

# Volkswagen had entered into india market marketing essay



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India is a country in South Asia and it is the seventh-largest country by area with the second most population country with over 1.2 billion of people. Referring to the India economy, it is the world tenth largest GDP with average annual GDP growth rate of 5.8% and reaching about 7% during year 2000-2007 (UKessay.com, 2011). Other than that, it was also with the third largest purchasing power parity. Therefore, India became one of the fastest growing economies all over the world. As year 2015, India purchasing power is predicted will be the 3rd largest in the world which after China and United State. (Dr Jagdish Sheth, 2011). From the economy perception view, India was a great market for Volkswagen in long term as the growing of the economy is rapidly year to year. Therefore, the household spending power is also together growing and has approximately doubled year over year, which means most of the Indian have the ability to purchase the luxury product. (UKessay.com, 2011)

Volkswagen had entered into India market in year 2007, the reasons that Volkswagen steps into India is because the growing potential of the automobile market, In November 2009, they launched an integrated marketing campaign to strengthening the brand image. The project marketing campaign ends with discussions on the growth prospects of the company future. They are targeting the rich of Indian rural area because they had identified that they huge market exist in the rural sector in India and they have the ability to buy a luxury brand vehicles. (Partha Masanta, 2011). A surging economy and vehicle sales in India boom in 2010, India had ahead many of the developing country like Japan, Brazil and UK, and they are lagging only to China. (TimesOfIndia, 2011)

Other than that, the large population growth of more than 20 million a year and the rising living standards are two important indicators that logically lead to an increasing demand for automotives in India. Therefore, the increasing in the living standard and population were the best reasons that attract Volkswagen steps into India to grab the sales of luxury brand vehicles from the customers with different living standard from premium classes to lower classes because when the living standard is rising, the car is the status symbol for everyone, therefore, everyone is demand a better status of car like Volkswagen instead of Honda that is too common for everyone. The another reasons Volkswagen steps into is the numbers of drivers increasing as living standard increase, number of women driver increase , therefore , the better car technology is demanded like Volkswagen. (Ejvind Vogg, 2012)

## **Analysis**

India is now one of the larger markets in the automotive industry and had been one of the fastest growing in terms of economy in the world. Major big companies such as Honda, Mercedes Benz, BMW, Mitsubishi had already expanded their businesses into the Indian automobile market. Volkswagen Groups had established the Volkswagen Group Sales India Private Limited in India in the year 2001 to expand their businesses into the Indian market.

## **Advantages of entering India market:**

Lower Cost of Production

In India, the cost of hiring labor is relatively lower compared to other countries. Average wages in India are almost less that 50% of wages in developed countries. This is due to millions of people in India who are living

in poverty in India. Most of the people in India are willing to take the job at lower wages as long as they are employed. Because of that, it lowers down the cost of production of vehicles in India. Volkswagen Group takes the advantage of the lower production cost to sell their vehicles in India at a much lower and affordable price as compared to other automotive companies. This increases the demands for Volkswagen vehicles in India and further increases the income and revenue generated from the increasing demands.

### Generate High Income

Studies have found that there are millions of people in India who are living in poverty. However, there are also a large and growing number of people in India which are categorized as middle class people. These middle class members command salaries between five and ten times the national average. A large number of these individuals work in the health industry which is one of the core industry in India and are benefitted from pay raises per year. The India government estimates that some 300 million peoples make up the middle class people. By entering into this market segment, Volkswagen Groups can generate high income and further increases its revenue as Volkswagen can offer low price vehicles which these middle class people can afford.

### Promote Welfare of Society

The unemployment rate in India is very high. Volkswagen Groups market expansion to India has contributed to lowering the unemployment rate in

India. Job opportunities for blue n white collar workers are given to the <https://assignbuster.com/volkswagen-had-entered-into-india-market-marketing-essay/>

society. The wages for these workers are also lower compared to other fast developing countries which lead to lower cost of production and risks. With lower cost of production and risks, the company can generate high income and this will attract foreign and local investors to invest in the business. Thus the market expansion gives the organization a win-win situation where the company benefits from the income generated and the society benefits from the job opportunity given.

### Competitive Advantage

Volkswagen Group has competitive advantage in India over other automobile companies. This is because Volkswagen Group takes advantage of the low cost production in India. Lower labor wages and lower priced resources contributed to the low production cost. Other than that, Volkswagen Group owns a manufacturing plant in India which is capable of producing in a large scale. This lets Volkswagen Group to sell their car in a much lower price as compared to other automobile companies. The company has recorded a sales growth of over 1000% in the year 2010. This means that Volkswagen is highly demanded in India and has become popular among the Indian consumers and thus, giving Volkswagen a competitive advantage to compete with other automobile companies in India.

### **Disadvantages of entering India market:**

#### Cultural incompatibility

Cultural incompatibility is one of the challenges exist in the India market as the culture that they practices are different from others. They might still

practice their traditional cultural values and desire to maintain the unique  
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relationship with it so it makes it a barrier for other country to adapt to their ways. Cultural incompatibility comes in the way of doing business and their belief. Different people have their own ways of doing business so it makes it hard for other people to follow and adapt to them so disadvantage will occur. For example, India might still use the traditional way of conducting businesses and the other countries already adapting to the modern era so the cultural incompatibility can be seen. The Indians expectation of work quality is very different so there is a challenge to work with them. Besides that, they have their own belief which are different from one another and when one bring their own belief to communicate or practice the norm then misinterpretation or conflict might happen.

### Language

Language is also another shortcoming to enter into India although most of them can communicate in English language but there is still a barrier whenever travelling abroad such as the way of communication, the language dialect that makes people hard to understand although they are using proper language and there is also a myth that Indians do not communicate fluently in English so it relatively becomes the disadvantage to enter into India market. As the language barrier occurs, difficulty of overcoming the language barrier will happen so to hire a translation service might be costly as well and it makes it even hard to perform the business between each other.

In addition, disadvantages might occur when there are myths or perception from people that Indians are not time conscious and does not stick to

deadlines which are the most important key of doing business and it will indirectly turns people away from working together. There is also a myth that they are not good at project management which means they cannot manage the work well so to cooperate with them is a real hard issue.

## **Recommendation**

In competitive and tough economic times like these, less priority is put on retention for many companies as they are more focus on more-immediate business concerns. There is a increase in the number of employees leaving their companies when the market conditions improve and more job opportunities are open up. It is crucial for a company to get serious about retention now by giving employees opportunities to take on heavier responsibility, broaden their skills and cultivate a network of relationships.

Volkswagen, the German automobile company should place a strong emphasis on the equal opportunities. All workers hope to be treated fairly. They need to know that if they work hard they will be rewarded by the organization. It is crucial to motivate your employee, because if it is not he or she would feel that even if they put in the effort they might be overlooked because of discrimination. Differences in ideas, perceptions, and attitudes that in the global economy of today is vital to generating innovative ideas. In order the company to remain competitive or the other words agile enough to change, different approaches to problems and situations have to be created. Thus differences should be embraced to the company's advantage.

Moreover, to developing their leadership talents, employees want to increase their value by acquiring knowledge of the operations outside their areas of

expertise. Volkswagen can come out with a special training to identify and strengthen strategic core competencies. By implementing the training, Volkswagen can pursue its aim of achieving transparency in terms of requirements and future-oriented skills acquisition. New employees who show potential might be admitted into this elite circle where they will be given a lot of exposure to different departments and levels of hierarchy.

Tuition reimbursement schemes should be provided by Volkswagen. These schemes are meant to encourage employees new and old to upgrade themselves. The company wants employees to become better skilled, more professional and they are willing to support them to do that. With the tuition reimbursement after graduation employees who are better educated will want to go back to these companies willingly because they will believe that the company values them. This kind of motivation becomes a strong bond that ties the employees to the company. And with stronger ties one can be assured that productivity will definitely improve.

Furthermore, Volkswagen can also come out with an investment and savings plan as well. When the company shows such concern for even the financial health of its employees, workers will feel even more indebted to their management again spurring them to work harder. Finally, cultivates relationship. Networking is important to employees for few reasons. It establishes the connections that are helpful in searching a new position. Networking does help a company, not just by improving retention but also by enhancing the understanding and collaboration among the various business units.



The one obvious competitive advantage that Volkswagen has compared to their competitors is low cost production and the best way to maintain this competitive advantage would be to adapt to technology changes in the industry. Every day there are new technologies out there that can help improve the production of their vehicles. By adapting to them, not only they are able to reduce their cost of production, they are also able to increase the efficiency of their production process. This will eventually give them another competitive advantage over their competitor and stay ahead of their competitors in the industry.

Volkswagen have a good competitive advantage through this year but there is also a bad side of Volkswagen which customer that purchased does not feels satisfied with Volkswagen after sales service and quality of the vehicle. One of the goals strategies for Volkswagen is to deploy intelligent innovation and technologies to become world leader in quality of product and customer satisfaction [1]. However there is some bad review that could be found easily which is complaining about inferior part from their vehicle compared to Europe market. It is known as Volkswagen Hate Club which highlights some complaint through owner of Volkswagen [2]. Furthermore there is an article regarding customer service index on year 2012 and the article show that Volkswagen ranked in bottom line [3]. Volkswagen should improve their customer service and their quality of their vehicle in India. This is important to retain customer from switching to competitor brand. Satisfied customer mostly will repurchase their brand when there is new model released because when they feel customer service is good, they comfortable and tend to be loyal. Customer service that do not solve problem encounter by vehicle

owner will spread negative word of mouth and certainly would affect the brand which influence other consumer not to buy Volkswagen.

Volkswagen own a manufacturing plant in India and could produce their vehicle with much lower cost therefore they should not lower their vehicle price, as a low price vehicle mostly give consumer a perception of low quality. Volkswagen should set a standard of price that does not go too low beyond and start to improve quality of the vehicle. Beside, on the good side there is Volkswagen Fans Club that provides information and shared among Volkswagen vehicle owner [4]. Most of the owner could be referrer when they are satisfied with Volkswagen. There would be negative and positive information about Volkswagen could be found on the fan site. Therefore Volkswagen could improve customer satisfaction by open up a forum for customer and assist them if customers face some minor or major problem. Through forum, customer could post picture virtually and get better view compared to on phone customer service which operator could not see the problem well by listening to customer complaint.

## **Conclusion**

In conclude, Volkswagen had entered India in year 2007 and had a very good result for Volkswagen in India and they had achieved a very good sales, it shows a growth for Volkswagen in India since year 2007 and had a steady growth and they be match in strength with others luxury vehicle brand . Other than that, the customer purchasing power provides a good illustration of the growth of an India, and it seem to be the fastest growth in the world, which means it is the right time for Volkswagen to steps into India.

Besides that, monthly of passenger cars in India has risen year to year due to the rising of living standard and this shows that it is an opportunity for Volkswagen. In year 2007, India was on developing and counted as on developing country, thus, the reach of Volkswagen in India had provided the job opportunities for the rural. Volkswagen launch Volkswagen training academy, own a manufacturing plant and many others new initiatives, this purposely is to strengthening the Volkswagen in India. Volkswagen keep modifying and launching new brand of vehicles to fulfill and retain their customer in India.

There are some recommendation that we had made to against cultural incompatible, languages, pricing, and qualities of Volkswagen in India, therefore, they should take serious about the existing problem, complaint from customers and make a better improvement for a better future for Volkswagen in India. Lastly, Volkswagen had made the right decision to enter into India at the right time and had chosen the right place.