

ENVIRONMENTAL ANALYSIS OF VOLKSWAGEN

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Course

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Introduction

Volkswagen is among the world's leading companies in terms of automobile manufacturing. The corporation is headquartered in Germany's Wolfsburg (Beske et al., 2008). Audi, Bentley, Skoda, Lamborghini and a slew of other luxury automakers are among the twelve brands sold by this company. This multinational conglomerate employs over 590,800 people and maintains a global manufacturing presence in more than 31 countries. Volkswagen designs, produces and distributes commercial and passenger automobiles, engines, motorcycles, and turbomachinery.

It also provides leasing, financing, and fleet management services, among other options (Ozen, 2020). It must preserve its position and share of the global vehicle market in the face of huge giants including Toyota, Ford, Honda, and BMW. This research aims to understand better the company's SWOT and PESTLE analyses using Porter's Five Forces, Value Chain, and its competitive advantages about its core values on sustainability.

SWOT Analysis

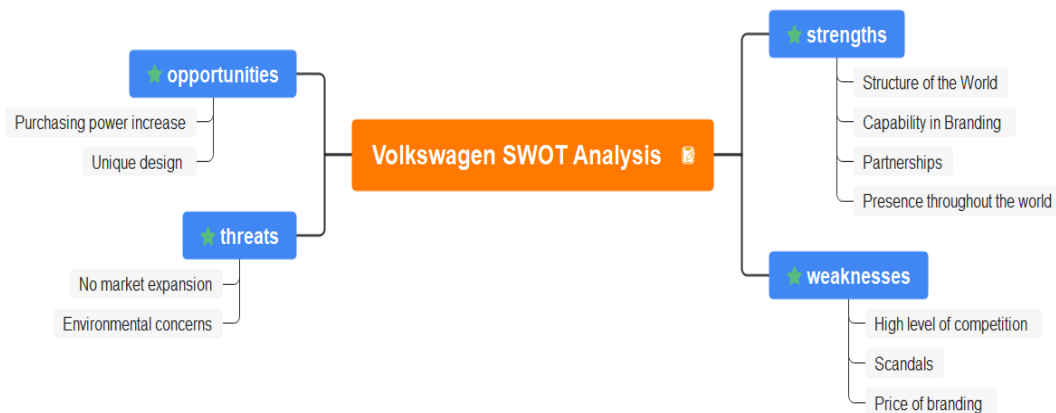


Figure 1 Volkswagen SWOT Analysis

Strengths

1. Global Organization. One of Volkswagen's most significant advantages is its global reach, which allows it to operate more effectively. All of the company's activities, including those that do not directly involve autos, are always going at full speed.
2. The ability to build a brand. While Volkswagen is essentially a holding business, it strives to maintain a significant presence in the market. Audi and Porsche are getting more well-known, but Volkswagen, the parent corporation, is also becoming more well-known.
3. Partnerships. When it comes to supply chain management, accounting and other areas, Volkswagen has an extensive network of trusted partners. Accenture is one of the most important, which serves as both a prominent consultant and a primary system administrator.

Weaknesses

1. The intensity of rivalry. Competition in the luxury automotive market is fierce. As a result, Volkswagen has had difficulty selling its vehicles in emerging nations. Thanks to a slew of new automotive startups, premium features may now be found in many mid-range vehicles.
2. Controversies. After the emissions crisis, more than 11 million vehicles were recalled to the manufacturer because they were considered hazardous. This is also a flaw in Volkswagen's otherwise immaculate past (Wang et al., 2017).
3. The Costs of Branding. Some Volkswagen trademarks necessitate a large amount of marketing investment. For example, luxury car manufacturers like Porsche and Bentley are costly. Maruti and Hyundai are likewise unable to compete with these manufacturers in developing areas (Shende, 2014).

Opportunities

1. Increase in Buying Power. The world's most significant purchasing power is rising at a rapid pace. The middle class can now afford cars that were formerly out of their range. Volkswagen is an excellent time to launch a significant foray into the semi-luxury automobile segment.
2. Customised designs. Technological advancements have accelerated dramatically in recent years. When possible, Volkswagen should use a wide variety of vehicle designs. Even though these designs are not fuel-efficient, they are helpful for the environment, which is currently a big concern.

Threats

1. There is no market expansion. Volkswagen has had difficulty reaching out to the millennial and Gen Z groups with its marketing efforts (Thangavel et al., 2021). This has resulted in the company's reputation for being a throwback to a bygone era. Volkswagen needs to modernise as fast as possible to appeal to a younger demographic.
2. Environmental considerations. Climate change has had a significant impact on automotive makers. Since cars are a significant source of environmental damage, Volkswagen's eco-friendly models are necessary. Because of the emissions crisis, this would be a creative way to market the brand.

PESTLE Analysis

Political

Most of Volkswagen's automobiles can be found in the US and UK. There are severe concerns regarding the future of trade restrictions between Germany and those countries. The United States has frequently demonstrated this propensity to levy tariffs on commodities acquired from the EU in 2018 and 2019. (Goulard, 2020). Even while tariffs have yet to affect the automobile industry, there is a strong possibility they will. As for the United Kingdom, its desire to exit the European Union might lead to higher import fees for Volkswagen Group cars.

Economic

The good news is that consumer spending is rising throughout the world. As a result, commodities like electronics and, to some extent, automobiles are more popular than ever among customers. More money being spent by consumers is significant for automakers in less developed countries, where people may not have purchased a car before this newfound spending power. Increasing consumer spending in wealthy markets is good because it leads to more expensive models and the purchase of additional accessories.

Social

Car companies adapt their business models to include societal shifts in the early stages of vehicle sharing, especially among young people. Volkswagen has stepped up its involvement in vehicle sharing and ride-hailing schemes to make transportation more affordable. Socio-economic factors have an impact on both promotions and discounts (Jung and Sharon, 2019). The shifting

paradigms of people's thinking have a knock-on effect on everything from advertising and product design. Now that manageability is becoming more and more prominent, shared and electric vehicles have emerged as the most popular products.

Technological

When it comes to the automobile industry, innovation has always held a prominent position, and Volkswagen is no exception. For Volkswagen's innovation, the biggest challenge will be to improve the driving experience. The most recent advancements in the automobile industry include artificial intelligence, sensors, cameras, radar, and extensive data analysis. A shift from "mobility as a support" to "urban flexibility" will necessitate independence from other drivers.

Legal

Volkswagen has operations in about 160 countries means that legal considerations, including security, corporate operations, and labour legislation, could impact the company (MacInnes and Hu, 2007). Every nation has its set of rules and guidelines. When it comes to launching its products in foreign countries, an automotive manufacturer must obey all applicable laws and regulations.

Environmental

The primary goal of developing hybrid automobiles, hydrogen-powered cells, and electric vehicles are to develop a long-term environmentally friendly technology. It would aid the organisation in satisfying the needs of eco-conscious clients and boosting sales. Both the business and the environment benefit from this.

Porter's Five Forces

Industry Rivalry

Rivalry is fierce in the automotive industry. This is because many competing brands offer almost identical products of comparable quality. Volkswagen and other vehicle companies benefit from the vast sums of money spent on marketing and research by most notable brands.

Bargaining Power of Suppliers

Supply-side power is defined as the supplier's power to raise prices or lower the quality of their products (Amara and Tiriveedhi, 2017). Since Volkswagen has suppliers worldwide, their suppliers' bargaining power is modest. With a worldwide distribution and supply chain, it is well-equipped. Consequently, they can change providers.

Bargaining Power of Buyers

Buyers' bargaining power has risen because they now have various options. Now that there are so many options for consumers, they are well-informed. They consider every facet of the device, from its quality and durability to its safety and the amount of gasoline it uses. Boosting sales necessitates a significant investment in marketing and public relations by Volkswagen. Buyers' bargaining power has increased due to all of these causes.

The threat of New Entrants

Newcomers to the automobile business pose a minimal danger because it is tough for a new brand to break into the market. The infrastructure includes manufacturing, sales, distribution network, and sales. In addition to all of this, there is a significant human resources cost. In general, new entrants to new markets pose a minimal danger.

Threat of Substitutes

It includes the possibility that a consumer will try to replace your product with a different one. Because of the fierce competition between various automotive brands, substitutes are possible. It is possible to find alternatives to Volkswagen items in the market. However, Volkswagen's financial and brand reputation make it less a threat. Stylish and high-quality are two words that describe the company's offerings. Substitute products pose a low overall threat.

Value Chain

Primary Activities

For Volkswagen, the essential value chain activities are directly related to creating and selling products to the company's target market. According to the following, Volkswagen's efficacy might be enhanced by examining the primary value chain operations.

Inbound logistics

It is essential to cultivate solid connections with suppliers since their assistance is required for receiving, loading, and allocating the product. Volkswagen's product development process could be delayed if the firm does not carefully inspect its inbound logistics. When analysing inbound logistics, companies must analyse all aspects of the supply chain, from raw materials to completed products. Receiving raw materials and components and storing and distributing raw materials to begin production are examples of inbound logistics (Wu and Dunn, 1995).

Operations

It becomes more essential to analyse operational operations when raw material is received, and Volkswagen is prepared to turn it into the final product and release it in the market. Operating activities include machining and packing and assembly and testing. Mechanics and technicians are also encompassed in this group.

Outbound Logistics

It encompasses the activities involved in transporting the properties to the customer via various intermediaries. Materials management, storage, planning, order entry, transportation, and shipping to the location are instances of outbound logistics activities. Volkswagen can analyse and optimise its outbound logistics to recognise bases of competitive advantage and encounter its development purposes.

Marketing and Sales

Sales representatives, advertising, promotions, pricing, and network design are a few features of Volkswagen's marketing and selling efforts (Kotler, 2020). Strategic marketing planning can organise the firm's marketing and sales efforts. Based on Volkswagen's company goals and Name, modest landscape, and market position, the marketing techniques might be push or pull.

Services

Developing consumer trustworthiness can be aided by Volkswagen's pre-and post-sale services. Post-sale service is just as crucial to today's clients as marketing and advertising. As technology advances, negative e-WOM owing to poor customer service cannot be ignored (Yoo et al., 2013).

Supportive Activities

Technology Development

The present technologically advanced era necessitates technology in nearly each feature of the value chain. Volkswagen should identify the significance of technology growth because of the technology innovation in industrial, logistics, sales, and human resources (Tung, 1994). Technology development events might be divided into product design and process development categories. Examples are automation software programs, technology-supported client service, product development research, and data examples. This is where Volkswagen's research & design section falls.

Infrastructure

Accounting, legal services, financial management, quality control, and strategic planning comprise the corporation's infrastructure. Volkswagen may maximise the value of the entire value chain with efficient infrastructure management. Keeping an eye on infrastructure activities (also known as "overhead costs") allows Volkswagen to maintain a competitive edge.

Human Resource Management

Volkswagen can analyse HRM by identifying many HR aspects, including recruiting, picking, training, compensating, performance appraisal, or other managerial activities. Volkswagen can achieve reduced competitive pressure by effectively managing its human resources (HR). Analysing the comparative reappearance of acquisition and training expenditures can also help the organisation reach its cost minimisation goals. The significance of this value chain key input will expand due to Volkswagen's substantial reliance on employee talent.

Procurement

Supply chain activities such as sourcing raw materials and intermediate products are referred to as procurement. Volkswagen must thoroughly examine its procurement activities to optimise the incoming, operational, and outbound value chains.

Competitive Advantages

1. A wide range of products is available. VW's broad and diverse product range, including industry leaders like Audi and Ducati, is a significant competitive advantage in the automotive industry. Extensive product offerings provide a company with a distinct advantage and keep demand and sales steady even in tough times.
2. Image of a company. Volkswagen has established an excellent image as a car manufacturer by emphasising the unique product quality, innovation, and customer pleasure. This has increased worldwide popularity and sales.
3. Commitment to customers. In order to maintain a high level of consumer loyalty, Volkswagen works on marketing and technology as well as passenger safety and the whole riding experience.
4. Having a global impact on Volkswagen's production and assembly network has allowed the company to maintain an international footprint. The corporation has also forged alliances with several other businesses to expand its global reach (Babel et al., 2020).
5. The chain of command in the supply chain. VW Group also handles global supply chain management. To guarantee a steady supply of high-quality raw materials, it works with tens of thousands of suppliers worldwide, many of whom have built long-term ties. Additionally, the company collaborates with its suppliers to ensure that its supply chain network is as environmentally sound as feasible.

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