The New York Times | https://www.nytimes.com/2024/03/09/business/bmw-electric-vehicles.html

BMW Is a Surprise Winner in Electric Vehicles

Once considered a laggard, the German luxury carmaker is one of only a few established automakers that has been able to compete effectively against Tesla.

By Jack Ewing
Jack Ewing, who covers the global auto industry from New York, traveled to Munich and Lisbon to report this story.

March 9, 2024

As BMW car bodies glided down an assembly line in Munich recently, showered by sparks from robotic welders, it was hard to tell which vehicles would be powered by batteries, fuel-burning engines or both. In the view of many analysts, that is not a good thing.

The German automaker's electric vehicles are made on the same assembly line as gasoline cars and look similar from the outside. That approach, using the same basic body for electric, hybrid, gasoline and diesel cars, has been viewed as an awkward and inefficient compromise some established carmakers have deployed as they struggle to compete with Tesla and emerging Chinese automakers that produce cars designed solely for battery power.

But confounding the pundits, BMW's strategy has paid off. The company sold 376,000 electric vehicles last year, including some under its Mini brand, a 75 percent increase from the previous year. In the luxury segment, BMW was second only to Tesla, which remained dominant with 1.8 million cars. Electric vehicles accounted for 15 percent of BMW sales in 2023, up from 9 percent the previous year.

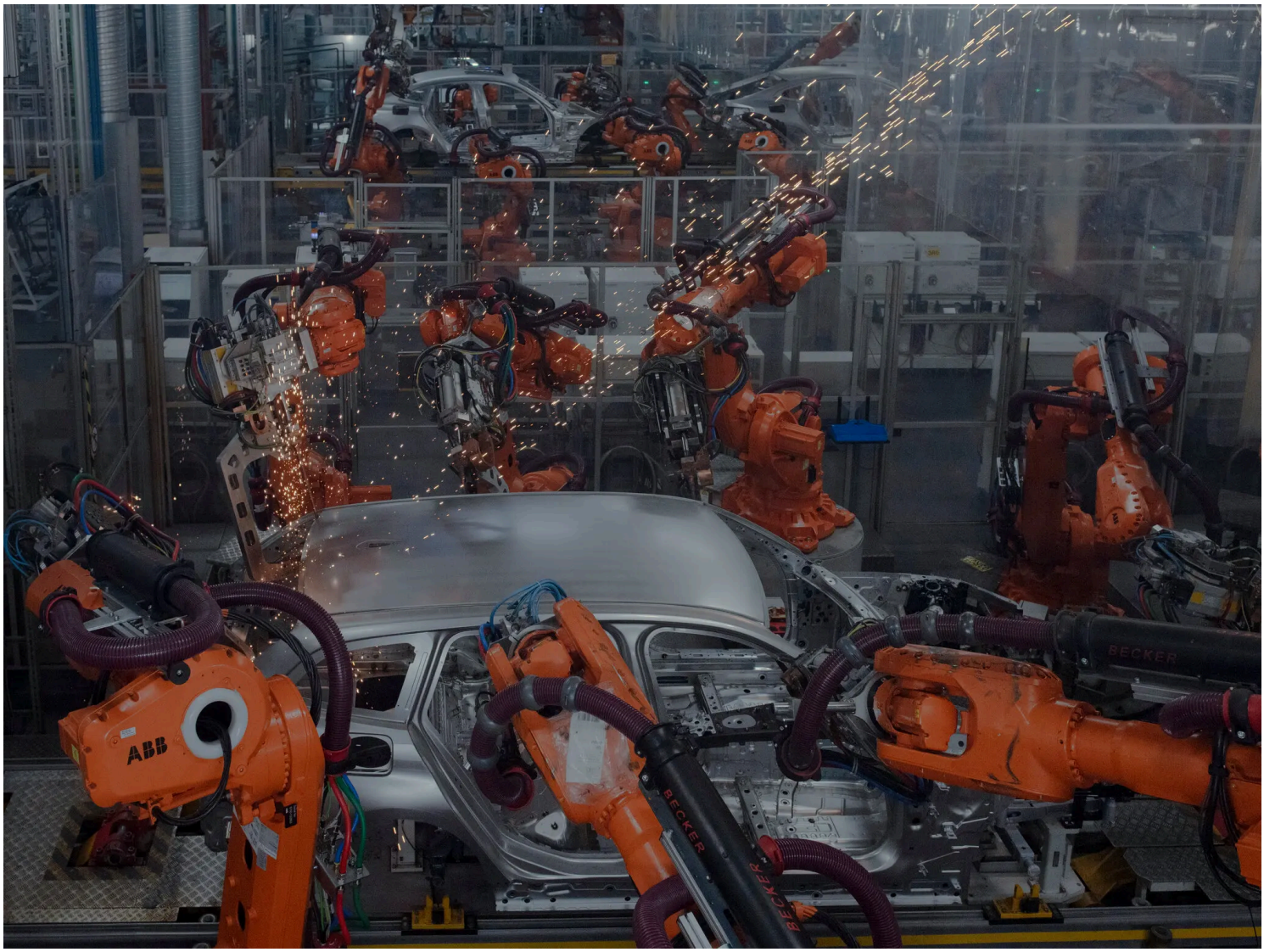
The company's growth comes as sales of electric vehicles have risen at a slower pace overall around the world. What is even more surprising is that BMW, unlike General Motors or Ford Motor, made a profit on the electric vehicles it sold.

BMW's experience suggests there is hope for at least some established carmakers as Chinese carmakers like BYD start to export cars to other Asian countries, Europe and Latin America. As electric vehicles move into the mainstream, the popularity of BMW cars suggests that many buyers prize the familiarity and workmanship of longstanding carmakers and remain wary of newer brands.

If so, BMW's approach could show a path to other automakers that have been manufacturing automobiles for decades but have made little headway in the transition to battery-powered vehicles.

BMW's strategy bought the company time to develop expertise in battery technology and to design a line of cars specifically to be electric. It has helped the company, based in Munich, cope with fluctuations in demand because it can more easily dial up or down production of different types of cars.

The approach also helped BMW hang on to customers who are interested in electric propulsion but are not ready for a sharp break from the past. The company offers hybrid versions of several of its most popular models, saying that buyers should be able to choose a car's propulsion technology as easily as choosing its color.



BMW’s electric vehicles are made on the same assembly line as its gasoline cars. Laetitia Vancon for The New York Times

That strategy has helped the company cope with fluctuations in demand because it can more easily increase or decrease production of different types of cars. Laetitia Vancon for The New York Times

“We would lose our traditional customers if you would tell them, ‘You are part of the old world,’” Oliver Zipse, the chief executive of BMW, said in an interview, referring to people who still preferred combustion engine cars. “They would immediately defect.”

Next year, BMW will begin selling a new line of cars designed to run only on batteries. Last month, at a site overlooking a rocky, wave-battered coastal stretch north of Lisbon at a company event, Mr. Zipse showed prototypes of a sedan and a crossover sport-utility vehicle that are part of what the company calls the Neue Klasse, or New Class.

These cars will offer significant improvements over existing models, including batteries that store 20 percent more energy per pound, and features not available from Tesla, like a digital display that runs along the entire bottom edge of the windshield.

The display, which can be customized, gives drivers information about speed, range, weather and navigation without their having to take their eyes off the road, and eliminates the need for an instrument cluster in front of the steering wheel. Most Teslas have one large display in the center of the dashboard, requiring drivers to look to the side to see maps and other information. That screen also has many of the car's controls.

In addition, the new BMWs will be available with autonomous driving technology that allows drivers to take their hands off the wheel on freeways and change lanes just by glancing at the side mirror. That feature directly challenges Tesla's vaunted self-driving technology.

> **Our business reporters.** Times journalists are not allowed to have any direct financial stake in companies they cover.

Since Tesla proved in the last decade that electric vehicles were practical and fun, it has been an open question which car companies would rule the industry. Tesla, with roots in Silicon Valley, has led in software and battery technology but struggled with manufacturing and introducing new models. The established car companies had decades of experience in manufacturing but faced a steep learning curve with batteries and software.

BMW is likely to survive this fraught transition to electric vehicles because of its engineering expertise, strong brand and profit margins that have allowed the company to invest in new technology, said Matthew Fine, a portfolio manager at Third Avenue Management, an investment firm that owns BMW shares.

BMW’s chief executive, Oliver Zipse, says electric vehicles “will be a dominant market force.” Ana Brigida for The New York Times

A prototype of what BMW calls the Neue Klasse, or New Class, of its vehicles. Ana Brigida for The New York Times

“We thought that would give them a very good fighting chance,” Mr. Fine said. “And that seems to have been true so far.”

The luxury carmaker started the switch to electric vehicles with certain advantages. The brand recently topped Consumer Reports’ ranking of auto brands that make the best vehicles for the second year in a row. Tesla was ranked 18th of the 34 brands on the list.

But Tesla has significant advantages. A Tesla Model S, which starts at $75,000, can go more than 400 miles on a charge, according to the Environmental Protection Agency, compared to about 320 miles for a BMW i7, which starts at well over $100,000. BMW said its next generation of cars should more than erase that deficit with smaller batteries that provide 30 percent more range.

Tesla could be vulnerable in several areas. Shares of the company, which is led by Elon Musk, have lost more than half their value since their peak in 2021. BMW shares have gained about 17 percent in the same period. Wall Street still values Tesla at more than eight times the stock market value of BMW.

Tesla's lineup is getting dated by automotive standards. The company recently began selling an upgraded version of its Model 3 in the United States, but it has not introduced a completely redesigned sedan or S.U.V. since 2020. Tesla is producing its newest model, the Cybertruck, which went on sale last year, in limited numbers.

"Newcomers," Mr. Zipse said without mentioning Tesla, "if they're not careful, they might get old before they grow up."

A ride in an i7, an electric incarnation of BMW's top-of-the line sedan popular with politicians and corporate executives, offers a lesson in the creature comforts that are crucial to the company's appeal. The car, which looks almost identical from the outside to its internal combustion counterpart, is eerily quiet even at highway speeds. The car comes with a large video screen that folds down from the ceiling.

Mr. Zipse argues that BMW is not just an automaker. "BMW, yes, it's a car company," he said. But, he added, "In essence, it's a technology company which has the ability to integrate very different technologies into one product."

In Munich, BMW is razing buildings that were used to produce internal combustion engines to make space for assembly lines that will produce Neue Klasse cars. The last V-8 came off the assembly line last year.

BMW is clearing space at its Munich complex for a factory that will exclusively produce electric cars.
Laetitia Vancon for The New York Times

Pallets of batteries are ready to be installed in electric vehicles. Laetitia Vancon for The New York Times

BMW buys most of its batteries from suppliers like CATL of China, which also sells to Tesla, but develops its own technology. In a building with blue and gray corrugated metal walls in the Munich suburb of Parsdorf, BMW operates a mini-factory where it tests new battery designs and manufacturing processes. One change involves allowing a slurry containing lithium and other active ingredients to be mixed in a continuous flow rather than in batches, the conventional practice now. The process is faster and cheaper.

Starting in 2027, BMW will produce nothing but electric vehicles in Munich, though it will continue to manufacture models with internal combustion engines at other factories. The company has large plants in Shenyang, China; Spartanburg, S.C.;

and other locations in Europe. BMW has said it will begin manufacturing electric vehicles in the United States by the end of the decade.

Unlike Audi and other competitors, Mr. Zipse has refused to put an expiration date on internal combustion engines, drawing criticism from environmental groups.

“BMW could lead the European auto industry in the electric vehicle transition if it would make a clear commitment to ending production of internal combustion engines that damage the climate,” Benjamin Stephan, a transportation expert at Greenpeace in Germany, said in an email.

But Mr. Zipse said the industry’s future is clearly electric. Sales of BMWs with engines have plateaued, he noted. “The fastest growing segment is electromobility,” Mr. Zipse said. Electric vehicles, he added, “will be a dominant market force.”

Jack Ewing writes about the auto industry with an emphasis on electric vehicles. More about Jack Ewing