



University of Wales Trinity Saint David

Business Management

Assignment two – resist

REPORT

“Impact of the Pandemic on automobile industry –
Audi Group”

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1. Introduction:

In this report we will critically evaluate and analyze both factors for success and survival in the automobile industry, in particular – Audi Group, during the Covid-19 pandemic. What were the challenges that the company has faced and overcome? How the pandemic has affected the sales and deliveries around the world. We are going to have a further evaluation in the four quarters of the year and how the sales and number were.

2. Summary

Audi is one of the world luxury brand cars that have produces stunning-looking cars inside and out. Their motto is "Being Ahead Through Technology." (7) There is diversity in products from affordable thru luxury to all-electric cars. They have been manufacturing and delivering cars to the customers for over a hundred years. The cars inside and out have always been thought thru every detail giving the luxury and authentic feeling for its customers. The cars were made with both petrol and diesel engines, until the mega trend for electric cars has arisen. E-Tron is the Audi "it" model for all-electric cars with the main rival of "Tesla". This model has been introduced to the public in its glory during the pandemic. How the company has managed to not only overcome the affects of the pandemic to the new launch and to the sales of the models of the cars, will be look at further in this report.

Comparison in the sales for the fiscal years of 2019 (before pandemic) and 2020 (during the peak of the pandemic) will be made with detailed annual report details.

3. Brief history of Audi

Audi is one of the older German automobile manufacturing. Now days brand of Audi we know has been created after the merge of four individual manufactures - Audi, DKW, Horch and Wanderer. The emblem of the company is four rings next to each other that are connected to represent the four-individual brand. The company has over 100-year history in the car manufacturing and sells. This is one of the best-know company in the world and leading in sales in the global market.

4. Sales 2019

2019 is the year leading to the global pandemic and it is one of the three years that we will use for the comparison in numbers for sales and how it affected the business.

55.680 million euro is the revenue for the company in 2019 the operating return on sales is 8.1%. (1) These numbers are for the Audi Group, in particular for vehicles of Audi brand the revenue is 39.467 million euro.

The end of year reflection and report are showing that the year for Audi Group has ended in positive impact and sales with increase by 1.8 percent globally, compared to 2018. Close look in the numbers and percentages for the three main markets – China, United States and Europe.

In China was reached new record for demand for the Audi brand of 688,888 Audi vehicles sold (5). The premium models that were most looked after were A4 L (+3.0% to 168,189 units) and Q5 L (+17.0% to 139,297 units). For the luxury models - A8 L (+21.6% to 12,451 units). (2)

In the United States there was 0.4% growth in the demand for the Audi brand cars with 224,111 units sold. (2) The full-size premium models are the ones that were sold the most and most wanted by the buyers with as it follows for the models Audi A6 +68.6% to 17,807 cars, Audi A7 +28.6% to 4,955 cars, Audi A8 +85.3% to 2,963 cars. (2)

Europe sales rose by 3.5 percent to approximately 769,650 units in the full year. There were changes in regulations that were made in Europe what has had effect on the sales and profits for the company, despite this challenge the year has ended in rise of the cars sold across the homeland of Audi. A3 (+55.5 percent to 93,900 units). Extremely well received is the e-Tron model with 19,550 models sold in Europe. (2)

China and United States are the markets with great perspectives. The future is the electric cars and the hybrids. The e-Tron model is expected to be very well received in China with the manufacturing starting in 2020 there. The percentage of growth in sales for China is significant, in United States the percentage is not in great difference compared to the previous year, but the market is growing and the demand for the Audi cars is there. One model is shown to be bought in both markets and that is the A8 model.

5. Sales 2020

In the year 2020, first two quarter of the year to no surprise the industry and the company has suffered great decrease in sales, as could be expected. In the second two quarter of 2020 has shown significant demand in the customers orders and restart of the manufacturing process. For compresence Audi car delivers are minus 22 percent to 28 percent for the industry in general. (3)

In numbers the year for Audi, sales for the first half of the year the sales have dearest to 20.476 million euros. That is approximately 8.100 million euros less than the year before. Positive trend and result are the cars sols of the model e-Tron – 16.898, for the first half of the year. That makes it global leader in the all-electric cars. For componence's the same model the previous year was sold in 9.444 units. Audi is shown to not only follow the megatrend for electric vehicles but to e leader in the manufacturing and sells of such.

For the fiscal year 2020 the operating loss was 750 million euros and minus 3.7 percent in sales (plus 8.1 percent in 2019) Factors for this numbers were combinations of the global pandemic, remeasurements of the hedging transactions and cost for the adjustments of the diesel issues. (3)

Regardless the difficult situation in the world the net cash flow and net liquidity has remind strong.

In China for the year 2020, 727,358 cars were sold in the Chinese market. (3) China was the country that was first affected by the pandemic. The first half of the year the sells of the cars were drastically decreasing compared to the year 2019. By the second half the country bounce back and the economic rebuilt and the sells started to rise. The significant increase in sales help the global economy to stabilize. The end of year was new record for deliveries and sales for Chine with 5.4 percent rise that the year before.

In the United States 186,620 were sold. (3) The percentage of decrease in sells for the US is at 14.5.

In Europe 619,723 (3) The pandemic was heavily felt by the second quarter of the year with sells falling by 22.9 percent compared to the year prior. This falling percentage of sales started to rise by the third quarter and moving sideways by the end of the year.

Overall Audi Group have had successful year in the three major markets, in particular China. Helpful toward salles in this pandemic was the new ways of sales – online orders, click and collect, home delivery and online virtual

screenings and viewing of the cars. The last quarter of the year was the most successful ever in the history of the car.

6. Analyze of the pandemics influence and critical evaluation

Given the situation of the global pandemic in 2020 the sales and demand of new vehicles were expected to decrease. That was true in the first two quarters of the year, but in the second two quarters of 2020 the demand for cars has significantly increase in the major markets, in particular in China. Given that this was the first county to be closed to the rest of the world, there was no interaction with the rest of the world and deliveries to and out of it were stopped. In the second half of the year the economy of China has started to get better and the demand for the vehicles has been shown. The company has sold by the end of the year, more cars compare to the year before.

In the manufacturing process for the first half of the year there were challenges and restrictions to be meet in the time of pandemic. The Audi company has been flexible to meet all of the and to keep its staff and employee safe. They were flexible and thoughtful in this time, but keep they focus on they long-term goals and did not interfere them with the short-term challenges.

In other sectors the online shopping has been introduced long before the pandemic, in the automobile industry was installed to certain point. In the times when people were requested to be social distanced and not to take on unnecessary travels, the company has decided to develop further the online shopping and experience of the cars. Click and collect and home deliveries were couple of the changes that helped the company keep up with the new way of business. Virtual experience has helped the customers to make their decisions.

“By extending digital sales and service offers, such as the Audi live advice service, and using alternative distribution methods such as “home delivery” and “click and collect,” the Four Rings responded flexibly and successfully to the challenges of the coronavirus pandemic.” (4)

“Governments and central banks in numerous countries responded with monetary and fiscal policy measures, sometimes on a vast scale, such as dramatic cuts in interest rates, the suspension of social security contributions, short-time work and direct financial support payments.” (4) This stamen is directly taken from the 2020 Annual report. The cash flow and liquidity of Audi Group has remained strong during the time of pandemic, that could be based on

the measures that were taken, easing from the government or the company police and state prior the pandemic. “The reasons for this are continuing cost and investment discipline and the divestment of shareholdings within the Volkswagen Group amounting to some €1.5 billion.” (8) All of those combined has helped the company to end the year in positive outcome and strongest quarter ever for the company’s history. Nevertheless, strong management in time of crisis and flexible and devoted employees are key for continuous secession (8)

Audi Transformation Plan, that has been started in 2019 with investment of 2.6 billion euro has had successful implementation were put in effect. Discipline and behold of the quality are key strengths that are keeping this company in the top range of the luxury cars in the world with leading sales in the biggest market of China.

7. Conclusion

In conclusion, the success of the Audi Group lays in its core believes, strong management and devoted employees. The global pandemic has affected this company in the first half of the year of the uncertainty and closure of the manufacturing process and the stop of the deliveries worldwide. The strong leaders are shown in difficult times and that has been proven to be true in this case. This tremendous challenge not only did not have negative impact on the Audi brand, but it helped them to develop the online side of the business to keep up with the trends and to focus on the all-electric cars, what prove to be absolutely successful. In time of uncertainty the strong management has tackled the short-term challenges in the most efficient and flexible way, without jeopardizing the future and long-term goals.

Audi Group is stable with the liquidity and cash flow, investing money within the company for modernization and transformation has kept them out of danger for huge loses for the company.

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