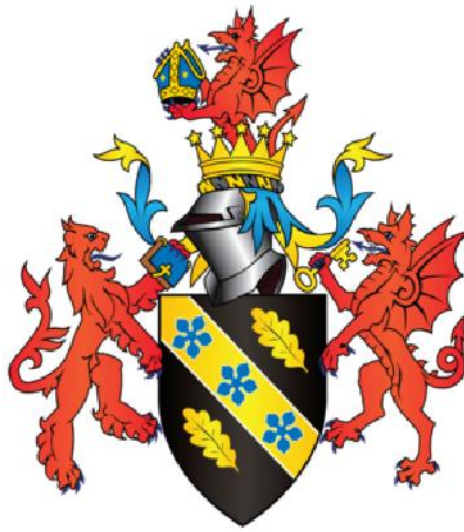


# **Volkswagen Marketing Strategy**



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**NAME: De LI**

**STUDENT NUMBER: 2216601**

## **Executive Summary**

Volkswagen was an early leader in the automotive industry. On May 28, 1937, Ferdinand Porsche founded the company. The company is led by executives from its headquarters in Wolfsburg, Germany. Volkswagen produces a wide variety of cars to meet the needs of buyers around the world. These vehicles rank among the best in the world for their variety, quality and reliable production process. Over time, Volkswagen expanded into a global giant. Volkswagen is a globally recognized brand. Target marketing is also known as STP marketing or STP three-step, where S refers to Segmenting market, that is, market segmentation. T stands for Targeting market, that is, selecting the target market: P is positioning, that is, positioning. The core of contemporary strategic marketing can be defined as STP. In the concept of the marketing mix, the 4P is the product, price, channel and promotion. The success of Volkswagen in many countries is inseparable from its accurate formulation of STP strategy and 4P strategy in combination with the market.

## **Main Findings**

### **1. German Volkswagen STP Marketing Strategy**

Modern marketing attaches great importance to STP marketing. In today's society, cars are highly competitive, consumer needs vary widely, and businesses cannot serve all users in the entire market. The study believes that enterprises should not try to strive for a dominant position in the entire market, but should select the most attractive part of the market for the enterprise and can effectively occupy on the basis of market segmentation, goals, and formulate corresponding product plans and marketing plans to serve them so that enterprises can use limited resources, human and financial resources to produce the greatest benefits, determine the target market, establish certain characteristics for enterprises and products in the target market, select those with enterprise tasks, goals, Resource conditions and other market space have always shaped a predetermined image to achieve a competitively advantageous

position (UKEssays, 2018).

## **1.1 Market Segmentation Strategy**

### **1.1.1 Segmentation of the Consumer Market by Geographical Factors**

Volkswagen has established a control structure covering the following 4 regions: Europe/Remaining Markets, North America Markets, South America/South Africa Markets and Asia Pacific Markets. It currently operates 45 manufacturing plants in 11 countries in Europe and 7 countries in the Americas, Asia and Africa.

### **1.1.2 Segmentation of Consumer Marketization from Economic Status**

Volkswagen has established overseas companies in the United States, Mexico, Brazil, Argentina, South Africa, and China. Volkswagen in Mexico mainly produces models for the North American market (mainly the United States). However, in addition to the US market, the company also produced cheap models to cater to the vast majority of poor Latin American countries, so until 2002, the last prototype of the air-cooled Beetle was produced.

### **1.1.3 Segmentation of Consumer Market by Income Factors**

The Volkswagen brand group includes 14 brands including Volkswagen Bus, Skoda, Bentley and Bugatti. Each brand has its own logo and operates independently, with products ranging from ultra-economical compact cars to luxury sedans. The different grades of the Audi, Volkswagen and Skoda brands target people with different incomes (UKEssays, 2018).

### **1.1.4 Consumer Market Segmentation by Consumption Psychology Factors**

Audi is an internationally famous luxury car brand, representing high technology level, quality standards and innovation ability. It satisfies the elites of the upper class in society who pursue taste, spiritual sublimation and enjoys the symbolic meaning of the brand Neilson, G.L., (Martin, 2008). They are compatible with the values of progress, warmth, tradition and giving back to society. They have a proactive personality and like to make their own decisions. They advocate fashion and enjoy themselves in a timely manner.

### **1.1.5 Consumer Market Segmentation by Consumer Behavior Factors**

As crazy car lovers, owning a cool car is their ultimate dream. They have distinct life attitudes and personalities. They are active in thinking and advocating freedom. They are always a trend-setting group at the forefront of the city. At the same time, they are also very willing to learn about the culture and history of cars. But some people don't know much about cars, and they often prefer the practicality of the car over the car itself. They pay more attention to cost performance, whether it is durable, and whether it is safe (ECS, 1998).

## **1.2 Target Market Strategy**

In terms of subdivided models, Audi Q1 is the first to attract everyone's attention to this subdivided market, and at the same time, a higher price can obtain huge initial profits (Reiter, C., & Rauwald, C., 2015). After the market recognized the product, the Volkswagen brand launched small cars on the same platform to expand its market share and at the same time consolidate consumers' recognition of products in this market segment. Finally, the Skoda brand will launch a cheap version of the model at the end to further grab the market and resist encroachment by other brands in this segment.

## **1.3 Market Positioning Strategy**

### **1.3.1 Positioning by Consumer Type**

Different consumer groups have different emphases on models. Some people value cost performance, while others care about appearance or brand popularity. Especially in the field of luxury cars, the cost performance of a car is often not the most decisive factor. The customer groups in the luxury car market are mainly the wealthy, senior government officials, executives of domestic-funded enterprises, executives of private enterprises, executives of foreign enterprises, and high-income professionals. For example, Audi targets high-consumption groups.

### **1.3.2 Positioning by Competitors**

Martin Winterkorn, the former president of Volkswagen in Germany, told the German media that he no longer regards Toyota Motor as the most worrying competitor, and he pays more attention to the challenge from Hyundai Motor in South

Korea. Martin Winterkorn explained that the reason why he attaches great importance to the challenge of Hyundai Motor is first because of the export advantage of Hyundai Motor due to the South Korean currency exchange rate, and secondly, the high quality of Hyundai Motor has also won the respect of Volkswagen.

### **1.3.3 Product Positioning**

Volkswagen means "national car" in German. Volkswagen is mainly positioned as a national car. During the war, the Beetle became the first national car launched by Volkswagen. Since then Volkswagen has launched another National Car Golf. Today, almost every German family owns a Golf, which has become a must-have in Germany and even the whole of Europe.

## **2. German Volkswagen 4P strategy**

### **2.1 Products**

Enrich the product line and broaden the market coverage: form a powerful production system consisting of Jetta, Bora, Sagitar, Golf, Magotan, and Cc. From the whole series of AO, A, A, B, B, from entry-level models to elegant and dynamic limousines, it forms a comprehensive coverage of the market. Give full play to the advantages of leading technology and use a full range of advanced technology engines and gearboxes to form a model with the widest market coverage of a single brand. The combination of engines and transmissions with different displacements constitutes a broad product market coverage. This strategy has not only greatly improved the competitiveness of market products, but also brought the most choices to consumers, greatly satisfying the needs of consumers at different levels.

### **2.2 Product Pricing**

Take the Passat model as an example to analyze its pricing strategy. Before the Passat B5 sedan was withdrawn from the market in June 2000, Shanghai Volkswagen's general dealer conducted a detailed and standardized pricing study, established three car pricing ideas that integrated cost-oriented, demand-oriented and competition-oriented methods, and accurately formulated out pricing strategy

(Hoover's, 2015).

In terms of cost, the company carefully calculated the various costs of the Passat sedan and made a practical assessment of the various possibilities of cost changes, especially the performance-price ratio and demand elasticity of the 110-kilowatt engine used in this model. After the analysis, the guaranteed price of the product is obtained, and the basic price range is calculated using the cost pricing method.

In the study of competition, the statistical data of the market in 2000 was integrated, the price elasticity trend of Passat's alternative competition was described, and the final pricing point was obtained (Warner, A., 2010). Taking into account the market price of cars of the same class, and avoiding the exact same pricing as the largest competitor, make appropriate adjustments to the pricing point in the end.

## **2.3 Sales Channels**

At present, Volkswagen has seven car brands including Volkswagen, Audi, Skoda, Seat, Bentley, Bugatti and Lamborghini. Each brand adopts an independent sales channel model and implements a sales model of separation of production and sales.

Volkswagen's vehicle sales in Germany mainly adopt two-channel models: direct sales and dealer sales (Bloomberg Business, 2015). Most of its dealers in Germany are integrated sales, service and parts. In addition, Volkswagen also has many authorized repair shops in Germany that only provide after-sales service for automobiles and do not sell complete vehicles. Volkswagen divides distributors in different countries into levels of management. Different levels of distributors operate different products and enjoy different business management policies.

In 1985, Volkswagen announced its entry into the Chinese market. In September of the same year, Shanghai Volkswagen officially opened. At that time, the scale of the domestic car market was very small in the world. In order to avoid investment risks, Volkswagen of Germany specialized in production through a joint venture company Shanghai Volkswagen and pushed the sales task to China. Shanghai Automobile established Shanghai The Automobile Industry Sales Corporation adopts a multi-level agency system to sell Volkswagen products. Shanghai Volkswagen

began to make network adjustments in 1996, establishing regional distribution centres and regional transit warehouses. Shanghai Volkswagen has always adopted a marketing model that separates production from sales, which keeps Shanghai Volkswagen away from the market and makes it difficult to adjust product planning and product strategies in a timely manner according to market changes (Bangs, D. H., 2002). In 2000, Shanghai Volkswagen realized the integration of sales and service, which enhanced the brand image of Shanghai Volkswagen.

## **2.4 Promotion Methods**

### **2.4.1 Promotion Mix Strategy in International Market**

Volkswagen adopted a push promotion strategy in its early days. The company sells its products to wholesalers, who in turn sell to retailers, and retailers sell to consumers. At the same time, Volkswagen also adopted a pull-type promotion strategy. By establishing a good corporate image, brand image and product image, as well as a large number of advertisements and exhibitions, it successfully sold its products to the market.

### **2.4.2 International Advertising Strategy**

Volkswagen has adopted a comprehensive advertising strategy of international advertising standardization strategy and differentiation strategy. For example, Shanghai Volkswagen has invested a lot of money and energy in the Chinese market in order to promote its products. When Volkswagen Baocai and other cars were launched, Volkswagen produced very good advertisements and soundtracks, such as *I'll come to you*, *you're beautiful* and other beautiful songs, which achieved very good publicity effects. In foreign regions, there are advertising forms that suit the preferences of local people. Its advertisements take both emotion and rationality into account, and the themes of some advertisements are often changed. For example, Skoda's early advertisements emphasized more on the performance of the product, while later advertisements focused on the dynamic effect of the car.

### **2.4.3 Sales Promotion Strategy for International Market Personnel**

Volkswagen has its own set of criteria for selecting salespeople and adopts a

regional sales structure. For example, Shanghai Volkswagen once issued a document to integrate its 12 sales and service centres into 10. At the same time, it re-planned and integrated some areas. Based on the original method of dividing areas by geographical location, it further considered the similarity of regional characteristics. sex.

#### **2.4.4. International Public Relations Strategy**

Volkswagen promotes the company and establishes its international image through sports marketing. For example, Volkswagen's 2009 World Table Tennis Championship ended perfectly at Hunan International Convention and Exhibition Center on December 20. Volkswagen also takes participation in various international exhibitions as an important form of promotion. At the 9th Tianjin International Automobile Trade Exhibition, Shanghai Volkswagen will present its 7 new-generation models including the 2011 LAVIDA, TIGUAN, PASSAT, TOURAN, etc. at booth B3 of Tianjin International Automobile Exhibition. At the same time, Shanghai Volkswagen also specially dispatched a dissected Tiguan car from the headquarters to let consumers fully understand the internal structure of Shanghai Volkswagen Tiguan. It can be said that the lineup is unprecedentedly strong.

### **3. Volkswagen's Modular Strategy**

#### **3.1 What is a Modular Strategy**

The modularization strategy is a vehicle design and production method that crosses vehicle levels and brands and shares parts and components (Neilson, G.L., Martin, 2008). It can improve the efficiency of development, reduce costs and realize mixed-flow production. The original platform strategy has a certain limit in order to achieve cross-level sharing of parts. In Volkswagen's modular strategy, all parts of the vehicle are standardized and combined to design the vehicle. Therefore, although the distance from the accelerator pedal to the front axle is fixed, the wheelbase, suspension, vehicle width, etc. can be changed to cover different vehicle classes. In line with the needs of regions and customers, even if the types of models are increased, the types of parts and components can be kept to a minimum, thereby reducing costs.

### **3.2 The Overall Situation of Volkswagen's Modular Strategy is Good**

No matter where in the world, Volkswagen's most unrivalled advantage lies in its ability to achieve economies of scale while retaining brand identity, thanks to the ability to use the same parts to produce different models, which is Volkswagen's famous modular strategy. Volkswagen has been implementing its famous "shared platform" strategy since 1993. After the acquisitions of Seat in 1986 and Skoda in 1991, Volkswagen has 20 basic models. After Winterkorn took office, Volkswagen's modular strategy was further implemented. In 2007, the company officially launched the MLB platform for large vehicles, and 16 new models can use the same key components. Audi can now use the same components across its entire product line. In 2011, Audi's operating profit almost doubled, and its revenue exceeded that of BMW and Mercedes-Benz. The efficiency of MLB is very objective. Volkswagen is now planning a more radical MQB platform than MLB, which can be used in more than 40 small cars. By standardizing components, Volkswagen can use the same transmission, front axle, steering, heating, air conditioning and ventilation systems in different models. In addition to expanding its investment in MAN, Volkswagen is renewing its management structure to expand its commercial vehicle business and further strengthen its business in China (Heller, V., & Darling, J., 2012). Volkswagen spent a total of about 8.4 billion euros in the process of merging with Porsche (excluding 2.5 billion euros in debt). Through the acquisition of Porsche, it is expected that Volkswagen's 2012 performance will increase by 9 billion euros or more, and the net liquidation balance is expected to decrease by about 7 billion euros.

## **4. Common Features of Volkswagen's Business Strategies**

### **4.1 Seize Emerging Markets and Maintain Market Share**

The strategic characteristics of Volkswagen in many countries in the world are obviously manifested in the early entry into emerging markets where the competition of international auto companies is not very fierce, especially in the markets of developing countries (Coulter, M., 2013). The company's capital, technology,

production capacity and other advantages quickly opened up the local market and seized market share. When other international car companies entered the local area, Volkswagen had already been condescending and seized the opportunity.

In order to maintain the first-mover advantages that Volkswagen has established in emerging markets, Volkswagen has adopted two strategies in some developing countries in recent years: one is to speed up the introduction of new models, and even the phenomenon of global simultaneous listing; Develop in the direction of serialization, with multiple brands in parallel, and a full range of products covering the market (Kaynak, E., 2002). The combined use of these two strategies has made it more difficult for many powerful international auto giants to catch up and seize market share when they lose their opportunities.

## **4.2 Establish An International Strategic Alliance**

In today's fiercely competitive international environment, it is not enough to rely solely on the strength of the enterprise itself to carry out international operations. Forming strategic alliances with competitors is an effective means to reduce risks and costs and improve the overall competitiveness of enterprises.

In order to enter the international market, Volkswagen has formed a strategic alliance with Nissan Motor Company of Japan. Nissan sells various brands of cars produced by Volkswagen in Japan, and Volkswagen is responsible for selling four cars produced by Nissan in the European market (Henry, A., 2008). Wheel dual drive coupe. The full use of international strategic alliances has made Volkswagen's globalization go very smoothly.

## **4.3 Customer-Oriented Strategy**

Since the beginning of the 21st century, in terms of the business strategy of overseas companies, Volkswagen has changed from a simple production model to a production service model. Customer-oriented strategy and enhanced service are important concepts in market competition. For example, China's auto industry policy in the past prohibited foreign capital from entering the field of auto service trade. Due to the need to fulfil the relevant commitments of joining the WTO, the restrictions on

foreign capital entering the field of service trade will be cancelled. Therefore, the business strategy of Volkswagen has also undergone major changes. They not only strengthened control in the production field, but also improved control in the field of sales and service trade, strengthened the construction of sales networks, and integrated the marketing and manufacturing resources of North and South Volkswagen to maintain market advantages (Churchill, G A & Lacobucci, D., 2009). So that the development of the entire industrial chain is in line with the overall interests of the public.

## **Conclusion**

In short, Volkswagen is a major automaker with an effective CEO at the helm. The company's management has made several strategic choices to help the business withstand its vulnerabilities and take full advantage of its strengths. The company's management works tirelessly to ensure that the business runs smoothly and achieves excellent results. This has already been a great financial success for the organization, and future development needs to be renewed. As a world-renowned automobile manufacturer, Volkswagen is deeply familiar with and loved by domestic consumers, which not only meets consumers' brand conversion wishes but also maintains consumers' loyalty to the brand. It is necessary to pay attention to the good use of the operation methods and means of other enterprises.

## **Recommendation**

The success of Volkswagen in the market has multiple factors and is of great significance for the development of the automotive industry. Volkswagen's success lies in the following experience in strategy, tactics and the precise positioning of the Volkswagen brand in the market. Advertising on the spread of brand positioning in place, different grades of positioning into the hearts of consumers and reasonable pricing. Suitable for the consumption power and level of consumers. In response to price competition, we meet the needs of consumers by improving soft quality. But

Volkswagen doesn't sell much in the United States. So Volkswagen can expand its market share in the U.S. market to tap potential revenue from the U.S. In this era when global awareness has become a major issue, most of its products are still not environmentally friendly. Volkswagen could consider making more eco-friendly cars that are both energy-efficient and environmentally clean.

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