GERMAN CAR MANUFACTURERS
AND THEIR EXPERIENCE CENTRES
A STUDY INTO THE ADDED VALUE OF REAL ESTATE

Michiel Plijnaar | 1269518
Department of Real Estate & Housing
Faculty of architecture
Delft University of Technology
December 12th 2013
**Colophon**

Name: Michiel Plijnaar  
Student no.: 1269518  
Email: mplynaar@gmail.com  
Telephone: +31 (0)6 47878611  
Address: Westplantsoen 16a  
2613 GL Delft  
Document: P4 report  
Date: 12th of December 2013

**Delft University of Technology**

Faculty: Architecture  
Master track: Real Estate & Housing  
Lab: Corporate Real Estate Management  
Address: Julianalaan 134, 2628 BL Delft  
Tel: +31 (0)15 2789111  
Website: www.re-h.nl

First Mentor: Dr. Ir. D.J.M. van der Voordt  
Second Mentor: Dr. Ir. D. Kooijman  
External commissioner: Dr. N.E.T. Nieboer
ACKNOWLEDGEMENT

I take this opportunity to express my gratitude towards the people who have contributed to the completion of this research both directly and indirectly. This accomplishment would not be possible without their support.

First of all I want to express my gratitude to my family for their unconditional support and encouragement throughout my studies, and for their critical review of my project during the process. Without them the completion of this project wouldn’t have been possible. And also big thanks to Johana for being there 24 hours 7 days per week to support me personally and professionally, armed with love, patience and motivation.

Special thanks to my mentors Theo van der Voordt and Dion Kooijman for their inputs during the entire research process. With the help of Dr. Ir. Theo van der Voordt and his enormous experience in the field of CREM and research, I gained immense knowledge regarding research methods and processes and how to apply these on my research about adding value by real estate. With Dr. Ir. Dion Kooijman I also learned more about the sociological aspects of real estate and the retail industry. It was an enjoyable and challenging experience that I value greatly.

It was also very interesting to discuss my topic with the interviewees I met during this research giving me valuable insights in the companies and thinking processes. Therefore I would like to thank Mr. Jan Esche (Esche Kommunikation), Mr. Rainer Sladek (Henn Architects), Mr. Tobias Riepe (Volkswagen Autostadt), and Mr. Nic Verheijden (BMW Den Haag).

A big word of appreciation goes out to my best friend Daniël for his help, motivation and ever so simple solutions for my “big” problems. For the fun nights we had during the last stages of our studies.

And finally, I would like to thank all the people that I have not mentioned here but supported me in the accomplishment of my research.

Best regards to all,

Michiel
**Preface**

In today’s society consumers want to receive experiences with everything they buy. Just products or services are not enough anymore, consumers want to feel special and receive personal treatment with these purchases. Within the German car industry most car brands offer these experiences through an experience centre. These companies built experience centres during the last decades which showcase the company’s past, present and future. These centres display the company’s corporate values through the building’s architecture and exhibitions and offer customers who bought a new car the service to pick it up there.

Since companies have become aware that value can be added through real estate their focus on the use of strategies for real estate has grown. Much has been written on real estate strategies for adding value by real estate but not specifically regarding buildings like experience centres. To link practice to theory the added value of experience centres for German car manufacturers has been investigated. Results were gathered through literature study and case studies in Germany consisting of site visits, interviews, and document analysis.

This thesis is written to finish the graduation program of the master Real Estate and Housing at the faculty of architecture, Delft University of Technology.
SUMMARY

INTRODUCTION

The last decade several changes have occurred in the consumer society and especially with regard to the automotive industry. The financial crisis struck worldwide which resulted in businesses seeing their profits fall, a bursting real estate bubble, and large scale bankruptcies. German car makers generally were very capable of retaining good sales figures throughout these years by model diversification and expanding their market shares in China, being a steady growth market regarding car sales the last years (Bryant, 2013). However, since last year their car sales are declining in the European market. Also the economic growth in China has become more steady, meaning that car sales are not growing as explosive as before any more (2013).

Another phenomenon that has gained more interest the last decades has to do with consumer behaviour and experiences; the so called experience economy. For customers experiences and emotions are becoming more and more important and they want to feel special and treated individualistic.

In Germany, customer car pick-up at the factory has been a common use since the late 50s when Mercedes-Benz started offering this service to its customers. So, the last two decades German car manufacturers have been acting towards the trend of the experience economy and built buildings next to their headquarters or main factories. These high quality showrooms house a customer car pick-up centre next to a range of other facilities to offer excitement and experiences to their customers. These buildings usually are very costly.

Many questions arise when looking at these high-quality showrooms, or experience centres, bearing in mind what possible uses they might have to their respective owners. One of the leading questions is what their added value is to the companies that built them. How do car manufacturers perceive the value of these buildings within an evolving society based more on experience compared to the previously common accepted consumerism based on just buying goods or receiving services?

Main research question:
What is the added value of high-quality showrooms for German car manufacturers?

In order to captivate visitors that come to experience centres it is necessary to use spectacular buildings which accentuate what they want the visitor to see, and how they want them to see it. The building’s architecture is therefore of great importance.

The high-quality showrooms of German car manufacturers have a specific location all close to the headquarters and/or factory. The building is an extension of the brand showcasing its past, present, and future. BMW Welt in Munich is one example that has become one of the biggest touristic attractions in the city, and has more far-reaching effects than would be expected at first glance. This kind of
brand marketing has been investigated. Question was also if the value that is added with this brand marketing can be related to the Real Estate itself.

**Methods and approach**
The research consists of theoretical and empirical parts. The research design is explained in figure 1 of section 1.6.

**Theoretical approach**
The theoretical study focused on literature regarding adding value by real estate and the experience economy. The study on adding value by real estate showed that there are several frameworks developed that can be used to measure added value. The theories and frameworks of Lindholm et al. (Lindholm & Levainen, 2006), De Vries (De Vries, 2007), Jensen (Jensen, 2010), and Den Heijer (Den Heijer, 2011) have been studied by Van der Zwart. Combining these four frameworks lead to a table with an overview of 9 real estate strategies as shown in the table below.

<table>
<thead>
<tr>
<th>Real estate strategy</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce costs</td>
<td>To reduce investment costs, capital costs, operational costs and other real estate related costs.</td>
</tr>
<tr>
<td>Improve productivity</td>
<td>To increase production with the same amount of resources for production through a more effective use of real estate.</td>
</tr>
<tr>
<td>Increase user satisfaction</td>
<td>To create functional, pleasant and comfortable places for visitors, consumers and employees.</td>
</tr>
<tr>
<td>Improve culture</td>
<td>To improve interpersonal relations and communication by real estate.</td>
</tr>
<tr>
<td>Increase innovation</td>
<td>To stimulate renewal and improvement of primary processes, products and services by real estate.</td>
</tr>
<tr>
<td>Support image</td>
<td>To expose corporate objectives by using real estate as an icon for the organizational culture.</td>
</tr>
<tr>
<td>Improve flexibility</td>
<td>To structure a real estate portfolio in a way that future spatial, technical, organizational and juridical adjustments are possible.</td>
</tr>
<tr>
<td>Improve finance position</td>
<td>To attract external financing to reinvest in the primary process or to improve the overall financial position of the organization by regarding real estate as an asset.</td>
</tr>
<tr>
<td>Controlling risks</td>
<td>To anticipate on future real estate related technical and financial opportunities and risks.</td>
</tr>
</tbody>
</table>

**Table 1 - Overview of nine real estate strategies (Van der Zwart, 2011)**

After examining the theory on value adding strategies assumptions were made regarding the empirical research further in this thesis. During the empirical research the focus was to find evidence on the use of these real estate strategies for adding value with experience centres. However, it was not expected to find results for the presence of all the 9 real estate strategies in the same amount. The main reason for this is the focus of the German car companies. A business cannot pursue nine real estate strategies all with the same importance. The theory of the real estate strategies formed the basis to reflect on the findings in the case studies.
Based on the findings from literature on added value theories it was possible to give a definition of what added value is considered to be. The definition of added value was considered as the trade-offs between the costs and benefits, which can have either a positive or a negative outcome.

Next to literature on adding value by real estate other topics have been studied as well. The authors Pine and Gilmore wrote about a phenomenon called the experience economy. They discuss a changing consumer society in which mere goods and services are not enough anymore. Consumers want to feel special and treated individually to create a memorable event. This phenomenon has been noticed by companies who therefore have changed the way they offer their products and services to customers. An example of a company that offers an experience to its customers is Starbucks; they show the process from ordering a custom coffee, its preparation by a barista in front of the customer, and the result with the customer’s name on it. This same principle is used in the high quality showrooms of German car manufacturers; a personal approach to make the customer feel special to give them a memorable experience. This literature gives valuable insights in consumer behaviour but also changes that were necessary for companies to improve their business.

To have background knowledge on the history of showrooms was essential for basic understanding of their purpose and building characteristics. The literature showed that the earliest showrooms at the beginning of the twentieth century were in principle not more than a workshop with car lined up in them; customers didn’t mind as they focused on what was underneath the bonnet. From the thirties and onwards this perception changed towards the exterior, the design began to have the upper hand. This was reflected in the showroom; the workshop was now located at the back of the shop and the showroom used an open plan space dedicated to sales and making sure to present the car as good as possible. In the nineties Audi came up with a concept that standardized the design of the showroom and made them recognizable for their brand. This concept was called the Hangar and was applied to dealerships around Europe.

Empirical study
The empirical study is based on 6 case studies of Germany’s largest car brands and buildings: Volkswagen Autostadt, BMW Welt, Gläserne Manufaktur, Mercedes-Benz, AUDI Forum, and Porsche. Of these 6 cases Volkswagen Autostadt and BMW Welt have been studied in-depth and the other four more explorative. The brands and locations all act as an experience centre, meaning to create an experience for its visitors, but they each have different ways to present this experience to their visitors. This ranges from museums showing the brand’s history to scenic landscapes with individual pavilions showcasing different brands.

The processes, ideas, and views behind the two in-depth cases Volkswagen Autostadt and BMW Welt were supported by site visits and interviews with the manufacturers, professionals in the field of planning and architecture, and dealerships.
The results were explored to pinpoint the added value of experience centres for car manufacturers in Germany, capture the reasoning and thoughts behind the marketing and business strategies of these companies, and how they cope with a changing kind of consumer.

Comparing the six cases showed similarities in the choice of location and the functions offered.

**Conclusions**

After the investigation of the cases it was possible to answer the main research question of what the added value of high quality showrooms is for German car manufacturers. The following can be concluded:

The main way experience centres add value to the overall businesses of German car manufacturers is related to **marketing**. They use the building to **support their image** and **create brand awareness** amongst consumers. These are the companies’ main uses for the building.

The experience centre is used as a means to bring the brand into the visitors’ minds and show them the brands heritage by showing past, present and future in an environment that is not directly aimed at selling more cars. Car manufacturers specifically use pull marketing techniques instead of push marketing to attract potential customers.

As became clear out however, the main goal for car manufacturers is to sell more cars, and experience centres contribute to this goal. Either directly or through the snowball effect created by people who visit the experience centre and tell their friends and family about these experiences.

Another real estate strategy that German car manufacturers focus on is to **increase the user satisfaction**. In the experience centres the users of the buildings are the visitors, and the customers who come to pick up their new car. Large efforts are put into the visits of these target groups and making it an unforgettable experience. This is directly related to the marketing purpose of the experience centre itself.

To safeguard the costs is an important aspect in any business. For German car manufacturers counts the same. The high quality showrooms were very expensive to build; therefore they regard them as an asset to add value to the overall business and **improve the financial position**. This outcome is directly linked to the main use of the building: supporting the image of the brand to sell more cars.

For the other six real estate strategies some results were found, but these are of relatively lower importance for the car manufacturers to focus on for their experience centres.
**Recommendations**

To conclude this research several recommendations are made for the field and practice. The research focused on a specific type of real estate, namely high quality showrooms, also to be considered as flagships. Using the knowledge gained from the German car manufacturers with regard to improving their sales numbers through flagships, it might be interesting to broaden the scope of this research to flagships regarding all retail real estate and go further into depth on the theories of adding value by real estate.

As a first recommendation taking into account the results from this research on the use of real estate strategies, theory could be used as input for development of a new framework based on the ones created by Jensen and others. This new framework should have a specific focus on flagships, compared to the existing ones that for instance focus on hospitals or university campuses. This new framework should focus on the characteristics (location, concept, functions etc.), and stakeholders that are important for this type of real estate.

The research focused on the German car industry. It is a given fact that German car manufacturers use experience centres. They offer customers who come to pick up their car and regular visitors a brand experience. The concept for experience centres originated from car pickup at the factory in the fifties. However the pickup of a car is also related to other aspects nowadays, focusing mainly on marketing and branding aspects.

A second recommendation would be to investigate the cultural influence that plays a part in the car buying process. What decisions and motivations make German consumers choose for a specific (German) car brand? The investigation could be done by conducting a large consumer enquiry focusing on their demands, motivation, and choices made regarding the car buying process. This should make it possible to establish consumer characteristics.

The cultural aspect should focus on the investigation of the differences between Germany and other countries. Many other countries have successful car manufacturers such as France with brands like Citroën, Renault, and Peugeot. None of these brands have an experience centre. The outcomes of this study could be that in the motivation for buying a specific car, general characteristics can be distinguished that not only count for Germany.

The third recommendation focuses on the marketing aspect of experience centres. In the previously stated conclusion the experience centre was pointed out as a marketing tool. It could therefore be interesting to explore marketing techniques through literature study to gain deeper understanding of experience centres and which marketing tools German car manufacturers use for their real estate. This also applies for the broader context of their whole brand management.

A recommendation for practice is the improvement of the companies’ financial positions by looking at direct competitors. Empirical research for instance led to results that showed the difference in the number of vehicle deliveries. The Volkswagen Autostadt almost reached their maximum capacity of car deliveries.
in 2012. This is however not the case for the BMW Welt. The numbers regarding
car pickup indicate that the Welt could improve its amount of car deliveries on an
annual basis. The building is calculated to deliver a maximum amount of 55,440
cars per year, however in 2012 BMW managed to deliver only 20,000 cars to their
new owners. The efficient use of the building could therefore be improved
through a higher number of annual car pickups. The use of the building is to
deliver cars next to giving visitors a brand experience. Thus in order to stimulate
brand awareness and support their image even more, increasing this aspect
seems like a good opportunity.

The number of car deliveries could also be improved by offering this service for
instance to surrounding countries like the Netherlands. Right now there are
certain complications with the legal aspects of license plates. However if this
legal problem can be solved, it was pointed out that there would be demand for
car pick up by Dutch customers.

For BMW improvement of their financial position and possibilities for cutting
down on annual operating costs could be undertaken by investigating financial
models used at the Autostadt. Perhaps the concept of the building can be
adapted for example to charge a small entrance fee in order to cover a certain
amount of the annual operating costs.
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Readers Guide

This report contains several chapters that describe different parts of the research process. To clarify what is written in these parts, the readers guide has been made. The research is divided into a number of sections; the following paragraphs specify what these chapters contain.

The 1st chapter introduces the research and gives the description of the problem along with the motivation and vision for this subject. These are supported by important definitions for further use throughout the thesis. The problem statement, research questions and research design lead to a conceptual model that was used to understand relationships between the research variables and visualize them. It also structured the Key Performance Indicators (KPI’s) that had to be researched in the thesis.

Chapter 2 presents the literature study on the various themes discussed in the research design of the 1st chapter. It gives answer to the first sub questions and forms the theoretical framework that is used for reflection on the empirical results in chapter 6 and 7.

In chapter 3 a part of the empirical research is shown. The four explorative cases that make up part of the case studies are presented along with views from interviewees on general aspects of experience centres.

Chapter 4 presents the first in-depth case study about Volkswagen and the Autostadt in Wolfsburg, Germany. It contains a description of the brand and its experience centre, a visit to the site, and results regarding the KPI’s from the conceptual model. These results come from document analyses and interviews with experts.

The 5th Chapter focuses on the BMW Welt in Munich, Germany. It contains the same aspects as described for Volkswagen’s in-depth case in chapter four.

A cross-case comparison between the six case studies is presented in chapter 6. They are compared on all the aspects that were researched based on the conceptual model. It provides answers to a number of sub research questions.

In chapter 7 the overall conclusions are presented in which an answer is given on the main research question. The conclusions are based on the findings from the previous chapters. The conclusions section also presents an overview of all the answers on the sub research questions.

Chapter 8 contains the reflections and recommendations regarding the research. These are reflections on the research and the processes, and recommendations for the practice and possibilities for further research.
Chapter 1 | Research Introduction

1.1 Problem description

In the consumer economy several changes occurred with regard to the automotive industry. The last decade, the financial crisis struck worldwide which resulted in businesses seeing their profits fall, a bursting real estate bubble, and large scale bankruptcies. German car makers were generally very capable of retaining good sales figures throughout these years by model diversification and expanding their market shares in China, being a steady growth market regarding car sales the last years (Bryant, 2013).

Recent news published in annual reports confirms, according to Bryant, that even the good times have come to an end for German carmakers. Sales declined in the European market and economic growth in China has become more steady, meaning that the sales do not grow as explosive as before any more (2013).

Next to changes occurring in the financial sector as described before, there are other changes that have appeared. Consumer behaviour has changed during the last decades which are as Pine and Gilmore describe it, caused by evolving perception of consumers that they want to be more individualistic and feel special. The focus has changed from mere services and goods towards experiences. This relates to just have a cup of coffee at a cafe or go to Starbucks and order a fancy coffee. At Starbucks the customers experience the preparation of a single, specially made coffee by a barista, and drink it in a designed environment.

In the current context of mass consumption and consumers relying more on experience than on the goods and services itself, the automotive manufacturers go along with this trend more than ever before. The last two decades the most prominent German brands have constructed new buildings to accommodate the experiences consumers wish to receive. These buildings offer visitors an exciting visit within an interesting architecture that showcases the brand and its products at its best. Their architecture is related to their brand and its car design views; an ever evolving relation that dates back to the start of Fordism when they introduced the model T on the automated assembly line in 1907 (Gartman, 2009).
1.2 Motivation and Vision

Motivation

A subject related to the automotive industry came from a lifelong interest in anything related to the cars, the actual car manufacturing processes and the way large manufacturers present themselves to their customers and visitors.

The ongoing financial crisis has an impact on any kind of business no matter the scale of their activities. Keeping this in mind the impact on the automotive industry is also apparent which shows when reading newspaper articles reporting on closing of factories, declining sales figures, and improving the efficiency of manufacturing processes.

The way manufacturers these days promote their business and anticipate on attracting new customers to buy their product has a great interest to me personally and is, combined with, the fact certain brands still invest large amounts of money in real estate the main aspect for choosing this subject.

Connecting this interest to existing research on the theme of value adding by real estate there are clear links which can be discovered and unravelled to gain understanding of the choices made by manufacturers and consequently map the processes and decisions behind them.

Vision

The subject related to the understanding of corporate real estate management and adaption of the real estate portfolios of large companies in order to add value to companies.

The theme of added value by real estate has been explained in a section of this chapter to be clear about what definitions are used throughout this thesis. Adding value by real estate is a theme that is researched by key figures in this field of real estate such as De Jonge (1996), Lindholm et al. (2006; 2006; 2006), De Vries et al. (2008), Den Heijer (2011), and Jensen (2010; 2012c). The research however should broaden the research carried out so far and possibly add to the existing frameworks that focus on key performance drivers of real estate by identifying what the drivers are behind this specific kind of automotive business. The automotive industry is a multi-billion dollar sector of the retail industry so relevance of investigation and carrying out research is evident.

The frameworks created by these researchers focus on several aspects of adding value by real estate, which range from image to innovation and user satisfaction. Linking these so called key performance indicators to the specific type of building created by car manufacturers has been one of the main aspects to determine the value they have for their owners.

Linking the values of experience centres to changes in consumer behaviour found in literature has proved vital as this relates to the sociological aspect these centres have on customers (Pine & Gilmore, 2011).
1.3 Definitions

This section describes the commonly used definitions in this thesis. The definitions stem from dictionaries or papers written by professionals in the field.

The two most important definitions are added value and high quality showroom. Therefore these two are identified separately to make sure no ambiguity occurs in the rest of the report.

**Added value** =
The trade-off between costs and benefits (see also chapter 2.2 for further explanation).

**High quality showroom** =
Flagship store built by a car manufacturer that houses several functions apart from customer car pick-up.

Research in two dictionaries, the Van Dale (www.vandale.nl) and Oxford dictionaries (www.oxforddictionaries.com) resulted in the list of definitions below. These are:

**Corporate real estate** =
Property used to support a business and its processes.

**Corporate real estate management (CREM)** =
The strategic management of the property used by businesses to operate their business processes from.

**Experience** =
An event or occurrence which leaves an impression on someone.

**Experience economy** =
An economy in which many goods or services are sold by emphasizing the effect they can have on people’s lives

**High-quality** =
Of very good quality

**Intangible asset** =
Those objects that don’t have any physical substance, such as knowledge, copyrights, trademarks, and patents. These are usually hard to measure.

**Key performance indicator (KPI)** =
A variable to measure the performance of a specific business.

**Showroom** =
A room used to display a company’s products. In this thesis it refers to the area where an automobile manufacturer displays its various models of cars.

**Tangible asset** =
Those objects that have a physical substance such as buildings, currencies, inventories, and vehicles.
Value =

The regard that something is held to deserve; the importance, worth, or usefulness of something.

1.4 Problem statement

Based on the introduction of section 1.1, the following problem statement points out the issues that need to be addressed in this thesis research.

**Problem Statement:**

Shifting consumer behaviour from goods to experiences and keeping sales on a steady pace ask for measures from companies to respond to these developments. German car manufacturers have been giving customers more individual treatments since the 50s but constructed experience centres the last decade to showcase their products. The development of these buildings has a certain value to them and actively contributes to the business strategies of these manufacturers but it is not clear in what way they add value to the company (and its stakeholders).

1.5 Research questions

The problem statement leads to the following main research question. It’s based on the compilation of several issues raised regarding economic downfall, the change towards an experience economy and the effects on the business strategies that German car manufacturers pursue.

**Main research question:**

What is the added value of high-quality showrooms for German car manufacturers?

The main research question consists of two parts that are leading throughout this research; these are value adding (by real estate) and high quality showrooms. For these two parts sub-questions have been made.

A. **Adding value by real estate**

B. **High-quality showrooms**

A. **Adding value by real estate**

1. What is adding value by real estate?
2. What is added value?
3. Which real estate strategies do German car manufacturers use regarding high quality showrooms?
B. HIGH-QUALITY SHOWROOMS
1. In what way has consumer society changed in the last decades?
2. How do high quality showrooms relate to the experience economy?
3. What are the building characteristics of a high quality showroom?
4. Do building characteristics influence the added value of the high quality showroom for their owners?
5. Can principles of car design be linked to architectural design?

1.6 RESEARCH DESIGN
The research in this thesis consists of 4 parts. The first part contains the exploration of the research field. The second part explains the theoretical framework which is based on literature findings. By using the knowledge from the theoretical framework, the third part describes the empirical findings of six case studies. The empirical research consisted of six cases to gain an understanding of the phenomenon of German experience centres of which two in-depth cases focus on two specific experience centres, namely Volkswagen Autostadt and BMW Welt. The empirical research consisted of a document analysis, observations and site visits, and multiple interviews. Finally a cross case comparison was made between all six cases.

The conclusions and recommendations are based on both the theoretical and empirical research. Figure 1 below shows the design of the research.

Figure 1 - Research design
According to Kumar (2011, pp. 4-15) there are a number of ways to carry out research and how the research is qualified. The research focuses on qualitative research. It comprises a literature study to formulate the theoretical framework, and empirical research using case study research.

Part of the sub research questions will be answered by theoretical research and some will be answered by the empirical research.

The empirical research comprised of a series of case studies of German car manufacturers. These case studies were divided into explorative cases and in-depth cases.

The in-depth cases were investigated using three methods:
- Document analysis (related literature, newspapers and articles, and annual reports)
- Observations (through site visits)
- Interviews
- The explorative cases were investigated through document analysis (related literature, newspapers and articles, and annual reports).

1.6.1 Theoretical research
The theoretical research was made by conducting a literature study. This study was conducted on three topics that are related to the subject of this research and focused on: 1. adding value by real estate, 2. the experience economy, and 3. for background purposes, the automotive history. These three parts shape the theoretical framework and were used for further parts in this thesis in connection with the research design. In chapter 2 the theories are presented on the following subjects:

1. Adding value by real estate focused on existing frameworks by Lindholm et al., De Vries, Jensen and Den Heijer that are used for measuring aspects of added value within a company (Lindholm & Gibler, 2006; De Vries, et al., 2008; Jensen, 2010; 2011).
2. Literature by Pine and Gilmore was used for the part that focuses on the experience economy (Pine & Gilmore, 2011).
3. For the history of car manufacturers and their showrooms literature of Gartman about cars in relation with architecture was read (Gartman, 2009).

1.6.2 Empirical research
Introduction
As part of the empirical research, this section elaborates on the use of case studies for further investigation of key performance indicators (KPI) for automotive real estate in Germany.

The strength of a case study research as pointed out by the Colorado State university (Becker, Dawson, Devine, Hannum, Hill, Leydens, Matuskevich, Traver, & Palmquist, 1994-2012, p. 11) is the flexibility, because the emphasis lies on exploration rather than on a prescriptive or predictive nature. This gives researchers the possibility to begin their research with a broad set of questions, and narrow down the focus as the research progresses. The supposed weakness of being subjective and only generalizable to a specific context can be refuted by
the fact that these case studies focus on a specific context, for example the retail market.

As Leentje Volker and Tim Rose discover in their research on incentive mechanisms in infrastructure projects, it is a good possibility to do a cross-case comparison of case studies even when at first sight they appear to be very different in characteristics (Volker & Rose, 2012). However, to make the comparisons between the cases reliable it is important to determine what should be the basis on which they do share similarities (Volker & Rose, 2012, p. 6). In this case it was the fact that all four cases shared the same incentive based system.

1.6.2.1 Case studies

The following figure shows the basic layout of how the case study research has been carried out. Six cases were investigated. In all of the cases the focus has been on data collection, analysis and comparison. Two cases were researched in-depth. The in-depth cases go further in the sense that they have been visited for fieldwork and interviews have been held with involved architects and company officials. The data that was gathered is related to the variables and KPI’s table in chapter 1.7. Questions that needed to be answered were: how do the companies view their customers and visitors? What are their views on offering experiences?

In the conclusions of this section a comparison between all the cases has been made regarding the aspects pointed out in table 3.

Give a short description of each case, and create a catalog of cases

Case A  Case B  Case C  Case D  Case E

Carry out a couple of in-depth cases

Cross case analysis

Figure 2 – Indicative layout of case study research

Case Selection

The selected cases for the empirical research are cases that have been found during preliminary research on the subject of experience centres in Germany. There are four explorative cases. Two in-depth cases were selected based on articles found that indicate the success of these cases and the brands themselves (Autostadt, 2012b, 2012a; BMW Welt, 2012; Autostadt, 2013; BMW Group, 2013b).

Reading about them in literature and architecture magazines the cases also have been selected by personal interest. In order to make a concise and coherent bundle of cases, those car manufacturers in Germany were chosen that have a building or area that houses facilities that can give an experience to customers.

The case study research method has been applied to investigate different cases which relate to the automotive industry and compare these on predetermined
aspects. This way of investigating has been used to gain knowledge about the cases and put theory about added value and the experience economy into practice. In the end it was possible to evaluate the theories and cases, and their relationships. This circular movement is depicted in the figure below. Case study research consisted of using interviews with the companies involved, architects and consultants, document analyses (for instance annual reports), and site visits.

Table 2 shows the 6 cases with a number of their basic characteristics lined up next to each other. The four explorative cases are discussed more thoroughly in chapter 3. The cases of VW Autostadt and BMW Welt are discussed in chapter 4 and 5.

<table>
<thead>
<tr>
<th>In-depth cases</th>
<th>Explorative cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Autostadt</td>
<td>BMW Welt</td>
</tr>
<tr>
<td>Location</td>
<td>Gläserne Manufaktur</td>
</tr>
<tr>
<td>Location</td>
<td>Mercedes-Benz</td>
</tr>
<tr>
<td>Location</td>
<td>Porsche</td>
</tr>
<tr>
<td>Location</td>
<td>Audi Forum</td>
</tr>
<tr>
<td>Location</td>
<td>Wolfsburg, Germany</td>
</tr>
<tr>
<td>Locational context</td>
<td>Next to factory/Headquarters/railroad</td>
</tr>
<tr>
<td>Functions</td>
<td>Pick-up, exhibition, cafes, museum, auditorium, shops, park with pavilions</td>
</tr>
<tr>
<td>Single/multiple brands</td>
<td>Multiple</td>
</tr>
</tbody>
</table>

**Table 2 - General Information about the Cases**

**1.6.2.2 Interviews**

**Introduction**

As part of the empirical research of experience centers interviews were conducted. They were carried out in order to get expert opinions and insights regarding experience centers. These interviewees were selected for their probable knowledge and expertise on the topic of development with regards to branding and marketing, but also automotive architecture.
SEARCH STRATEGIES
For the case analysis the research with information using strategies was vital. Quantitative data about investment figures and visitor numbers were collected.

To find representative interviewees took a lot of time. Writing and calling involved companies was not successful after one try. It proved difficult to get into contact with the right people and to also get a response from the contact. In one case sending an e-mail and getting four requests for a call-back were still not enough to actually speak with the contact personally. In another case the respondent’s colleague picked up the phone and appeared to be in a very bad mood. He had a very rude manner of treating people on the phone.

It was necessary for the research to get into contact with people involved with experience centres; preferably with different backgrounds on how to look at them and in this way collect different perspectives. In the end four persons from different companies in the Netherlands and Germany were willing to cooperate. They all had different working backgrounds which gave a good starting point for comparing the results of these interviews.

The interviewees were subsequently a representative of a large Dutch BMW dealership, an architectural firm involved in developing many experience centre projects, an architectural communicator and publicist from Munich, and a spokesperson of the Volkswagen Autostadt.

<table>
<thead>
<tr>
<th>Company and section</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMW The Netherlands</td>
<td>Showed no interest</td>
</tr>
<tr>
<td>BMW The Hague</td>
<td>Interview carried out with Nic Verheijden</td>
</tr>
<tr>
<td>BMW Hans Severs</td>
<td>4 requests for call-back, but no response</td>
</tr>
<tr>
<td>BMW Munich</td>
<td>head of brand management</td>
</tr>
<tr>
<td>BMW Munich</td>
<td>head of communications</td>
</tr>
<tr>
<td>BMW Welt</td>
<td>CEO and communications</td>
</tr>
<tr>
<td>Volkswagen Group</td>
<td>head of communications</td>
</tr>
<tr>
<td>Volkswagen Group</td>
<td>No response but passed on to Autostadt</td>
</tr>
<tr>
<td>Volkswagen Autostadt</td>
<td>Interview carried out with Tobias Riepe</td>
</tr>
<tr>
<td>Henn Architects, Munich</td>
<td>Interview carried out with Rainer Sladek</td>
</tr>
<tr>
<td>Jan Esche, Munich</td>
<td>Interview carried out</td>
</tr>
</tbody>
</table>

**Table 3 – Overview of Interview Respondents**

The quality and usability of the interviews for qualitative research is dependant of several factors. There is a threshold on the number of respondents found to hold interviews with, for the comparability of answers. But also the conclusions after two or three interviews: are the responses of a similar nature or is possible that new interviews can lead to valuable new insights? This idea is shown in the figure below, where the increase of valuable information doesn’t grow on the same level as the amount of interviewees grows. The figure is an estimation and shouldn’t be interpreted as right. It is meant to clarify the point made in this
section. This theory is supported by Nielsen who claims that for his kind of research it’s pointless to test/interview more than 5 people. The benefits don’t outweigh the extra time that has to be invested (2000). In the case of the interviews carried out in this research it was found that all the interviewees gave very similar insights.

![Coverage spread per interview graph](image)

**Figure 3 – The coverage spread per interview**

**Layout of the interviews**

The interviews have been structured around an interview layout which can be found in Appendix B and C. The layout itself has been indexed around three levels which come from the conceptual model as shown in figure 6. This makes the structure of the report and interviews itself more clear and understandable. It helps to relate the answers to the subsequent themes. At each interview theme the place within the conceptual model pointed out for clarity reasons.

This working method comes from the theory written by Emans and is based on a step-by-step plan that explains how research questions lead to a good interview scheme (Emans, 2002, pp. 117 - 150). The first step is to determine the informational needs and looking for theoretical variables. As these can be used from earlier parts in the report, this process is quite effective and efficient. The next two steps focus on looking for rough variables and indicators that come from the previously determined theoretical variables. In this case they come from the variables in section 2.5. The fourth step is to determine technical variables; these focus on the context of the interview. Things that belong to the context can be the time of the interview, whether a third person will be there, the location of the interview etc. Step number five is about creating an answering system for the previously determined variables. Step six covers the making of instructions for asking the questions. Ordering the questions for the interview layout is step seven in the process. The last two steps eight and nine are about making the layout, introduction, finalizing the interview layout, and after that testing of the concept layout to see if it is going to be successful.
The interviews have been carried out in Germany and the Netherlands. This meant that a Dutch version and an English version of the interview layout were made. For the Dutch interview with the BMW car dealership it was possible to specify some specific questions for the Dutch market. Because of these questions it was better to reorganize the themes within the layout as seen in the interview layouts presented in appendices B and C. In the end the same questions have been asked in both variants, only differing in the order of the questions.

**Qualitative analysis**

To structure the interviews and be able to compare the information gathered with the interviews, the software Atlas.ti has been used. This software is meant to scan and analyze the texts and for the user to structure these by using quotes and codes. Because of the enormous size of the interview transcripts this helps to systematically make notes and give importance to certain parts of those transcripts.

The transcripts were made by using notes and audio files that were converted into word files to use them with the program. The codes that were made with the program are the most important scores from the conceptual model supported by similar keywords that are of importance for these aspects.

**1.6.2.3 Document analysis**

The empirical research was also supported by document analysis. This analysis consists of reading and analyzing related literature, newspapers and articles, and the annual reports. These documents give supportive answers to statements made in interviews and observations from site visits. This analysis therefore is an important part of the case study research. The result from the document analysis are presented in the chapters 3 to 5 and compared through a cross-case comparison in chapter 6.
1.7 Conceptual model

To clarify the research questions a conceptual model has been developed shown in figure 4. The use of a conceptual model helps to structure the report and shows the assumed relationships between the variables. The model focuses on the two main variables of added value and high quality showrooms and what the relationships are between them.

In order to create the conceptual model a selection of variables and KPI’s was listed first; the result of this can be seen in table 4. The most important variables, added value and the high quality showroom, are the main variables in the research. It then shows the related sub variables on which the research focused. These sub variables were also used for structuring the interview layout.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Sub variables</th>
<th>KPI’s</th>
<th>Research unit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a. High quality showroom</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Location</td>
<td>- Next to Headquarters</td>
<td>- Documents and fieldwork</td>
<td>- Interviews with Henn architects and BMW/VW</td>
</tr>
<tr>
<td></td>
<td>- In the middle of a city</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Rural</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Functions</td>
<td>- Number and description of functions</td>
<td>- Documents and fieldwork</td>
<td>- Interviews with Henn architects and BMW/VW</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Documents and fieldwork</td>
</tr>
<tr>
<td>3. Concept</td>
<td>- description</td>
<td>- Interviews with Henn architects and BMW/VW</td>
<td>- Documents</td>
</tr>
<tr>
<td>4. Costs</td>
<td>- Building costs</td>
<td>- Interviews with Henn architects and BMW/VW</td>
<td>- Documents and fieldwork</td>
</tr>
<tr>
<td></td>
<td>- Operating costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>b. Value adding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Car sales</td>
<td># of Euros</td>
<td>- Documents/Data analysis(annual reports)</td>
<td></td>
</tr>
<tr>
<td>numbers</td>
<td># of units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Car pickup</td>
<td># of units</td>
<td>- Documents/Data analysis(annual reports)</td>
<td></td>
</tr>
<tr>
<td>numbers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Visitor</td>
<td># of people</td>
<td>- Documents/Data analysis(annual reports)</td>
<td></td>
</tr>
<tr>
<td>numbers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Marketing</td>
<td>In Euros</td>
<td>- Documents/Data analysis(annual reports)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Income</td>
<td>- Entrance fees</td>
<td>- Documents/Data analysis(annual reports)</td>
<td>- Interviews with Henn architects and BMW/VW</td>
</tr>
<tr>
<td></td>
<td>- Car pickup fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Extra activities</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 4 – Variables and KPI’s

The conceptual model itself is a schematic model that was created to clarify the sub research questions of the research. This framework shows the most important variables that were studied and the assumed relationships between them (Miles & Huberman, 1994). The model shows the relationships between value adding sub variables and how these relate to the High Quality showroom and its sub variables. This model was developed with the use of literature and analysis of the researchable units.

The following figure visualizes the relationships between the variables and sub variables that have been discussed in table 3. They have been graphically set out and linked to each other with the assumed relationships between them.
The highest level of importance within the conceptual model is the real estate strategy. The real estate strategy delivers the input and has an assumed link with added value and the high quality showroom. These links are that it’s applied on the high quality showroom and that the use of a real estate strategy leads to added value.

The most important variables are the two blue bubbles. They influence each other and provide tension but also cohesion amongst each other. The model shows that sub variables: location, functions, concept and costs have an influence on the high quality showroom. They are the elements of the high quality showroom. The high quality showroom has an effect on the added value. This added value can be measured through the Key Performance Indicators (KPI’s), which are car sales numbers, car pickup numbers, visitor numbers, marketing expenditure, and the income that is generated through the high quality showroom. The effects of these sub variables combined have an added value to the real estate of the German car manufacturers.
CHAPTER 2 | THEORETICAL FRAMEWORK

INTRODUCTION

This chapter contains the theoretical framework of the research and was used as the basis for the empirical research. This framework consists of theories and findings found in literature on the topics described below.

The first section starts with the description of four frameworks for adding value by real estate in order to gain understanding of the literature and to be able to answer sub question A1. After a comparison of different models for adding value by real estate an overview of these are given, and a conclusion of different general real estate strategies. These are used later in chapter 7 for theoretical reflection on the empirical findings.

Section two focuses on giving a definition of added value. This definition is given after reading literature on adding value by real estate which has been done in section one. Comparing different definitions of added value leads to a conclusion and gives an answer on sub question A2.

The third section provides information about literature on experience economy and the background of this phenomenon. The information about experience economy and its development will answer sub question B1.

The fourth section gives a historical background on the development of showrooms. The development from the earliest showrooms used in the United States, until the modular system which was created by Audi in the late nineties.
2.1 Adding value by Real Estate

This section explains the theories on adding value by real estate. It goes into depth of the idea behind adding value and the use of strategies for real estate. To gain understanding of the concept of adding value by real estate this section introduces the theories that are developed by key researchers in the field of real estate management. This section is part of the theoretical framework that is used to make the link with the empirical research discussed later on in the report.

Companies have become more aware of the capabilities of real estate and the need to put attention towards the management of corporate assets. They invest in real estate because they expect that between costs and benefits, the benefits in the end will outweigh the costs. Real estate strategies have therefore become more important for companies to focus on as part of the overall business (Krumm, Dewulf, & De Jonge, 1998, p. 372). Since the first research in the nineties on this matter a lot of new insights have been gained, with theories of how value can be added by real estate and the impacts these have on the relevant stakeholders.

Corporate real estate management

When giving a definition of corporate real estate management this can best be described as the management of the real estate portfolio of a company in such a way that it aims to maximize the value for the company and to the overall performance of the company (Dewulf, Krumm, & De Jonge, 2000). In this sense it can be said that real estate has a value. For strategy makers the choice of definitions has always been on added value; adding value by real estate to contribute to a firms overall success. The theories about added value are a widely researched topic in the field of real estate. Facility management, strategic management, portfolio management are just a number of the facets that relate to added value. Nourse and Roulac wrote a paper about the strategic driving forces, or interventions, that can add to the corporate business strategy and processes and alternative real estate strategies that can be pursued in order to do so (1993).

Since then lots of studies were done on the ways in which real estate can add value and contribute to the overall strategy of a business. A number of the authors who write on the subject of adding value complemented this research by frameworks with key performance indicators. These frameworks visualize the different stages in adding value.

A lot of new research has been added the last years. Three authors Jensen, Van der Voordt and Coenen have taken on a role as editor and made a compilation on the added value of facility management. It consists of a critical review of all literature that has been published related to the topic, made an inventory of this literature, and assessed what could be done for further research (2012a; Jensen, et al., 2012c). In the conclusion of these pieces the authors published a list of 9 findings that gives understanding on the added value of facility management strategy on a conceptual level, but also from an instrumental point-of-view (Jensen, et al., 2012c, pp. 210-212).
EXPLANATION OF FOUR FRAMEWORKS

A comparison of four of the main contributors was made to understand the frameworks that exist regarding real estate strategies. These frameworks show the apparent links between strategies and the supposed outcomes. The frameworks from Lindholm et al. (2006), De Vries et al. (2008), Den Heijer (2011), and Jensen (2010) are analyzed.

FRAMEWORK 1 | LINDHOLM ET AL.

The first framework is the one of Lindholm et al. (2006). She regards corporate real estate management as a part of the firm’s strategic network. The main goal is to maximize shareholders wealth by using a business strategy based on the vision of the firm. The real estate within this firm has value adding attributes. This leads to operating decisions based on the real estate strategy that is being pursued by a firm. These decisions are aimed to lead to added value for the firm and subsequently to maximum wealth of shareholders illustrated in figure 5.

![Diagram](image)

**FIGURE 5 – CREM AS PART OF A FIRM’S STRATEGIC FRAMEWORK (LINDHOLM, GIBLER, & LEVAINEN, 2006, P. 453)**

These real estate strategies are influenced by the business strategy and other functional strategies of the company, which follow from the company’s vision and mission.

Figure 6 shows the model created by Lindholm et al. This model focuses on primary long-term goals of maximizing the wealth of shareholders of the firm. It can be achieved through two indicators developed by Kaplan and Norton; revenue growth and productivity growth. These corporate strategies are translated into supporting real estate strategies. As described by Lindholm et al. the key is to identify real estate strategies that can create added value to the core business to meet the goal of maximizing the wealth of shareholders. The best combination of real estate strategies depends on the company’s strategic market placing.
The model by Lindholm et al. presents seven real estate strategies. The most important aspect when implementing these strategies is to link them to the strategic decision-making level of the company.

**Framework 2 | De Vries et al.**

The model by Jackie de Vries et al. depicts the effect of real estate interventions that lead to a change in performance with regards to productivity, profitability and competitive advantage as shown in figure 7. The added value is measured with the use of Key Performance Indicators listed under influence.
De Vries et al. consider the meaning of corporate real estate management based on a definition given by Dewulf et al. that it is “the range of activities undertaken to align corporate real estate needs of the core business, in order to obtain maximum added value for the business and contribute optimally to the overall performance of the corporation” (Dewulf et al., 2000). In order to make strategic decisions for corporate real estate, the use for a framework like the one by De Vries et al. is necessary. Normally the performance is only measured by input indicators like operating costs or costs per square metre. This is insufficient for making strategic decisions as it only focuses on the efficiency and not on effectiveness.

**Framework 3 | Jensen**

Jensen’s facility management value map is an example of an extensive framework that takes into account the different ways in which facility management can create value for core businesses and different stakeholders being owners, staff, customers, and society (Jensen, 2010). He uses the strategic mapping from Kaplan and Norton as inspiration for the framework based on the balanced scorecard methodology (Kaplan & Norton, 2000).

**Figure 8 - Facility Management Value Map by Jensen (2010)**

Within the framework in figure 8, the starting point is the resources. These serve as input for the stakeholders who are impacted by the outcomes. The resources of Facilities Management are divided into facilities and activities. The facilities consist of real estate and technology. Activities however consist of manpower and know-how.

The processes are subdivided in planning, coordination, controlling and improving. These processes lead to the provisions or output according to the methodology of PDCA (Plan-Do-Check-Act). These provisions can be subdivided in basic products and additional offerings. The basic products consist of space and services, compared to the additional offerings which consist of development and relationships.
The subsequent impacts or outcomes have been divided between impacts for the surroundings and core business. The impacts on the surroundings are divided into economical, social, spatial, and environmental impacts. For the core business the impacts are divided into satisfaction, cost, productivity, reliability, adaptability, and culture. The stakeholders related to facilities management are made up of society, customers, staff, and owners.

**Framework 4 | Den Heijer**

The framework of Den Heijer focuses on assessing real estate decisions of university campuses from input to output – in other words from project to performance. It consist of the list of added values that was made by De Jonge (1994, 1996), which was then edited and complemented by De Vries (2007). The list now contains 12 ways of adding value which can be seen in figure 9.

In the framework there are four quadrants used to categorize the twelve ways of adding value. These quadrants relate to four performance criteria and are competitive advantage, profitability, sustainable development, and productivity. These four criteria are in turn linked to the four CREM perspectives.

![Diagram](image)

**Figure 9 - The Model of Den Heijer (2012, p. 189)**

Den Heijer concludes the explanation of her framework by stating that the most important factor in the success of real estate decisions is that each of the stakeholders is aware of all the perspectives in the management process, along with their performance criteria and real estate goals.
Comparison of the Four Frameworks

In additional research by Van der Zwart he investigated the decision making and real estate added value in hospital infrastructure (2011). He compiled an overview of the interventions on how real estate could be linked to the corporate business processes. He mapped the different types of added value by real estate and pointed out the overlap within these researches. To do so he used the theories of Lindholm, De Vries, Jensen, and Den Heijer.

At the start of the theory of Nourse and Roulac there were 8 alternative real estate strategies (1993). Over the years these strategies were remodelled by researchers into a list of 9 strategies. Several strategies for adding value have been combined, taken out or added to the list. The four above mentioned authors use most of these 9 types of added value. These strategies are: (1) reducing costs; (2) improving productivity; (3) increasing user satisfaction; (4) improving culture; (5) increasing innovation; (6) supporting image; (7) improving flexibility; (8) improving the financial position and (9) controlling risks.

The table shows the 9 different real estate strategies to create added value and how the research and frameworks of the four authors relate to these strategies. According to the characteristics of the individual framework of each author the focuses can be summarized below:

a. Lindholm: profitability or revenue growth;
b. De Vries: profitability, productivity and competitive advantage;
c. Jensen: economy, process and people;
d. Den Heijer: controllers, users, policy makers and technical managers.

![Table 5 - Nine types of added value of real estate defined from CREM literature (Van der Zwart, 2011, p. 54)](image-url)
The nine real estate strategies from table 5 can be described as follows:

1. **Reducing costs:**
   From the literature written by Jensen *et al.*, it is found that reducing costs is an important real estate strategy for any business that wants to have a successful overall business (2012b). Den Heijer (2011) means with reducing costs not only real estate costs but also overall costs.

2. **Improve productivity:**
   The improvement of productivity will lead to an increase in the profitability and has the objective to create efficient environments to enhance productivity and greater efficiency (Nourse & Roulac, 1993; Lindholm, *et al.*, 2006). Using the real estate to work more efficiently can be realized by increasing production with the same space or the same production with less space (Van der Zwart, 2011).

3. **Increase user satisfaction:**
   In a market with many competitors focusing on increasing the user satisfaction is an important strategy. As Lindholm *et al.* describes, the user satisfaction relates to seeking convenient locations and providing a pleasant working environment. However, the German companies with experience centres mainly focus on the customer as the user of their real estate. The customer satisfaction consists mainly of convenient and functional product and service delivery locations (2006).

4. **Improve culture:**
   The improvement of culture as a strategy focuses on improving the interpersonal relationships. This can be done through workplace innovation and more effective communication, to make the use of the real estate line up with the culture of the organization (De Jonge, 1996).

5. **Increase innovation:**
   Companies like car manufacturers depend on innovations to stay ahead of their competitors and keep on growing. Therefore there is need for buildings that support and try to improve innovative thinking and working processes. As Lindholm describes this asks for an inspiring working atmosphere created by providing a workspace that does just that through its design and type (Lindholm, *et al.*, 2006).

6. **Support image:**
   The strategy of supporting the image is as Van der Zwart points out a combination of two previously separated strategies (2011). Those two strategies have been devised by Nourse and Roulac; to ‘promote marketing message’ and ‘promote sales and selling processes’ (1993). Putting this real estate strategy in practice could be done by making the corporate identity a standard, choosing architecture that supports this corporate identity and take regard on the choice of location.

7. **Improve flexibility:**
   Lindholm *et al.* (2006) describe the improvement of flexibility of real estate as the focus on the physical as well as financial aspects of a company. The aims are to reduce the occupancy costs to a minimum through the flexibility of the spatial,
legal, organizational and technical aspects of the real estate. These aspects each have their own focus area.

- Spatial flexibility: the possibility for changes in the floor plans internally or externally;
- Legal flexibility: ownership of the real estate or being leased or rented in case of need for downsizing or expansion;
- Organizational flexibility: making more efficient use of real estate by improving primary processes;
- Technical flexibility: the option to make changes to the building’s construction and installations.

8. Improve finance position:
In this strategy the real estate is seen as a capital asset that can actively contribute to the company and its financial situation. Lindholm (2006) further states that the objectives of this strategy can be to maximize the value of the real estate portfolio, for example by selecting the cheapest alternative of ownership or renting. Den Heijer adds to this description that the aim is to get a higher potential value of the land and buildings. A possible real estate strategy can be to make (parts of the) buildings available for rental to third parties (2011).

9. Controlling risks:
The risks involved with real estate are based on the level of investment needed and the relatively long time span of using the real estate. In literature it is found that controlling risks is not an often discussed strategy as it is embedded in other strategies already such as supporting the image and improving productivity or flexibility.

<table>
<thead>
<tr>
<th>Question A1. What is adding value by real estate?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adding value by real estate is to use real estate to actively contribute to the overall success of a company and its stakeholders.</td>
</tr>
</tbody>
</table>
2.2 Definition of added value

This section gives a definition of added value. By evaluating different definitions given in literature on the subject of added value, a clear definition is formulated.

From the research in section 2.1 about the value adding by real estate it becomes clear that there is a lot of overlap between the different findings and definitions being used. As described in chapter 17 of the book on the added value of facility management, many different definitions of added value exist (Jensen, et al., 2012b). This ambiguity can cause confusion while writing about the topic and using the term added value further along in this thesis. Therefore choosing the definitions that suit the research best can take away this possible confusion and lead to a more coherent story.

A clear definition of added value has been given by Jensen et al. in their book about the added value of facility management, where they describe it as the trade-off between the benefits and the costs and risks connected with achieving these benefits (2012a). So a building can be expensive but if it attracts a lot more customers and has a good effect on the image of the brand then the value can still be regarded positive.

In order to carry out a theoretically coherent research it is not possible to use just one framework to pinpoint the added value of high quality showrooms for German car manufacturers. This is because a large part of the research focuses on the experience economy and customer behaviour. The models by Lindholm et al. and De Vries et al. focus solely on added value for the owners of the company. Simply swapping the owners for customers would lead to odd outcomes. The two main drivers being productivity and revenue growth don’t have any relation with customers.

However, the use of parts of these models can prove interesting as they focus on a greater overall idea of competitive advantage for the company over competitors. Adding to the company’s revenue growth has to do with attracting more customers, which can visit the building and/or buy a product, and creating competitive advantage using KPI’s such as supporting the image of the firm.

Question A2. What is added value?

Added value is the trade-off between the benefits and costs, which can have a positive or negative outcome.
2.3 The experience economy

This section will go into the depths of the experience economy and explain what it is, when it began and how it has evolved since then. It will discuss the effects this had on customers and also on the manufacturers. The manufacturers who want to offer these experiences to their customers and have had to change their business vision and strategy.

Pine and Gilmore start their book on the experience economy saying: goods and services are no longer enough. They stress the fact that in order to foster economic growth, create new jobs, and maintain economic prosperity it is necessary to come up with new opportunities and differentiated goods and services by creating experiences (Pine & Gilmore, 2011, p. IX). In their first release of the book in 1999 they already stressed the importance for executives to shift their focus on experience rather than solely services and goods in order to reach the previously mentioned goals. But since then not many have actually taken action.

In the current context of mass consumption and consumers relying more on experience than on the goods and services itself, the automotive manufacturers are going along with this trend. The last two decades the most German brands have been constructing new buildings to accommodate the experiences consumers wish to receive. These buildings offer visitors an exciting visit within interesting architecture that showcases the brand and its products at its best. Their architecture being related with their brand and its car design views; an ever evolving relation that dates back to the start of Fordism when they introduced the model T with the automated assembly line in 1907 (Gartman, 2009).

As illustrated with the following figure taken from Pine and Gilmore, the staging of experiences is part of a customization which starts at extracting commodities to make goods. This is then followed by delivering services and can become staged experiences through customization. This process relates to a more differentiated competitive position regarding competitors and is relevant to the needs of customers.

![Diagram: The progression of economic value](image)

**Figure 10 - The progression of economic value (Pine & Gilmore, 2011, p. 34)**
Offering staged experiences to customers relate to giving a customer a service or good that is packed in an experience making it customized and therefore lets the customer feel special and unique. In every steps of figure 1 there is customization involved but in current times the last step of staging experiences is like a last resort for brands.

The best way to explain how the differences in figure 1 relate to each other is by using a clear example of the writer themselves about the changes and differences within the coffee industry. In the early days people would just buy the raw product, i.e. the beans, to make their own coffee at home – Commodities. Then the economy changed and evolved into people wanting more ease by buying grounded coffee – Make goods. When people don’t feel like making a cup themselves they preferred cafeterias and restaurants making the coffee for them when they want to - Deliver services. Nowadays people go to Starbucks where the whole process from raw beans turns into a cup of coffee with additions of various ingredients, right in front of you and turn it into an experience for each customer.

The relation with the automotive industry in Germany dates back to the 50s of the last century, when American soldiers based in the country bought their German cars and requested to pick them up at the factory. This idea eventually took off and became a commodity in the German car industry. The car makers have been improving this idea of car pickup by customers through the decades and turned it into complete customer experience. In this way they relate to the book of Pine and Gilmore and their explanation on the experience economy; turning goods and services into experiences through customization.

Companies such as BMW and Volkswagen have created large structures throughout the last decade that house several functions. In the case of BMW this started out as small a museum in 1972 next to the distinctive headquarters of the four cylindrical towers that were designed by Karl Schwanzer in 1968 and turned into the biggest touristic of the whole of Bayern in Germany with 2.4 million visitors in 2011 alone (BMW Group, 2012b).

**Question B1. In what way has consumer society changed in the last decades?**

Consumer society has changed from a society based on goods and services to a society that focuses on experiences. Consumers no longer want just goods or services, but want to feel special while they receive these goods or services.
2.4 The development of showrooms

The German car industry has always had a big influence on the automotive development. Ever since the first car that was invented in 1886 by Carl Benz, they have been striving for technological innovation and trying to be amongst the best selling brands worldwide. Since the financial crisis has struck the last decade, and affected all sectors of the market, the car industry has also been largely dealing with declining sales and production numbers. As shown before in an article by Bryant, these sales have been relatively stable for German car brands such as BMW and Volkswagen but seemed to have come to a halt this year (2013).

The idea of delivering cars at the production plan/headquarters has been around for a long time. German car brands have been delivering new cars from their headquarters and manufacturing plants to new customers since the fifties when Mercedes-Benz started offering this service. During the same time American soldiers were stationed in Germany and used this service to export cars to their home country.

The use of showrooms started in the first decade of the 20th century, when cars were displayed in a room that was adjacent to the workshop. In some cases the workshop even was the showroom. Customers wanting to buy a car didn’t bother with the exterior, as long as the car was functional and affordable. The car became a means transportation of transportation for the masses with the model T Ford in the United States, which was only available in the colour black and very boxy looking. Customers only looked under the bonnet and dealerships were housed in normal buildings with small openings in the facade to showcase the cars. The presentation of the cars with the workshop in the back can be seen in figure 11. The building looked like generic buildings which could also house for instance a bank. The difference in presentation of the cars is shown in figure 12, which shows a Packard showroom from 1935.

![Figure 11 - Chevrolet showroom in 1918 (Colusy Motor Company, 1918)](image1)

![Figure 12 - Packard showroom in 1935 (Packard Motor Car Company, 1935)](image2)

It was during the 30s and 40s when the customers’ interests started to change from looking under the hood to the exterior of the car. This was a direct effect of changing consumer mentality; consumerism moved the focus onto the aesthetic aspects of cars. Manufacturers responded to this by changing the exterior of cars to streamlined shapes. This meant that under the bonnet not a lot changed over
the years, since all the effort went to changing the exterior (Gartman, 2009, pp. 152-186). The presentation of cars to consumers changed, along with the development of car design into open plan buildings with large glass facades. The car dealerships from the early 20th century were housed in buildings that looked like a bank or any similar kind of official building. The newer buildings’ shapes were less generic and specifically designed to present cars. They showcased the product visible from the outside to lure people inside into a room dedicated to car sales. This change in showroom appearance is shown in figures 13 and 14.

![Image of Philadelphia Packard dealership](image1)

**Figure 13 – Philadelphia Packard Dealership 1910-1945 (Reinhold Residential, 2011)**

The development of the aesthetic of car showrooms continues throughout the 40s and 50s when car designs become more modern and more technologically advanced. The design of showrooms reflect this by using more futuristic shapes (Gartman, 2009, pp. 217 - 227). The change in appearance of the showroom can be seen in figure 15 and 16.

![Image of Boston Chevrolet dealership in 1929](image2)

**Figure 15 – Boston Chevrolet Dealership in 1929 (Brighton-Allston Historical Society, 1929)**

![Image of Phoenix Chevrolet dealership in 1954](image3)

**Figure 16 – Phoenix Chevrolet Dealership in 1954 (McLaughlin and Co., 1954)**

After these developments the design of the showroom hasn’t changed much until the last two decades. In the nineties Audi developed a general concept for the design of its showrooms. This concept was called the Hangar and consisted of a modular construction that made it possible to build to have showroom appearance everywhere. It was called the Hangar because its design resembled...
an airplane hangar and used a similar steel construction and arched roof. An example of this showroom located in Germany can be seen in figure 17. The concept was used for, and can still be seen at, dealerships across Europe.

![The Audi Hangar Showroom Concept (Intec Gewerbebau)](image)

**Figure 17 - The Audi Hangar Showroom Concept (Intec Gewerbebau)**

During the development of their universal showroom concept, Audi was also the first German car manufacturer to introduce a new concept in the late nineties for picking up new cars by customers. They wanted to offer their customers an experience that was integrated with the brand's heritage. This concept has lead to the development of experience centres of German car manufacturers as we know them today. This phenomenon of experience centres is explained chapter 3 with the introduction of four explorative cases.
2.5 Conclusions theoretical framework

In the first section of this chapter several frameworks that focus on the theory of adding value by real estate have been examined and explained. The summarizing table of Van der Zwart presented an overview of nine general real estate strategies which combines all found real estate strategies in one table. The frameworks used to compile this table are the ones of Lindholm et al., De Vries et al., Den Heijer, and Jensen.

After examining the theory in the first section and focusing on the nine real estate strategies, certain assumptions were made regarding the empirical research further in this thesis. For the empirical research the focus was on finding evidence on the use of these real estate strategies for adding value with experience centres. However, it was not expected and also unlikely to find results for the presence of all of the 9 real estate strategies. The main reason for this is the focus of the German car companies.

The overall conclusions regarding the use of real estate strategies within German car companies for their experience centres are presented in Chapter 7.

The definition of added value is given after the study of literature regarding adding value by real estate. The added value is the trade-off between the benefits and the costs. This trade-off can have either a positive or a negative outcome for the involved stakeholder. This definition is important to understand what is written in the thesis.

The literature regarding the experience economy points out that the consumer society has changed from a society based on goods and services to a society that asks for experiences. Just a cup of coffee is not enough anymore; it has to be turned into an experience like at Starbucks. With this knowledge in mind, the empirical research can be expected to show findings regarding giving experiences to customers and the motives for German car companies to do so.

The section on the development of showrooms presented an overview of how showrooms changed from a workshop kind of area to a showroom that’s solely based on selling cars. Customers changed from looking under the bonnet of the car, to looking at the aesthetics of the exterior. The car showrooms developed in the same manner and created a space dedicated to selling the car. One of the most recent examples is Audi, who use a modular design for their showrooms. This way the Audi showrooms look the same anywhere in Europe.
In this chapter the following questions were answered:

**Question A1. What is adding value by real estate?**

Adding value by real estate is to use real estate to actively contribute to the overall success of a company and its stakeholders.

**Question A2. What is added value?**

Added value is the trade-off between the benefits and costs, which can have a positive or negative outcome.

**Question B1. In what way has consumer society changed in the last decades?**

Consumer society has changed from a society based on goods and services to a society that focuses on experiences. Consumers no longer want just goods or services, but want to feel special while they receive these goods or services.
CHAPTER 3 | FOUR EXPLORATIVE CASES

INTRODUCTION

This chapter describes the phenomenon of German experience centres using the four explorative cases of Gläserne Manufaktur, Mercedes-Benz, Audi and Porsche. Some general views given by interviewees regarding experience centres are presented.

3.1 THE PHENOMENON OF GERMAN EXPERIENCE CENTRES

The phenomenon of experience centres is something that came up in the nineties when Audi came up with the idea to have a customer driven concept developed on the basis of how they pick up their new car. The concept was to have a customer centre where customers pick up their car and parallel to that have a museum and other functions that enriches this experience with historical and heritage background (Sladek, 2013).

![Overview of German experience centers by (starting left corner going clockwise) VW, Mercedes-Benz, Audi and Porsche](image)

The concept was developed by Munich based architecture firm Henn, who has an extensive background in corporate architecture. The concept of the Audi Forum focuses not only on the delivery of new cars to customers but incorporates extra aspects into this process. The project for the Audi Forum received its final shape in 1998 when it was opened as the first experience centre. In 2008 it received a complete renovation and extension and was re-opened to the public. Customers will leave the experience centre with a new car and the feeling of being part of the ‘family’, in this case the Audi family.
In 2000 during the Hannover Expo Volkswagen followed with the opening of a similar concept to the Audi Forum called the Autostadt. This experience centre has been explained further in chapter 4.

**Gläserne Manufaktur**

At almost the same time Volkswagen also developed the Gläserne Manufaktur in Dresden. The Gläserne Manufaktur is a state of the art production facility located in Dresden built by Volkswagen. It was built to produce their top of the range Phaeton model. As Volkswagen wanted to compete with luxury models produced by Mercedes-Benz and BMW they designed the Phaeton and introduced the model during the Geneva motor show in 2002. It was during this time that the Gläserne Manufaktur was opened.

A High-tech production facility for the brand’s top of the line model. Consisting of mostly glass in the facade and all of the floors covered in Canadian maple, give the building a homely feel. The architecture bears a large resemblance to that of the glass tower at Autostadt, which is no coincidence since the design has been made by the same architectural firm of Henn architects.

The facility is located in the centre of Dresden and covers a large part of an important park. The city of Dresden held a referendum to vote whether or not the factory could be built there. The factory is very energy efficient and is only made to bolt the Phaeton cars together. All the individual parts are being delivered via an unmanned electric train that carries the parts from factory on the outskirts of the city. This way the pollution is kept out of the city and promotes the green image the factory has.

**Mercedes-Benz**

Mercedes-Benz has a different approach compared to the other German brands. They have been offering car pick up at their factories for a long time and has remained, as it always been, free for all customers that want to pick up their car at the factory in Sindelfingen (close to the main headquarters in Stuttgart). In 2006 their new museum opened its doors to the public. It is located next to the headquarters in Stuttgart. This building by UN Studio shows its visitors a complete view of the brand throughout its history. Customers who come to pick up their car in Sindelfingen could combine it with a visit to the museum but this is not part of the package that Mercedes-Benz offers its customers as standard (Daimler AG, 2013a).
Porsche
The Porsche museum in Zuffenhausen, a suburb of Stuttgart Germany, is surrounded by Porsche related real estate. Across the street is the Porsche dealership, and in the nearby surroundings you will find the several production facilities and headquarters. The museum is designed by Austrian architecture firm Delugan Meissl and opened its doors to the public in January 2009. The museum shows the firms automotive history from the earliest works in 195 until their latest creations for the road and successful racing cars.

In 2008 BMW followed by opening its experience centre called BMW Welt in Munich. This second to last example of experience centres will be explained in-depth in chapter 5.

In the end all these brands share one thing: they want to try to involve the customer and future customer in a brand experience to make them become part of the brand family and familiarize them with the brands values.

3.2 Some views by experts
During interviews with several experts statements have been made about experience centres and the automotive industry in Germany.

In an interview with Jan Esche, an expert in architectural communication from Germany, he starts with describing that in former times the cars were being delivered to the town the customers were living. You bought the car at a nearby dealership and received your new car there. This way a relationship with the brand would never exist. The car was merely a means of transport and a technical aspect. This started to change some years ago, when bicycles for instance were considered to be an image too. The attitude and the lifestyle became important. He describes that there is an emotional feeling when you pick up your car along with the ceremony of receiving the car.

The process can be seen in the following steps: you arrive to the city by car or train, entering a world where you are treated personally and it’s in Germany, so it’s a content feeling. The aim is to make you feel totally happy, welcome you, and make you remember this event by for instance taking pictures of you. You get the identification with the brand and the product; the car.

Sladek explains that the concept of the first experience centre was developed by Henn architects in cooperation with Audi. There the customer could pick up their car and parallel to that they designed a museum that would enrich the experience with historical and heritage background in order to become a part of the brand. The main reason for building experience centres he says are a marketing issue and all about creating a very strong bond to the brand with the customer. Because whenever a family picks up their new car they turn that process into a family experience.

When looking more closely to the historical turning point of building experience centres, Rainer Sladek says that the Audi forum was the first one. Along with the creation of an experience centre, 15 years ago, Audi started to use a design role model for all its sales dealerships called the Hangar because of its shape. This was also implemented in the Netherlands. They were all looking the same, made
from a modular system based on a real hangar. This same idea was incorporated by Henn architects at the Audi Forum and supported by restaurants and a museum called Mobile, which plays with the Audi rings in its design. Sladek says that after this first version of the customer centre others followed with the Volkswagen Autostadt being the next.

Next to the Autostadt he says, they designed the Gläserne Manufaktur at almost the same time, which was dealing with the same issues but all in one building and not spread out over several buildings. He explains that they managed to build there only after a public voting, convincing the people of Dresden. The building is completely transparent, used for cultural events, and surrounded by a park. He places a nuance around the aspect that the factory builds the most expensive VW model, called the Phaeton, which is hardly affordable for most people in Dresden. This was an issue in the beginning. Sladek considers the building a hybrid since it’s a marketing and public function for the customer and public and also a production facility that is combined in one building. The visual connection between cars is always there; visitor can see their car being produced.

Another interesting aspect of this specific experience centre Sladek explains is the fact that all the polluting parts are kept out of the city. They are transported into the city by unmanned train and bolted together in the Gläserne Manufaktur. The impact on the city therefore is low which makes the industry according to him a bit more acceptable. The background of the building, Sladek continues, has a very strong marketing background, but also gives back a lot to the people of Dresden; a new place to work with very high standards, everything oozes quality, and gives the city of Dresden a quality in a cultural way what the city was always know for.

When asked about the difference between regular showrooms Sladek says that you don’t have a sales function in an experience centre. Some experiences are combined as selling and experience because the main issue is to create awareness for the brand.

Sladek thinks that the experience centre has a direct relationship with the brand. The buildings actually have to fulfil more than just being a design or design driven building just as a landmark. The experience centres have to, in his opinion, communicate the more sophisticated corporate values of the brand. He states that it can be done through architecture itself and the quality of architecture, which is hard to measure though. But the quality of materials, the quality of detailing, recognizing values, how easy you can recognize the brand by the building. Sometimes the building stands for the whole brand even if it’s just one building.

When asked about the potential success of experience centres on other places Riepe replies that it can be successful anywhere, but the question is what concept you are going to use and decide on. Using the concept of the Autostadt or any other experience centre and deciding to build an exact copy in Shanghai, Los Angeles or any other place will be doomed to fail. You have to focus on the local need he says, and that the wish to be where your headquarters a leading aspect is in this.
When talking about the changing consumer society Sladek points out that people want something new every two or three years when you look at electronic devices or cars for instance. In this respect buildings are playing the role of a more sustainable partner for the image of the brand, which is convenient because that is what manufacturers want; be sustainable. He continues that this is why it's even more difficult to be less fashionable and on the other hand more sustainable in terms of architecture and design approach. This is not that easy. As he also points out experience centres are built architecture, once the novelty of the building wears off. In the first months you say that it's brand new, but you have to make that when this novelty is gone that it still has to be long lasting and sustainable. This is actually the real architecture that then remains. Whether this is done with a good quality can have a good impact on the image of the brand. Architecture is different to a sold product; a part of the cultural and urban context. Once it's been built its part of the society, therefore the building and the brand become part of the context of where it's located. Because of this role it's very important to transport the corporate values, or the chance to transport corporate values because cars will change their role after a couple years. A new car for a hundred thousand Euros is only made for one specific level of society. The older it gets the cheaper it becomes and these levels change. The architecture doesn’t change that, it doesn’t change its role. So it has to be long lasting and the more sustainable it’s been built, the longer the image of the brand will be anticipated in the same way.
Chapter 4 | Case 1 – VW Autostadt

Introduction

This chapter describes the in-depth case of Volkswagen Autostadt in all its aspects. The research of this case focuses as described in chapter 2 on an analysis of documents, conducting interviews, and a field trip visiting the Autostadt in Wolfsburg, Germany. This in order to get a feeling of the experience customers and visitors will get when they make a visit and come to pick up their new car.

4.1 Description of the brand

Volkswagen is the main brand of the VAG group (Volkswagen Aktiengesellschaft). This German group is responsible for the production of 4,850,000 cars in 2012 for the Volkswagen brand alone (Volkswagen Group, 2013c). The VAG currently consists of 7 car brands that operate individually but are owned by the group. These other brands are Skoda, Seat, Lamborghini, Bugatti, Audi, Porsche and Bentley. Next to car brands the VAG group also owns Ducati motorcycles, and MAN and Scania trucks (Volkswagen Group, 2013a).

In the current economical market the Volkswagen brand still manages high sales numbers, even though sales have been dropping a fair amount. This success is mainly due to increased sales in China the last years (Bryant, 2013). The expansion with production facilities in China have also contributed to this, since they now has 16 factories in China alone adding up to a total of 105 factories worldwide (Volkswagen Group, 2013d).

The main headquarters of Volkswagen are located in Wolfsburg, Germany. This location is close to Hannover and also houses the main production facility for Volkswagen. The area of this production plant is enormous and has the size of the kingdom of Monaco (Riepe, 2013).

4.2 Experience centre

The first case study focuses on the Autostadt Volkswagen. This is a so called experience centre and is located in Wolfsburg Germany. The park is created next to the corporate headquarters and production facility. It houses a museum, a total of seven pavilions, a customer centre focused on car pick up, a cinema, two glass vehicle-storage towers, and an outdoor all-terrain track. As Volkswagen describes, Autostadt invites visitors for a journey into the world of mobility (2012).

In an article about the Autostadt with the CEO for Volkswagen Autostadt, Otto Wachs, he described why people come to Autostadt: it is the world’s largest car pick up center with about 160,000 cars being picked up by their new owners annually (Mobile.de, 2010). Next to this it is one of Germany’s favorite touristic sites to visit, with an average of 2 million visitors per year. In 2012 Autostadt recorded a total of 25 million visitors since the opening in 2000. Next to this more than 1.8 million cars have been picked up so far at the customer center at Autostadt by their new owners (VW Autostadt, 2012). A quarter of the annual 2 million visitors are related to a car pickup (e.g. families picking up one car).
The Autostadt was built in 2000 and intended to be opened around the event the Hannover Expo in the same year. Hannover is located close to Wolfsburg so this could attract people to visit the Autostadt too. With initial investments of around 435 million Euros the most expensive project of all the case studies this is mostly due to its size and number of buildings on the site (VW Autostadt, 2011; Riepe, 2013). During the last years several additions have been built with for instance the Porsche pavilion by Henn architects and the Ausfahrt-canopy by Graft architects.

Recent figures about the Autostadt have shown its significance for the brand and for the city of Wolfsburg. The number of visitors that were recorded for the year 2012 alone was almost 2.30 million and a total of more than 25 million visitors have been to the Autostadt since the opening in 2000 (VW Autostadt, 2012, 2013c).

Next to the figures about visitors who come for a day out to enjoy the park and its pavilions for leisure reasons, the number of car pickups annually and daily are of high standard too. In 2012 a number of 173,000 cars have been picked up with 363 days per year operation. The maximum number of cars that can be delivered per day is 500, which is almost reached (VW Autostadt, 2011).
4.3 Visiting the Autostadt

As part of this in-depth case study a field trip to the Autostadt was made. It was intended to have the same experience visitors and customers have when they are on a day out or come to pick up their new car. Also an interview was scheduled with mister Riepe, the head of corporate communications at Autostadt. The Autostadt took the opportunity to organize a full day program to enjoy the whole experience that is the Autostadt.

First a visit to Wolfsburg was made to see the connection with Volkswagen. Looking at the city itself and the surrounding buildings, certain things become clear. Understanding the city structure and the way it is built around a main axis was interesting to see. Along this axis the Phaeno museum is located. A science museum designed by Zaha Hadid which is a joint operation of Volkswagen with the city of Wolfsburg to promote education in a museum full of physics and science experiments.

![Image 21 - Images from the Autostadt (Own Pictures)](image)

The Autostadt itself contains an amazing diversity of buildings and expositions, and transparency towards the visitors. The level green exhibition (shown in the top left corner of figure 21) shows relevant information about environmental and sustainable aspect of the world but also about manufacturing cars. This information however is not focused on Volkswagen nor is it made by them. It has been made by an independent supplier to show the company’s transparency even more so. The theme mobility can be seen throughout the park with for example the little cars for young kids to drive around in (shown in the right part of figure 21). The sleek glass vehicle-storage towers have become the modern symbol for the Volkswagen brand and Autostadt right next to the classic chimneys from the old powerhouse that currently is only being used occasionally for parties and concerts.

G.M. Plijnaar
4.4 Variables and scores

This section describes the results found for the different variables of the conceptual model. In chapter 6 a cross case comparison will be made with the case of BMW Welt.

The results in this section come from document analysis of annual reports and other relevant documents. Next to this analysis, interviews have been carried out with several professionals. The first interviewee was mister Riepe, the head of communication for the Autostadt. Mister Jan Esche, an architecture communicator and publisher previously working for Henn architects. And finally mister Sladek who is partner at Munich based architecture firm Henn architects, the firm responsible for the Autostadt.

Real estate strategy

The Volkswagen group and its daughter the Autostadt focus on making the Autostadt itself a success. The VW group looks at what the whole is worth and if it’s in good shape. The Autostadt focuses on success on a marketing level; getting customers in and making them happy. As Riepe stated “the strategy of the group is to sell cars but if a visitor wants to come and visit and just drink a coffee then that is fine.” This strategy focuses on pull marketing instead of push marketing.

When asked to relate their ideas about the real estate strategy used to run the Autostadt, Esche said the idea of the Autostadt is about being social and supporting its image. It’s not so much about the finance position, which is supported by Riepe who says that the budget comes from the marketing department. He states that a third of the operating costs come from direct investment by the Volkswagen group. Improving the flexibility is also something the Autostadt focuses on; changing its exhibitions and events every month or so (2013, 2013).

Sladek adds to this that companies like VW really think their decisions through on a real estate level; what kind of real estate is needed and would it be successful? Will it have a sales impact or not? During the past 30 years Henn architects has worked for companies like VW and others they experienced the main issue being cost reduction during the design and construction of new projects. He thinks they plan their real estate decisions thoroughly beforehand within the financial and real estate divisions of the company (2013).

When looking at the Autostadt Esche says that it’s also possible to inspect the real estate strategy of each pavilion on its own. They show their values according to him. Porsche for instance he points out, has a high focus on innovation which can be seen in the choice of construction for the pavilion.
4.4.1 Characteristics of the High Quality Showroom

a.1 Location
The location of the Autostadt in Wolfsburg is visible from the train station and situated along the Kollerachte. It runs from Schloss Wolfsburg in the North until the city centre in the south. Riepe says that the place where Autostadt is now, used to be parking space, a place to store coal and gasoline tanks. He adds to Volkswagens choice for the location that only a car pick up centre with spectacular architecture was not going to be enough, and that is why Wolfsburg aimed to do something that related with the Hannover Expo in 2000. But then not on the grounds of the Expo terrain but in Wolfsburg itself which would be more sustainable. When people go to the fairgrounds in Hannover it is like any other expo; there is no legacy.

a.2 Functions
Riepe says that when Volkswagen thought of creating the Autostadt they wanted to focus on giving an experience, but also experiencing the whole Volkswagen Group and its separate brands. This is why they included a hotel, pavilions for all the group daughters (Audi, Seat, Škoda, Lamborghini, Volkswagen, Porsche, and Bentley), and the Zeithaus museum. They finished the Porsche pavilion last year. Volkswagen tried, according to him, to turn that whole experience into a weekend experience. So you drive to Wolfsburg to pick up your car but before you pick up your car you experience the whole group.

Other functions that Riepe discusses are a dance festival that they organize every month. This is not related with any of their brands or any of their cars but with mobility: the context of human mobility. This party is hosted in the basement of where the third tower could be built.

Sladek adds that function wise they tried to bring together more than just the experience of picking up your car. It’s also of value for the city of Wolfsburg and its citizens. The citizens of Wolfsburg can use the Autostadt; they can obtain a year membership very cheaply. This is also called the Naherholungseffekt (the effect of daytrips). It’s like a recreational area for the citizens of Wolfsburg and there’s a lot of cultural input into the Autostadt. He continues to say that those who run the Autostadt are making huge efforts to always bring in new cultural events for instance public events for the people of Wolfsburg. It’s not just the process of picking up your car and taking it home has more functions to offer.

a.3 Concept
The concept of the Autostadt focuses on one theme called Mobility, as described by the Autostadt: People, cars and what moves them (VW Autostadt, 2013b). This concept is further explained by Riepe who says that when they are talking about mobility there are several aspects. There is the aspect of technical mobility, which is automotive and can be seen as the car. Then there is mankind mobility, which focuses on behaviour, brand, and values. Here he refers to the example of having a dance festival every month which is not related with their brands or any of their cars but with mobility. He ends by saying that the question of why they have such a strong focus in education and the aspects of mobility? Because it fits with mobility and mind; Volkswagen brings the car into your mind.
Sladek explains that when Henn was developing the Autostadt they worked together with the marketing departments from each brand within the Volkswagen group which was interesting since there was no clear vision how the corporate can lead into a car pavilion. And the concept was decided on to now show cars in the Autostadt; in the entrance building and in the park itself, the pavilions have cars inside them. The Autostadt works like a museum and a theme park in this way. He says they rather call it a brandscape instead of a landscape.

Esche adds to this by saying the Autostadt is quite closed; it’s more part of the Volkswagen world and firms from the outside can’t enter this world. The exhibition space can’t be rented by other companies for events and such.

Wachs also says that working together with the dealerships is one of the important elements for making Autostadt a success. Autostadt is a supplement to the regular dealerships, offering an experience surrounding the pickup of a new car and getting to know the brand.

**a.4 Costs**

The investment costs for the Autostadt in 2000 have been around 435 million Euros. Riepe states that this investment came from the marketing budget. He adds by saying that last year extra money has been invested in the Porsche pavilion and the Ausfahrt canopy (VW Autostadt, 2011). He adds that the Autostadt is a 100 percent daughter of the Volkswagen group.

When looking at the annual investment costs Riepe doesn’t give a number but says that the income generated by entrance fees, car pickup, and other activities offered at the Autostadt they cover two thirds of their annual operating costs. The annual investment for the Autostadt therefore is relatively low he says.
4.4.b Adding value

b.1 Car sales numbers
Car sales numbers of the Volkswagen group in total have been growing in 2012 compared to 2011. For the Volkswagen brand alone the total number of car sales in 2012 was 4.85 million cars. The sales revenues for this amount of cars was 103.9 billion Euros with an operating profit of 3.64 billion Euros (Volkswagen Group, 2013a).

The number of cars sold in 2012 in Germany alone was around 672.921 according to an extract from the Ministry of Transport (Kraftfahrt-Bundesamt, 2013). Next to this Riepe mentions that through market research carried out by Autostadt and Volkswagen they found that 10,000 people decided to buy a new car after visiting the Autostadt (2013).

b.2 Car pickup numbers
The number of car pickups at the Autostadt was 173.374 in 2012 (VW Autostadt, 2013c). Riepe says that out of all the cars sold in Germany, which were around 500,000. The Autostadt is open for car pickup 363 days per year. With a maximum daily capacity of 500 cars this means a total of 181,500 cars could be delivered.

b.3 Visitor numbers
The visitor number recorded in 2012 was 2.30 million visitors which was a record according to the Autostadt. Riepe adds to this by saying that in total more than 27 million visitors have come to the Autostadt since the opening in 2000. With an initial aim of 1 million visitors per year, he says the numbers greatly beat those expectations. They will try to keep their rate of visitors on a number around 2 million visitors a year (VW Autostadt, 2012).

To put the visitor number of the Autostadt into perspective: the Hagia Sophia mosque built in 532 in Istanbul, Turkey attracted 2.95 million visitors in 2010 (Aya Sofya Muzesi, 2011).

b.4 Marketing
The marketing budget for the Volkswagen group has been found in the annual report of 2012 published by the group (2013b, p. 285). The budget is 18.9 billion Euros, which is 4.3 billion higher compared to 2011. However, a note has to be made that this budget is for the distributing expenses. This budget consists not only of advertising and sales promotion costs (marketing), but also nonstaff overheads and personnel costs, depreciation and amortization applicable to the distribution function, and costs of shipping. Compared to the cost of sales for 2012 of 157.8 billion Euros this makes a ratio of 11.9 percent (Volkswagen Group, 2013b, p. 185)

When Sladek is asked about marketing at the Autostadt, he says that it’s all about marketing, especially about creating a very strong bond with the customer and visitor regarding the brand. Whenever a family picks up their car, they turn that process into a family experience. What Riepe adds to this is that they don’t do push marketing but pull marketing. When the customer says: ‘I only want to have a coffee here at the Autostadt and a good time’, it’s fine. And next to that he
says that word of mouth marketing is the most important thing for the Autostadt and Volkswagen; visitors telling their friends and family about their experiences during their visit.

During the creation of the Autostadt, Sladek says Henn was working together with the marketing department from each brand or sub brand of the Volkswagen group. In the beginning there wasn’t a clear vision how the corporate can lead into a car pavilion.

Riepe explains that the Autostadt is the place where you can touch Volkswagen and the brand in both dimensions. They both use the pull marketing approach and aim to sell more cars. He also explains his role as head of corporate communications within the Autostadt. The Volkswagen group has its corporate communications section, but since the Autostadt is a daughter they have their own communications section. So the Autostadt doesn’t belong to the communications department or the marketing department of the Volkswagen group. They don’t talk about financial data, but are talking about customers and experiences. He says that it’s important that the Autostadt is run like this. The use of the Autostadt as a marketing tool would have been a bad idea he points out. This could lead visitors into thinking they are paying 15 Euros entrance fee for a live advertisement. This approach has led them their success he thinks.

The target group the Autostadt mainly focuses on is the family and the young mother. This is according to Riepe because the male adults will come anyway. The male adults know the brands and what the Autostadt is about. The aim is to make the family and young mother realize that the Autostadt is not a place where they want to sell cars directly. Instead it is a place where they just show cars, give you a great experience and have time for you. He adds by saying that even though the core idea for VW being there with the Autostadt is to sell more cars, if you just come to have a coffee or an ice-cream during summertime and then leave again that’s fine too.

Esche adds that it’s not only the emotion aspect but also rational one. Since the Volkswagen group is presenting itself as economic, technical, avant-garde and as a knowledge centre. From telling to relatives about the experiences the experience centre will collect interest. This is the so called snowball effect. This is the new dimension in the marketing; you can connect with this aspect.

A part of the marketing of the Autostadt comes from having employees working there who are proud of promoting the brand. Esche says that they are becoming an ambassador for the brand which is not only visible when they are within the Autostadt but also outside. They are also able to get into discussion with the visitors and know what they want or would like to see change. This is according to him better than any other form of communication. So there are direct strategies, but also indirect strategies like the snowball effect and ambassadorship by employees.

In addition to the findings in the interviews it was found in an article that Wachs says that the car buyers experience still is of importance even during times of financial crises. The experience package that Volkswagen offers at Autostadt
surrounding the process of buying a new car still has an added value and will remain doing this in the future (Mobile.de, 2010).

b.5 Income
The Autostadt generates income through several ways. They charge an entrance fee, fees for car pickup, and they offer a range of activities which have a specific rate too. From data published in the annual report of the Autostadt it has been found that the revenues for entrance fees are around 15 Euros and 13 Euros for a reduced ticket. With a visitor number of 2.297 million visitors in 2012 this means the revenue created by entrance fees was 25.8 million Euros.

The Autostadt offers customers who decide to pick up their car there, four different packages out of which the cheapest, the erlebnisabholung classic, costs 350 Euros (Motortalk, 2013). Table 5 shows the different packages that are being offered at the Autostadt.

<table>
<thead>
<tr>
<th>Erlebnisabholung classic</th>
<th>Erlebnisabholung premium</th>
<th>Erlebnisabholung family</th>
<th>Erlebnisabholung de luxe</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Up to 6 entrance tickets for the Autostadt</td>
<td>• 4 star Hotel stay for 2 adults</td>
<td>• 4 star Hotel stay for 2 adults and 2 children</td>
<td>• 5 star Ritz Carlton hotel stay for 2 adults</td>
</tr>
<tr>
<td>• 60 minute guided Autostadt tour</td>
<td>• Breakfast in hotel</td>
<td>• Breakfast in hotel</td>
<td>• Breakfast in hotel</td>
</tr>
<tr>
<td>• 50 Euro gift voucher</td>
<td>• Two 2-day ticket for the Autostadt</td>
<td>• family ticket for the Autostadt</td>
<td>• Ritz-Carlton spa use</td>
</tr>
<tr>
<td>• Guided factory tour</td>
<td>• 2 hour guided Autostadt tour</td>
<td>• 60 minute guided Autostadt tour</td>
<td>• Guided factory tour</td>
</tr>
<tr>
<td>• Welcome cocktail</td>
<td>• 50 Euro gift voucher</td>
<td>• 50 Euro gift voucher</td>
<td>• Guided factory tour</td>
</tr>
<tr>
<td>• Transfer from train to hotel</td>
<td>• Guided factory tour</td>
<td>• Guided factory tour</td>
<td>• Ritz-Carlton spa use</td>
</tr>
<tr>
<td>• Transfer from hotel to Autostadt</td>
<td>• Welcome cocktail</td>
<td>• Ritz-Carlton spa use</td>
<td>• Welcome cocktail</td>
</tr>
</tbody>
</table>

Table 6 - Overview of pick-up packages at the Autostadt (VW Autostadt, 2013a)

The car pickup of 173.374 cars generates revenue of 60.8 million Euros considering the pickup fee of 350 Euros. Extra activities such as the safety track and the off-road track have sales numbers of 10.250 and 13.210 times. With a price of respectively 25 and 35 Euros this means this generates revenue of 718,600 Euros.

4.5 Conclusions Volkswagen Autostadt
The in-depth study for the case of Volkswagen Autostadt shows that there is a large focus on marketing; both regarding the financial aspect and also regarding the choice of real estate strategies. The building is used as a means to reach the company's goal: sell more cars to its customers and use the Autostadt to bring the brand into the visitors' minds. The real estate strategy of supporting the image is the most important strategy that is used.
Chapter 5 | Case 2 - BMW Welt

Introduction

Just as the previous chapter about Volkswagen this chapter describes the in-depth case of BMW Welt in all its aspects. The research of this case focuses on the same aspects as also described in chapter 2. It focuses on an analysis of documents, conducting interviews, and a field trip visiting the BMW Welt in Munich, Germany. This in order to get a feeling of the experience customers and visitors will get when they visit or come to pick up their new car.

5.1 Description of the brand

The BMW group is being operated from its headquarters based in Munich, Germany. As part of the BMW Group it consists of several brands within the automotive industry. The brand itself consists of several sub brands which are: Mini, Rolls-Royce, BMW motorcycles, and Husqvarna motorcycles (BMW Group, 2013c).

For the year 2012 was amongst the most successful brands with a high number of sales worldwide. The number of total car sales for the group in 2012 was 1,845,000 vehicles which was a 10 percent increase over the previous year. For the sales numbers of just BMW models alone an increase of 11.6 percent was reported. Regarding the net profit of the group a figure of around €5.1 billion was reached (BMW Group, 2012a).

5.2 Experience centre

The second in depth case study focuses on the BMW Welt. This is a building, located in Munich Germany, and is mainly geared towards customer pickup of new cars. It also houses a number of shops, a restaurant and café, an exhibition of the company’s latest products and technology, and an auditorium for presentation purposes. This modernist structure has been designed by Coop Himmelb(l)au and was opened in 2008. In 2012 an extension of the existing building has been realised to house and exhibit the sub brands also owned by the BMW group.

The museum that is situated next to the BMW Welt building has been opened in 1972 right before the Olympic summer games. This museum houses a large collection of classic automobiles and motorcycles from their first models until now. According to a press release from BMW in January of 2012 the museum alone attracted a total of 480,000 visitors during 2011. BMW Welt on its own attracted a total of 2.3 million visitors, which was 25 percent more than the previous year. This makes it the most visited touristic attraction in the whole of Bayern (BMW Group, 2012b). Next to this there were a total of 100,000 people who opted for a guided tour through the BMW Welt, museum and factory. The other main use for the building is customers picking up their new cars. They can pay a surcharge when ordering the vehicle at any dealership and come to Munich when the car is ready for delivery. This appears to be a popular option as according to BMW on the busiest days up to 180 cars will be picked up at BMW Welt. This means a total of around 65000 cars annually (BMW Group unternehmenskommunikation, 2012).
5.3 Visiting the BMW Welt

As part of the in-depth cases a field trip was made to the BMW Welt in Munich, Germany. The study visit was combined with interviews, a visit to the BMW museum, the Olympia park and other parts of the city. The main purpose of the visits was to understand the positioning and location of the BMW Welt and its importance within the urban setting. The building is located on a busy cross section and on a 10 minute drive from the city’s historic centre.
When entering the BMW Welt the visitor is pleasantly surprised by the height of the ceilings and the sleek design of the interior. This interior matches the style of outside with its aluminium cladding. This cladding is also used on large part of the interior. The sheer amount of cars that are on display for the visitor to look at in the Welt is very high. It almost feels like you are at a car show, like the Frankfurt motor show. The pleasing part however is that all the cars are open, so sitting inside of them and trying everything out can be done without having to ask an employee.

When people take the stairs they get an overview of the whole building and also see the part that is being used for the car deliveries (as can be seen in the bottom two pictures of figure 23). All of the cars are placed on a rotating disk and will turn as the customer comes with the representative to get informed about his car and finally receive the keys. The ceremony is finished with driving out of the building on the swirl that is a road.

The area the BMW Welt is situated in is quite remarkable as it is right on the cross section of four busy roads and next to the Olympia Park that is still used for big events. The Welt also has a subway stop right in front of the main entrance giving tourists good accessibility when coming from the centre of Munich.

### 5.4 Variables and scores

This section describes the results found for the different variables of the conceptual model. In chapter 6 a cross case comparison will be made with the case of Volkswagen Autostadt.

The results in this section come from document analysis of annual reports and other relevant documents. Next to this analysis, interviews have been carried out with several professionals. The first interviewee was Mr. Riepe, the head of communication for the Autostadt. Mr. Esche, an architecture communicator and publisher previously working for Henn architects. Mr. Sladek who is partner at Munich based architecture firm Henn architects, the firm responsible for the Autostadt. And the last interviewee was Mr. Verheijden, manager direct sales at BMW Den Haag in the Netherlands.

**Real estate strategy**

Sladek says that the BMW Welt and similar buildings are all marketing related and about stimulating brand awareness to generate more sales. This works especially well when you take children to these experience centres and have them experience the brand that is BMW. He continues by saying that you in this way can predict the consumption future of those children; e.g. that they will buy a BMW branded car.

Interbrand, a large marketing company, held an interview with BMW's former director of Brand Management Dr. Uwe Ellinghaus. They discussed the strategy for the brand’s coming years and the important points for BMW to focus on. Connecting with customers on an emotional level is important to establishing brand loyalty he says. In this sense the brand not only fabricates cars but emotion too (2012).
Changes in customer behavior and needs ask for a swift response by manufacturers. Nowadays customers have access to enormous amounts of information and are able to research the company they want to buy their new car from. Sharing of experiences with products and brands online is a big part of this. The result is a customer that has higher expectations of the service and response, knowledge of the assistance, and options for personalizing than ever before.

Since 2007 BMW has been implementing a new strategy called Number One. The strategy focuses on putting the customer in the first place. Gaining customer insights, understanding them and orientate towards them will be the key for all of their processes. The changing behavior of customers, their processes and customer feedback have been reviewed extensively for this new strategy implementation. Since the implementation new concepts have been put into practice such as the BMW I brand, to promote BMW’s efficient dynamics program.

Focusing on enhancing the brand to the changing needs and behaviour of customers is the main target. This is being done by bringing the brand under the attention of where their customers are. This can be the placement of brand stores in the heart of luxury retail areas such as Paris. BMW says that by bringing their presence into retail space, they can reach out to the shopping public and possible customers. They can experience the brand in their chosen environment.

In the article Ellinghaus states that bringing a brand to life and having customers interact with it, is essential for success. BMW Welt is the prime example of this, with its variety of entertainment and brand experience (Interbrand, 2012).

Sladek states that sometimes the building stands for the whole brand even if it’s just one building. The BMW building does that now relatively well. That is why the buildings themselves are playing the role of a more sustainable partner for the image of the brand.

With regard to the dealerships there is a new concept that BMW uses the BMW logo and the I-logo in silver on a white panel in combination with a glass facade. Then it doesn’t matter whether you are in an old house, new house, corner house, freestanding, wherever it is it will be the same. That’s giving it a very corporate idea, without changing the approach of the city elements.
5.4.4 Characteristics of the High Quality Showroom

a.1 Location
The location of the BMW Welt is right in the middle of Munich. As Rainer Sladek explains every piece of land around the area is very expensive. He says that it’s where the manufacturing plant and corporate headquarters are located and that this is why they chose to use this very valuable area for the BMW Welt. Next to that it’s also right in the middle of the touristic attraction of the Olympic park (Sladek, 2013).

a.2 Functions
The BMW Welt houses several functions next to the BMW museum that is located across the street. Sladek says they could differ a bit in their functions since there was already a museum. He says that the BMW museum used to be quite small when compared to the one in the Autostadt, but has been renovated recently making it much larger. They used parts of the basement in the corporate building to increase the size of the museum.

The functions it offers as described by Mr. Reithofer, chairman of the board of management at BMW AG, are welcoming visitors from all over the world to the BMW Welt. They can enjoy BMW’s vehicle delivery experience as well as a display of BMW Group automobiles and motorcycles, technology and design exhibits and also gourmet catering services (BMW Group, 2009). Other spaces offered are an accessories shop, children’s area, and rentable exhibition space accompanied by an auditorium (Dalan, 2007).

As Sladek stated, the functions that these experience centres offer are not that different. It’s just the mixture that makes it look different and feel different. He thinks it’s a matter of the site that you have. The differences in most cases are the size and the location of the site.

a.3 Concept
In an interview with the German magazine Focus the architect of the BMW Welt discusses the concept of the building. Mr. Prix from Coop Himmelblau describes the building as a theatre and marketplace at the same time. He continues by saying that the main focus was to have openness to lure people inside to the exhibitions and restaurants of the BMW Welt and compares the building with the famous Galeria in Milan, Italy. (Müller, 2007).

The former director of marketing at BMW, Mr. Ganal, describes the dealerships like local churches, while the BMW Welt can be more compared to St. Peter’s cathedral. (Landler, 2007).

The ideas behind the concept of the BMW Welt are further supported by a description of the building published by the BMW Group in which they state that the BMW Welt is the only place that can offer an overall, all-round experience of the company’s past, present and future. The BMW Welt represents the social commitment, the sense of responsibility, and the clear commitment of the BMW Group to its Munich location (BMW Group, 2009).

Sladeks take on the idea behind the BMW Welt is that it has been worked out as a mixture of a sales pavilion and a corporate facility on a large scale, where you can
experience all the corporate values and issues of the brand that is BMW. They also show how technologically advanced they are like they do with their new I-brand. Esche adds to this by saying that the Welt is relatively open; to the public but also to firms from the outside. This openness can be seen in the events calendar hosting design awards and other conventions.

**a.4 Costs**

There is no official figure about the investment costs for the BMW Welt published. Several sources have made estimations of the total cost to build the BMW Welt but differ a lot. Müller states it was more than a hundred million Euros, Dalan talks about 150 million Euros and Landler uses an even steeper number of more than $275 million Dollars (2007; 2007; 2007).
5.4.b Adding value

b.1 Car sales numbers
The BMW Group consists of several brands manufacturing cars and motorcycles. In 2012 the BMW brand alone sold 1,540,085 cars. Adding the two sub brands Mini and Rolls Royce to the equation brings the total sales volume to 1,845,195 cars. The revenues generated for the BMW Group over the year 2012 was 76.8 billion Euros of which 12.2 billion Euros were generated in Germany alone. The amount of BMW cars sold in Germany during 2012 was 284,494 units (BMW Group, 2012a; Kraftfahrt-Bundesamt, 2013).

b.2 Car pickup numbers
Car pickup numbers for BMW Welt in 2012 have been found in a document released by the BMW Group. They state that on busy days up to 180 cars being picked up is possible. The Welt is opened for car pickup from Monday till Saturday and is closed during Christmas and New Year’s Day. This adds up to a possible total of 55,440 picked up cars per year, considering the Welt is open 308 days per year for pick up. (BMW Group unternehmenskommunikation, 2012; BMW Group, 2013a). However the highest recorded number of pickups so far was in 2012 with a total of 20,000 car pickups. Almost 90 percent of all pickups was by German nationals and the rest consisting of customers coming from the United States of America (BMW Group, 2013b).

b.3 Visitor numbers
According to German newspaper Die Welt, the BMW Welt recorded a number of visitors in 2012 of 2.45 million. With the visitor number of the adjacent museum this makes a total of 3 million visitors. The BMW group says that this makes the BMW Welt the most visited touristic attraction in Bayern, Germany (BMW Group, 2012b; Springer, 2013).

To put the visitor number of the BMW Welt into perspective: the Hagia Sophia mosque built in 532 in Istanbul, Turkey attracted 2.95 million visitors in 2010 (Aya Sofya Muzesi, 2011).

b.4 Marketing
BMW’s marketing is a big aspect of their business. In the annual report for 2012 it is stated that the expenses for marketing, advertising and sales personnel costs amounted to almost 5.2 billion Euros. This was an increase of 700 million Euros compared to 2011. Compared to the cost of sales of 61.4 billion Euros in 2012 this is almost 9 percent (BMW Group, 2012a, p. 100).

Sladek says that the BMW Welt and similar buildings are all marketing related and about stimulating brand awareness to generate more sales. This works especially well when you take children to these experience centres and have them experience the brand that is BMW. He continues by saying that you in this way can predict the consumption future of those children; e.g. that they will buy a BMW branded car.

Munich, he says, is very BMW driven. The plant is right inside the city and there are about 100,000 thousand people working for the brand here. For children from around the area it is made very clear that BMW is the car to have.
Esche complements this statement by saying that the BMW Welt is architecture of identification and power. Workers of BMW are proud to work for the brand and they identify with it.

In a newspaper article Mr. Rhys, the director of the Center for Automotive Industry Research at Cardiff University in Wales, said that buildings such as the BMW Welt attempt to re-create product differentiation on a different level. The cars become almost homogenous in technology which leaves the battle amongst car manufacturers to be fought on the marketing side (Landler, 2007).

When interviewing Verheijden, he states that the BMW Welt is a marketing opportunity just like the company’s I-brand. He describes the I3 and I8 models which have been presented recently. The I8 being a fairly expensive model costing 135.000 Euros, making it practically unreachable for most of people. However it is a technologically advanced car showing the latest technologies. He continues by saying that people who drive for instance a 3 series can see some resemblance of the door mirrors for instance and relate to the I8 car in that way too. He also compares the BMW Welt with the BMW Group’s Mini brand stores which have been opened with one in the centre of Amsterdam; it’s a store for selling solely accessories and apparel and is meant for branding purposes. It gives customers a personal approach with the cars being there in the background (Verheijden, 2013).

b.5 Income

The BMW Welt doesn’t charge an entrance fee to its visitors. They organize guided tours through the Welt, museum and the factory which cost between 7 and 12 Euros. The adjacent museum charges an entrance fee of 9 Euros (for 12 Euros the visitor can take the aforementioned tour which includes the entrance fee)(BMW Group, 2013a).

When talking to mister Riepe at the Autostadt he explained that he spoke with the CEO of the BMW Welt, mister Muderlak, a while ago. He told mister Muderlak they are earning back two thirds of their annual operating costs through entrance fees. Muderlak expressed his astonishment to him, saying that they are only investing in their brand through the Welt and not generating revenues in the way Autostadt does (2013).

A part of the income the BMW Welt does generate is the car pickup. The car pickup at BMW is divided into three categories called premium compact, premium, and premium plus. The prices for these packages range between 395 Euros, 595 Euros and 995 Euros (BMW Group, 2013d). The table below shows the differences between the three packages.
<table>
<thead>
<tr>
<th>Service Description</th>
<th>Premium Compact</th>
<th>Premium</th>
<th>Premium Plus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shuttle service from airport or train station</td>
<td>Available at extra cost</td>
<td>Available at extra cost</td>
<td>included</td>
</tr>
<tr>
<td>Free parking</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Check-in</td>
<td>Quick check-in</td>
<td>Check-in</td>
<td>Check-in</td>
</tr>
<tr>
<td>Snacks and drinks in Premium lounge</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Personal host/hostess</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Briefing in info centre</td>
<td>-</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Car pickup</td>
<td>On panorama pickup spot</td>
<td>On Premiere rotating disk with staging</td>
<td>In individual room with staging</td>
</tr>
<tr>
<td>Tank of fuel</td>
<td>Half tank</td>
<td>Full tank</td>
<td>Full tank</td>
</tr>
<tr>
<td>Fine dust sticker</td>
<td>Included</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Key hanger with engraving</td>
<td>-</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Picture of the event</td>
<td>-</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Dinner in restaurant</td>
<td>-</td>
<td>-</td>
<td>Included</td>
</tr>
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<td>Bavarian</td>
<td>-</td>
<td>-</td>
<td>Included</td>
</tr>
<tr>
<td>Guided factory tour</td>
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<td>Included</td>
</tr>
<tr>
<td>BMW Welt tour</td>
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<td>Optional</td>
<td>Optional</td>
</tr>
<tr>
<td>Gift voucher</td>
<td>-</td>
<td>Included</td>
<td>Included</td>
</tr>
<tr>
<td>Kids program in Junior</td>
<td>-</td>
<td>Included</td>
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<tr>
<td>Campus</td>
<td>-</td>
<td>Included</td>
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</tr>
</tbody>
</table>

Table 7 - Overview of pickup packages at BMW Welt (BMW Group, 2013d)

5.5 Conclusions BMW Welt

The in-depth study for the case of BMW Welt shows that there is a large focus on marketing just as at the Volkswagen Autostadt. The BMW Welt attracts a large amount of visitors every year that are given a unique brand experience. They show the brand’s past, present and future in an exciting environment designed specifically for this task. The focus of the BMW Welt is on the car pick up too, but has room to improve as showed by the numbers. Only 20,000 pickups per year compared to the maximum capacity of 55,440 cars.

The main real estate strategy pursued by the BMW Welt is supporting the image. Out of the other eight real estate strategies shown in chapter 2 only a number are apparent, but these have a supporting role for the main focus of the BMW Welt: supporting the image of BMW by creating more brand awareness and making the customers and visitors part of the brand family.
CHAPTER 6 | CROSS-CASE COMPARISONS

INTRODUCTION
In this chapter the results of the in-depth cases Volkswagen Autostadt and BMW Welt are compared on the different variables of the conceptual model from chapter 1.7. On some aspects they are also compared with the four explorative cases.

6.1 Characteristics of the high quality showroom
The following section compares the 6 case studies altogether on the aspects of location and functions. The aspects of concept and costs are compared only between the in-depth cases of Volkswagen Autostadt and BMW Welt.

<table>
<thead>
<tr>
<th>In-depth cases</th>
<th>Explorative cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Autostadt</td>
<td>BMW Welt</td>
</tr>
<tr>
<td>Location</td>
<td>Wolfsburg, Germany</td>
</tr>
<tr>
<td>Locational context</td>
<td>Next to factory/Headquarters/railroad</td>
</tr>
<tr>
<td>Functions</td>
<td>Pick-up, exhibition, cafes, museum, auditorium, shops, park with pavilions</td>
</tr>
<tr>
<td>Single/multiple brands</td>
<td>Multiple</td>
</tr>
</tbody>
</table>

a.1 Location
VW Autostadt
The Autostadt is located in the town of Wolfsburg near Hannover, Germany. The experience centre is built next to the main headquarters and manufacturing plant on an old coal storage area.

Visitors for the Autostadt come to Wolfsburg because they know it’s there.

BMW Welt
The BMW Welt is located in the middle of Munich, Germany. The experience centre is built next to the main headquarters and manufacturing plant and the Olympia Park.

People visit the BMW Welt because they are already visiting the city with its many touristic sites and include the Welt in their itinerary.
Conclusions location I 6 cases
When comparing the locational aspect of the six cases they are all comparable, except for the Gläserne Manufaktur. Regarding their context they are all next to the main headquarters or manufacturing plant. The Gläserne Manufaktur is different in this regard since it’s a separate location of the Autostadt where customers come to pick up the three most expensive models of Volkswagen.

When comparing the location by also looking at the visitor numbers the difference between the two in-depth cases is that people visit the Autostadt because they know it’s there and BMW Welt it is part of a touristic surrounding.

This is supported by the number of visitors recorded for each of the experience centres. Apart from 500,000 customers that pick up their car, 1.8 million visitors go to Wolfsburg just to visit the Autostadt itself. In BMW this is the complete opposite: a small amount of 20,000 car pickups compared to a total of 2.45 million visitors in 2012 (Springer, 2013).

a.2 Functions
VW Autostadt
To experience all the brands of the VW group at the Autostadt each one of them is housed in a pavilion with the addition of the new Porsche pavilion opened in June 2013.

They focus on two groups of people: day trippers and persons who want to stay longer. For the latter a Ritz-Carlton hotel has been built. A museum called the Zeithaus displays the past of automotive history. Exhibitions and events vary each month and include a dance party in one of the basements of the glass vehicle-tower.

BMW Welt
The BMW Welt could vary in its functions since the museum was already there. The functions offered are to enjoy the vehicle delivery experience as well as a display of the BMW Groups automobiles and motorcycles, technology and design exhibits, and gourmet catering services.

Conclusions functions I 6 cases
As found from the interviews is that the functions offered by the Welt and the Autostadt don’t differ a lot. It’s because of the mixture of functions and site of the location that make it appear different.

Comparing the functions of the six cases shows that there are different compilations in the number and kinds of functions. However they all include a shop combined with a form of catering. Five out of six centres also have a museum that shows the brand’s history and heritage. Again, the Gläserne Manufaktur doesn’t have a museum since it’s a subsidiary of the Volkswagen Autostadt.

a.3 Concept
VW Autostadt
The concept of the Autostadt is theme Mobility, people, cars and what moves them. There are two aspects of mobility that is being focused on. These are
technical mobility and mankind mobility. The Autostadt is considered a
brandscape instead of a landscape.

In its concept the Autostadt is a large dealership, but it supplements the regular
dealerships.

**BMW Welt**
The concept of the BMW Welt is a building that is a theatre and a marketplace at
the same time. It’s the only place that offers an overall, all-round experience of
the company’s past, present and future. The Welt can be considered as the St.
Peters cathedral whereas the dealership is local churches.

**Conclusions concept 1 2 in-depth cases**
The concepts both focus on showing past, present and future of the brand in one
building or location.

**a.4 Costs**
**VW Autostadt**
The investment costs for the Autostadt were 435 million Euros in 2000; this was
paid from the marketing budget. This year more money has been invested to build
the Porsche pavilion and the Ausfahrt canopy. Next to this the Autostadt is a 100
percent daughter of the VW Group.

The operating costs are relatively low since two thirds of these are earned back
through the revenues generated by entrance fees.

**BMW Welt**
The investment costs for the BMW Welt haven’t been published; however
estimations vary between a 100 million Euros and 275 million dollars.

**Conclusions costs 1 2 in-depth cases**
The difference in investment costs can be explained by the fact that the BMW
Welt is a lot smaller compared to the Autostadt. It contains one building
whereas the Autostadt comprises of a park and several buildings.
6.1.b Adding value

In this section the in-depth cases of Volkswagen Autostadt and BMW Welt are being compared with the four explorative cases to see the financial differences on paper. As part of the conceptual model about adding value this quantitative comparison has been made on several aspects such as the visitor numbers, entrance fees, and car pickup figures. In order to come with figures from the explorative cases, press releases and official figures for visitor numbers are compared. For this comparison the admission fees and car pickup fees charged at each of the centres have been taken into account.

b.1 Car sales numbers

The car sales numbers and revenues for Volkswagen and BMW are shown in the table below.

<table>
<thead>
<tr>
<th></th>
<th>Volkswagen</th>
<th>BMW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cars sold (2012)</td>
<td>4.85 million cars</td>
<td>1.85 million cars</td>
</tr>
<tr>
<td>Revenues</td>
<td>103.9 billion Euros</td>
<td>76.9 billion Euros</td>
</tr>
<tr>
<td>Average revenues per car</td>
<td>21.443 Euros</td>
<td>41.675</td>
</tr>
<tr>
<td>Cars sold in Germany</td>
<td>672,921</td>
<td>284,494</td>
</tr>
<tr>
<td>As a percentage of total</td>
<td>13.9%</td>
<td>18.5%</td>
</tr>
</tbody>
</table>

Table 8 – Car sales numbers of VW and BMW

Conclusion car sales numbers | 2 in-depth cases

The car sales numbers of both brands show a large difference between them. However the sales revenues aren’t very far apart. When looking at the average revenues generated per car this is exemplified even more, showing that BMW generates almost double the revenues per car sale.

What this also shows is that there is a large difference in price class between the brands. This means that the target groups on which the companies focus also differ.

Then again, the amount of cars sold in Germany per brand show that there is the same lead taken by Volkswagen. Percentage wise BMW has a larger share of its total sales taking place in Germany.

b.2 Car pickup numbers

VW Autostadt

The pickup numbers for the Autostadt recorded in 2012 was 173,374 cars. The average number of cars delivered daily was 477. The theoretical maximum amount of the Autostadt is 500 cars per day. The facilities are open 363 days per year, which means that the maximum capacity of the Autostadt is 181,500 cars per year. The maximum amount of cars that can be picked up is almost reached.

The number of cars sold in Germany amounts to 672,921 cars (Kraftfahrt-Bundesamt, 2013). When 173,374 cars are picked up, this means that around 25.8 percent of the German customers prefer this method of car delivery.

BMW Welt

The car pickup numbers recorded in 2012 for the BMW Welt were 20,000 cars. Of this amount 10 percent was picked up by American customers (BMW Group, 2013b). The maximum capacity of cars that can be delivered per year is 55,440 cars considering the Welt is opened 308 days per year.
The number of cars sold in Germany amounts to 284,494 cars (Kraftfahrt-Bundesamt, 2013). When 18,000 cars are picked up by German customers, this means that around 6.3 percent of the German customers prefer this method of car delivery.

**Conclusion car pickup numbers I 2 in-depth cases**
There is a big difference in the amount of cars that can be picked up at both experience centres, but also between the total of picked up cars in 2012. Even though BMW has lots of capacity for delivering cars at the Welt, it seems they don’t have the aimed amount of customers that choose this method so far. Autostadt however has almost reached its maximum capacity.

**b.3 Visitor numbers**

**VW Autostadt**
The total number of visitors recorded in 2012 was 2.30 million. The initial aim was to attract 1 million visitors, so their aim has been doubled. Of the 2.30 million visitors, 500,000 came to pick up their car. This means 1.8 million visitors that come to experience the Autostadt.

**BMW Welt**
The BMW Welt attracted 2.45 million visitors in 2012. Together with the visitor numbers of the museum this amounts to 3 million visitors. This makes the BMW Welt the most visited touristic attraction of Bayern, Germany.

**Conclusions visitor numbers I 2 in-depth cases**
When looking solely at the visitor numbers of the Autostadt and BMW Welt, they are comparable. It shows that the popularity of the centres is enormous.

The difference between the visitors of both experience centres is that in Munich people combine this visit with their visit to the city. Autostadt, located in Wolfsburg has 1.8 million visitors who specifically come to Wolfsburg to enjoy the Volkswagen brand experience.

To put the visitor numbers of both experience centres into perspective: the Hagia Sophia mosque built in 532 in Istanbul, Turkey attracted 2.95 million visitors in 2010 (Aya Sofya Muzesi, 2011).

**b.4 Marketing**

**VW Autostadt**
The Autostadt uses pull marketing instead of push marketing. The focus is on creating a strong bond with customer and visitor with the brand. Giving an experience to the visitors and generating word of mouth is an important aspect. The annual expenditure for marketing costs in 2012 compared to the total cost of sales was around 11.9 percent.

**BMW Welt**
The type of marketing strategy used at the Welt is pull marketing and it has a focus on creating brand awareness and generating more sales. The Welt works as part of identification with the brand for workers and visitors. When looking at the annual expenditure of marketing compared to the cost of sales, the marketing was around 8.5 percent in 2012.
Conclusions marketing 12 in-depth cases
The numbers found in annual reports on marketing expenditure are difficult to compare because they are part of a budget that consist of not just marketing expenses alone. Next to this the budgets for both brands have a different compilation of expenses. However, a ratio of this budget compared to the annual cost of sales of the company gives a feeling of the importance of marketing for both brands. For both brands these ratios are similar and show that they both value their marketing as an important aspect of their business.

The experience centres use pull marketing on its visitors. The aim is not to use the centre as a sales platform but as a showcase for their products to stimulate brand awareness and identification. The rationale behind all of this is to sell more cars.

b.5 Income
To compare revenues that are generated by the six case studies document analysis has been carried out to come with useable numbers. The table below shows the total revenues generated at each of the experience centres. Not all required numbers have been found and are marked with n/a.

<table>
<thead>
<tr>
<th>In-depth cases</th>
<th>Explorative cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen Autostadt</td>
<td>BMW Welt/Museum</td>
</tr>
<tr>
<td>Location</td>
<td>Wolfsburg</td>
</tr>
<tr>
<td>Visitor number (in 2012 unless otherwise stated)</td>
<td>2,297,000</td>
</tr>
<tr>
<td>Admission fee (normal/reduced)</td>
<td>15/13</td>
</tr>
<tr>
<td># of car pickups</td>
<td>173,374</td>
</tr>
<tr>
<td>Pickup fee (standard package)</td>
<td>350</td>
</tr>
<tr>
<td>Extra activities offered</td>
<td>- Safety track - Off-road track - Golf-E test-drive</td>
</tr>
<tr>
<td>Number sold</td>
<td>10,250,13,210, 10,900</td>
</tr>
<tr>
<td>Price</td>
<td>25, 35, free</td>
</tr>
<tr>
<td>Admissions revenues</td>
<td>32,923,667- 7,166,667=1 25,757,000**</td>
</tr>
<tr>
<td>Pickup revenues*</td>
<td>60,680,090</td>
</tr>
<tr>
<td>Revenues extras</td>
<td>718,600</td>
</tr>
<tr>
<td>Total revenues</td>
<td>94,322,357</td>
</tr>
</tbody>
</table>

Table 9 - Overview of revenues for the 6 cases

* pickup revenues = the number of pickups x the assumptive car pickup fee
** the admission revenues are calculated for 2.3 million visitors minus 500,000 visitors that come for car pickup and have ticket included in the price of their
pickup. Next to this a ratio of 66%/33% has been used for the tickets sold at full price compared to reduced tickets.

Note:
Regarding the compilation of table 7 a number of remarks have to be made.
- The visitor numbers have been found in official documents but it is not specified what the division of the admission fees were. Therefore it is necessary to make an assumption. In this case the reduced tickets are for children till the age of 18, students, and elderly. Assuming that most visitors take their children this has been taken as a measure for comparing. The measure means that for the calculation of the total admission revenues a ratio of 66/33% has been used for all of the six cases;
- For not all of the cases the necessary data has been found, these parts are marked with n/a (not available);
- For Volkswagen Autostadt the number of visitors of 2.3 million has to be lowered by the 500.000 visitors that have entrance tickets included in their car pickup package.

Sources for data of table 7:
BMW Welt: (Vieweg, 2011; BMW Group, 2013b; Springer, 2013)
Gläserne Manufaktur: (Feldbauer, 2012; Riedel, 2012; Automobilmanufaktur Dresden GmbH, 2013)
Mercedes-Benz: (Vieweg, 2011; Daimler AG, 2013b)
Porsche: (Vieweg, 2011; Mauerer, 2013; Porsche, 2013)
Audi: (Vieweg, 2011; Audi AG, 2013; Motortalk, 2013)

Conclusions income of experiences centres
What can be concluded from the revenues generated by six different experience centres is that there are large variations between them. These variations come from several structural financial differences between the centres.

The first difference is the fact that Autostadt charges a 15 Euros entrance fee. Mr. Riepe stated that this revenue covers two thirds of the annual operating costs of the Autostadt. The other experience centres don’t and only charge an entrance fee for their museum or guided tours. These are generally not visited that much as the experience centres itself.

Secondly the differences in revenues are caused by the higher amount of new cars picked up at the Autostadt compared to any of the others. Only Audi and BMW have substantial revenue generated by car pickups but don’t come close to Volkswagen’s figures.

What has to be noted however is that the pickup revenues can be different in reality as for these calculations an assumption has been made to use the best comparable packages.
6.2 Case study conclusions

From the case study research several conclusions are drawn based on all the findings. These findings reflect the answers found in documents, taken from interviews and gathered from site visits.

The choice of location is a very important aspect of any experience centre. It can be seen as standard for German car manufacturers to build experience centres next to their headquarters or manufacturing plant. The effect of this is that the heritage and culture of the brand is there. It creates the context for the experience centre and there is no explanation necessary.

The concept of experience centres focuses on creating a brand experience to the visitors and customers of the centre. The compilation of functions of the experience centres are comparable and generally comprise of a shop, restaurant, guided tours, and in most cases a museum.

Financially speaking large differences between the experience centres are apparent. These differences stem from the approaches that each brand has. Volkswagen’s approach to create a landscape with several pavilions appears to create the highest revenues per year as they charge an entrance fee to their visitors.

The car sales numbers of BMW and Volkswagen showed that their results for 2012 are far apart but that the same cannot be said regarding the revenues. This indicates a difference in target group aimed for by both car manufacturers.

Regarding car pickup numbers, Volkswagen has the highest rate of car pickups compared to the overall amount of cars sold in Germany for 2012. Their ratio of around 26 percent is on a league of its own compared to BMW’s 6.3 percent. For the BMW Welt, ten percent of the 20,000 car pickups is made up of American clients.

Between the two in-depth cases there are not large differences in visitor numbers. It can be noted that the Autostadt out of its total of 2.3 million visitors in 2012, attracts about 500,000 just for the car pickup alone. This means that the other 1.8 million visitors come to experience the Autostadt. BMW Welt had a total visitor number of 2.45 million people. Of this amount the Welt delivers 20,000 cars per year. The reasons for people to visit therefore differ. Nearly 22 percent of visitors at the Autostadt come to collect a new car. At the BMW Welt only a fraction of the total number of visitors come for the pickup of a new car.

The above mentioned percentages and numbers were also shown in the overview of annual revenues for the six cases. The incomes of each experience centre differ but also show similarities. Volkswagen has the highest revenues through both admissions and pickups. Audi and BMW come close regarding pickup revenues that were generated. Since at Mercedes-Benz this has always been free, this equates to zero revenue.
**Answers to sub-questions**

Question A3. Which real estate strategies do German car manufacturers use regarding high quality showrooms?

German car manufacturers use mainly the real estate strategy of supporting the image for their experience centres. Other strategies are used to support the main strategy but vary per manufacturer.

Question B2. How do high quality showrooms relate to the experience economy?

High quality showrooms relate to the experience economy in the sense that they offer the kind of consumer environment that the consumer wants. It offers the visitor an unforgettable brand experience.

Question B3. What are the building characteristics of a high quality showroom?

The characteristics of a high quality showroom in Germany generally are: - located close the brands headquarter or manufacturing plant providing a context and brand heritage.  
- Offers an array of functions generally made up of shops, restaurants, a museum, and guided tours.  
- Uses a concept that focuses on showcasing the brand's products in the best way possible and bringing the brand into the visitors' minds.

Question B4. How do building characteristics influence the added value of the high quality showroom?

Building characteristics influence the added value of the high quality showroom by their ability to create the best environment for a complete brand experience. Showcasing the brands past, present and future and utilizing pull marketing on its visitors to increase future visitor and sales numbers.

Question B5. Can principles of car design be linked to architectural design?

In some cases the car design is reflected in the design of the buildings. For example Porsche has a distinctive roof shape for its cars which has become a trademark. This trademark is used in the design of the Porsche pavilion at Autostadt.
CHAPTER 7 | CONCLUSION

This chapter presents the conclusions of the research and gives an answer on the main research question. Also the answers of all the sub questions are summed up. The in-depth and explorative cases have been compared in chapter 6. Based on what has been said for the two in-depth cases individually an overall conclusion is given.

Investigating all of the cases lead to results that made it possible to answer the main research question of what the added value of high quality showrooms is for German car manufacturers. The following can be concluded:

The main research question of this research was:

What is the added value of high-quality showrooms for German car manufacturers?

To support the answer on the main research question the underpinning is done in the following paragraphs.

The main way experience centres add value to the overall businesses of German car manufacturers is related to marketing. They use the building to support their image and create brand awareness amongst consumers. These are the companies’ main uses for the building.

In other words:

The added value of high quality showrooms is to support the image of the brand and to create brand awareness through a real estate strategy that focuses on marketing.

The experience centre is used as a means to bring the brand into the visitors’ minds and show them the brands heritage by showing past, present and future in an environment that is not directly aimed at selling more cars. They specifically use pull marketing techniques instead of push marketing to not put off potential customers.

As was pointed out however, the main goal for car manufacturers in the end is to sell more cars, and experience centres contribute to this goal. Be it directly or through the snowball effect created by people who visit the experience centre and tell their friends and family about these experiences.

The real estate strategy of supporting the image is as Van der Zwart points out a combination of two previously separated strategies (2011). Those two strategies have been devised by Nourse and Roulac; to ‘promote marketing
message’ and ‘promote sales and selling processes’ (1993). Putting this real estate strategy in practice could be done by making the corporate identity a standard, choosing architecture that supports this corporate identity and take regard on the choice of location.

Interviewees responding on both the Autostadt and BMW Welt pointed out that image building is the most important use of these buildings for their owners. Even though the brands have a strong image already because of their history and the amount of cars that have been produced over time, they all agree that experience centres have a positive influence on the image of the brand. They bring the brand into your mind by giving you an experience which you take home to share with your family and friends. Therefore it can be concluded that supporting the image is a very important strategy for companies building experience centres. As the interviewees pointed out the choice of location was an important factor for supporting the image. By choosing a location close to the headquarters and manufacturing plant the background and heritage of the background of the company is already there; the experience centre doesn’t need any explanation.

Another real estate strategy that German car manufacturers focus on is a strategy that is to increase the user satisfaction. In this case the users of the building are the customers who come to pick up their new car and visitors. Large efforts are put into making the visits of these target groups an unforgettable experience. This is directly related to the marketing purpose of the experience centre itself.

In a market with many competitors focusing on increasing the user satisfaction is an important real estate strategy. As Lindholm et al. describes, the user satisfaction relates to seeking convenient locations and providing a pleasant working environment. However, the German companies with experience centres mainly focus on the customer as the user of their real estate. The customer satisfaction consists mainly of convenient and functional product and service delivery locations (2006).

User satisfaction being one of the most important strategies for German car companies becomes clear from the interviews. Without satisfied customers and visitors they can’t sell their products and will lose these to other brands that persuade them to buy those products instead.

Conducting market research is one aspect that helps car companies being aware of what their users want and what they don’t want. This way they improve their services offered at their experience centre and know what bottlenecks to tackle in the future.

Safeguarding the costs is an important aspect in any business. For German car manufacturers this is not different. These buildings were very expensive to build; therefore they regard them as an asset to add value to the overall business and improve the financial position. This is directly linked to the main use of the building: supporting the image of the brand to sell more cars.

In the strategy of improving the financial position the real estate is seen as a capital asset that can actively contribute to the company and its financial
situation. Lindholm (2006) further says that the objectives of this strategy can be to maximize the value of the real estate portfolio or to select the cheapest alternative of ownership or renting. Den Heijer adds to this description by saying that the aim is to get a higher potential value of the land and buildings. A possible real estate strategy is to make (parts of the) buildings available for rental to third parties (2011).

Since the purpose of experience centres is to support the image of the company and its brand name there is not a real focus on improving the financial position. This is also confirmed in the interviews which point out that the focus is on creating a building with a long lifespan that benefits the brand and its image. For this reason ownership is the only option as experience centres are unique buildings. Designed and built with the corporate values of the company in mind the buildings are not regarded as a goal, but as a means to reach a goal. This goal as they state is the stimulation of brand awareness amongst customers and visitors.

**Conclusion on real estate strategies**

To further underpin the conclusions regarding the answer on the main research question the following section links the findings from empirical research to theory.

Van der Zwart made an overview (figure 24) on the most important real estate strategies (2011). Three of them are pointed out in the overall conclusion as most important: supporting the image, increasing user satisfaction, and improving financial position. These strategies apply to experience centres of German car manufacturers.

![Figure 24 - Overview of nine strategies summarized by Van der Zwart (2011, p. 54)](image-url)
The other six strategies have a lower importance for the German car companies to achieve their goals, adding to the overall business. Still some remarks can be made on these strategies while they are linked to the theories on added value by real estate.

**Reducing costs:**
To have a successful business it is necessary to reduce costs as part of the business strategy as stated by Jensen et al. (2012b). These costs not only refer to real estate costs, but also overall costs according to Den Heijer (2011).

Reducing costs is not the most important strategy for German car manufactures since they pay investment costs, that come from the marketing budget as pointed out by interviewees, which in the case of BMW was part of a budget of 5.2 billion Euros for 2012 (BMW Group, 2012a, p. 100).

The strategy of reducing costs is not one that is used by all experience centres. Differences in the companies’ conception on how to run an experience centre show that some of the experience centres’ operating costs come completely from direct investment each year. However, by having companies use ways to generate revenues such as asking entrance fees, the operating costs can be lowered.

**Improve productivity:**
Improvement of productivity has the benefit that profitability will increase. Productivity and therefore greater efficiency is reached by efficient environment (Nourse & Roulac, 1993; Lindholm, et al., 2006). If the production is increased with the same space or the same production with less space, this is proof that the real estate works efficiently (Van der Zwart, 2011).

The main objective in experience centres is to deliver cars to their new owners and give visitors an experience they will never forget. As reported in the interviews many people are hired to ensure that the experience centre optimally facilitates these processes. For the Autostadt increasing the productivity in this case means increasing the amount of vehicle deliveries per day. From the interviews it was found that the maximum capacity has been reached. The only way to increase productivity is to build a second pickup centre in the Autostadt.

**Improve culture:**
Improvement of culture can be done through workplace innovation. Also, by more effective communication interpersonal relationships can be improved. The goal is to match the culture of the organization with the use of the real estate (De Jonge, 1996).

Improving the culture for experience centres as a strategy is closely related to the strategy of supporting the image. German car manufacturers offer the most modern way of improving interpersonal relations. From the interviews it is found that the company brings the car and brand into your mind, making you part of the family. This is something that is more difficult to achieve through normal car delivery at a dealership or through a marketing campaign.
Increase innovation:
To stay ahead of their competitors and keep on growing German car manufacturers need innovations. They need buildings that support and try to improve innovative thinking and working processes. According to Lindholm et al. an inspiring working atmosphere can be created through the design and type of the working space (Lindholm, et al., 2006).

As found out through interviews, German car manufacturers put lots of effort into innovation of their products and to attract more knowledge through personnel. BMW and Volkswagen built innovation centres next to their headquarters and experience centres to improve these processes and let different disciplines work together closer.

Improve flexibility:
To improve the flexibility as described before is the focus on physical and financial aspects of a company. Through these two aspects the occupancy costs can be lowered. These aspects are categorized into four types of flexibility: the spatial, legal, organizational and technical flexibility of the real estate (Lindholm, et al., 2006).

Flexibility for experience centres is regarded important for German car manufacturers. As the interviews show, the spatial flexibility is often made use of for expanding the experience centres internally and externally. The Autostadt has done this recently by creating a new pavilion for one of their brands that wasn’t previously on exhibition. This is an example of external flexibility. The BMW Welt has changed the floor-plans internally to make room and also showcase sub brands of the BMW group. After the reopening they now show Mini and Rolls-Royce next to the models of BMW.

Controlling risks:
Controlling the risks of real estate focuses on two aspects: the height of the investment and the time span for the use of the building. It is found in literature that the controls of these risks are often a part of other real estate strategies like improving the flexibility or supporting the image.

As interviewees point out the risks that come with investing in an experience centre have been checked and analyzed beforehand. German car manufacturers don’t make hasty decisions. However they also point out that the investment is budgeted from the marketing budget available at the brand, making the risk of the investment being spread out over several parts of the company. So in case of a failure this can be accredited to a marketing campaign that didn’t turn out as it was planned.
**Conclusions on sub questions**

After the theoretical and empirical research that has been carried out, it was possible to answer all of the sub questions that have been mentioned in section 1.5. The following serves as an overview of all the answers.

**A. Value adding by real estate**

Question A1. What is adding value by real estate?

Adding value by real estate is to use real estate to actively contribute to the overall success of a company and its stakeholders.

Question A2. What is added value?

Added value is the trade-off between the benefits and costs, which can have a positive or negative outcome.

Question A3. Which real estate strategies do German car manufacturers use regarding high quality showrooms?

German car manufacturers use mainly the real estate strategy of supporting the image for their experience centres. Other strategies are used to support the main strategy but vary per manufacturer.

**B. High quality showroom**

Question B1. In what way has consumer society changed in the last decades?

Consumer society has changed from a society based on goods and services to a society that focuses on experiences. Consumers no longer want just goods or services, but want to feel special while they receive these goods or services.
Question B2. How do high quality showrooms relate to the experience economy?

High quality showrooms relate to the experience economy in the sense that they offer the kind of consumer environment that the consumer wants. It offers them an unforgettable brand experience.

Question B3. What are the building characteristics of a high quality showroom?

The characteristics of a high quality showroom in Germany generally are: - located close the brands headquarter or manufacturing plant providing a context and brand heritage.
- Offers an array of functions generally made up of shops, restaurants, a museum, and guided tours.
- Uses a concept that focuses on showcasing the brand’s products in the best way possible and bringing the brand into the visitors’ minds.

Question B4. How do building characteristics influence the added value of the high quality showroom?

Building characteristics influence the added value of the high quality showroom by their ability to create the best environment for a complete brand experience. Showcasing the brands past, present and future and utilizing pull marketing on its visitors to increase future visitor and sales numbers.

Question B5. Can principles of car design be linked to architectural design?

In some cases the car design is reflected in the design of the buildings. For example Porsche has a distinctive roof shape for its cars which has become a trademark. This trademark is used in the design of the Porsche pavilion at Autostadt.
Chapter 8 | Recommendations & Reflection

Introduction
This chapter shows the recommendations for further research and possible improvements for the social context based on the research findings. Next to the recommendations this chapter also shows the reflections from the researchers’ point of view on the research and its processes.

8.1 Recommendations
The research in this thesis focused only on a very specific type of real estate, namely high quality showrooms, also to be considered as flagships. This kind of real estate has a function to sell cars. The question can be raised that if a high quality showroom for cars improves the sales numbers, why not use this kind of real estate for other kinds of retail: real estate with a retail function. It might be interesting to broaden the scope of this research to flagships regarding all retail real estate and go further into depth on the theories of adding value by real estate.

As a first recommendation taking into account the results from this research on the use of real estate strategies, the theory could be used as input for the development of a framework based on the ones created by Jensen and others, but with a specific focus on flagships. Existing frameworks have a focus on for instance university campuses and hospitals. It would be important to establish specific characteristics as they are used in practice in German experience centres. These characteristics, or KPI’s, focus on the building (location, concept, functions etc.), but also on the stakeholders of flagships (customers). These characteristics could lead to a framework that uses real estate strategies, specifically geared towards flagship stores.

The focus of the research in this thesis was geared to the German car industry. It is a given fact that German car manufacturers use experience centres to offer experience to customers and visitors and give them a brand treatment. This concept originated from simple car pickup at the factory in the fifties of the last century. However the experiences that are offered nowadays regarding the pickup of a car are related to other aspects. As pointed out in the conclusions one of the most important aspects of the experience centres is the marketing aspect; to create brand awareness and to generate more sales.

As a second recommendation it would be common interest to investigate the cultural influence that plays a part in the car buying process. What are the decisions of German consumers and motivation when they want to buy a car and choose for a specific (German) brand? Volkswagen for instance offers car pickup at the Autostadt on all its car models, so the conclusion can be drawn that the demand for experiences comes from all social classes and cannot be linked to only the social class that buys premium cars. This investigation could be done by conducting a large consumer enquiry focusing on their demands, motivation, and choices made regarding the car buying process in Germany.
The outcome should lead to the establishment of common characteristics. The cultural aspect should investigate the difference between Germany and other countries: how can it be that Germany uses experience centres and car manufacturers in other countries don’t. There are many other countries inside and outside of Europe that have successful car manufacturers. For example France has large car brands like Renault, Peugeot and Citroën. However, none of these brands have an experience centre. The outcomes of this study could be that in the motivation for buying a specific car, general characteristics can be distinguished that not only count for Germany.

A third recommendation can be made with regard to the marketing aspect of experience centres. In the conclusion it is stated that the real estate is mainly used as a marketing tool. The building is used to reach certain goals. So it could be interesting to explore the literature on marketing techniques for deeper understanding of experience centres and which marketing tools the German car manufacturers apply to their real estate. Also in the broader context of their whole brand management

As a recommendation for the practice, companies could improve their financial position substantially if they look at their direct competitors. The results from empirical research showed that Volkswagen came close to their maximum capacity of car deliveries at the Autostadt for 2012. The BMW Welt could improve the current use of its facilities. Numbers regarding car pickup showed that important steps could be made to increase amount of daily deliveries of cars to new owners. The building is calculated to have a maximum number of 55,440 car deliveries per year, but in 2012 BMW managed to deliver only 20,000 cars to its new owners. Improving this number not only makes the building be used more efficient regarding what it was designed for, but also share the experience of the brand with more customers. To stimulate brand awareness and support their image this seems a smart move for them. The number of car deliveries could also be improved by offering this service for instance to surrounding countries like the Netherlands. Right now there are certain complications with the legal aspects of license plates. However if this legal problem can be solved, it was pointed out that there would be demand for car pick up by Dutch customers.

For BMW improvement of their financial position and possibilities for cutting down on annual operating costs could be undertaken by investigating financial models used at the Autostadt. Perhaps the concept of the building can be adapted for example to charge a small entrance fee in order to cover a certain amount of the annual operating costs.
8.2 Reflection

8.2.1 High quality showrooms of German car manufacturers
(The relationship between the project and the wider social context)

The preliminary ideas about the strategies used for high quality showrooms were confirmed by the research. It was found that high quality showrooms not only add to the marketing of the company but in some cases asks for only a relatively low annual investment for the company involved. It was however not easy to come with interview results to support findings from literature and document analysis. There was some reluctance by one of the companies that was researched in-depth to cooperate. The fear that valuable information could become public to their competitors could have been one of the reasons.

After the site visits and in-depth study it was concluded that marketing and creating a memorable brand experiences for their visitors are the most important issues for German car companies. The high quality showroom is intended to actively contribute to the company’s overall success. It is important however to understand what makes these buildings work the way they do. Maybe they could work in other places or countries as well. It is remarkable there appears to be a cultural aspect regarding this kind of building. All of the experience centres for cars are built by German companies in Germany. By investigating the aspects of culture the use of these centres can be validated for other cities and countries.

Car pickup centres have been around for decades in Germany. Their existence is related to aspects such as the location, concept and context; is there a history and do the customers appreciate experience? With the knowledge gathered now, it could be that similar buildings shall be found in the future in other countries with car manufacturers. The item of adding value by real estate for this type of real estate has been supported and by creating a similar experience as the German versions, but one that caters the local context, the marketing and therefore overall business could improve substantially.

8.2.2 The research process
(Relation between the research, the research design and theoretical framework)

The research is positioned within the Corporate Real Estate Management laboratory of the Faculty of Architecture at the Delft University of Technology. It is part of the theme of adding value by real estate which focuses on investigating the impact of real estate on organisational performance. In the last decade companies realized that real estate could actively contribute to the organisation and its performance. Using specific strategies for their real estate could improve the performance and lead to added value.

Looking back on the research design changes have been made, for example the methods used for empirical research were expanded. Therefore the research design was redesigned several times. The final version resulted in the diagram below. The empirical research lead to new results and it looped between the theoretical framework to reflect on what this meant and pinpoint the value of these results.
In the research several stakeholders were interviewed. To deal with the enormous amount of information and structure the outcome the software Atlas.ti was used. During the analysis of the interviews the benefit became clear. The software was used to analyze and compare several transcript documents by using codes and quotations in the text documents. The program structured them.

The initial effort to put all the information in the program was quite high since all the interviews needed to be transcribed completely and accurately in order to be usable for a good use in the program. Transcribing every interview word by word is time consuming but when using Atlas.ti the systematic use of quotes and codes helped organizing all the results easier and in an objective manner. These codes were related to the determined variables of the conceptual model. This helped to compile chapters 4, 5, and according to these variables. Also, analysis of interview transcripts through only written documents could lead to more subjectivity when interpreting the result.

The process of this research could be pictured as a looping process, where constant switching between steps was necessary as changes occurred in the previously taken steps. For example, when one of the companies didn’t agree on partaking in an interview the results had to be found elsewhere. Thus having to switch to an even more thorough document analysis and trying to achieve the same outcome by interviewing experts with adherent knowledge on the variables.

It is important to determine the purpose of the research very clearly at the beginning of the empirical research. And force to make a good summary, this way the desired information becomes clearer. This could help the researcher to reach his objectives in the given time frame, since there always are limitations regarding accessibility of resources.
**REFERENCE LIST**


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# Appendices

## Appendix A | Research organisation

### Mentors

First mentor: D.J.M. van der Voordt  
Second mentor: D. Kooijman

### Scheduling

For the coming period a schedule has been made with the most important dates and planning of work activities throughout the months in order to finalize the project on time.

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<th>Week</th>
<th>Dates</th>
<th>Deadlines</th>
<th>Literature Research</th>
<th>Fieldwork</th>
<th>Conclusions</th>
<th>Recommendations</th>
<th>Finishing</th>
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### Graduation Company

For the execution of the field work and gathering data during the period after the P2 it can be very useful to cooperate with a graduation company to make use of their knowledge and expertise in the field the research is being carried out in.

To find a suitable company some research has been done to look into companies to cooperate with who specialize in consulting clients within the automotive industry. So far it has been possible to allocate a couple of national and
internationally operating companies within this specific field of consulting. In the following paragraphs a couple of possible graduation companies will be discussed to show their suitability.

The first company is the headquarters of CBRE located in London, United Kingdom. This specialised unit focuses on the petroleum and automotive industry and offers a range of services to cater the needs of automotive companies.

**CBRE UK – Petroleum and automotive headquarters**
http://www.cbre.co.uk/uk_en/services/global_corporate_services/petroleum

For the research that I’m carrying out it seems more viable, when looking at the focus of the possible cases, to aim for a local player in the field. In this case this would be the German branch of the CBRE petroleum and automotive department which is located in Frankfurt. As found on their website one of the main objectives for customers is “to partner you in the development and implementation of a strategy for your existing stock of real estate, which is not only consistent with your individual corporate strategy, but also optimizes the property used by you and, at the same time, identifies ways of reducing costs” (CBRE, 2012).

**CBRE Germany - Petroleum and automotive**
http://www.cbre.de/de_en/services/automotive_petroleum

**CBRE Netherlands – Global Corporate services**
The Dutch division of the section of Global Corporate services focuses on delivering services to multinational and international corporations within the commercial real estate sector. This division has subdivisions that focus corporate strategies, transaction management/tenant advisory services, portfolio management, petroleum & automotive, project management, and facility management.

**Henn Architekten – Munich**
http://www.henn.com/

Henn architekten is a large architectural firm with headquarters in Munich and three other locations around the world. They focus on projects that range from utilitarian buildings till urban designing. For this research they are an interesting partner for they work together with some of the largest German car manufacturers. They have for instance designed Volkswagen’s Autostadt and Gläserne Manufaktur as well as a number of buildings for BMW throughout the years. Their project knowledge but also extensive knowledge of the companies and their visions can be of great use for gaining more insight in these processes.
APPENDIX B | INTERVIEW LAYOUT ENGLISH

Introduction

This interview is meant to gain more insight in the thoughts and choices behind the centres German car manufacturers have been constructing during the last two decades. I’m conducting a study on the added value of High Quality Showroom for German car manufacturers. The bottom line is to research the relationships between real estate and company performance related to the automotive sector. This comes from personal interest for cars and architecture; architecturally impressive and expensive buildings that made me wonder in what ways these experience centres add value.

A | Building level

The buildings built by German car manufacturers come in all kinds of sizes and with expressive architecture. What are also noticeable are the differences in the programs they house in them.

1. What kinds of functions do you think an experience centre needs?
   I. Do you think there is a threshold of functions needed?

2. Do you think the architecture of the experience centre has a direct relationship with the brand?
   I. Do you think visitors relate the building architecture with the brand?

3. Do you think the building has an influence on the image of the brand that built it?

B | Strategy/marketing level

The relationships between people and brands are very important for the brands success. Pine & Gilmore state that there has been a big change in behaviour of customers the last decade and that they want to feel special. Buying a product should be an experience.

1. Have you noticed changes in the behaviour of the consumer?
2. How should you respond to these changes?
3. How do you foresee these changes evolving?
4. What do you think is the main use of the buildings for their owners?
   a. To generate direct income
   b. To stimulate brand awareness/branding
   c. To generate more sales
   d. Other

5. Do you know if the car manufacturers measure the success of this kind of real estate?
   a. If so, how?

6. If you would have to put an experience centre into a real estate strategy, then what do you think is the most important real estate strategy of the experience centre?
   a. Show list of van der Zwart with strategies

C | Culture level – Final questions

Experience centers in Germany are all built next to the corporate headquarters of the brand.

1. Where do you think an experience centre can function?
   a. Only next to the Headquarters
   b. In the centre of a metropolis
   c. Anywhere

2. Do you expect that more will be built in the future?
   a. If so, where? And why there?
Appendix C | Interview Layout Dutch

Introductie
Welkom bij dit interview en ik wil u bij voorbaat alvast bedanken voor het deelnemen aan dit interview. Ik zal mijzelf eerst even kort introduceren en uitleggen waarmee ik bezig ben in mijn onderzoek.

Ik ben Michiel Plijnaar, student aan de TU Delft. Ik ben aan het onderzoeken wat de toegevoegde waarde van high quality showrooms van Duitse autofabrikanten is. De kern van het onderzoek zijn de relaties tussen vastgoed en bedrijfsprestaties met een focus op de automobilindustrie.

Ik ben hiermee begonnen vanuit een persoonlijke interesse voor auto’s en architectuur, en de vraag hoe gebouwen zoals BMW Welt een bedrijf als BMW iets oplevert en in welke mate.

Specifieke Nederlandse vragen

• Wie neemt de strategische keuzes binnen het bedrijf over vestigingsplekken? (bouw van nieuwe showroom)
   o Is hier een rol in voor BMW Duitsland?
• Hoeveel van de verkochte auto’s in deze vestiging worden opgehaald in BMW Welt?
   - Stimuleert u dit ook?

B I Strategie- en marketingniveau

De relatie tussen mensen en automerken is erg belangrijk voor het succes van het merk zelf. Hier wordt veel onderzoek naar gedaan en aan gewerkt door de afdeling brand management.

7. Merkt u een verandering in deze relatie? het gedrag van consumenten? (door massa informatie, duurzaamheid)
8. Voorziet u veranderingen in de toekomst? (nieuwe showroom ervaring/audi city)

9. Hoe denkt u dat een gebouw als BMW Welt binnen de corporate strategy wordt geplaatst?
10. Wat zijn volgens u de meest belangrijke Vastgoedstrategieën die gekozen zijn voor het experience centre?
    a. Lijst van Van der Zwart (lijst met RE strategieën, samengesteld door bekende auteurs)
    b. How do you foresee these experiences evolving?

A I Gebouwniveau

4. vindt u BMW Welt en soortgelijke centers van toegevoegde waarde voor het merk(VW, Mercedes-Benz)?
5. Wat voor functies denkt u dat het experience centre nodig heeft?
   I. Waar zou het zonder mee kunnen?
   II. Denkt u dat er een minimum aantal functies nodig is?
6. Denkt u dat de architectuur van de experience centre een relatie heeft met het merk?
   I. Wat voor?
7. Denkt u dat het gebouw invloed heeft op het imago van het merk dat het gebouwd heeft?

C I Cultureel- en stadsniveau – Afsluitende vragen

3. Waar denkt u dat het experience centre zou kunnen functioneren?
   a. Alleen naast het hoofdkantoor
   b. Centra van grote steden
   c. Overal
4. Verwacht u dat er in de toekomst meer gebouwd zullen gaan worden?