

Assessment 1

Strategic Management and Sustainability
LCBB6004

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Introduction

Volkswagen (VW) is a German automotive company that was founded in 1937. Today, it is one of the largest automakers in the world, with a presence in over 150 countries. The company's headquarters are located in Wolfsburg, Germany.

VW is known for producing a wide range of vehicles, including passenger cars, trucks, and buses. The company's brands include Volkswagen, Audi, Porsche, Lamborghini, Bentley, Bugatti, and Ducati. Some of VW's most popular models include the Golf, Passat, Jetta, and Tiguan.

Over the years, VW has faced several challenges, including a major emissions scandal in 2015. The scandal involved the installation of illegal software in diesel vehicles that allowed them to cheat emissions tests. The scandal led to significant financial losses for the company, as well as damage to its reputation.

In recent years, VW has made efforts to pivot towards electric vehicles and sustainable mobility solutions. The company has set a goal to become the global leader in electric vehicles and has made significant investments in EV technology and charging infrastructure. VW has also implemented sustainability initiatives in its production processes and supply chain, such as reducing waste and carbon emissions.

Overall, VW's history is one of innovation, growth, and occasional controversy. The company has remained a major player in the global automotive industry by adapting to changing market trends and investing in new technologies.

The key business strategies of Volkswagen used in the past five years.

Cost-leadership is a business strategy that involves producing goods or services at the lowest cost possible while still maintaining quality. Volkswagen has employed a cost-leadership strategy in various ways in the past few years. Here are some examples:

Modular platforms: Volkswagen has implemented modular platforms such as the MQB and MEB, which allow the company to produce multiple models using the same basic structure and components. This approach helps to reduce manufacturing and development costs.

Supply chain optimization: Volkswagen has implemented various measures to optimize its supply chain and reduce costs, such as working more closely with suppliers and using data analytics to improve logistics and inventory management.

Restructuring: Volkswagen has undertaken a major restructuring effort in recent years, aimed at reducing costs and increasing efficiency. This has included streamlining operations, reducing staff, and consolidating production facilities.

Outsourcing: Volkswagen has outsourced some non-core functions, such as IT services, to specialized providers in order to reduce costs.

Economies of scale: As one of the world's largest automakers, Volkswagen benefits from economies of scale in areas such as procurement, manufacturing, and marketing. This allows the company to produce and sell vehicles at a lower cost per unit.

It's worth noting that while a cost-leadership strategy can be effective in reducing costs, it can also have limitations in terms of innovation and differentiation. Volkswagen has also focused on innovation and differentiation in its product development and marketing strategies, in addition to cost reduction.

Volkswagen employs a business-level strategy that involves targeting a broad customer base through a combination of cost leadership, product differentiation, and focus on core competencies. Here are some examples of Volkswagen's business-level strategies:

Product differentiation: Volkswagen offers a range of products that cater to different customer needs and preferences. The company's brands, including Volkswagen, Audi, Porsche, Skoda, and others, target different segments of the market, from economy to luxury vehicles. Volkswagen also offers a variety of engine options, including gasoline, diesel, and electric, to meet different customer needs.

Cost leadership: Volkswagen aims to produce vehicles at a lower cost than competitors while maintaining quality. This is achieved using modular platforms, supply chain optimization, and outsourcing, among other strategies.

Focus on core competencies: Volkswagen focuses on its core competencies, such as engineering and manufacturing expertise, to differentiate itself from competitors. The company invests heavily in research and development to improve its products and maintain its competitive advantage.

Brand image: Volkswagen has a strong brand image, which it leverages to attract customers and build customer loyalty. The company's brands are associated with quality, reliability, and innovation, which helps to differentiate Volkswagen from competitors.

Customer-centric approach: Volkswagen is focused on providing a positive customer experience, from the initial purchase to after-sales support. This approach helps to build customer loyalty and differentiate Volkswagen from competitors.

A differentiation strategy is a business-level strategy that involves offering unique and superior value to customers, which sets the company apart from its competitors. Volkswagen has employed a differentiation strategy in various ways in the past few years. Here are some examples:

Design: Volkswagen has been focused on creating distinctive and attractive designs for its vehicles, which help to differentiate them from competitors. For example, the Volkswagen Arteon and the Audi e-tron are both vehicles with unique designs that stand out in their respective segments.

Technology: Volkswagen has been investing heavily in new technology, such as electric drivetrains and autonomous driving features, to offer superior value to customers. The company's ID.4 electric SUV, for example, offers a range of advanced features such as voice control, wireless charging, and an augmented reality head-up display.

Customer experience: Volkswagen has been working to improve the customer experience, with a focus on offering personalized services and support. The Volkswagen We platform, for example, provides customers with access to a range of services, such as car-sharing and parking, which enhances the value of owning a Volkswagen vehicle.

Brand image: Volkswagen has a strong brand image, which it leverages to differentiate itself from competitors. The company's brands are associated with quality, reliability, and innovation, which helps to set Volkswagen apart in the crowded automotive industry.

Sustainability: Volkswagen has been emphasizing its commitment to sustainability, which has become an increasingly important factor for consumers when choosing a vehicle. The company's focus on electric and hybrid vehicles, as well as its efforts to reduce emissions and improve environmental practices, helps to differentiate Volkswagen from competitors.

A focus strategy is a business-level strategy that involves targeting a specific segment or niche of the market and tailoring products or services to meet the needs of that segment. Volkswagen has employed a focus strategy in various ways in the past few years. Here are some examples:

Luxury vehicles: Volkswagen offers a range of luxury vehicles under the Audi and Porsche brands, which target customers who are willing to pay a premium for high-end features and performance.

Electric vehicles: Volkswagen has been focusing on electric vehicles, with a goal of becoming a leading provider of electric mobility. The company's ID.3 and ID.4 models are aimed at customers who prioritize environmental sustainability and cutting-edge technology.

Emerging markets: Volkswagen has been targeting emerging markets such as China and India, with a focus on offering affordable, entry-level vehicles that meet the needs of local consumers.

Performance vehicles: Volkswagen has a long history of producing performance-oriented vehicles, such as the Golf GTI and the Golf R, which target enthusiasts and driving enthusiasts who prioritize speed, handling, and agility.

Commercial vehicles: Volkswagen offers a range of commercial vehicles, such as the Transporter and the Caddy, which are targeted at businesses and individuals who require reliable and functional vehicles for transportation and logistics.

A hybrid strategy is a business-level strategy that combines elements of different strategies, such as cost leadership, differentiation, and focus, to create a unique approach that meets the needs of a company's target market. Volkswagen has employed a hybrid strategy in various ways in the past few years. Here are some examples:

Modular platform: Volkswagen's MQB modular platform is a hybrid approach that combines standardization and flexibility. This platform allows the company to produce a wide range of vehicles at a lower cost, while still offering customization and differentiation to meet the needs of different markets and segments.

Electric vehicles: Volkswagen's approach to electric vehicles combines elements of differentiation and focus. The company is investing heavily in developing electric drivetrains and technology, which sets it apart from competitors. At the same time, Volkswagen is targeting specific segments of the market, such as urban commuters, with its ID.3 and ID.4 models.

Customer experience: Volkswagen's approach to customer experience combines elements of differentiation and focus. The company is focused on providing a positive and personalized experience to customers, which sets it apart from competitors. At the same time, Volkswagen is tailoring its services and support to meet the specific needs of different segments, such as through the Volkswagen We platform.

Brand image: Volkswagen's approach to brand image combines elements of differentiation and focus. The company has a strong brand image that sets it apart from competitors but is also tailoring its messaging and marketing efforts to appeal to specific segments of the market, such as with the launch of the "People First" campaign aimed at building customer loyalty.

Resources and capabilities:

Resources and capabilities are two important concepts in strategic management.

Resources refer to the assets and factors that a company can use to achieve its goals, such as financial resources, human resources, physical resources (e.g., facilities and equipment), technological resources, and intellectual property.

Capabilities, on the other hand, refer to the abilities and skills that a company has developed over time that enable it to perform certain tasks or activities more effectively than competitors. Examples of capabilities might include marketing expertise, manufacturing efficiency, or research and development capabilities.

Volkswagen (VW) has gone through several business strategies over the years, and its approach to aligning its resources and capabilities with these strategies has evolved accordingly. Here are some examples of how VW has aligned its resources and capabilities to its current business strategies:

Electric Vehicle Strategy: In recent years, VW has made a major shift towards electric vehicles (EVs) as part of its business strategy. To align with this strategy, VW has invested heavily in developing EV technology and has focused its R&D efforts on creating a new electric platform called the MEB (modular electric drive matrix). VW's existing manufacturing capabilities have been adapted to support the production of EVs, and the company has also made significant investments in charging infrastructure.

Digitalization Strategy: Another key aspect of VW's current business strategy is digitalization. To align with this strategy, VW has invested heavily in developing digital capabilities such as connected car technology, autonomous driving technology, and data analytics. VW has also partnered with tech companies such as Microsoft and IBM to leverage their expertise in areas such as cloud computing and artificial intelligence.

Brand Portfolio Strategy: In recent years, VW has streamlined its brand portfolio, focusing on its core brands such as Volkswagen, Audi, and Porsche. To align with this strategy, VW has reorganized its production facilities to maximize efficiency and has also invested in marketing and branding efforts to differentiate its core brands from each other.

Volkswagen has aligned its resources and capabilities with its current business strategies by making strategic investments in R&D, manufacturing, digitalization, and marketing. By focusing on its core competencies and adapting to changing market trends, VW has been able to maintain its competitive position in the automotive industry.

Sustainable practices for the environment:

Volkswagen (VW) has made significant efforts to become more competitive by focusing on sustainability and the environment in recent years. Here are some examples of how VW has pursued this strategy:

Green Manufacturing: VW has also made efforts to reduce the environmental impact of its manufacturing processes. The company has implemented a "Think Blue. Factory." program that aims to reduce water and energy consumption, as well as waste and emissions, in its production facilities. VW has also introduced more sustainable materials into its production processes, such as recycled plastics.

Carbon-Neutral Operations: VW has set a goal to achieve carbon-neutral operations by 2050. To achieve this goal, the company plans to reduce its carbon emissions across its entire value chain, including manufacturing, logistics, and vehicle use. VW is also investing in renewable energy sources such as wind and solar power to reduce its reliance on fossil fuels.

Recommendations:

Adopting sustainable practices can help Volkswagen (VW) become more competitive in the future. Recommendations for VW to further enhance its sustainability practices:

Expand Electric Vehicle Offerings: VW should continue to expand its electric vehicle offerings to meet growing consumer demand for sustainable transportation. This could include investing in new technologies, such as solid-state batteries, to improve range and charging times, as well as increasing the number of charging stations available to customers.

Implement Circular Economy Principles: VW could adopt circular economy principles, such as reducing waste and reusing materials, to reduce the environmental impact of its production processes. This could include implementing closed-loop recycling systems for materials such as aluminum, plastics, and batteries.

Invest in Sustainable Supply Chain: VW could further enhance its sustainability practices by investing in a sustainable supply chain. This could include working with suppliers to reduce their carbon emissions and promoting sustainable sourcing practices for raw materials.

Improve Transparency: VW should improve its transparency around sustainability practices by sharing more information with customers, investors, and other stakeholders. This could include publishing sustainability reports and disclosing information about the environmental impact of its products and operations.

Engage in Collaborative Efforts: Volkswagen could engage in collaborative efforts with other stakeholders, such as industry associations, governments, and NGOs, to advance sustainable mobility solutions. This could include participating in initiatives to develop sustainable transportation infrastructure or partnering with other companies to promote sustainable technologies.

Conclusion:

By adopting these recommendations, Volkswagen could position itself as a leader in sustainable mobility and gain a competitive advantage in the automotive industry. Not only could this help the company meet growing consumer demand for sustainable products, but it could also help reduce the company's environmental impact and improve its reputation among stakeholders.

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