

A SERIES OF HAPPY SURPRISES HELPED ROCKET  
BMW'S MINI BRAND TO STARDOM

# THE Big Time



**ABOVE:** MINI is launching its John Cooper Works performance sub-brand for 2009 with hardtop and Clubman models; 208 horsepower plus suspension and body tweaks, starting at \$29,200.

**RIGHT:** MINI of Omaha is one of the newest MINI dealerships and one of nine standalones. "Part of my offer was that they [MINI USA] could do anything they wanted to my building. I took a leap of faith."  
—Tim Markel, MINI of Omaha.





**TIM MARKEL WAS EXPECTING ENTHUSIASTIC CUSTOMERS when he opened his MINI of Omaha store in March 2007. But even the memory of washing cars in his father's Ford dealership as a teenager when the original, highly anticipated Mustang arrived could not have prepared him for what would happen on his opening day.**

The local MINI Club staged a gathering to help support Markel's opening, and 35 MINI owners drove from up to 200 miles away, undeterred by all-day snow. "In all my years in this business, I've never seen anything like that," Markel said. He credits landing the MINI franchise with nothing less than reviving his love of the car business. "It's been a kind of renewal for me — it's made things fun again."

Markel's dealership, which sells 25-30 new MINIs a month, is one of the two most recent MINI stores, bringing the number to 82. Reasonable franchise investments, high retained gross on each car, and extremely high return for service (it's free for the first three years) have made MINI dealers happy, said MINI USA Vice President Jim McDowell. The brand plans to add 13 more dealers through 2010 as U.S. sales are projected to keep rising past last year's 42,045. MINI's success, here and in other markets, owes as much to surprise as to iconic design and fun-to-drive performance.

#### **From Sub-Brand to Sub-Culture**

The intensity of customers' zeal for the little cars came as a surprise to parent BMW, which had introduced the new MINI in 2002 as a kind of entry brand. Much higher-than expected demand was also a surprise. Annual sales for the U.S. were initially pegged at 18,000-20,000 but zoomed to 24,590 in that first year. BMW boosted production at MINI's British factory to keep up with global demand, and U.S. sales in the second year jumped another 50 percent.

As the U.S. auto industry slumped by eight percent in the first quarter of 2008, MINI revved up with a 25.9 percent jump to 10,164 sales. The U.S. is MINI's second-largest market, behind Great Britain and ahead of Germany.

Introductions of the second-generation MINI Cooper models last year and the new,

roomier Clubman model this past February were instrumental in maintaining momentum. About 20 percent of sales this year are expected to come from the Clubman, which was designed to appeal to shoppers who had previously ruled out the MINI for lack of rear-seat and cargo room.

Andrew Cutler, MINI communications manager, said, "50,000 would not be an unreasonable number" when asked to project MINI sales for 2009. This summer, MINI will add new John Cooper Works (JCW) high-performance variants. A second-generation convertible is on the way, and an all-wheel drive crossover is in the pipeline.

#### **A Niche of One**

"Nothing really compares directly to the MINI. They've essentially carved out their own niche and occupy it alone," said George Kang, senior marketing analyst for Edmunds.com. Kang gave MINI high marks for maintaining interest and momentum by adding models and options. "Consideration for the brand jumped by 10 percent when MINI introduced the Clubman," he said.

Also an enthusiast, Edmunds.com *INSIDE LINE* Editor-in-Chief Scott Oldham praised the car, as well. "We love the MINI, we're big fans," he said. "The MINI feels more expensive than it is, which you can't say about a lot of cars."

Oldham attributed MINI's success to parent BMW's design values. "BMW [with the 3-Series] can make a broad swath of customers happy with very different versions of essentially the same basic car, and they've brilliantly applied that philosophy to the MINI," he said.

#### **Surprising Prices**

The base MINI Cooper starts at an \$18,700 MSRP, and the MINI Cooper S, which features a 172-horsepower turbocharged engine, starts at \$21,200 MSRP. The S models have accounted for a bit more than half of sales since 2002. Transac-

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**BY JIM KOSCS, AIADA CONTRIBUTING EDITOR**

tion prices, however, skewed higher than MINI had initially anticipated. Most MINIs typically carry \$4,000-\$5,000 in factory options and dealer-added MINI accessories. What's more, customers continue to buy accessories long after the initial vehicle purchase, often when they bring their cars in for the free service.

"Our MINI accessory business is double our BMW accessory business," said Chris Turner, vice president of Prestige MINI in Mahwah, N.J. Prestige was among the first MINI stores to open, and was also one of two standalones at the time. (There are now nine, including Markel's Omaha store.) Until last year, Prestige was the country's largest-volume MINI dealer, with 792 new cars sold in 2007. It now ranks about fifth. Turner said he expects sales to increase to 1,000 this year.

### **It Wasn't the Gas**

Although MINI is a fuel-stingy car (up to 37 mpg highway for the standard Cooper model), MINI USA and its dealers are quick to point out that fuel economy was never the key sales driver. "When we launched, the market was 50 percent SUVs, gas was cheap, and marketing wisdom said U.S. buyers were not interested in small hatchbacks," said MINI communications manager Cutler. (BMW's own 318ti hatchback of the mid-1990s was a flop here.)

McDowell said that rising fuel prices this year put MINI on the radar screen for about 20 percent of customers. "But if all you need is high fuel economy, there are many other choices for lower prices," he said.

Economy-minded customers generally do not shop in the MINI's \$23,000-\$28,000 average transaction neighborhood. According to Edmunds data from early April, the top three cars cross-shopped against MINI were BMW's new 1-Series, followed by the Volvo C-30 and the smart fourtwo. Turner said his customers also mention the Audi A3, Mazdaspeed 3, and VW GTI.

The key to MINI's success, Turner believes, is the customers' passion for the cars and the brand. "The excitement in our showroom comes directly from the customers, and it starts long before the purchase. By the time customers come to see us, they've already 'built' and saved several versions of their cars on the MINI web site, e-mailed them to friends, and chatted about them in forums. They've talked with other MINI owners and discussed colors and options. It's viral, and it's the customers doing it on their own." He added that MINI owners commonly drop into the dealership on a Saturday just to have a cup of coffee and chat with other MINI owners doing the same.

### **"Eighteen to 80"**

Who are MINI's customers? "If you figure it out, please let me know," said David Birkenstock, general sales manager for Prestige MINI. "Ages 18 to 80," he added. McDowell said the wide age range was unexpected, and that demographics skewed older than MINI had anticipated, as well.

"We recently sold to a young female rookie police officer who traded in a stick-shift Hummer, and to an 81-year-old retiree — that gives you an idea of the range," Birkenstock said. Similar scenarios have played out in other MINI stores. "I've never seen such diverse demographics for any brand," said Omaha dealer Markel, who also sold Fords until 2005. "On the same day, we had a man buying a MINI for his college-age daughter and an 82-year-old man buying a MINI convertible for himself. What all the customers have in common is that they're in love with these cars."

Prestige MINI shaped its business around the customers' enthusiasm. "From the start, we've had the test drive near the top of the sales process. One drive hooks most people," Turner said. The dealer's fleet of 12 demos — one of each body and powertrain combination — is three times what the MINI retail playbook calls for. "Customers want to drive the version they're considering," said Turner.



## **A BRIEF HISTORY OF THE MINI**

British Motor Corporation (BMC) introduced the original Mini for 1960 under the Morris and Austin brands. Multiple permutations of the car, including performance and luxury versions, were built under different brand names and in several global markets until 2000. The British auto industry went through multiple consolidations in the '60s, '70s and '80s before essentially collapsing, and BMW purchased what was left in 1994 as the Rover Group. The German parent then sold the remains (including Land Rover) to Ford in 2000 but retained the Mini brand name, taking over development and production of what was essentially only the second generation of the car in 40 years. The new car was actually significantly larger than the original, and even the name grew — it's "MINI" with all caps now.



**“The option that stumps most customers is color choice.” —Chris Turner, Prestige MINI**

### Traditional Media Need Not Apply

MINI dealers generally eschew traditional newspaper advertising in favor of e-mail and customer events. Prestige MINI holds four to six events per year, and at its 2007 Halloween party, one couple costumed its MINI as a cake, completely covered in real frosting. At Markel’s Halloween party, a customer disguised his Porsche Boxster as a MINI. “You just don’t see that kind of activity with other brands,” Markel said.

Later this summer, MINI USA will stage its second “MINI Takes the States” event, with large customer gatherings in Miami, Boston, Chicago, and Los Angeles. The first “MINI Takes the States” event in 2006 drew more than 6,000 MINI enthusiasts for a 15-day, 19-state, cross-country road trip from Monterey, Calif., to Lime Rock, Conn. Markel called customers’ enthusiasm for the MINI infectious. “Every time I drive one, I just laugh,” he said.

### Satisfied Customers, High Resale

Automotive media commend the MINI as fun to drive, although generally criticize some interior features as inconvenient. MINI models have earned a “Recommended” rating from *Consumer Reports* magazine. Placed in the magazine’s “sporty cars” category, the MINI Cooper S scored an impressive third place in overall customer satisfaction, tying with the Chevrolet Corvette and behind only the Porsche Boxster and Cayman — iconic company, to be sure.

The MINI Cooper has been the Auto Leasing Guide top compact for resale value every year it has been on the market except 2007, when the VW Rabbit topped it. MINI recaptured the slot in 2008. The MINI Cooper is also among Kelley Blue Book’s category winners for best resale value.

McDowell said that resale is often much higher than the



**LEFT: Borrowing a name from a 1970s forebear, the new-for-2008 MINI Clubman model adds nine inches of length and a right-side “club door” plus rear “barn doors” for better access to the roomier rear seat and cargo area.**

published projections. Turner of Prestige MINI agreed, but added, “It does make used car sales a bit challenging, because there’s less of a price differential from new.” MINI USA puts a humorous spin on the situation: the price sticker template

on the MINI certified pre-owned cars reads, “The original owner couldn’t believe it, either.”

### What’s Next?

The MINI brand, Cutler said, has the flexibility to go toward both more performance and even higher economy. Higher performance is coming in the form of the 208-horsepower JCW performance models for 2009. John Cooper Works was the British race car builder that turned the original BMC MINI of the 1960s into a racing and rally winner and has been offering tuner parts through MINI dealers; MINI integrated JCW as its high-performance sub-brand earlier this year.

“MINI appeals to higher-educated, higher-income customers who expect high-tech advances. It’s attracted performance-minded customers, so now it may need to consider a high-economy version, such as a hybrid,” said Kang of Edmunds.com.

McDowell acknowledged that the brand’s quest for continued growth requires adding yet more variants. “As long as a vehicle drives like a go-kart, has the wheels out at the corners, and has essential MINI design cues, the family can expand in other directions,” he said. “We’ll never be a volume car like the Honda Civic, but we will be a growing family of premium niche vehicles for discerning customers.” **AD**