini, Rolls-Royce, plus both BMW and Husqvarna Motorcycles.

Current situation: BMW's income is currently at record levels. However, this income is extremely vulnerable to economic problems. Although BMW has increased its sales throughout the world, it has done especially well in China. This could present problems now that China's car market is starting to show signs of a slump.

BMW has also made some colossal blunders in recent decades, such as its multi-billion dollar loss on the failed Rover Group.

BMW's quality is high by European standards but low-to-average by Japanese standards.

Chances of survival: Good. BMW's name carries a lot of weight, so it's likely to withstand economic hard times. However, if things get tough the Quandt family may wish to sell all or part of its shareholding, so BMW's future ownership remains uncertain •



A brief commentary on BMW

IN 1917, the *Rapp Motorenwerke* aircraft engine manufacturing company was forced to restructure. The end of World War I meant a sudden drop in the demand for aircraft engines. Also, the Treaty of Versailles, which Germany was forced to sign after losing the war, forbade the new company – now called *Bayerische Motoren Werke AG* – from building engines that could be used in warplanes. Thus, Bayerische Motoren Werke, abbreviated to *BMW*, switched to building motorcycles.



The 1934 R7, surely one of the most classically beautiful motorcycles ever produced.

Motorcycles were hugely popular in the early 20th century because they were cheap to buy and cheap to run. However, stiff competition and low profit margins meant that it was hard for motorbike companies to make a real profit. The real money lay in building motorcars, which at that time often cost the same as a house and could thus be made at a greater profit.

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The BMW Dixi car, based on the hugely successful British Austin Seven.



The BMW 328 sports car.



In 1928, BMW purchased a small car company, the *Automobilwerk Eisenach* and, with it, the rights to build an English Austin vehicle. BMW called this car the BMW *Dixi* car. The Dixi was gradually refined and improved, until it bore little resemblance to the original cheap and cheer-



The BMW 501.

ful Austin Seven upon which it was based.

In 1936, BMW began production of its famous BMW 328 sportscar.

As war loomed, BMW switched back to aircraft engine production. Once war started, motorcycle and car production stopped altogether.

After the war, BMW was in great trouble. Aside from the war damage that crippled German industry, the BMW factory in Eisenach was located within the Soviet occupation zone. The Russians took the factory over. BMW survived by making pots, pans and bicycles.

In 1948 BMW resumed motorcycle production and in 1952 began building cars in Bavaria.

Things stayed grim. BMW's new car, the 501, was simply too expensive for most Germans to afford. In desperation, BMW bought the rights to the Italian Isetta minicar. This sold well, but the profit margins were slim.



The Isetta minicar, often referred to as simply a 'bubble car'.



By 1959, BMW was on the verge of bankruptcy. There was talk of selling the whole company to Daimler-Benz. However, the trade unions – realizing that Daimler-Benz was likely to simply close BMW down – strongly opposed the deal.

Wealthy German businessman Herbert Quandt – who was BMW’s largest single shareholder – saw the potential in the company and increased his share to 50%. This was the turning point for BMW.

For the first half of the 20th century, many ordinary people were too poor to afford cars. Even when they could afford them, people tended to buy cars mainly on price. This meant that vehicles tended to be crude and lacking in power.



Since 1972, BMW has sold millions of medium-level luxury cars like the 5-Series models above. As the range progressed, the cars became more stylish, more sophisticated, more powerful and vastly more complicated. Despite a carefully cultivated image of craftsmanlike quality, BMWs are, in fact, reasonably fragile. In a recent reliability survey by the independent British consumer group *Which?*, BMW was 18th out of the 34 makes surveyed, trailing Honda, Daihatsu, Toyota, Mitsubishi, Lexus, Mazda, Suzuki, Subaru, Kia, Mercedes-Benz, Hyundai, Skoda, Chevrolet-Daewoo, Nissan, Volkswagen and Mini.



As the world's economy gradually mended, however, there was a thirst for better quality cars. BMW's 1500 was thus a modest success, as were its successors.

In 1966, BMW bought the Hans Glas car company, which was making interesting developments in car engines.

BMW then began producing advanced but complicated engines that suited its advanced but complicated medium-luxury vehicles.

The stock market boom of the early 1980s gave BMW a massive boost; by the time the stock market crashed again in 1987, BMW was internationally acknowledged as one of the world's premium carmakers.

After the market for yuppie cars suddenly dried up, BMW went looking to expand into the cheaper end of the market.

In 1991, the English Rover Group, which was losing money but had a strong presence in England, was sold to BMW.



BMW lost in excess of US\$10 billion on the failed Rover company. The business was eventually sold to Chinese investors, who have since resurrected the company and sold a few thousand cars in Britain.



Rover later became known within BMW as ‘The English Patient’. However, at the time of the purchase by BMW, it was believed there was nothing wrong with Rover that German management couldn’t fix. So, over the next six years, BMW poured something like US\$6 billion into the Rover Group.

The result was a disaster. Rover cars were poorly built, unreliable and often unsafe. So, of course, customers stopped buying them.

After finally acknowledging that there were still a few flaws in their otherwise perfect plan, BMW – having lost all of its \$6 billion – sold Rover to a group of businessmen calling themselves the Phoenix Consortium – for ten pounds. That’s in addition to a \$1.35 billion loan to the Phoenix Consortium and nearly three billion worth of unsold cars that BMW threw in for free.

The only silver lining in the cloud was that BMW retained the rights to build the original Mini. Thus, the BMW Mini was launched in 2001 and became an instant hit.



In the world of modern carmaking, smaller manufacturers simply can't survive. That's why BMW has spent the last two decades creating all sorts of new cars, like the Mini and the 1-Series. It's also purchased Rolls-Royce and expanded its operations across the world, especially in China.

For now, this strategy is working: BMW has made record profits in recent times. However, the first law of economics is: what goes up, must come down. If the economic good times end suddenly, BMW is once more going to be left with a whole lot of unsold cars and a whole lot of idle workers.



The famed America car cynic Phil Edmonston once said of BMW: “These cars come with a reputation that far exceeds what they actually deliver.”



It's not merely that BMWs aren't as good as they used to be, either; brands like Lexus have raised the goalposts. These days, the best of Japan is often far better than the best of Germany. Sorry.

The independent British consumer group *Which?* publishes an annual reliability index, based on breakdowns, faults and niggles that occur in cars owned by its members. In a recent survey, BMW came 18th out of 34 makes. Almost all the top vehicles were from Japan or Korea. BMW did just as badly in a recent survey by the highly respected American *Consumer Reports* organisation, which rated BMW as 19th out of the 28 makes surveyed.

New BMWs are bad enough; old ones are diabolical. If you are foolish enough to buy an old or high-mileage BMW, then you'd better arrange a second mortgage on the house to pay for repairs. Repairs will be expensive beyond your worst nightmares and increasingly frequent as the car ages.

If you have your heart set on a BMW, then buy a low-mileage model less than two years old. The original owner will have taken the biggest blow in terms of depreciation, and a car of this vintage will hopefully provide several years of luxurious motoring at something approaching a reasonable price. Just don't say we didn't warn you •

