Volkswagen Group:
Marketing Strategy Analysis and Profile

Andrew Clayton, Brennen Charles,
Brandon Ferrell and Whitney Wilcher

MKG 480 Marketing Management
Ball State University
Muncie, IN 47306
Professor John Vann

Dec. 9, 2011
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BACKGROUND

Volkswagen group is an automotive conglomerate consisting of several brands of vehicles for a range of customer groups at a range of prices. It is one of the top automotive manufacturer’s in the world and is the top automotive manufacturer in Europe (Volkswagen, 2011a).

Beginning in the late 1930s, Volkswagen created tanks and driving equipment for Nazi Germany during World War II. After the war, Great Britain had the choice to either destroy the Volkswagen plant or continue production. They saw potential in Volkswagen and decided to allow it to continue to manufacture vehicles. Volkswagen grew during the next few decades; acquiring new brands and expanding the brands it had with new vehicles to fit the growing demand of consumers (Volkswagen, 2011a.)

Today, Volkswagen is recognized as a unique and distinct car brand. It is recognized through its one-of-a-kind vehicles like the Beetle and the Tiguan as well as for its innovative advertising. Volkswagen is not afraid to take risks and stand out from the crowd (Volkswagen, 2011a).

They are one of the only automotive manufacturers to work with clean diesel and have a strategy plan to build and sell an electric car for each customer group they serve (Volkswagen, 2011a).

They firmly believe in the responsibility they have to better the environment and, because of this, wrote an 80-page sustainability report with goals and objectives for the future of the their company both through environmental decisions and responsibilities to promote education and stability in their local communities (Volkswagen, 2011a).

From its troubled beginnings to its slow and steady rise to the top of the automotive world, Volkswagen has never forgotten what its soul purpose was: to be the people’s car. No matter what has happened, Volkswagen has always put the customer first and designed and sold vehicles for them. Volkswagen is a one-of-a-kind automaker and one worth learning more about (Volkswagen, 2011a).

Das Auto.
PRODUCT MARKET MATRIX

Young, Single Professionals Ages 18-24

The first customer group selected for Volkswagen is young single professionals between the ages of 18 and 24. This customer group is entering into the professional workforce for the first time and has access to a higher level of income than in college. They now have the opportunity to fulfill functional needs they have for a vehicle and intend to meet those needs with their new lifestyle (Clayton, 2011a).

Represent Their Status (Express themselves to enhance their self-image)

As mentioned earlier, this customer group is at an early stage in the professional world and has access to more money than they were previously used to; therefore, they want to express their status and success and reward themselves for completing college and securing professional employment with a vehicle that establishes who they are and where they are currently in their life. Several technologies work to satisfy this functional need (Clayton, 2011a), (Consumer Reports, 2010).

Bluetooth technology. This technology offers this customer group the ability to sync their smart phones to the vehicle and have conversations without having to use their phone. While it was designed as a safety and efficiency technology, it satisfies the need to represent status due to the high cost of this technology. Bluetooth is not standard in vehicles, but is an added technology in more expensive models of vehicles. Volkswagen currently offers Bluetooth technology in select models (Bluetooth, 2011).

LED Headlights. This technology enhances the look of headlights on a vehicle while offering better lighting during nighttime driving; however, the technology fits the functional need for this target by offering style and innovation. The look of LED headlights is one significantly more stylish than of regular halogen lights and the color resonating from the LED lights is close to a white-purple versus the standard yellow. Together these two attributes fulfill the functional need of this customer group by offering a chance to express their increased income and desire to be in tune with the current trends and technology in the world today (Audi, 2011a).

Travel with Speed (to commute quickly and arrive at destinations on time)

Young single professionals are at a stage in their lives where they have little responsibilities or concerns. While driving, they tend to keep with the speed limit and often, break it. They enjoy arriving quickly and reducing their commute time. This leads to increased time at their arrival destination as well as a feeling of efficiency for having a “quick commute.” Because of this, they have a functional need for a vehicle that offers them speed while maintaining its durability. Several technologies satisfy this functional need (Clayton, 2011a), (Consumer Reports, 2010).

V6 – V8 engine. The engine is the core determinant factor in the speed and efficiency of a vehicle. Several technologies for speed deal with the engine, the first being the number of cylinders. Each cylinder in an engine works to achieve greater power for the vehicle as a whole. The more cylinders, the faster a vehicle can travel in a shorter amount of time. Certain V6 engines allow a vehicle to travel from 0 – 60 mph in less than 6 seconds. Volkswagen offers vehicles with V6 – V8 engines (Hewitt, 2011), (Volkswagen, 2011a).

Horsepower (of 200 or more.) Horsepower is a measure of the power a vehicle omits during driving and at specific speed intervals. The level of horsepower is directly related to how fast the vehicle can go. For consumer vehicles, SUVs and trucks tend to have the higher horsepower to tow trailers or other necessary
equipment. For sedans and coupes, higher horsepower equates to faster speeds. Volkswagen currently does not have a coupe or sedan that can reach 200 horsepower at a speed of less than 100 mph (Hewitt, 2011), (Volkswagen, 2011a).

**Married Couples with Children**

The second customer group selected for Volkswagen is married couples with children. This customer group is busy with professional and personal life. They have more responsibilities and concerns than young adults and have a set of functional needs that go in line with their increased responsibility and family (Clayton, 2011a).

**Transport Goods (to fulfill tasks for family).**

Parents are busy handling tasks for their family ranging from driving to soccer practice to going on vacations. Each of these tasks requires transporting a large amount of goods ranging from luggage to sports equipment to Christmas trees. This customer group has a functional need for a vehicle that can carry a high volume of goods depending on what that family has planned for any given week in the year. Several technologies satisfy this functional need (Clayton, 2011a), (Consumer Reports, 2010).

**Stow n’ Go storage system.** This technology makes efficient use of the space within vehicles to allow for optimal storage. Storage bins can be found underneath seats beneath the floor and in doors of the vehicle. Stow n’ Go Storage offers increased storage of 40 percent in vehicles. This allows for families to pack all the necessary items they need for a sports game or trip without making multiple trips from home to their destination or paying for a trailer to carry additional items their vehicle would not fit. Chrysler group currently owns the patent for Stow n’ Go Storage system, so Volkswagen is unable to use this technology in its vehicles, but should attempt to utilize the idea and better equip its vehicles with efficient storage capabilities (Chrysler, 2011).

**Folding seat system.** Starting in the early 2000s, folding seat systems allow for the seats in an equipped vehicle to fold flat or fold into the floor of the vehicle to make room for a large item. This technology satisfies the functional need of storage for this customer group with similar outcomes as the storage system; however, this technology allows for the transportation of larger goods whereas the previous technology allowed for the storage of several small to medium sized goods. Such items as new furniture pieces, lumber for a tree house or a Christmas tree could be transported in a family’s personal vehicle through use of a folding seat system. Volkswagen has a complete folding seat system in one vehicle (Volkswagen, 2011a).

**Protect their family (in the event of or from an accident).**

While most drivers look for safe vehicles, the family customer group values safety at the highest level due to the addition of young children in the vehicle consistently. Families want to keep their children and loved ones safe. By preventing accidents or preventing their children and loved ones from being harmed during an accident, families receive a peace of mind and can focus their time and energy on day-to-day tasks versus dealing with insurance or nursing an injured child. Certain technologies have led to safer vehicles (Clayton, 2011a), (Consumer Reports, 2010).

**Crash-optimized front ends.** In the event of a front-end collision, crash-optimized front ends absorb the energy traveling from the impact of the accident and prevent it from reaching the driver and passengers. Several crumple zones are placed throughout the front of the vehicle to ensure the absorption of energy. As a result of crash-optimized front ends, passengers have a lower chance of sustaining injuries from an accident.
Volkswagen offers crash-optimized front ends in two of its vehicles and is the first automaker to utilize this technology (Volkswagen, 2011a).

**Rear-end monitoring system.** While a driver is backing up his or her vehicle, it is difficult to see what is directly behind the vehicle. Because of this, several accidents have occurred in which drivers have backed over toys, lawn equipment and, in extreme cases, children. Rear-end monitoring systems remove this worry and enhance the safety of those outside the vehicle during the driving time. This technology places a camera at the back of the vehicle with a screen on the dashboard showing what the camera sees (Hsien-Tang, 2011). By doing this, drivers can see what they are backing up into and avoid a minor or serious accident. This can save lives in extreme cases and keeps families happy, healthy and safe (Hsien-Tang, 2011). Volkswagen does not currently utilize this technology (Volkswagen, 2011a).

**Retired Couples 50 years and older**

The final customer group selected for Volkswagen is retired couples aged 50 and older. This customer group has more free time than at any other time in their adult lives and have the necessary income saved to travel and enjoy the remainder of the lives. Because of these qualities of their life, this customer group has distinct functional needs for a vehicle (Clayton, 2011a), (Volkswagen, 2011a).

*Haul Equipment (to travel and fill their free time).*

As mentioned earlier, this customer group has more free time than ever before in their adult life, so they tend to fill it with trips across the United States, visiting destinations they had always wanted to go to. Because of this, they need certain technologies in their vehicle that allow them to travel around the country (Clayton, 2011a).

**Trailer tow package.** Certain vehicles (trucks, SUVs) come equipped with trailer packages that allow for one to hook up a small trailer or other pull-behind object to transport from one location to another. This is not standard in most vehicles and is seldom found in sedans due in large part to their size. The majority of retired individuals do not have a need for larger SUVs and trucks so finding a vehicle with trailer package technology that is the right size is a good fit for this customer group. Volkswagen offers one vehicle with a trailer package that is slightly larger than the ideal vehicle for this customer group (Motor Trend, 2010).

**Heavy-duty suspension.** All vehicles come equipped with some form of suspension, but few have heavy-duty suspension. To clarify, suspension is what keeps the ride for the drive smooth and comfortable. Without suspension, every bump and groove in the road would be magnified and felt by the driver and passengers of the vehicle; therefore, suspension is vital. However, very few vehicles offer heavy-duty suspension. This technology allows drivers to take their vehicles off-road and partake in driving on more rugged terrain. This technology would allow this customer group to drive their vehicle to popular destinations such as parks and mountain ranges without worry or concern of experiencing discomfort while driving or run the risk of damaging their vehicle through over-exertion. Volkswagen does not offer vehicles with heavy-duty suspension (Hewitt, 2011).

**Operate with ease (to minimize frustration and accidents).**

Retired individuals, more so than the other customer groups, do not have the time or energy to acclimate themselves with a vehicle that requires a learning curve or increased dexterity. They have a functional need for a vehicle that is simple to use and helps them as much as possible. Several technologies offered in vehicles satisfy this functional need (Clayton, 2011a).
**Temporary Autopilot.** This technology is currently not available in vehicles; however, Volkswagen has been working on a project to implement this idea (Volkswagen, 2011b). The systems designed would allow the car to drive semi-automatically. An equipped vehicle would keep a safe speed, keep a safe distance between cars and would also have stop and start driving for traffic jams. The driver would still need to monitor the road in case of an emergency or just to take back control of their vehicle (Volkswagen, 2011b). This would allow this customer group to drive with less worry or concern and focus on enjoying their trip, start-to-finish, instead of worrying or stressing during the travel time. This technology is not offered in vehicles as of yet (Volkswagen, 2011b).

**Parking assistance.** In line with the previous technology, parking-assistance allows a vehicle to perform the function of parking itself, without driver control. This technology uses sensors to determine how much space the vehicle has for a parallel park or other range of parking situations (Motor Trend, 2011). The vehicle then automatically moves itself to fit into the space. Select automotive brands have this technology and have implemented it into some of their vehicles. Volkswagen is among these select brands (Volkswagen, 2011c).
VALUES FRAMEWORK

Beneficiaries

Inception and History

Volkswagen has a rich and intriguing history dating back to the 1920s. The first beneficiaries of Volkswagen was the German Nazi Party. “Hitler proposed to build a cheap car that almost anyone could afford.” He gave it the name “KdF Wagen,” otherwise known as the Volkswagen. KdF was the abbreviation for “Kraft durch Freude” (Strength through Joy), a subsidiary of the Deutsche Arbeitsfront (German Labor Front), headed by Robert Ley,” (Bytwerk, 2007). The automotive engineer to take on this project was Dr. Porsche who was famous in Germany for being an automotive engineer (Bytwerk, 2007). These were the first beneficiaries for Volkswagen and without this, Volkswagen would not be in the automotive world today.

Stockholders

Other beneficiaries of Volkswagen include their stockholders. Stockholders benefit from Volkswagen’s success and profits. Stockholders can gain money in two ways. The first way a stockholder can earn money through investing in these shares is if Volkswagen has a profit and pays dividend on these shares. Another way stockholders can gain money through their investment is by selling the shares they invested in when they are at a profit. Stockholders can greatly benefit from Volkswagen, but mainly, only if Volkswagen can be successful in the market and gain profit.

Future Generations

As a beneficiary of Volkswagen it is important that Volkswagen has a good future plan. With a good plan insight the beneficiaries of Volkswagen can feel good about the future of the company. Volkswagen has a plan called, “Strategy 2018”, and this will greatly help out the beneficiaries of the future for the company. Volkswagen states, “Through our Strategy 2018 we are pursuing the long-term goal of firmly anchoring the Volkswagen Group among the most successful automakers in the world.” (Volkswagen, 2011i). Some examples the company will increased economical combustion engines, power trains for hybrid and electric vehicles and future bio-fuels.” (Volkswagen, 2011i). With this Strategy 2018, Volkswagen is not only helping today’s beneficiaries but tomorrows beneficiaries as well.

Objectives

Stockholders

Increased profit. Businesses are concentrated on increasing their sales. This has been difficult with the current state of the economy. Volkswagen has not suffered drastically as a result of the recent recession and economy, though. Globally they are ranked third among car manufacturers on the basis of unit sales, and are only seventh when it comes to operating profit. Although that sounds very good, it is not good enough to achieve their targets set aside for 2018 (Volkswagen 2011e). Over the long term, Volkswagen aims to increase unit sales to more than 10 million vehicles a year, capture an above-average share as the major growth markets develop and increase its return on sales before tax to at least 8% in order to maintain its sturdy financial position even during difficult market periods (Volkswagen 2011h).

Become the most successful automotive group. In 2018, the Volkswagen Group aims to be the most successful and fascinating automaker in the world (Volkswagen 2011h). They not only focus on making a profit in everything they do, but also by excelling in customer service and protecting the environment and making the world a better place.
**Future Generations**

**Become a global and environmental leader in the automotive world.** The key element of the “Strategy 2018” is to position the Volkswagen Group as a global economic and environmental leader among automobile manufacturers (Volkswagen 2011h). Volkswagen is pushing their company to become environmentally safe with their line of vehicles. They already have four vehicles that are coming out that prove this objective. When they are developing their new vehicles, they pay close attention to CO₂ emissions and keep the impact on the environment in mind every time they make a decision (Volkswagen 2011i).

**Become the top employer across all brands companies and regions.** Volkswagen aims to become the top employer across all brands, companies, and regions (Volkswagen 2011h). They ensure that their rules throughout the organization are obeyed and they push honest behavior that abides by them (Volkswagen, 2011d). Their employees are the backbone of the business. Without them, nothing would get accomplished. They strive to pick the best people to represent their company. Volkswagen can and will only be successful if all of their employees deliver the outstanding performance needed. Outstanding performance, the resulting successes and participation in the rewards are at the focus of Volkswagen’s strategy of being a good and attractive employer and building a top team (Volkswagen, 2011i). They prove that by being honest and following the rules, good things will come.

**Activities**

**Environmental Plans**

Volkswagen has shown an interest in supporting environmentalism for more than a decade (Volkswagen 2011a). In 1996, the company wrote and released its seven environmental goals in technical development (Volkswagen 2011a). The original 1996 goals have since been revised in 2002 and 2007 (Volkswagen 2011a). Volkswagen was the first car manufacturer to apply ISO 140000 environmental management standards during its drafting stage and was re-certified under the standards in September 2005 (Volkswagen 2011k). Volkswagen has acted on these goals which range from climate protection to resource conservation, to healthcare by supporting fuel-efficient styles of driving, minimizing interior emissions in their vehicles, using renewable and secondary raw materials and improving their resource efficiency (Volkswagen 2011k). Overall, Volkswagen has taken a sense of responsibility to the environment and wants to do its part to take care of it.

**Independent Cinema**

In 2010 Volkswagen launched its Independent Cinema Sponsorship Series (Volkswagen 2011j). The advertising campaign involved both print and commercial ads (Volkswagen 2011j). The print ads feature insurance claims filled out by fictional characters in “Terminator,” “Speed,” “Toy Story,” and “King Kong.” The commercials feature several famous films’ locations and discuss what has happened to the filmed locations used in the various films since the initial release (Volkswagen 2011j). Volkswagen even launches a website for its support of independent cinema in which the following statement explains why they chose to support film (Volkswagen 2011j).

“Of course, Volkswagen is all about cars. But a lot of us, like many of you, also love movies. So much so, that we've been sponsoring independent cinema across the UK for the last six years. Now we're making that involvement bigger and better than ever before. On this site you'll find exciting
events, interactive tools and exclusive online features - all to help you get the most out of your passion for film” (Volkswagen 2011j).

While this activity does not directly promote the Volkswagen brand, it does bring humanity to Volkswagen and show consumers what they are passionate about and willing to do for said passion, which might led to more respect and support for the Volkswagen brand in the near future.

*Automotive Racing*

For more than 40 years, Volkswagen has been involved in Formula Racing (Volkswagen 2011l). The company began racing in 1963, and by the 1970s, Volkswagen had acquired talent and become a major player in the United States Formula racing world (Volkswagen 2011l). Volkswagen also participates in the Dakar Rally and various motorsport events around the world (Volkswagen 2011l). While Volkswagen does not see their racing league as the most important activity they take part in, they do believe that it promotes their brand as well as their ideals of being a fast, fun company (Volkswagen 2011k).

*Proposed Activity: Partnership with Family Charity*

The majority of Volkswagen’s vehicle line up appeal to families of all life stages. Volkswagen also targets families through its advertising and promotions. Because of this, it would make sense for Volkswagen to support or sponsor a charity organization for families such as Families in Need, UNICEF or Make-A-Wish Foundation. By having this consistent partnership with or support of a charity, Volkswagen would be able to promote its brand as family-friendly and add more humanity to their line-up as well as branch away from perceptions of Volkswagen vehicles as diesel cars and nothing more (Clayton 2011a).

*Relationships*

*Customer Relations*

Volkswagen sees the relationship with their customers first. Any business always has to put customer service first because without the customer there would not be a business. The customers demand a certain level of respect from Volkswagen or the potential customer would not buy a car from them. Most companies do not constantly try to pride themselves on how well they do with customer service. The most desirable level of importance within Volkswagen is their customer relationships. Customers can tell that Volkswagen cares about them by how well their vehicles are built and by how well they have service plans laid out. The newer Volkswagen vehicles have service manuals broken down of when and what needs to be tuned at the dealership at a certain mileage. This strategy is a marketing tool to feel that your car will never let you down and they, Volkswagen, will take care of everything for you. Several car manufacturers do this to get routine buyers.

*Employee Relations*

The second most desirable relationship is that of the co-workers to the organization, which would be described as a cooperative-competitive relationship. Just like any other organizations, the employees create a competition among themselves to receive recognition and advancement within the company. The largest competition comes between the sales representatives because they are competing to get the number one spot in the company.
Competitor Relations

The common view between Volkswagen and other automobile companies seems to be as pleasant as most would assume. Volkswagen had a relationship/partnership with Suzuki beginning in late 2009; however, the partnership is expected to end soon. Volkswagen purchased close to 20% of shares in Suzuki for $2.5 billion (4WheelsNews, 2011). The hope of the relationship was for Volkswagen to have inside access to the innovations of Suzuki’s small vehicles.

“…after more than 18 months, there was no progress made in the partnership, a fact that Executive Vice President Yasuhito Harayama of Suzuki blamed on Volkswagen's belief that it could exert influence over Suzuki's management. Harayama, who was in charge of relations with Volkswagen, informed the press that Suzuki has made “very clear” when it was tied up with Volkswagen that it did not want to be consolidated and would want to remain independent” (4WheelsNews, 2011).

The complications with Suzuki and the misunderstanding through their relationship will lead them to be very competitive against each other in the years to come. For now, Volkswagen is in a completely different market than Suzuki. Suzuki has a target market of lower income family that need a reliable car but can fit into their budget well. Volkswagen is on an opposite spectrum in which their target market is higher income individual or family that’s main focus is luxury, style, reliability and a decent resale value. Volkswagen should plan to continue in the higher end market they are a part of and try to create relationships with their competitors to pick up ideas to benefit them in the future.
MISSION STATEMENT

Our goal as a company is to offer not only a wide variety of vehicles to our customers but also to make them the best in their class by exceeding our competitor’s image. We have three different customer groups we try to satisfy: young single adults (18-34), families, and adults with retirees (50+). Along with exceeding our expectations from our customers, we want to build a stronger company for our future and better our stockholders investment. We will produce our vehicles with safety, reliability, efficiency, speed, operating ease and environmentalism in mind. Volkswagen’s extensive activities present people with attractive and innovative options for individual mobility in the future (Volkswagen 2011o). We are committed to becoming a world leader and will achieve this by using intelligent innovations and technologies, while at the same time delivering customer satisfaction and quality (Volkswagen 2011m). We will consistently research upcoming technology as well as social trends so that we will be able to serve our customer’s exactly what they want, how they want it, and when they want it. Volkswagen will strive to promote, produce and sell its vehicles and services in all of our car brands throughout the world. By doing so, we are in hopes of becoming the largest and the best car manufacturer in the world. We will build factories all over the world for local markets and support the local economies of each location through our factories and plants. We will have a stronghold in Germany, Slovakia, China, India, Indonesia, Russia, Brazil, Argentina, Portugal, Spain, Poland, Mexico, Bosnia and the United States. We will continue to grow and expand into other nations. We will continue to introduce our brand of vehicles into new nations and grow from our current level of 150 countries. We will become a worldwide-recognized brand and support the local economies in every way possible. Essentially, we will cover the globe (Volkswagen, 2011a), (Volkswagen, 2011o), (Volkswagen, 2011p), (Volkswagen, 2011n).
OBJECTIVES

Employees

1. **Performance Dimensions:**
   Distinctive Brand Awareness (Volkswagen, 2011r)

2. **Measure or Index:**
   Brand Awareness and Sales (Volkswagen, 2011r)

3. **Target Level:**
   An increase in brand awareness and an increase in sales.

4. **Time Frame:**
   By the end of 2011 (Volkswagen, 2011r)

1. **Performance Dimensions:**
   World Leader among automobile manufacturers (Volkswagen, 2011h)

2. **Measure or Index:**
   Sales increasing

3. **Target Level:**
   To have the top sales among automobile manufacturers

4. **Time Frame:**
   2018 (Volkswagen, 2011h)

Stockholders

1. **Performance Dimensions:**
   Growth (FanFang, 2011)

2. **Measure or Index:**
   Profitability

3. **Target Level:**
   100 percent Increase in annual sales, enhanced dealership networks, and upgraded services (FanFang, 2011).

4. **Time Frame:**
   By the beginning of 2018 (FanFang, 2011)

1. **Performance Dimensions:**
   Increase profitability

2. **Measure or Index:**
   Return on Investment

3. **Target Level:**
   To have a substantial increase in profitability

4. **Time Frame:**
   By the end of 2011
Future Generations

1. **Performance Dimensions:**
   Sustainability in regards to gas consumption

2. **Measure or Index:**
   Reports on gas consumption

3. **Target Level:**
   Increased fuel savings among Volkswagen owners of at least 35 gallons per calendar year

4. **Time Frame:**
   By the end of 2013

1. **Performance Dimensions:**
   Driving Distance (Andrei, 2011)

2. **Measure or Index:**
   The amount of miles between gas fill ups

3. **Target Level:**
   Maximum distance of 795 miles (Andrei, 2011)

4. **Time Frame:**
   By the beginning of 2012 (Andrei, 2011)

1. **Performance Dimensions:**
   Environmental Leader (Volkswagen, 2011q)

2. **Measure or Index:**
   By gradually integrating an efficient energy management system in its existing environmental management process (Volkswagen, 2011q)

3. **Target Level:**
   To be the number one automotive producer of environmentally friendly vehicles

4. **Time Frame:**
   2018 (Volkswagen, 2011q)
**PORTER’S FIVE FORCE MODEL**

### Intensity of Rivalry

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<th>Criteria</th>
<th>Level</th>
<th>Effect on Rivalry</th>
<th>Effect on Profitability</th>
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<tbody>
<tr>
<td>Growth in the Industry</td>
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<td>Decrease Rivalry</td>
<td>Decrease Profitability</td>
</tr>
<tr>
<td>Fixed Costs</td>
<td>High</td>
<td>Increase Rivalry</td>
<td>Decrease Profitability</td>
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<tr>
<td>Product Differences</td>
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<td>Increase Profitability</td>
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<tr>
<td>Switching Costs</td>
<td>Low</td>
<td>Decrease Rivalry</td>
<td>Increase Profitability</td>
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**Growth in the Industry**

Growth in the automotive industry is very high. Almost everyone in the world owns a vehicle or two. Because of this there is a constant growth because everyone is constantly trying to get bigger and better things throughout their life. The automotive industry does benefit from this as well as faces some challenges. Because the growth is so high, it decreases rivalry as well as decreases profitability.

**Fixed Costs**

The fixed costs associated with the automotive industry are very high. Since these costs are so high this increases rivalry which then in turn decreases profitability.

**Product Differences**

Product differences in the automotive industry are low. They are low because there are only so many ways to differentiate an automobile and almost every firm offers the same features. This increases rivalry as well as increases the profitability.

**Switching Costs**

The switching costs are low for the consumers when they are looking for which automobile they want. They have many options to choose from which explains why their switching costs are so low is. This decreases rivalry but then increases profitability for the firms.

**Overall Intensity of Rivalry**

Rivalry is very strong in this industry (Highfill, 2004). There are several substantial brands in this industry all competing to stay profitable; therefore the intensity of rivalry would decrease profitability because it will lower returns (Highfill, 2004). The firms are constantly competing against one another to stay ahead of the game (Highfill, 2004). Volkswagen may need to lower their prices to the consumer to gain more customers, this will decrease their margin a little but it will be worth it to gain the extra customers. This will keep the customers away from the competition.

### Threat of New Entrants

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<th>Criteria</th>
<th>Level</th>
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<th>Effect on Profitability</th>
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<td>Capital Requirements</td>
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<td>Access to Distribution</td>
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<td>Increase Threat</td>
<td>Decrease Profitability</td>
</tr>
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</table>
Access to Necessary Inputs  High  Increase Threat  Decrease Profitability

**Switching Costs**

The switching costs are high because it would be hard and expensive to switch from industry to industry. It would be expensive to start a new business in this market, which decreases the threat of entry and increases profitability for the firms already in existence.

**Capital Requirements**

The startup costs required for this industry are extremely high. One vehicle is not cheap so buying a fleet of vehicles are even more expensive for firms. Since the requirements are high this decrease threat and increases profitability.

**Access to Distribution**

In the automotive industry the access to distribution is high. It is easy to access the every type of vehicle involved in this industry. New entrants would not have any trouble getting the vehicles they would need to start up a new business. Since it is so easy, it increases the threat but decreases profitability.

**Access to Necessary Inputs**

Just as the access to distribution is easy is high, so is the access to necessary inputs. It is very easy to have access to the supplies involved in the automotive industry. Since it is so easy, it increases the threat but decreases profitability.

**Overall Threat of New Entrants**

The barriers to enter into the automotive industry are high, which means that the threat of entry is low (Bradley, 2005). The threat of new entrants decreases profitability because the more competitors who enter the market results in a lower percent of market share (Bradley 2005). If one’s market share decreases because of new entries then one will not be able to supply as many customers thus the profitability will decrease (Bradley 2005). Since the threat of entry is very low for the automotive industry, Volkswagen wouldn’t need to worry about other competitors than the ones that are already established.

### Power of Suppliers

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<th>Effect on Profitability</th>
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<td>Number of Substitute Inputs to Firms Like Us</td>
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<tr>
<td>Number of Supplier Firms</td>
<td>High</td>
<td>Decrease Power</td>
<td>Increase Profitability</td>
</tr>
</tbody>
</table>

**Differentiation of Supplier Inputs**
The differentiation of suppliers in the automotive industry is very low. Because the suppliers are very similar for this industry it decreases their power and increases the profitability for the other firms in the industry already.

**Switching Costs for Firms in Industry to Switch Suppliers**

Because the differentiation of suppliers in this industry is low which decreases their power, it makes the switching costs low as well. It does not take much to switch from supplier to supplier when looking for the supplies they need. This decreases the supplier’s power and increases the profitability for other firms already in the industry as well.

**Number of Substitute Inputs to Firms Like Us**

The number of substitute inputs for the automotive industry is very low. Vehicles need certain things to operate and using a substitute isn’t always available. Because of this, the supplier’s power increases which decreases the profitability.

**Number of Supplier Firms**

There are many supplier firms in the automotive industry. Since there are many supplier firms to choose from, firms in this industry can choose which supplier they want to use. If they are not happy with one firm they can easily switch to another. Since they can do this, it decreases supplier’s power and then increases profitability.

**Overall Power of Suppliers**

The bargaining power of suppliers is low in the automobile industry, which means that the suppliers do not have much power (Highfill, 2004). Because of this, the suppliers need to supply exactly what Volkswagen wants in order to get business. They cannot dictate what they want because they have little say in what gets supplied. Suppliers would have to lower their prices to be able to get customers, such as Volkswagen. They would need to do this since they have little power to what goes on.

**Buyer Power**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Level</th>
<th>Effect on Power</th>
<th>Effect on Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switching Costs</td>
<td>Low</td>
<td>Increase Power</td>
<td>Decrease Profitability</td>
</tr>
<tr>
<td>Ability to Integrate</td>
<td>Low</td>
<td>Increase Power</td>
<td>Decrease Profitability</td>
</tr>
<tr>
<td></td>
<td>Backwards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Substitute Products</td>
<td>Low</td>
<td>Increase Power</td>
<td>Decrease Profitability</td>
</tr>
<tr>
<td>Brand Identity</td>
<td>High</td>
<td>Decrease Power</td>
<td>Increase Profitability</td>
</tr>
</tbody>
</table>

**Switching Costs**

There are many competitors in the automotive industry. Because of this the switching costs to choose from firm to firm is low. This increases the buyer’s power but decreases profitability for the firms.

**Ability to Integrate Backwards**
The ability to integrate backwards is very low. It is unlikely that firms would integrate backward, so it increases buyer’s power and increases the profitability for the firms involved.

*Substitute Products*

There are not very many substitutes for consumers to choose from. Most people purchase at least one vehicle throughout their lifetime. This increases the buyer’s power and decreases profitability for the firms.

*Brand Identity*

The brand identity for the automotive industry is high. Many consumers find a brand they like and stay brand loyal to that one brand. If they hear good things about a brand and recognize it multiple times then they are likely to choose that brand. This decreases the buyer’s power and increases profitability.

*Overall Buyer Power*

The power of the buyer’s in the automobile industry is high (Bradley, 2005). Within the auto industry is a variety of automobiles that have differences in quality, price, and safety features. There are many buyers in the automobile industry looking for certain qualities to fit their needs (Bradley 2005). This leaves the buyers with a high level of power because they have several options on which manufacturer they want. With all the buyers this can lead to an increase in profitability for firms in this industry (Bradley, 2005).

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Level</th>
<th>Effect on Threat</th>
<th>Effect on Profitability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Readily Available</td>
<td>High</td>
<td>Increase Threat</td>
<td>Decrease Profitability</td>
</tr>
<tr>
<td>Affordably Priced</td>
<td>Moderate</td>
<td>Increase Threat</td>
<td>Decrease Profitability</td>
</tr>
<tr>
<td>Comparable or Better</td>
<td>High</td>
<td>Increase Threat</td>
<td>Decrease Profitability</td>
</tr>
<tr>
<td>Performance Features</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Switching Costs</td>
<td>High</td>
<td>Decrease Threat</td>
<td>Increase Profitability</td>
</tr>
</tbody>
</table>

*Readily Available*

Substitutes to the automobile are very easy to access. They are available whenever a consumer may want to use them. Substitutes such as trains, bicycles, and a cab can be accessed at any time and any day. Since they are so easy to access it increases threat and decreases profitability for the firms in the automotive industry.

*Affordably Priced*

The substitutes to an automobile are things such as trains, bicycles, and a taxi. These items can be affordable depending on the extent of what the consumer wants. They can find cheap bicycles as well as expensive ways depending on what features they are interested in. Consumers can also find a cheap ticket for a train ride that would cost less than it would for gas when traveling in an automobile. A taxi ride may also be
cheaper than paying for gas. All of these can be cheaper at times which increase the threat but decreases the profitability for firms.

**Comparable or Better Performance Features**

These substitutes also have either the same or better features. Vehicles have many features that many consumers enjoy but so do substitutes. Things such as easy and cheaper maintenance, faster at times, and less storage space are reasons consumers might consider substitutes to vehicles. These are just a few reasons as to why consumers choose these substitutes as to a vehicle. This increases threat and decreases the profitability.

**Switching Costs**

Switching costs involved with choosing a substitute can be high. Things such as personal time, convenience, and utility would be high when choosing a different choice of transportation (Highfill, 2004). This decreases the threat of substitutes and increases the profitability for firms in the automotive industry.

**Overall Threat of Substitutes**

The threat of substitutes to the automotive industry is low (Bradley, 2005). Profitability will increase with new substitutes because the reason to substitute a product is to add more value to it. If you add more value or improve the product by a substitute then your profitability will increase from the new demand in the product (Bradley, 2005). Volkswagen could even higher their prices to the consumers since it is unlikely for consumers to use a substitute. This would increase the margin for Volkswagen as well, because their costs would not change.

**Conclusion**

Overall, the intensity of rivalry, threat of entry, and power of the buyer in the automobile industry leads to decreases in profitability for the firm in the market. The threat of substitution is low, resulting in an increase in profitability and the power of the buyer and supplier results in either an increase or decrease in profitability depending on the location of the supplier and the local economy of the area in which the supplier is distributing the product. Because of these factors, Volkswagen as well as other firms in this industry must pay attention to the four P’s of the marketing mix. They need to know that if they would lower their prices to the consumers while their costs remain the same, they are going to lose profit margin. If they intend to gain profit margin then they need to know that the prices will rise while the costs stay the same, the prices will stay the same while costs decrease, or that prices will increase while costs decrease.
SUSTAINABILITY

Government Requirements

Volkswagen group exceeds the minimum requirements set by the government for sustainability (Volkswagen, 2010a). In the corporate offices, Volkswagen worked to make its information technology department energy efficient (Volkswagen, 2010a). The employee workstations’ level of energy consumption is well below the levels required for ecolabel certification (Volkswagen, 2010a). All of the products and suppliers they use for information technology exceed the requirements set by the European environmental legislation (Volkswagen, 2010a).

Volkswagen also set up its own sustainability goals without coercion or requirement from the government (Volkswagen 2010a). As a company it has a plan in motion to reduce greenhouse gas emissions 40 percent by 2020 (Volkswagen, 2010a). Other plans include: changeover from coal to natural gas, participation in offshore wind farms, construction of further hydroelectric power plants and consistent expansion of rooftop Photovoltaic systems (Volkswagen, 2010a). Volkswagen wants to be the most ecological company in the world and is on the path to becoming number one by meeting and exceeding government expectations, making its own expectations and being focused on sustainability (Volkswagen, 2010a).

Negative Externalities

Volkswagen has not been cited, sued or fined for negative externalities resulting from poor sustainability planning or resource allocation (Volkswagen 2010a). The company works extremely hard to meet and surpass any and all requirements from the government and has set its own set of requirements to ensure that it is a sustainable, efficient and economical company (Volkswagen, 2010a).

Guidelines

Volkswagen group’s guideline for measuring and reporting its sustainability performance is absolute transparency (Volkswagen, 2010a). Volkswagen provides complete information to its team members, government agencies, consumers and the general public (Volkswagen, 2010a). In order to ensure transparency, Volkswagen had its report audited with the AA1000AS standard and submitted it to the Global Reporting Initiative, which gave the report a level A+ (Volkswagen, 2010a). Through submission to the GRI, Volkswagen took on all of its guidelines and received a status of fully reported, partly reported or not reported for every guideline and requirement of the GRI Content Index (Volkswagen, 2010a).

Triple Bottom Line

Volkswagen group reports on its triple bottom line in one report (Volkswagen, 2010a). Volkswagen devotes a section for each portion of the triple bottom line in its sustainability report, highlighting areas of interest, room for improvement and goals for the future (Volkswagen, 2010a).

For the environment, Volkswagen focuses on the conservation of resources (Volkswagen, 2010a). As mentioned above, Volkswagen has plans to reduce its greenhouse gas emissions by 40 % (Volkswagen, 2010a). It also reports on its levels of energy consumption for the past three years, highlighting recent reductions in CO$_2$ emissions and total energy consumption when company growth is taken into effect (Volkswagen, 2010a).

For the economy, Volkswagen focuses on making business sustainable (Volkswagen, 2010a). The section features several goals for future economic development such as: produce a fuel consumption leader in every class of vehicle and rank in the top three leading companies in their market (Volkswagen 2010a). The section also highlights Volkswagen’s compliance with local governments around the world and its
Volkswagen also reported on its plan to manage risk, localize production, use raw materials efficiently and satisfy customers through comfort, convenience, safety and environmental compatibility (Volkswagen, 2010a).

For social performance, Volkswagen focused on building a top team (Volkswagen, 2010a). Volkswagen enacted several workshops and employee events to help their team members learn more about sustainability (Volkswagen, 2010a). The workshops also provided team members with education of the industry (Volkswagen, 2010a). By investing in its workforce, Volkswagen hopes to build a stronger, more knowledgeable company (Volkswagen, 2010a). Volkswagen also takes on the responsibility of the helping the societies in which it operates, builds and sells its vehicles (Volkswagen 2010a). Through several volunteer programs, Volkswagen was able to place more than 1,000 volunteers into shelters and missions (Volkswagen, 2010a). Volkswagen believes supporting and promoting volunteering to be a key part of its sustainability strategy and has plans to increase volunteer initiative in the future (Volkswagen, 2010a).

Together, these three separate lines work together to achieve a more sustainable future for Volkswagen group and a more sustainable future for the world in which Volkswagen operates (Volkswagen, 2010a).

Variables in the Social and Environmental Areas

Social Areas

Volkswagen is promoting regional growth initiatives in areas where they operate (Volkswagen, 2010a). Volkswagen is also engaged in regional education (Volkswagen, 2010a). They have a project called, “Neue Schule Wolfsburg” which is a project to start a new school in Wolfsburg with different partnerships (Volkswagen, 2010a). Another social variable Volkswagen supports is employee retirement planning (Volkswagen, 2010a). Volkswagen helps its employees with retirement by preparing them two years before they retire. Finally, Volkswagen supports employees who take the initiative to do volunteer work. Since late 2008 1,052 volunteers have been placed by Volkswagens volunteering initiative (Volkswagen, 2010a).

Environmental Areas

Environmentally, Volkswagen is working to improve air quality by personally reducing the amount of pollutants it releases into the air (Volkswagen, 2010a). Such pollutants include: nitrogen oxide, ammonia and sulphur dioxide. Volkswagen has achieved this goal through the implantation of technology ranging from a “modern gas-fired gas-and-steam power plant” which are replacing coal-fired systems, and new technology in their paint shops that reduces the amount of particles emitted into the air. Also, Volkswagen works to recycle its vehicles. Through this concerted effort, Volkswagen has been able to ensure that 85 percent of its vehicles can be recycled when deemed no longer drivable (Volkswagen, 2010a).

Environmental Management System

Volkswagen has an Environmental Management System, which was integrated from the Energy Management System (Volkswagen, 2010a). In 2010 manufacturing plants including Pamplona, Dresden, Kassel and others all achieved DIN EN 16001 certification (Volkswagen, 2010a). The Braunshweig plant was the first Volkswagen plant in the world to be certified in 2009 (Volkswagen, 2010a). There is an estimated savings of around 10,000 metric tons of CO2 per year for these plants (Volkswagen, 2010a). One problem the European production sites will face is when the new emissions trading rules come into force in 2013 (Volkswagen, 2010a). Volkswagen will have to work to increase its efficiency and continue to decrease its CO2 emissions, which it currently plans to do (Volkswagen, 2010a).

Sustainability Consortia
Volkswagen has not joined any sustainability consortia with other businesses; however the Group’s Volkswagen, Audi and Porsche brands joined with BMW and Daimler to form the “Trauma Biomechanics” research network at Regensburg (Volkswagen, 2010a). This network works to study how the human body responds to accidents and injuries in order to better understand the human body in order to build safer vehicles (Volkswagen, 2010a). While this consortia is not directly related to energy sustainability, it does aim to make more efficient vehicles and shows promise of future consortias in sustainability and energy efficiency (Volkswagen, 2010a).

**Sustainability Partnerships**

Volkswagen has a sustainability partnership with NGO dialogue, which is the Extractive Industries Transparency Initiative (Volkswagen 2010a). The EITI supports a standardized process in which payments by the raw materials industry to the government are disclosed and then verified by independent validators (Volkswagen 2010a). This helps to curb corruption, thereby improving the economic and social climate and maximizing protection of the environment in the country in question (Volkswagen, 2010a).

**Sustainability Charters**

Volkswagen has not signed any sustainability charters as of October 2010 (Volkswagen, 2010a).

**Sustainability Policies**

Volkswagen has a sustainability policy, which it titled “Group Environmental Policy and Environmental Principles” (Volkswagen, 2010a). The policy is based on the environmental compatibility of its products and the conservation of resources during the production of their vehicles. Volkswagen lists the specifics of the policy (Volkswagen, 2010a).

**High-Level Executive**

In recent years Volkswagen’s CSR Office has been solely responsible for managing corporate activities for the sustainability management throughout Volkswagen Group. But, in 2010 the CSR Steering Group and the Sustainability Reporting Group were combined to form the CSR & Sustainability Steering Group. This group consists of representatives of all central corporate departments at top management level as well as Bernd Osterloh, the Chairman of the General and Group Works Council (Volkswagen, 2010a).

**Third-Party Sustainability Certifications**

Volkswagen has been producing their vehicles with sustainability in mind for many years. Because of their hard work and effort into forming a sustainability strategy and abiding by it, the Global Reporting Initiative (GRI) recognized this and awarded them with its highest rating of an A+, once again. Their sustainability strategy is approved by international indexes such as the Dow Jones Sustainability Index and the FTSE4Good. They also have their sustainability report audited in accordance with the AA1000AS standard (Volkswagen, 2010a).
Performance Objectives

*Improve Energy Efficiency in Production*

Volkswagen has developed an energy strategy to retain safe, cost-efficient, and sustainable energy supplies to the production plants. By forming this strategy they are aiming towards reducing greenhouse gas emissions by 40 percent more than 2010 levels, by the year 2020. The first step of accomplishing this is to improve energy efficiency in the production segment (Volkswagen, 2010a).

They are also working on expanding their energy structure. There are working on changing over from coal to natural gas with: the construction of two gas-and-steam turbine power stations with an output of 70MW each and five combined heat and power stations with an output of 12 MW each in plants in Germany; contribution to offshore wind farms; construction of an additional hydroelectric power plant in Brazil with output of 25MW; assembly of an altered water-wheel on the Aller River in Lower Saxony to supply power for the Golf blue-e-motion test fleet; and constant expansion of the use of rooftop photovoltaic systems at the various Volkswagen Group production plants (Volkswagen, 2010a).

*Reduce Materials/Chemicals Usage*

Volkswagen Group truly depends on the finest raw materials, particularly metals, in their production of their vehicles. Because of this Volkswagen’s Environmental Research Department and the Federal Institute of Geosciences and Raw Materials have joined together and established a system of measures and indicators for systematic analysis of the raw materials markets. This not only discovers risk factors but also detects the removal of raw materials in politically insecure countries to make sure that it is publicly adequate (Volkswagen, 2010a).

Volkswagen pursues to talk with NGOs such as the Extractive Industries Transparency Initiative (EITI). The EITI supports a standardized process where payments by the raw materials industry to the government are revealed and confirmed by independent advocates. This helps by stopping the corruption and improving the economic and social climate while exploiting protection of the environment (Volkswagen, 2010a).

*Reduce Emissions to Air, Land and Water*

Water quality and water accessibility are important issues for Volkswagen Group. Calculations conducted for the Life Cycle Assessments show that in the case of water consumption the vehicle’s service life plays only a small role and processes in the material supply chain uses the largest amount. Volkswagen makes every effort in becoming cost-effective when using water. Frequently, Volkswagen’s initiatives extend far beyond reducing water consumption, though. One example of this is shown at Volkswagen’s Mexico Puebla site. There were 300 hectares of land planted between 2008 and 2009 to help reduce soil erosion and progress rainwater access into the groundwater. This will increase water resources by holding an additional 1.6 million m$^3$ of water a year for local use. They are now in their second stage of this project and are meeting with 39 local contractors to plant an additional 200 hectares with native mountain pines (Volkswagen, 2010a).

When it comes to air quality, Volkswagen Group is making substantial reductions in its emissions of key pollutants such as particulates, nitrogen oxides, ammonia, sulphur dioxide, and volatile organic compounds. In their body shops, all laser-welding fumes are taken and sifted out. In their paint shops, the extra paint fumes from spray-painting, is reduced by extremely efficient separator systems and new paint booths are now equipped with state-of-the-art particle separators that reduce particle emissions by a factor of 50. Finally, at their Kassel plant, a new gas-fired gas-and-steam power plant will soon replace the prior coal-fired system, which will reduce particulate and nitrogen oxide emissions (Volkswagen, 2010a). This proves that Volkswagen is truly concerned with the environment and how they operate their facilities.
When it comes to the public, Volkswagen is very active in the public. One way they stay very active in the public sector is by volunteering in schools. In August 2009, they opened up a new school in Wolfsburg in partnership with the town and local businesses. They strive to support both younger and older generations. Volkswagen’s HR department wrote a policy to support them from transitioning into retirement after being employed for so long. About two years before they are supposed to retire, they attend events enabled by the HR staff to help them with this transition. They are strongly encouraged to volunteer in schools helping children. In September 2010, a “Senior Expert” system was established to provide this service. These previous employees are offered the chance to pass on their skills and experiences to others by teaching technology and math in schools or helping to train specialists and management staff. Since the project started, 109 retirees have signed up to participate (Volkswagen, 2010a).

Not only are retired employees encouraged to volunteer, so are active employees. The “Volkswagen supports volunteering” initiative connects community enterprises looking for volunteers with Volkswagen staff wanting to help socially. The main purpose is to boost the profile of volunteering in the public opinion and support for volunteering has become strictly implanted in the Group’s sustainability strategy over the past years. The idea behind this has already been adopted by Group subordinate, Autovision, and it plans to further reach other Group companies. This initiative was awarded as a Best Practice in Europe in 2010 (Volkswagen, 2010a).
Strategic Brand Unit: Audi

Audi is a brand of luxury vehicles owned and operated by Volkswagen Group (Volkswagen, 2010b). The Audi brand consists of several luxury sports cars and luxury SUVs (Volkswagen, 2010b). The brand also includes Lamborghini branded vehicles in its reports and sales. Audi’s competitors consist of BMW and Mercedes Benz (Volkswagen, 2010b). Audi had sales revenue of $41.1 billion for the year 2009 and sales revenue of $48.8 billion for the year 2010 (Volkswagen, 2010b). BMW and Mercedes Benz had higher sales revenues in both 2009 and 2010 (BMW, 2010), (Daimler, 2010). The math below shows how the relative market share and industry growth rate were calculated for Audi.

Sales Revenue Figures

<table>
<thead>
<tr>
<th>Firm</th>
<th>2010 Sales Revenue (in $Billion)</th>
<th>2009 Sales Revenue (in $Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audi</td>
<td>48.8</td>
<td>41.1</td>
</tr>
<tr>
<td>BMW</td>
<td>63.2</td>
<td>54.8</td>
</tr>
<tr>
<td>Mercedes-Benz Cars</td>
<td>73.6</td>
<td>66.9</td>
</tr>
<tr>
<td>Totals</td>
<td>185.6</td>
<td>162.8</td>
</tr>
</tbody>
</table>

Relative Market Share

Audi Sales Revenue (48.8)/ Mercedes-Benz Cars Sales Revenue(73.6) = .66

Industry Growth Rate

2010 Sales (185.6) - 2009 Sales (162.8) / 2009 Sales (162.8) x 100% = 14%

Conclusion

Because the relative market share is .66 and the industry growth rate is 14 percent, the Audi brand falls in the top right quadrant of the matrix.

Strategic Brand Unit: Bentley

Bentley is a brand of high-luxury vehicles owned and operated by Volkswagen Group (Volkswagen, 2010b). The Bentley brand consists of several custom-made sports cars. Bentley’s competitors consist of Rolls Royce and Proton Cars (Volkswagen, 2010b). Bentley had a sales revenue of $.8 billion for the year 2009 and $1.02 billion for the year 2010 (Volkswagen, 2010b). Bentley had higher sales revenues in both 2009 and 2010 while Rolls-Royce Motors and Proton cars had lower revenues (BMW, 2010), (Proton, 2010). The math below shows how the relative market share and industry growth rate were calculated for Bentley.

Sales Revenue Figures
<table>
<thead>
<tr>
<th>Firm</th>
<th>2010 Sales Revenue (in $Billion)</th>
<th>2009 Sales Revenue (in $Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bentley</td>
<td>1</td>
<td>.8</td>
</tr>
<tr>
<td>Rolls Royce Motors</td>
<td>.321</td>
<td>.288</td>
</tr>
<tr>
<td>Proton Cars</td>
<td>.08</td>
<td>.06</td>
</tr>
<tr>
<td>Total</td>
<td>1.401</td>
<td>1.148</td>
</tr>
</tbody>
</table>

**Relative Market Share**

Bentley Sales Revenue (1)/ Rolls Royce Cars Sales Revenue (.321) = 3.12

**Industry Growth Rate**

2010 Sales (1.401) - 2009 Sales (1.148) / 2009 Sales (1.148) x 100% = 22%

**Conclusion**

Because relative market share is 3.12 and the industry growth rate is 22 percent Bentley falls in the top left quadrant of the matrix.

**Strategic Brand Unit: Scania**

Scania is a brand of heavy trucks and buses owned by Volkswagen Group (Volkswagen, 2010b). The Scania brand consists of many different heavy trucks and buses (Volkswagen, 2010b). Scania’s competitors consist of MAN SE and Daimler AG (Kinnender, 2011). Scania had sales revenue of $8.5 billion for the year of 2009 and sales revenue of $11.7 billion for the year 2010 (Volkswagen 2010b). MAN SE had lower sales revenues than Scania in both 2009 and 2010 while Daimler AG had higher sales revenues (Daimler, 2010), (MAN SE, 2010). The math below shows how the relative market share and industry growth rate were calculated for Scania.

**Sales Revenue Figures**

<table>
<thead>
<tr>
<th>Firm</th>
<th>2010 Sales Revenue (in $Billion)</th>
<th>2009 Sales Revenue (in $Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scania</td>
<td>11.7</td>
<td>8.5</td>
</tr>
<tr>
<td>MAN SE</td>
<td>.02</td>
<td>.016</td>
</tr>
<tr>
<td>Daimler AG</td>
<td>24</td>
<td>18.4</td>
</tr>
<tr>
<td>Total</td>
<td>35.72</td>
<td>27</td>
</tr>
</tbody>
</table>

**Relative Market Share**
Scania Sales Revenue (11.7)/ Daimler AG Revenue 24 = .5

**Industry Growth Rate**

\[
\text{Industry Growth Rate} = \frac{2010 \text{ Sales (35.72)} - 2009 \text{ Sales (27)}}{2009 \text{ Sales (27)}} \times 100\% = 32.3\%
\]

**Conclusion**

Because the relative market share is .5 and the industry growth rate is 32.3 percent, the Scania brand falls in the top right of the matrix.

**Strategic Brand Unit: Seat**

Seat is a Spanish automaker operated by Volkswagen Group (Volkswagen 2010b). Seat specializes in stylish compact vehicles (Volkswagen 2010b). Seat had a sales revenue of $6.3 billion in 2009 and a sales revenue of $6.9 billion in 2010 (Volkswagen 2010b). Seat’s main competitor is Fiat who has larger sales revenue in both 2009 and 2010 (Fiat 2010). The math below shows how the relative market share and industry growth rate were calculated for Seat.

**Sales Revenue Figures**

<table>
<thead>
<tr>
<th>Firm</th>
<th>2010 Sales Revenue (in $Billion)</th>
<th>2009 Sales Revenue (in $Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seat</td>
<td>6.9</td>
<td>6.3</td>
</tr>
<tr>
<td>Fiat</td>
<td>38.8</td>
<td>36.6</td>
</tr>
<tr>
<td>Total</td>
<td>45.7</td>
<td>42.9</td>
</tr>
</tbody>
</table>

**Relative Market Share**

\[
\text{Relative Market Share} = \frac{\text{Seat Sales Revenue (6.9)}}{\text{Fiat Cars Sales Revenue (38.8)}} = .18
\]

**Industry Growth Rate**

\[
\text{Industry Growth Rate} = \frac{2010 \text{ Sales (45.7)} - 2009 \text{ Sales (42.9)}}{2009 \text{ Sales (42.9)}} \times 100\% = 6.5\%
\]

**Conclusion**

Because the relative market share is .18 and the industry growth rate is 6.5 percent, the Seat brand falls in the bottom right quadrant of the matrix.

**Strategic Brand Unit: Skoda**

Skoda is a brand of entry-level vehicles owned by Volkswagen Group (Volkswagen, 2010b). The Skoda brand consists of several compact cars, sedans and hatchbacks (Volkswagen, 2010b). Skoda’s competitors consist of Peugeot, a French-based automobile brand and Opel, a German-based automobile brand (Peugeot, 2010), (Opel, 2010). Skoda had sales revenue of $9.9 billion for the year 2009 and sales
revenue of $12.1 billion for the year 2010 (Volkswagen, 2010b). Peugeot had significantly higher sales revenue both years while Opel had slightly lower sales (Peugeot, 2010), (Opel, 2010). The math below shows how the relative market share and industry growth rate were calculated for Skoda.

**Sales Revenue Figures**

<table>
<thead>
<tr>
<th>Firm</th>
<th>2010 Sales Revenue (in $Billion)</th>
<th>2009 Sales Revenue (in $Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skoda</td>
<td>12.1</td>
<td>9.9</td>
</tr>
<tr>
<td>Opel</td>
<td>9.34</td>
<td>8.7</td>
</tr>
<tr>
<td>Peugeot</td>
<td>78.1</td>
<td>67.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>99.54</strong></td>
<td><strong>86</strong></td>
</tr>
</tbody>
</table>

**Relative Market Share**

Skoda Sales Revenue (12.1)/ Peugeot Sales Revenue (78.1) = .15

**Industry Growth Rate**

2010 Sales (99.54) - 2009 Sales (86) / 2009 Sales (86) x 100% = 15.7%

**Conclusion**

Because the relative market share is .15 and the industry growth rate is 15.7 percent, the Skoda brand falls in the top right quadrant of the matrix.

**Strategic Brand Unit: Volkswagen Commercial Vehicles**

Volkswagen Commercial Vehicles is a brand of vehicles used for transporting goods or even a large number of passengers that are owned by Volkswagen Group (Volkswagen, 2010b). Commercial Vehicle’s competitors consist of PSA Peugeot-Citroen and Renault (Peugeot, 2010), (Renault, 2010). Commercial Vehicles had sales revenue of $7.3 billion for the year of 2009 and sales revenue of $10.2 billion for the year 2010 (Volkswagen, 2010b). The math below shows how the relative market share and industry growth rate were calculated for Commercial Vehicles.

**Sales Revenue Figures**

<table>
<thead>
<tr>
<th>Firm</th>
<th>2010 Sales Revenue (in $Billion)</th>
<th>2009 Sales Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>VW Commercial Vehicles</td>
<td>10.2</td>
<td>7.3</td>
</tr>
<tr>
<td>PSA Peugeot-Citroen</td>
<td>.07</td>
<td>.067</td>
</tr>
<tr>
<td>Renault</td>
<td>53.9</td>
<td>46.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>64.17</strong></td>
<td><strong>54.067</strong></td>
</tr>
</tbody>
</table>

**Relative Market Share**

Commercial Vehicles Sales Revenue (10.2)/ Renault Sales Revenue (53.9) = .19
**Industry Growth Rate**

2010 Sales (64.17) – 2009 Sales (54.067) / 2009 Sales (54.067) x 100% = 18%

**Conclusion**

Because the relative market share is .19 and the industry growth rate is 18 percent, the Commercial Vehicle brand falls in the top right quadrant of the matrix.

**Strategic Brand Unit: Volkswagen Passenger Cars Brand**

Volkswagen passenger car is a brand of entry-mid level vehicles operated by the Volkswagen Group (Volkswagen, 2010b). Volkswagen passenger cars competitors consist of Toyota and Mazda (Toyota, 2010), (Mazda, 2010). Volkswagen passenger car has a sales revenue of $90.7 billion for the year 2009 and sales revenue of $111.3 billion for the year 2010 (Volkswagen, 2010b). Toyota is one of the biggest car brands and their sales revenue for both years have higher numbers than Volkswagen passenger cars, but Volkswagen passenger cars is higher for both years compared to Mazda (Toyota, 2010), (Mazda, 2010), (Volkswagen, 2010b). The math below shows how the relative market share and industry growth rate were calculated for Volkswagen.

### Relative Market Share

<table>
<thead>
<tr>
<th>Firm</th>
<th>2010 Sales Revenue (in $Billion)</th>
<th>2009 Sales Revenue (in $Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volkswagen</td>
<td>111.3</td>
<td>90.7</td>
</tr>
<tr>
<td>Toyota</td>
<td>252.1</td>
<td>233.1</td>
</tr>
<tr>
<td>Mazda</td>
<td>33.3</td>
<td>28.4</td>
</tr>
<tr>
<td>Total</td>
<td>396.7</td>
<td>352.2</td>
</tr>
</tbody>
</table>

**Relative Market Share**

Volkswagen Sales Revenue (111.3)/ Toyota Cars Sales Revenue (252.1) = .44

**Industry Growth Rate**

2010 Sales (396.7) - 2009 Sales (352.2) / 2009 Sales (352.2) x 100% = 12.6%

**Conclusion**

Because the relative market share is .44 and the industry growth rate is 12.6 percent, the Volkswagen Passenger Car brand falls in the top right right quadrant of the matrix.

**Volkswagen AG Growth Share Matrix**
Resource Allocation Plan

Based on the information provided in the matrix, Volkswagen Group can make important resource allocation decisions among its several SBUs (Clayton, 2011b).

First, Volkswagen should either sell off its Seat brand or slowly drive it into the ground (Clayton, 2011b). The brand is in an industry with little to no growth and has minimal market share in that industry (Clayton, 2011b). Volkswagen Group does not have an SBU in the bottom left corner of the matrix, which would provide the group with a good source of cash to allocate to potential SBUs. Volkswagen does have a good use of cash in its Bentley brand, which has a high relative market share and is in a growing industry (Clayton, 2011b). The group could bleed resources from Seat to Bentley as well as select SBUs in the upper right quadrant and increase this allocation as Seat is eliminated from the brands (Clayton, 2011b).

Volkswagen Group’s remaining SBU’s fall in the top right quadrant, meaning investing resources in these SBUs would be questionable and could result in either growth and success or a loss of resources (Clayton, 2011b). Based on the specific areas these SBUs have fallen within the quadrant, Volkswagen should allocate resources to Audi and Volkswagen passenger (Clayton, 2011b). They both have the highest relative market share and are in growing industries (Clayton, 2011b). Volkswagen should continue to keep these SBUs and allocate minimal resources to them until it can be decided if they can grow and create profit for the group in the near future (Clayton, 2011b).
DIRECTIONAL POLICY MATRIX: VOLKSWAGEN PASSENGER CARS

Industry Attractiveness

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Level</th>
<th>Rating</th>
<th>Weight</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barriers to Entry</td>
<td>High</td>
<td>+3</td>
<td>.45</td>
<td>+1.35</td>
</tr>
<tr>
<td>Capacity Level</td>
<td>High</td>
<td>-3</td>
<td>.2</td>
<td>-.6</td>
</tr>
<tr>
<td>Growth Rate</td>
<td>12.6%</td>
<td>+1</td>
<td>.1</td>
<td>+.1</td>
</tr>
<tr>
<td>Loyalty</td>
<td>High</td>
<td>+3</td>
<td>.25</td>
<td>+.5</td>
</tr>
</tbody>
</table>

Sums

The automotive industry has several criteria that determine its attractiveness. Such criteria include barriers to entry, capacity, growth rate and loyalty (Volkswagen, 2010b).

**Barriers to Entry**

Barriers to enter into the automotive industry received the highest weight (Cremer, 20110, (Clayton, 2011c). This weight was given to barriers because the higher the rating means it will tend to keep out new entrants/potential competitors. If a firm cannot overcome the barriers, than the firm cannot succeed. It is the first obstacle and thus the most important. Volkswagen passenger cars received a rating of +3 for this criterion because it is currently in the industry. In the event that Volkswagen Group decided to launch a current SBU, it would already have resources to allocate to its growth and factories to use; therefore, it would bypass several of the barriers to enter into this industry that a completely new SBU from a completely new firm would not be able to bypass (Volkswagen, 2010b, (Clayton, 2011c).

**Capacity Level**

Finally, the capacity level pertains to the level of SBUs currently in this industry. There is an over abundance of cars supplied; therefore the rating is low because it is hard to get into and succeed in a market so full of options and so similar to one another (Cremer, 2011), (Clayton, 2011c). The weight assigned was .2 because it is possible to succeed in an saturated industry through success in advertising and appropriate marketing strategy, but it is still difficult and should be considered before entry into the industry (Clayton, 2011c).

**Growth Rate**

The growth rate of an industry is extremely important in determining whether or not to enter the market. A firm would be unwise to enter a dying industry or a stagnant industry. The automotive industry is continuing to grow due to improved technology and design (Levring, 2011), (Clayton, 2011c). The growth rate received a +1 rating because it is not growing at a fast rate, but it is still growing (Volkswagen, 2010b), (Clayton, 2011c). The weight assigned to the growth rate is .1 because, while it is important to enter a growing industry, a firm must overcome other criterions that are direr to the success or failure of a proposed SBU than growth alone (Clayton, 2011c).
**Loyalty**

Loyalty is another important criterion when determining the attractiveness of the automotive industry. Customers tend to be brand-loyal in this industry unless circumstances arise that show that the SBU has not been loyal to consumers (Levring, 2011), (Volkswagen, 2010b), Clayton, 2011c). The weight assigned for this criterion is .25 because loyalty can be gained over time, while the other criteria require immediate success to continue, but it is still important and necessary for long-term success (Volkswagen, 2010b), Clayton, 2011c).

**Ability to Compete**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Level</th>
<th>Rating</th>
<th>Weight</th>
<th>Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company Image</td>
<td>Strong</td>
<td>+3</td>
<td>.5</td>
<td>+1.5</td>
</tr>
<tr>
<td>Perceived Differentiation</td>
<td>High</td>
<td>+2</td>
<td>.2</td>
<td>+.2</td>
</tr>
<tr>
<td>Relative Market Share</td>
<td>.44</td>
<td>+2</td>
<td>.1</td>
<td>+.2</td>
</tr>
<tr>
<td>Size</td>
<td>Large</td>
<td>+2</td>
<td>.2</td>
<td>+.54</td>
</tr>
</tbody>
</table>

Sums: 1.00 2.44

**Company Image**

The company image for Volkswagen is strong. Potential and current consumers see Volkswagen as a reliable SBU (Volkswagen, 2010b), (Levring, 2011). Volkswagen passenger cars is seen as sustainable, durable and affordable; therefore, it was assigned a +3 rating (Levring, 2011) Clayton, 2011c). It is important to have a strong company image in this industry because consumers buying decisions can be easily persuaded based on either a good or poor image from that unit (Levring, 2011), Clayton, 2011c). The weight was set at .5 because the company image is like a reputation, which is what most consumers think of when they hear of a car manufacture.

**Perceived Differentiation**

Perceived differentiation is another important factor for determining an SBU’s ability to compete in this industry. Because capacity is so high, an SBU must prove some distinguished difference from competitors in order to compete and succeed, otherwise the SBU will not grow its customer base, become stagnant and eventually be harvested or divested (Levring, 2011), (Clayton, 2011c). Volkswagen passenger cars has been able to show differentiation in its product line through unique automotive design and advertising. It was assigned a .2 weight because it is dependent upon the company image (Volkswagen, 2010b), (Clayton, 2011c). A firm’s differentiation means nothing if all potential consumers think poorly of it (Clayton, 2011c).

**Relative Market Share and Size**

Finally, size and relative market share are important factors for determining an SBU’s ability to compete in this industry. Relative market share is important to compete because an SBU that has higher relative market share than others in the industry is moving at a faster rate along the experience curve;
therefore, it is growing at a faster rate and can sell its product for a cheaper price, thus creating a snowball effect (Vann, 2011), (Clayton, 2011c). The SBU with the highest market share, thus has a substantial lead on competitors and can continue to grow with little chance of competitors catching up or surpassing it (Vann, 2011), (Clayton, 2011c). Volkswagen has a high relative market share, but it does not have the highest; however, it is believed that Volkswagen will garner the highest relative market share in the near future. Relative market share is related to size, but a small company in size could still be the largest in the industry thus giving this a smaller weight (Clayton, 2011c).

**Directional Policy Matrix**

![Directional Policy Matrix](image)

*Explanation*

Based on the calculations from the Industry Attractiveness and Ability to Compete tables, Volkswagen passenger cars falls in the top left quadrant of the Directional Policy Matrix (Clayton 2011c). Firms should invest in and grow SBU’s that fall in this quadrant. Volkswagen has the ability to compete and is in an attractive industry (Clayton 2011c). Overall, Volkswagen Group needs to support this group with capital and investments and use the increased capital to grow this group (Clayton 2011c).
POSITIONING

Competitive Products and Services

Volkswagen is a manufacturing company in the automotive industry. In 2010, the top vehicle manufacturing companies were Toyota, GM, and Volkswagen (Ship Vehicles, 2011). These companies are considered competitors for various reasons.

Toyota offers models such as: Cars and Minivans, Hybrids and EVs, Crossovers and SUVs, and Trucks. Their name is known for innovation, quality, and reliability (Toyota, 2011). Hybrid is now their core technology when designing their future vehicles. Toyota’s prices range from about $14,000 to $69,000 and offer vehicles with 51 mpg to 13 mpg, depending on the model (Toyota, 2011).

GM, or more specifically Chevy, offers models such as: Cars, Crossovers/SUVs, and Trucks/Vans. Chevrolet has earned the reputation for performance, durability, and value, which are still the core of their business today (Chevy, 2011). Their prices range from about $14,000 - $58,000 and offer vehicles with 42 mpg to 10 mpg, depending on the model (Chevy, 2011).

Volkswagen offers models such as: Passenger Cars, Luxury Cars, Sports Cars, SUVs/Crossovers, and Vans and Minivans. Volkswagen has a reputation for producing vehicles with safety and reliability in mind. They are also very concerned with the environment. They are recognized as “the most environmentally friendly car company selling in the USA” (Volkswagen, 2011a). Their prices range from about $16,000 - $61,000 and offer vehicles with 43 mpg to 23 mpg, depending on the model (Volkswagen, 2011a).

There are also substitute products available for people who do not want to purchase a vehicle. Public transit, motorized scooters, and bicycles are the most commonly used substitutes offered.

Determinant Attributes

Seating Capacity

Seating capacity is one of the determinant attributes for consumers because, depending on one’s stage in life, one has a different ideal seating capacity (Dobson, 2011). Young adults without children, have a low ideal seating capacity (Consumer Union, 2011). When looking for a vehicle to purchase, young adults without children opt for vehicles with a seating capacity of five or less (Dobson, 2011). Family’s ideal seating level is high with as many as eight seats being the ideal (Consumer Union, 2011). Older adults with no children or grown adult children have an ideal point of moderate for seating capacity. Their ideal car offers between four and six seats (Consumer Union, 2011).

Horse Power

Horse power is the second determinant attribute for consumers. Different targets at different stages in life, have differing ideal horse power levels (Consumer Union, 2011). Young singles ideal horse power is low. They use their car for commuting to work, running errands and going out for entertainment. These functions equate to a low horsepower vehicle. Family’s ideal point for horse power is high. Families go on vacations, travel for sports teams and regular errands. All of these activities require a vehicle with a high horse power level (Consumer Union, 2011). Older adults with no children or grown adult children have an ideal horse power level of moderate (Consumer Union, 2011). They use their vehicle for regular errands, but also for trips and vacations that they have more time for than young single adults. These trips and vacations require a vehicle with a moderate level of horsepower. (Consumer Union, 2011).

Storage Capacity
Storage capacity is the final attribute. Young single adults ideal storage capacity is moderate (Consumer Union, 2011). They use their vehicles to carry groceries and small items, but never need to transport large items, or a large amount of items, on a regular basis. They, however, move frequently with changing jobs and situations and thus have a moderate ideal level versus a low. Families have a high ideal storage capacity (Consumer Union, 2011). Families use their vehicle to transport large amounts of groceries each week and carry children’s items as well as transport sports equipment and luggage for travel. The high volume of items that families need to transport equates to a high ideal level of storage capacity. Older Adults without children have a low ideal level for storage capacity in a vehicle. They tend to only transport groceries and occasional items and are set in their lives; therefore, they have a low ideal point for storage capacity (Consumer Union, 2011).

**Customer Group/Determinant Attributes Table**

<table>
<thead>
<tr>
<th>Customer Groups</th>
<th>Seating Capacity</th>
<th>Horse Power</th>
<th>Storage Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Young Singles 18-34</td>
<td>Low</td>
<td>Low</td>
<td>Moderate</td>
</tr>
<tr>
<td>Families</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Adults no children 48 +</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Low</td>
</tr>
</tbody>
</table>

**Location of Competing Brands on Determinant Attributes**

<table>
<thead>
<tr>
<th>Chevrolet Vehicles</th>
<th>Determinant Attributes</th>
<th>Seating Capacity</th>
<th>Horse Power</th>
<th>Storage Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cruze</td>
<td>Moderate (4)</td>
<td>138 @ 6300</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>HHR</td>
<td>Moderate (5)</td>
<td>155 @ 6500</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Tahoe</td>
<td>High (7)</td>
<td>320 @ 5400</td>
<td>High</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Toyota Vehicles</th>
<th>Determinant Attributes</th>
<th>Seating Capacity</th>
<th>Horse Power</th>
<th>Storage Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camry</td>
<td>Moderate (4)</td>
<td>268 @ 6200</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Prius</td>
<td>Moderate (5)</td>
<td>98 @ 5200</td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td>Sienna</td>
<td>High (7)</td>
<td>266 @ 6200</td>
<td>High</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Volkswagen Vehicles</th>
<th>Determinant Attributes</th>
<th>Seating Capacity</th>
<th>Horse Power</th>
<th>Storage Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beetle</td>
<td>Moderate (4)</td>
<td>170 @ 5400</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Passat</td>
<td>Moderate (5)</td>
<td>179 @ 6300</td>
<td>Moderate</td>
<td></td>
</tr>
<tr>
<td>Tiguan</td>
<td>High (8)</td>
<td>200 @ 6000</td>
<td>High</td>
<td></td>
</tr>
</tbody>
</table>

(Chevrolet 2011), (Toyota, 2011), (Volkswagen, 2011a).
Positioning Graphs

Proposed Relocation of Brand Claim

After positioning the different brands on the graphs, several clusters of unserved ideal points were discovered (Clayton, 2011d).

The first cluster of ideal points exists in the low horsepower, moderate storage capacity quadrant of the graph. Young single adults ideal points are not currently being met for these attributes. The closest brand is Toyota with the Prius. Volkswagen could either reposition its Beetle to fit these ideal points, through lowering the horsepower and better serve this market or create a new brand specifically for this target.

Young singles are again left without ideal options when the attributes of seating capacity and horsepower are graphed. This target has to sacrifice its ideal for either Chevy’s Cruze or Toyota’s Prius. Volkswagen could reposition the Beetle to better fit this ideal point cluster. It could reposition itself as a compact car instead of selling it as a more spacious vehicle (Clayton, 2011d).

Another opportunity exists to serve adults with no children who want moderate seating and low storage. Again, no brand currently meets the ideal attributes of this target, but Volkswagen’s Beetle is the...
closest. Volkswagen would have to reposition its Beetle and not focus on storage as much as seating to win this target market (Clayton, 2011d).

Finally, while young adults and older adults with no children are not being met on their ideal points, families are flooded with several ideal vehicles to purchase. Volkswagen’s Tiguan is competing against these vehicles, but it is only the closest to ideal in seating capacity; therefore, Volkswagen needs to either change families perception of its vehicle as having more storage and horsepower or attempt to serve another cluster point (Clayton, 2011d).

**Communication**

The most effective way to spread information to the targets about the brands Volkswagen will reposition is through advertising. Because the Beetle is the only brand close to each of the unserved cluster points, Volkswagen could develop a campaign showing the “different sides” of the Beetle. Ads highlighting the low horse power, low seating capacity and moderate storage capacity would be targeted to young single adults through mediums they consume frequently such as digital and mobile advertising. For adults, 48 and older without children in the home, the Beetle could be featured as a low-seating capacity vehicle and nothing would be done to promote the storage capacity in these ads. Again, appropriate media would be used to target this cluster. Volkswagen would also have to re-design its website, notably the portions pertaining to the Beetle, to show that it has different ideals for different people (Clayton, 2011d).

While young single adults and older adults without children in the home are not being met on their ideal points, families are flooded with several close-to-ideal and ideal options to purchase. Volkswagen is not the ideal or closest to ideal for the majority of these determinant attributes; therefore, it needs to either change its preference in the minds of consumers at the cluster point or attempt to serve another cluster. Volkswagen could attempt to highlight the Tiguan’s storage capacity in its ads while also reminding consumers of its high seating capacity. Volkswagen could possibly re-design the Tiguan to offer more storage than competitors as well; however, as mentioned, the family target cluster has several options and competition is high so Volkswagen might better allocate its advertising revenue to the repositioning of the Beetle and to the development of new brands that better serve cluster groups (Clayton, 2011d).
MARKETING MIX

Price

Volkswagen has consistently acted with a premium pricing strategy. Their products typically have a high price, on average 10 percent higher than competitors; however, the return is more upscale driving and ownership experience. In recent years, their pricing strategy has decreased to only 5 percent higher (Bird, 2011). This decrease in price was due in fact to the belief among consumers that Volkswagen passenger cars are too expensive for the quality delivered. Their premium pricing strategy has caused them to lose some market share to competitor brands. This was not a substantial problem in the past, but competitors are increasingly offering better price for their products, so Volkswagen has to adapt in order to stay afloat. Volkswagen has taken this into account and has decided to lower base prices on some of their models to attract more customers.

The 2011 Jetta is a glaring example of this decision. Though the previous models were not so popular, this one has definitely attracted more customers than ever. Through vigorous research, Volkswagen has found that the previous models were not as popular because of two reasons; the retail price and the perception of high maintenance costs (Evans, 2011). Volkswagen has decided to lower the starting price on this model and offer a three-year maintenance program as well. In doing so, Volkswagen was able to attract new buyers to its brand of vehicles. More than 60 percent of the 2011 Jetta buyers were buyers from other brands. (Evans, 2011). By lowering their prices, they are attracting more people into the showroom. This even reaches customers that had not previously before because it is more accessible from a pricing standpoint. Once they enter the dealership and salesmen begin presenting the vehicles to them, they are more likely to purchase a vehicle. Also by lowering their prices they are more price competitive with their American and Japanese competitors. Volkswagen hopes to attract consumers who have previously purchased Volkswagen vehicles and keep them as loyal customers.

The new Passat is another good example of how Volkswagen is steering away from their premium pricing strategy. They are making it with a simpler design and building it in the U.S., which will allow it to be a lower price for consumers. This will allow them to save money because they don’t have to pay them as much as they would their German counterparts (Bloomberg, 2011). Volkswagen has also decided to take on the approach of more is less. They are going to make bigger cars and charge less for them. They are exploiting this idea with the Jetta and the Passat. They are changing their pricing strategy in hopes of reaching their goal to become the #1 automaker company in the world.

Product – Service Offering

Features or attributes (perceived and actual)

Some of Volkswagens attributes include seating capacity, storage capacity, and gas mileage (Volkswagen, 2011j). Seating capacity is one of Volkswagens attributes for the passenger car brand. Volkswagens are known for providing spacious interior seats. Storage capacity is another attribute. Volkswagens passenger car brand have good storage capacity, which can be helpful to all of their target markets. Volkswagen is also coming out with cars that have high fuel efficiency. Volkswagen is also making strides to making more electric/hybrid cars (Volkswagen, 2011j).

Image

Volkswagens has a very strong image in the vehicle industry. Volkswagen is among one of the top vehicle manufacturers in the world. With that Volkswagen has brought their brand up to be a very
competitive and high quality vehicle. Volkswagen’s image has also been enhanced lately with their new 2012 Passat. Motor Trend named Volkswagen’s, 2012 Passat, car of the year (Koken, 2012).

**Warranties**

Volkswagen offers a variety of extended warranties consumers can purchase with their Volkswagen. Volkswagen offers five different extended coverage contracts owners can obtain. One of extended service plans is called Volkswagen Platinum (Volkswagen, 2011s). With this plan it extensively covers the mechanical problems beyond the Volkswagen warranty period; this also includes wear and tear of the vehicle (Volkswagen, 2011s). The second service plan is called the Volkswagen Gold Plus (Volkswagen, 2011s). This plan covers problems with the technology in the vehicle and also any mechanical failures with the Volkswagen (Volkswagen, 2011s). The other extended coverage plans are Volkswagen Gold, Volkswagen Silver, and Volkswagen Powertrain (Volkswagen, 2011s). By offering different sets of extended warranties Volkswagen will better be able to satisfy their target markets. This also ties in with the after-sales service, as the owners of the Volkswagen are able to get their Volkswagen serviced through the different warranties presented.

**Training for the customer**

Volkswagen does not offer hands-on training for their vehicles; however, they do provide an owner’s manual that comes with the vehicle. With the owner’s manual the car owner has the opportunity to learn about the car they purchased, how to use it, what attributes the vehicle contains and other important qualifications. Through the manual, consumers can also learn how certain things operate in the vehicle, such as the stereo system, different controls within in the vehicle and other important functions (Volkswagen, 2011j).

**Delivery**

Volkswagen has several dealerships worldwide where customers can go to purchase a Volkswagen. Volkswagen vehicles are delivered to the dealerships to meet the demand needed for that region. Customers can order personalized vehicles, but those are also delivered to the dealership where the new owner can go and pick up this or her personalized Volkswagen. This is a spatial convenience for customers because there are numerous locations where Volkswagens are sold (Volkswagen, 2011j).

**Installation of the product**

Volkswagen installs all the elements and features within their vehicles. These installations include everything from the seats, stereo, cruise control, and the engine. The consumer is not required to install components for the vehicle upon purchase (Volkswagen, 2011j).

**Responsibility for the product at the end of its useful life.**

Volkswagen is taking strides to better improve the economy by making their vehicles more sustainable and energy efficient. Volkswagen is accomplishing this by researching electric cars for their future designs. Volkswagen is on track to be the first vehicle manufacturer with electric cars in all-major category of vehicles, ranging from SUV to sedan to minivan (Volkswagen, 2011q). Volkswagen is also extensively researching electric possibilities for their future vehicles, and by 2018, Volkswagen wants to become the top vehicle manufacturer for electric mobility (Volkswagen, 2011q).

Volkswagen is also trying to make a vehicle that will be socially responsible at the end of its useful life. Volkswagen’s website states that, “Volkswagen has developed and introduced a number of processes to
ensure that 85 percent of new vehicles by weight can be recycled and 95 percent recycled or recovered,” (Volkswagen, 2011u). With this Volkswagen is making the vehicles end-life not only environmentally responsible, but also economically responsible (Volkswagen, 2011q).

**Promotion**

**Personal Selling**

Volkswagen utilizes personal selling at an industry level and oversees individual selling by certified Volkswagen Dealerships. At the industry-level, Volkswagen employs a sales team responsible for prospecting, securing and growing its client base. The sales team also works with certified branch dealerships, selling to them, maintaining good relationships and handling the business-related aspects of transferring the vehicle fleets to these dealerships.

At the dealership-level, Volkswagen operates with its dealerships much like a franchise, providing information on how to display vehicles, which vehicles to promote and how to sell vehicles to prospective customers (Volkswagen, 2011j).

**Advertising**

Volkswagen utilizes advertising consistently throughout the year. Volkswagen employees Deutsch Los Angeles to handle its advertising in the United States. Specific vehicles used include television, print, out of home and digital (Volkswagen, 2011j).

**Sales Promotion**

Volkswagen utilizes sales promotion with several events throughout the year, with the most recognized being the Volkswagen Sign and Drive event. Volkswagen also utilizes sales promotions by providing dealerships with displays and pamphlets for specific vehicles (Volkswagen, 2011j).

**Publicity**

Volkswagen receives consistent publicity throughout the year. The majority of the publicity comes from its innovative advertising. Volkswagen placed a very popular ad during 2010’s Super Bowl and garnered substantial publicity for it. Volkswagen also receives publicity for releases of new and redesigned vehicles, such as the 2012 Beetle, which was released earlier this year (Volkswagen, 2011j).

**Public Relations**

Volkswagen utilizes public relations as well. Volkswagen maintains a functioning in-house public relations team responsible for garnering media hits, gaining publicity and growing awareness for the Volkswagen brand. Volkswagen also employs external agencies responsible for managing specific events and communications (Volkswagen, 2011j).

**Place Distribution**

**Channel Decisions**

Volkswagen, like most automobile manufacturers, does not sell directly to consumers. The middle-man, dealerships, obtain vehicles, either through direct purchasing or with help from a local bank and then take on the responsibility of selling the vehicles to consumers. Volkswagen, however, does not relinquish
complete control to dealerships. The dealerships are treated much like a franchise. The owner of each dealership has control, but must follow rules and guidelines from Volkswagen (Volkswagen, 2011j).

Volkswagen does offer the option for consumers to build a custom vehicle and then search local dealership inventories for that vehicle and with new vehicles, pre-order a vehicle with specific attributes. (Volkswagen, 2011j).

**Packaging**

Volkswagen vehicles are shipped throughout the world, so they utilize packaging resources to ensure that their vehicles make it do their destinations in the same condition as when they left. Volkswagen wraps its vehicles in a light thin, plastic material that prevent scratching during transportation. (Volkswagen, 2011j).

**Storage**

The only storage that exists is the waiting time from when the car is shipped to when it arrives at the dealership. Volkswagen doesn’t have storage centers to keep the cars in specific locations until someone requests it. Also, the vehicles can be a special ordered which means it will be made when a request is placed (Volkswagen, 2011j).

**Transportation**

The location of the delivery depends on where the vehicle where comes from. For example, a car from Chicago will be transported from the Mexico Volkswagen plant. Vehicles are transported by train or semi to the specified destination where they are then loaded on a semi to be transported for delivery. Again, the only storage time that is present in the delivery process is the waiting time. Transportation is typically the same process for most automobile manufactures because vehicles are shipped in large quantities. Vehicles from China come to the United States via barges, or in special circumstance, plane.

![World locations of Volkswagen Group factories updated.svg](January 22, 2009)

**Creating Assortment**

Volkswagen offers different products with different ranges of prices all across the world. Volkswagen has several factories in which they produce their vehicles and distribute them directly from the plant. They do have an assortment of product but they mass ship the products together so there isn’t a large shipping price for one vehicle. The vehicles incur shipping costs as they go through the channels. They
aren’t adding any value to the car besides the luxury of having a vehicle delivered directly to a dealership to be picked up. In the automotive industry, creating assortment is essential to compete but doesn’t affect transportation (Volkswagen, 2011j).
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