

Volkswagen and suzuki alliance case study analysis



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Volkswagen is eager to purchase a 20% stake in Suzuki in order to cooperate on future small cars for emerging markets. In its home market of Japan, Suzuki is the second-largest automaker behind Toyota and dominates the tiny Kei car market alongside Toyota-owned Daihatsu. These miniature 660cc vehicles are extremely popular in Japan's dense urban settings and Volkswagen reportedly believes this class of automobile holds great promise for emerging markets. In India, for example, Tata motors have seen a great deal of success with its diminutive Nano, which is billed as the cheapest car in the world.

Suzuki already enjoys a measure of success in Tata's home turf, where its Maruti Suzuki subsidiary offers the Alto, which has been the best-selling automobile in India since 2004. Key words: Volkswagen, Suzuki, Automakers, Suzuki deal, Compact cars, Double marketing Introduction Volkswagen (VW) leads the Continent as Europe's #1 carmaker. Along with Golf (referring to the Gulf Stream) and the New Beetle, VW's annual production of 6 million cars, trucks, and vans includes such models as Passat (trade wind), Jetta (jet stream), Rabbit, and Fox.

VW also owns a garage full of luxury carmakers — AUDI, Lamborghini, Bentley, and Bugatti. Other makes include SEAT (family cars, Spain) and SKODA (family cars, the Czech Republic). Late in 2009 VW acquired a 49.9% stake in Porsche for about E3.9 billion (about \$5.79 billion) as the first step in combining the two into an integrated car company. Suzuki Motor Corporation is a leading Japanese carmaker and the world's #3 motorcycle manufacturer behind Honda and Yamaha. Suzuki's automobile models include the Alto, Grand Vitara, Swift, Splash, and SX4.

Its motorcycle products include cruiser, motocross, off-road, scooter, street, and touring models, as well as ATVs. Suzuki Motor's non-vehicle products include outboard motors for boats and motorized wheelchairs. The company operates in more than 190 countries. Although General Motors sold off its equity ownership in Suzuki, the two companies still work together on various technologies, including hybrid vehicles. Suzuki also builds cars through numerous subsidiaries and joint ventures overseas.

This article clearly demonstrates, very important aspects of marketing management. The move by Volkswagen to purchase 20% stake in Suzuki to produce low cost efficient cars and penetrate new markets is a very good example that illustrates how marketing and management tools can shape the direction of a company. General Analysis Volkswagen current marketing management trends Following on from the sharp downturn in macroeconomic trends of recent months, Volkswagen is nevertheless reaffirming its targets.

During this year launched around 60 new models, product enhancements and successors with highly-efficient, low-consumption engines. With this model roll-out, they are very confident that they can, as planned, perform significantly better than the Volkswagen is using Double Marketing to push its core messages, even when they happen to conflict. In doing so, VW doesn't have to isolate or marginalize any audience it doesn't want ignore, or position the brand in a single light.

They launched the edgy "Unpimp my ride" campaign about design, control and the "Obeying your fast" for the GTI, as well as the "safe happens"

jarring TV ad spots for the Jetta. Despite the controversy, the tandem efforts work nicely to push the counterintuitive marriage of speed and safety as benefits at the heart of the VW brand. Key information delivered in this article The most significant information in this article is that Volkswagen wants to achieve a high level of cooperation with Suzuki contrary to GM that use to own 20 % of Suzuki.

The German automaker is also trying to concur the low cost compact cars that Suzuki is dominating in India and Southeast Asia. This article expressed the motives behind this deal and showed how both companies will benefit from it and it's impact for the future of both companies. Critical and Comparative Analysis Article evaluation ; comparison to others Makiko Kitamura and Yuki Hagiwara correspondent in Business Week's Tokyo bureau wrote on December 9, 2009 the article that I found very informative and complementary to the current article from the Wall Street journal.

They said " Volkswagen would need to take a 34% stake to wield a veto over Suzuki management decisions", they mentioned also how the CEO of Suzuki was married to the granddaughter of the founder of the company and what could happened after his death. They also mentioned how both Volkswagen and Suzuki were weak in Hybrid and electric cars. Another good information was the possibility of future deals for both Volkswagen and Suzuki. Overall all I liked this article because it gave little more details on the subject and expressed some information in a different way.

Volkswagen's marketing philosophy for now and the future Volkswagen is using a double marketing strategy, which can be very confusing to

consumers. By choosing this method they have stepped out the comfort zone as they used to advertize “ Drive one” campaign. This time they decided to put into conflict two of the most important criterions consumers look for when buying a car “ Safety ; Engine Power” Mobile Marketer’s Chris Harnick spoke with Charlie Taylor, general manager of digital marketing and motorsports at Volkswagen, Herndon, VA, about the brand’s mobile marketing plans and she said “ According to J. D. Power and Associates, 2008, 18 percent of auto shoppers are now using mobile within the auto shopping process.

We tend to look at the auto shopping process occurring over a six-month time frame, and now more than ever, consumers have endless data at their fingertips. I call this consumer control. Consumers draw on many channels within the auto shopping process. Mobile plays its strongest role in the lower-funnel utility of checking inventory and exploring trade-in values, often times when consumers are standing on our dealer’s lots”.

The automaker’s most recent addition to its mobile strategy was its WAP site at <http://m.vw.com> Mobile media and search will be a part of Volkswagen campaigns in the future. SMS will be used as a key channel in future model launches and promotional activity. Management Application Volkswagen marketing management scenario Volkswagen is trying to lower the cost of producing small cars, so they have decided to partner with Suzuki, which have an extensive expertise in building profitable small cars. VW is in the hunt to penetrate the Indian, and Southeast Asia markets already dominated by Suzuki.

This is a very smart way of entering new markets by using Suzuki's established distribution channels. Both Volkswagen and Suzuki are planning to face together these recent crises in the car business by sharing expenses in research and development. Suzuki will be grateful to receive the \$2.5 billion from Volkswagen as they were running out of cash. This strategy will benefit both Volkswagen and Suzuki. This will give an opportunity to Suzuki to access Volkswagen technology especially in Diesel engines and electronics it will also provide them with a market share in China already dominated by VW.

On the other hand Volkswagen will learn how to manufacture quality cars with a lower cost. In the end both companies are willing to cooperate in a wide range of other issues especially in fuel-efficient cars and green technology. Summary/Conclusions After reading this article I found that getting the vision, philosophy and strategy right early enough as well as all other steps that ensure the brand is understood internally before it is communicated externally leads to stronger brand equity and business performance, whether financial or strategic.

Part of what is needed in automobile marketing is the wider definition, including, and possibly beginning with, an understanding of the brand attitude. There is no mystery behind it: it is discerned the same way as other intangible brand aspects of an organization. Corporations do need to understand that because audiences judge them on subjective, usually emotional terms, then they have to communicate to them in the same way. Such terms are not always logical or empirical, but demand an

understanding of consumer behavior and full research on how brands are perceived and how managements wish them to be perceived.