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Abstract:

Volkswagen continues to be a globally leading corporation in the automobile industry. This is due to many factors, some of them being their innovative technology, their use of E-mobility, their development of their business model, and their marketing strategies. This essay will outline the successes and threats that are evident in VW along with my personal analysis of the business strategies' corporation by taking a look at its history, a breakdown of its business structure, how it uses its various products and services to appeal to a large audience, its competitors and where it needs improvement to stay up to par, and finally, my personal SWOT analysis along with an analysis based on Porter's Five Competitive Forces. Ultimately, this essay will answer any and all questions that could be raised about the success of VW, and how they can make improvements.

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The Rise of The Volkswagen: An Analysis of Volkswagen's Business Model

1. Introduction and History

With the rise of the sustainability movement in the automobile industry, Volkswagen (VW) has indeed followed suit. Their business model has developed significantly, aiming to create a more sustainable and environmentally conscious industry, while still maintaining the reputation of their product. According to the Volkswagen Group, they state the projection that “By 2025, the company is – depending on market trends – aiming to make and sell up to three million all-electric cars each year (E-Mobility).” In this essay, I will give a brief history of VW, a business-model description, an overview of VW's corporate strategy, describe its major products and services, a description of its competitors and an analysis of how it can improve, explain how it has stayed up-to-date in its IT and technology when it comes to their business operations and complete a SWOT analysis of it along with an analysis based on Porter's Five Competitive Forces.

In order to fully understand how VW's business model has developed, it is necessary to explain the history of the company. VW gained its name in 1937, founded by the German government right before the start of World War II. They marketed their product as “the people's car,” as it was low-priced and mass-produced (Britannica). In 1939 when World War II broke out, VW had to halt the start of their mass production as they repurposed the factory as a storehouse for military equipment and vehicles, however, due to their involvement in the War bombers targeted said factory leaving it in shambles. Rebuilt under British supervision, they were able to finally begin their awaited mass production in 1947, resulting in over half of the passenger cars in Germany being VWs (Britannica).

Fast-forward to 2015, “Volkswagen briefly held the distinction of being the world's largest car manufacturer by volume after surpassing Toyota Motor Corporation (Britannica).” However, shortly following that VW experienced a large PR scandal regarding their use of “software that altered the vehicle's performance in order to pass emissions tests,” forcing them to recall 10 million automobiles across the world. This led them to have to pay fines of over 4 million dollars, however, the production and sales of the company continued to sail.

So, with that background in mind, and the success of the company worldwide, what business model led them to grow into a world-renowned company and a leader in its industry? What is the benefit of my analysis of this company? How has VW used IT and technology to develop their company even further? These are all questions that are necessary to ask for the sake of understanding VW's success and development.

As a business major with a concentration in marketing, the strategies used to market VW's products are of major interest to me. By analyzing how they target their audience through advertising and global outreach, one can learn how major corporate organizations get to the high tier they created for themselves.

2. Business Model Breakdown, Performance Data, and Key Corporate Strategies

The two divisions of VW's business activities are the Automotive and Financial Services divisions. According to the official website of VW Group, “All brands within the Automotive

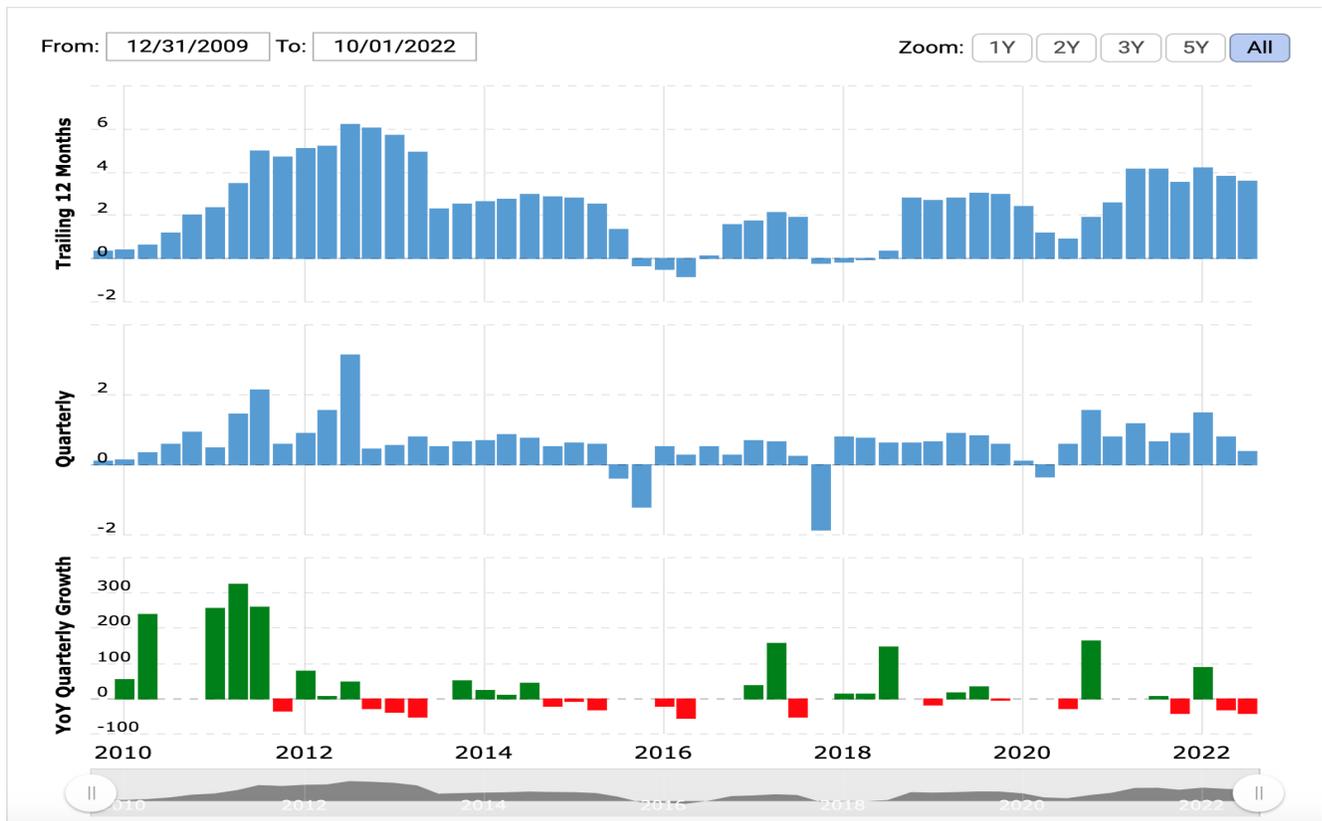
Division – with the exception of the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands – are independent legal entities” (“The Future”).

There are three different business areas in the Automotive Division, those being Passenger Cars, Commercial Vehicles, and Power Engineering business areas. The Passenger Cars business area focuses on “the development of vehicles, engines, and vehicle software, the production and sale of passenger cars and light commercial vehicles, and the genuine parts business” (“The Future”). Next, the Commercial Vehicles business area focuses on the development and sales of trucks and buses. And finally, the Power Engineering business area focuses on “large-bore diesel engines, turbomachinery, special gear units, and propulsion components businesses.” The Financial Services division “comprise dealer and customer financing, vehicle leasing, direct banking and insurance activities, as well as fleet management and mobility offerings” (“The Future”).

The corporation of VW is managed by a Board of nine people. Originally, there were eight, but in 2021, one of the divisions was divided into two. This leaves the positions of the board to be: Chairman of the Board of Management, Finance and IT, Human Resources and Truck & Bus, Integrity and Legal Affairs, Premium, Sport & Luxury, and two positions in Purchasing & Technology which is responsible for “ll Group Components activities worldwide, the marketing of the Volkswagen platforms to third parties, the development and manufacturing of battery cells as well as the associated procurement, the areas of charging and charging systems and the corresponding joint ventures worldwide” (“The Future”).

There are different brands within VW, those being SEAT, ŠKODA, and Volkswagen Commercial Vehicles, along with The Audi, Lamborghini and Ducati, Scania and MAN, Porsche, Bentley, and Bugatti. Each brand is managed by its own set of board members, which “ensures the brand’s independent and self-contained development and business operations.”

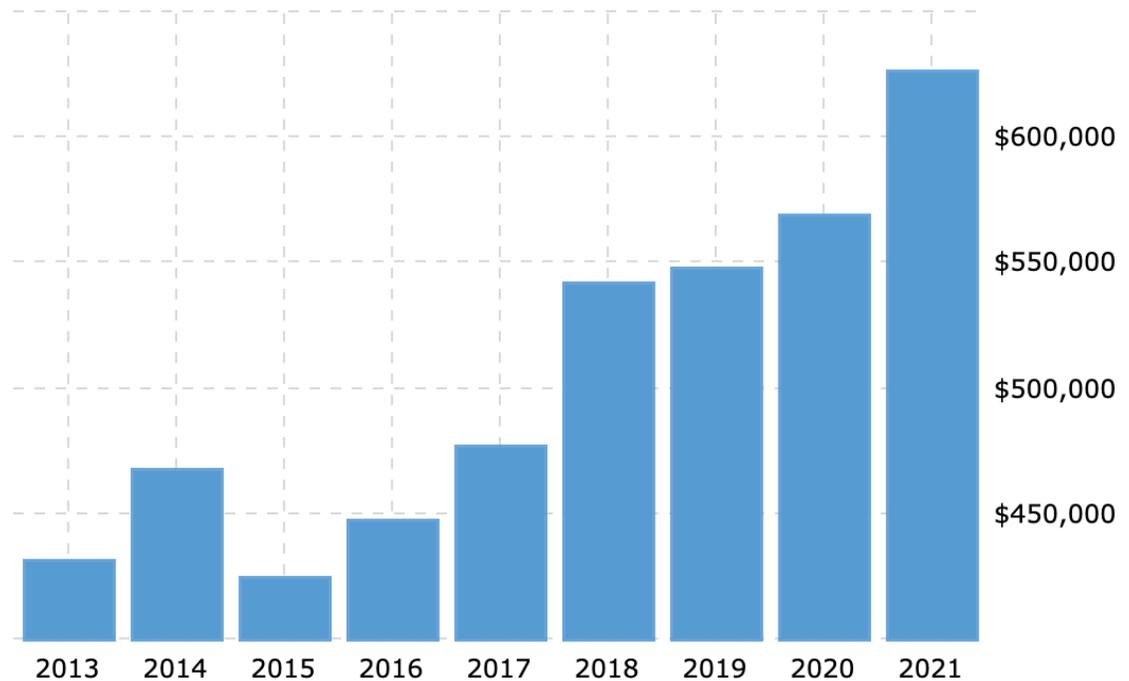
In June 2022, the transfer of shares was set to €1,551.53 per share, and in October of 2020, “the Volkswagen Group completed the sale of its 76% interest in Renk AG following the required regulatory approvals. The sale price was €0.5 billion.” Shown below is a graph representing the earnings per share from 2010-2022 retrieved by MacroTrends.



Additionally, below is a table from VW's financial statements from 2013-2021, that shows the increase in total assets over the years.

VWAGY - Total Assets

Annual Values (Millions of US \$)



The marketing strategies of VW have been very successful. The book *Ugly Is Only Skin-Deep: The Story of the Ads That Changed the World* by Dominik Imseng which speaks on the incredible campaign surrounding the VW Beetle stands as a testament to the strategies used to press the company forward. The VW Beetle has been the star of VW's marketing strategies, with several films and commercials that have made this vehicle a consumer favorite. The film *Love Bug*, and similarly the newer *Herbie: Fully Loaded* both personify the Beetle, which appeals to consumers because it makes the car something that they relate to, making them want to buy it more. As seen in these two films, not only do films have full plots based around the VW Beetle, but VW's use of product placement with it has made the VW a world-renowned phenomenon, as seen in the movie *Footloose*, *Pretty In Pink*, *50 First Dates*, and more, where the Beetle is driven by main characters or makes an exciting cameo ("10 Movies").

The Beetle may have pushed the company forward, but it did not stop there. When it comes to the aforementioned rise of electronic vehicles, Volkswagen states that their goal is to satisfy their customers, as seen in their statement: "Our aim here is to create a completely new product experience for the customers of our brands – one which impresses with a seamless communication process, from the initial interest in purchasing a vehicle to servicing and ultimately to the sale of the used car" ("The Future"). This statement shows that VW cares about the ease of communication throughout the whole process of buying their product, which is appealing to consumers and creates a more trusting relationship, ultimately increasing their sales.

3. Major Products and Services

As mentioned, the VW Beetle has shown great success in the marketing of VW's products. However, these are not the only products that VW produces. VW focuses on making their products environmentally conscious. One way they do this is by "car sharing works with Greenwheels – the largest car sharing provider in the Netherlands and a subsidiary of Volkswagen Financial Services AG" (Volkswagen Group). This leads to a more efficient carbon footprint.

E-mobility has also been a large focus for VW, as they are aiming to be fully electric by 2030 (Volkswagen Group). They entice their customers to go electric by offering them their customers tailor-made services like the LogPay Charge&Fuel Card. This combined card for fueling and charging enables our customers to access more than 145,000 charging points throughout Europe" (Volkswagen Group).

Another service VW offers is "Smart Parking." This offers customers the option of paying for parking tickets on their phone, along with offering predictive parking services, which tell the customer where they can find available parking in their area.

The models of VW do not stop at the VW Beetle. The five most popular VW models are of course the Beetle, along with the Jetta, the Golf, the Passat, and the Tiguan. All of them are equipped with luxurious interiors and different features that appeal to many ("Top 5").

4. Competitors

Volkswagen may be successful, but that does not mean it does not have any competition. Its biggest competitors include Audi, Honda, General Motors, Fiat Chrysler Automobiles (FCA), and Nissan. The website *Comparibly* breaks down the scores of VW and its competitors in regard to CEO Ranks, Product Quality, Pricing, Customer Service, Culture, Gender, Diversity, and more. Based on their analysis, VW does not score 1st in any of these categories. The highest score it received was third in its CEO ranking, following General Motors and Audi in second and first respectively. In the other categories, it mostly scores fifth in comparison to the other companies, with some exceptions where it scored fourth or sixth.

Although VW is very successful in the industry, this analysis shows that it has a lot of work to do to pass up its competitors. Some of those things would be to increase its diversity in race, gender, sexuality, etc. when it comes to its employees, increase the quality of its product, train its customer service representatives so they are operating at a higher level, and create a more appealing work culture for its employees as well.

5. Use of Technology/IT

Volkswagen is furthering its business model by digitizing its services more and more each year. In 2021, they developed their "Business Model 2.0" ("News"). VW is continuing to increase their online services, by offering online sales and leasing. The dealers will be invited to online channels that will give them resources for the sales they make.

VW also launched its AutoAbo subscription model in Germany ("News"). Every month, customers can take out the best-selling electric models for 499 Euros/month. My prediction and their goal is that this will increase awareness and desire for an electric model of VW, leading them to reach their goal of going fully electric by 2030. This is also a beneficial model because people don't always want the commitment of buying their own car, so subscribing means they no longer have to. However, I predict that as people subscribe they will realize that they enjoy having a VW model leading to higher sales.

6. SWOT Analysis and Porter's Five Competitive Forces - Personal Analysis

SWOT Analysis of Volkswagen's Business Model

<p>Strengths</p> <ul style="list-style-type: none"> ● Global presence: VW is one of the world's highest-ranked automobile companies ● Innovation: VW is focused on the development of its fully electric, along with self-driving vehicles. ● Wide range of products: VW has a wide range of car models, making them appealing to different audiences. ● Marketing techniques: With success in their marketing campaigns, specifically television commercials, consumers are emotionally invested in VW makes them more likely to consume the product. 	<p>Weaknesses</p> <ul style="list-style-type: none"> ● Dependent on China: VW sales happen mostly in China , making them dependent on that (Brands). ● Reputation: Due to the aforementioned PR scandal in 2015, VW has a damaged reputation in the eyes of its consumers.
<p>Opportunities</p> <ul style="list-style-type: none"> ● Electric Vehicles: growing in their production of electric vehicles will increase sales and success in their business. ● Market leader: VW is known as one of the leaders in the automobile market. ● Innovation: Always staying on top of the demand for innovation, VW continues to adapt its model 	<p>Threats</p> <ul style="list-style-type: none"> ● Strong competition: VW is not the only corporation innovating its products, making the competition very swift. As shown before, VW does not rank consistently high when compared to its competitors. ● Economic Recession: due to the constant change of the market that VW is heavily dependent on, the recession post-Covid-19 will likely take a hit on the finance side of the corporation.

As shown in the above SWOT analysis, the strengths of the VW business model are vast. First, they have a global presence and are one of the highest-ranked automotive companies in the world. This will likely lead to continued success for VW, as their name holds enough power to bring back customers. Another strength they portray is innovation. VW is constantly raising its level of technology and continuing to develop products as new technological advances occur. This is seen in their focus on the development of electric vehicles. Another strength is that they have a wide range of products. As mentioned above, VW offers many services such as car sharing, e-mobility, smart parking, and various successful models. Due to this wide range, their audience is intrigued by different types of products that can satisfy many. VW also has great

strength in their marketing techniques, bringing personification and emotion to their advertisement, making the VW models feel like “the people’s car” as it was originally coined in Germany in 1937.

Although VW has many strengths, its weaknesses cannot go unnoticed. According to *BestSellingCars*, China is their main source of sale activity, making them dependent on their market. Although the demand for VW is global, China is their main source of income, indicating that they need to expand their network even further. Alongside that, their reputation has been damaged due to the PR scandal in 2015 outlined above; their consumers may have trouble trusting the product. VW needs to re-secure its consumer's loyalty.

VW’s success has presented many opportunities for the growth of the company. The most obvious one is their continued development of electronic vehicles, appealing to a wider range of consumers as the general public strives toward a more sustainable world. Additionally, VW is a market leader with many shareholders and investors. This gives a further financial opportunity for VW to develop its brand. Their innovation in the industry gives them the opportunity to develop “game-changing” products that will increase their sales and build their brand.

Lastly, VW needs to be on high alert for the threats that have come their way. VW has strong competition and is ranked lower than many of them in various categories, meaning they need to make some changes to its business model in order to surpass its enemies. There could also be some financial threats as the economy is in a recession due to the global pandemic of Covid-19. VW needs to continue to use its strengths and opportunities to make sure its product stays at the top of the market.

Porter’s five competitive forces is an important model to use when analyzing corporations. These forces include the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitute products, and lastly the intensity of competitive rivalry. When it comes to VW and the threat of new entrants, the threat is relatively low. Developing an automotive company is a rather rigorous process, including high costs and investments, facilities, and supply-chain management. And because VW is already recognized and world-renowned, a new entrant to the industry is unlikely to be a threat. Next, the bargaining power of suppliers is most likely moderate to high because the suppliers are very necessary to the production of the product. VW must negotiate with their supplier to secure their desired pricing while still maintaining the quality of their product. The bargaining power of buyers is also likely moderate to high. Consumers have many options when it comes to the make and model of a car they may be interested in buying, and if they are unhappy with VW, they can easily switch to a different brand. Fourth, the threat of substitute products is relatively high in this industry, especially with the rise of the sustainability movement encouraging people to use alternative modes of transportation. In metropolitan cities, the general population uses public transportation, biking, or walking bringing down the demand for a VW car. Not only that, but the rise of technology could stand as a threat to VW because alternative modes of transportation are likely in development. Finally, the intensity of competitive rivalry is very high. As mentioned before, VW has several competitors who score above them in various categories, and generally, the automotive industry is highly competitive.

7. Conclusion

Volkswagen continues to develop their business model, especially when it comes to digitizing their services and aiming for a more environmentally sustainable future. The demand for cars has not decreased, making them financially able to supply more of their product as they

continue to develop it. Based on my SWOT analysis and use of Porter's Five Competitive Strategies, the main area VW needs to focus on is keeping up with their competition and being prepared for future economic recessions, as well as recovering from current and past ones. The threat of bargaining of suppliers, bargaining of buyers, threat of substitute products, and the competitive rivalry are relatively high, so VW needs to stay on top of developing their products to appeal to all to avoid any fallout. With their new subscription model, I predict that they will be able to go fully electric by 2030, leading to a more sustainable future.

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