

Volkswagens' management strategies essay sample



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Volkswagen has been one of the leading motor vehicle manufacturer for a long time. With all the competition in the automotive industry, it has been challenging for Volkswagen to get into the position that they are in now.

They are involved in almost every type of car market out. Teenagers can enjoy the Volkswagen Jetta, while parents would love the Tourareg.

Volkswagen has even put a foot into the exotic car industry with expensive automobiles such as the Bentleys and Lamborghinis.

The management of Volkswagen is responsible for turning Volkswagen into a global manufacturer. Dr. Bernd Pischetsrieder, former CEO of Volkswagen, implemented his model strategy and with their various business strategies, the management team was able to find ways to please all types of consumers in the huge automotive market. Everyone needs a car and Volkswagen has been able to offer cars to fit every category.

Volkswagen was an important innovative company, because they introduced their multi-brand strategy to a new level, getting a piece of every market. If one market did not do as well as projected, Volkswagens' brand popularity and quality has been able to perform in other car markets.

Introduction

Volkswagen AG (VW) is the largest motor vehicle manufacturer in Europe, and the fourth largest in the world. Volkswagen manufacturers economic and luxury automobiles, sports cars, light trucks and commercial vehicles through nine independent brands that include Audi, Bentley, Bugatti, Lamborghini, Seat, Skoda and Rolls-Royce (until finalization of sale to BMW).

These brands originate in six different European countries, and span <https://assignbuster.com/volkswagens-management-strategies-essay-sample/>

customer base, cost and function. Each brand has a 'distinct personality', yet is unified under the parent Volkswagen Group that consists of all of Volkswagen's individual brands and subsidiary divisions. The Volkswagen Group's activities primarily focus on the automotive market in which they offer products and services along the entire automotive value chain such as sales, service, financing, leasing, car rental and insurance through a separate financial services division and Europcar. However the Volkswagen Group also includes subsidiaries that are involved in real estate, transportation planning and logistics, knowledge implementation and information technology consultancy.

Purpose

The purpose of this paper is to show the strategies that Volkswagen AG has implemented to result in the success that it has now.

Statement of Limitations

This paper will not discuss the biography of the company because of the significance of the topic. The paper will also not have any recommendations to the strategies discussed in the report.

Definition of Terms

Foothold – An initial accomplishment that opens the way for further developments

Long-term safeguarding

Communize – To subject to public ownership or control.

Procurement – The act of getting possession of something

Aesthetic – Of or concerning the appreciation of beauty or good taste

Volkswagen World-Wide

As a global player, Volkswagen is represented in all the major world markets with product offerings in more than 150 countries, and employs over 300,000 people throughout its global manufacturing base of 43 production facilities. In addition to their global manufacturing presence, Volkswagen's strong international sales and marketing component provides them with an added foothold in the global marketplace. In Western Europe almost every fifth car originates from the Volkswagen Group where at year-end 2004, they held a 18.9% share of the passenger car market even though there were inconsistent developments in various markets.

Corporate Business Strategy

The Volkswagen corporate strategy is geared toward the long-term safeguarding of profitability and addition of value to their products so as to enhance customer benefits. The core elements of Volkswagen's strategy can be summarized as the product development and module strategy, the model policy and the multi-brand strategy. Through these measures Volkswagen aims to improve its return on investment, to the benefit of all its shareholders, employees and customers.

Product Development and Module Strategy

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The product development and module strategy is the use of modules, or platforms, to communize the unique brands in VW's portfolio. This approach is implemented within the production phase where similar parts, technology and systems designs, equipment and knowledge are used in various VW brands to attain cost savings in procurement, research and development, worker training. This platform strategy was implemented primarily in Europe where production costs were soaring and profits decreasing. It eliminated various corporate redundancies that had caused the sagging profits. By borrowing design ideas from VW's other brands, they were able to utilize common suppliers and eliminate unique sub-structures that added considerable cost in money, time or technology. This strategy allowed a strong technology/knowledge transfer between plants.

Multi-brand Strategy

The multi-brand strategy was produced from the desire to have a presence in multiple automotive markets, and therefore capture a full range of the customer spectrum. In addition, it is a solution for one of the negative consequences of the module strategy; it was found that by "commonizing" (www.forbes.com) some of the lower VW brands (Seat and Skoda) that the VW brands were no longer differentiated. Acquisition of Bentley and Bugatti in 1997 was a response to this issue, as well as recent financial growth. With the beginning of Dr. Bernd Pischetsrieder reign as CEO, VW took a new approach to the model strategy. Under Pischetsrieder's plan, the Volkswagen, Skoda and luxury Bentley models are in a group call "classic," with the emphasis on comfort, while Audi, Seat and Lamborghini are in the "

sporty” group with an emphasis on performance. Whether this strategy goes beyond marketing gimmicks is yet to be seen.

For the strategy to be successful, VW needs to do a better job at reaching target customers with their different models. Additionally Volkswagen brand wants to enter the luxury car market with the introduction of the VW Touareg that should rival BMW and Mercedes. This strategy of taking Volkswagen, a mass brand, and moving it into a higher market, and therefore higher profit margins, is very different from the current automotive trend of premium brands moving into the mass market. The basic problem with this strategy is that the Volkswagen Group is now competing internally among its own brands for the same customers.

The model strategy involves the introduction of numerous new models, either developed through aesthetic or technological improvement, or new design in order to provide more mobility choices to customers, and gain a larger market share. At the end of 2001 and beginning of 2002, a large number of new models have been launched, including updates of established bestsellers such as the Ibiza in Europe and the global Polo model. The Polo is built and sold in Europe, Asia and South America. This widespread production network provides VW with a new type of flexibility when responding to demand fluctuations in entire regions, as well as in individual markets. Audi has the A4 Cabriolet and S4 coming out, while VW has the New Beetle, Cabriolet, Touareg, MPV and their new luxury model, the Phaeton. More models are scheduled for this year and in the immediate future in order to drive forward the aforementioned segment migration of comfort vs.

performance-based vehicles.

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5000×5000 Project

VW considers their main asset to be human capital; they place trust in their employees' ability to take responsibility for their own lives, skills willingness to learn. They feel that investing in their employees' well-being, knowledge base, financial capacity and experience will lead to innovative, efficient ideas and a more content employee, both of which lead to greater profits. One example of this strategy in action is the implementation of the 5000×5000 project. This is project makes industrial work in Germany more feasible by saving, and creating new jobs by meeting the future challenges of difficult times, and reviving the potential in existing locations. The program will add 5000 additional workers at a monthly income of 2500 Euro plus incentives. The setup is allowing employees to become 'entrepreneurs' by allowing them to set their own objectives of quality and quantity of cars produced. The overall concept uses customer-focused goals as its driving force to create new business processes.

Environmental Strategies

The goal of these policies is the continued success of Volkswagen through corporate sustainability, which involves the integration of economic, social and ecological factors. As Dr. Ina Thrun, an employee in the Volkswagen AG environmental group, stated, " Being a leading player in the global automotive industry today is inextricably linked with being a leader in terms of environmental protection, sustainability, and the conservation of the natural foundations of life (www. vvvortex. com, 2005)." Volkswagen's history of growth during post-WW II resource conservation, and their

operating environment allowed VW to create their own approach to sustainable management. Recently these strategies have centered on sustainable mobility, which embodies the challenge of reducing the continually increasing environmental impacts of transport while still preserving individual mobility. Volkswagen specifically plans to accomplish this goal through a comprehensive environmental policy that is not centered on individual models, but rather on improved fuel strategies and drive systems that recognize that long-term planning is the best way to achieve sustainability.

Conclusion

Volkswagen has come a long way from the 1930s when it first came out. With the management team they have had over the years, Volkswagen has been able to become one of the most popular automotive choice among a large number of demographic groups. With their strategies to be involved in multiple automotive markets, they were able to please a variety of consumers and continuously receive the loyal customers. Volkswagens' management strategy motivated workers to push their limits and giving them the independence to work to their skills, Volkswagen was able to increase productivity and gain efficiency.