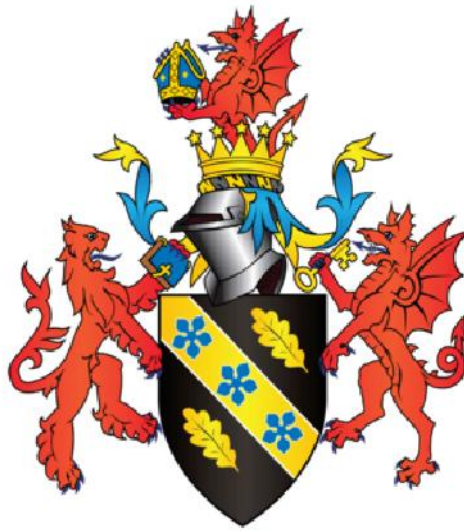


# **Volkswagen Marketing Strategy**



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## **Executive Summary**

Volkswagen was an early leader in the automotive industry. Over time, Volkswagen developed into a global powerhouse. Volkswagen is a globally recognized brand. The target marketing strategy is also often called STP marketing strategy or STP three-step marketing for short, where S is mainly used to refer to segmenting the target market. T mainly stands for positioning the target market, and P stands for positioning. In the core concept of strategic marketing product mix, 4P is product, price, channel and promotion. Volkswagen's great success in many European and American market countries is inseparable from its accurate formulation of STP strategy and 4P strategy in combination with the characteristics of the target market.

## **Main Findings**

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

In today's society, the competition in the auto service industry is very fierce, and the needs of consumers vary widely. Enterprises cannot guarantee to provide services for all target users in the entire Chinese market. They should pay attention to selecting a market for the company's products according to its market segmentation goals. The part that is competitively attractive and can most effectively occupy the advantage, and thus formulate the corresponding corporate product plan and overall marketing service plan, establish certain corporate characteristics for the entire corporate image and its products, and always insist on shaping a good market image , to achieve a certain competitive strategic advantage (UK Essays, 2018).

#### **1.1 Market Segmentation Strategy**

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

Volkswagen has basically covered the European market, North American market, South African market and Asia-Pacific market. At present, it has operated and managed about 45 manufacturing plants in 11 countries and regions and 7 other Asian countries or regions.

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

Volkswagen is mainly used in the Mexican market to produce models for the North American market. However, in addition to targeting the American market, the large company also intended to produce a cheap model to cater to most of the poorer Latin American countries at the time.

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

Volkswagen Brand Group currently owns more than 14 sub-brands including Volkswagen, Skoda, Bentley and Bugatti. Each Volkswagen brand model has its own unique design, and the Volkswagen brand logo can be independently developed, launched and operated independently. , has been extended to medium-sized public luxury business family cars. Different social income classes of Audi, VW brand and general VW Skoda brand for target groups representing different social income classes (UK Essays, 2018).

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

Audi represents high-end technical level, quality standard system and innovation ability. It fully satisfies the elites of the upper class of society who pursue the taste of life, the sublimation of the spirit and enjoy the symbolic meaning of the brand (Neilson, G.L.Martin, 2008). They are compatible with the core values of progress, warmth, traditional culture and giving back to the society. There are always some people who don't know much about modern cars. They often just prefer the various practical functions of modern car products rather than the car itself. They seem to pay more attention to the cost performance of products (ECS, 1998).

## **1.2 Target Market Strategy**

In terms of subdivided models, Audi Q1 will take the lead in attracting the main attention of everyone to this subdivided market, and at the same time, a higher price can obtain a huge initial profit (Reiter, C., & Rauwald, C., 2015). After quickly gaining the unanimous approval of small car products in the mainstream market consumers, the Volkswagen brand will be able to try to further develop and launch a variety of high-performance small cars on the basis of the same model product

platform, expanding the market share of the products themselves, and at the same time It can gradually consolidate the wide recognition of high-performance small car products that have entered the market range of this smaller segmented product level by consumers in the target market for a long time.

### **1.3 Market Positioning Strategy**

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

Consumers or demand groups in the high-end automobile market at different levels also have different degrees of attention to this product model. Some people may pay special attention to the market price performance ratio of the product, while others may only care about the appearance design of the product or the brand awareness of the brand. The future potential customer groups of the luxury car market are increasingly concentrated in the high-level and rich people in society.

#### **1.3.2 Positioning by Competitors**

Volkswagen told American and German media reporters that it would no longer simply regard Japan's Toyota Hyundai as its most worrisome potential competitor. He would pay closer attention to the challenges faced by Japanese and Korean companies Hyundai. We attach great importance to the challenge of Hyundai Motor's quality, firstly because Hyundai Motor has the advantage of exporting to Korean Won and exchange rate, and secondly because Hyundai Motor's own high quality has won the unanimous respect of international Volkswagen.

#### **1.3.3 Product Positioning**

Volkswagen means "national car" in modern German-speaking countries. Volkswagen's main market positioning at that time was German cars. During the outbreak of the Franco-Prussian War, the Beetle became the world's first national car launched by Volkswagen. Since that year, Volkswagen has launched other national cars.

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

### **2.1 Products**

Volkswagen has formed a powerful product system consisting of Volkswagen Jetta, Bora, Sagitar, Santana Golf series, Jetta Margotan series, and CC car series. It has given full play to the technical advantages of leading brands, and adopted Toyota's full range of the most advanced technical engine structure and continuously variable transmission, forming a broader and comprehensive coverage of Toyota's product market. This innovative strategy not only further improves the product competitiveness of the market product structure, but also brings more product choices to global consumers, fully meeting the diverse needs of consumers at different economic levels around the world.

## **2.2 Product Pricing**

Before the Passat Santana B5 series cars were gradually withdrawn from the car market in June 2000, Santana Shanghai Volkswagen conducted a detailed and standardized study on the total dealer price of cars, and established a cost- and demand-oriented strategy. Combined with the brand competition strategy orientation, the three mainstream car dealers have a basic idea of pricing, and have formulated and improved their pricing strategies more accurately (Hoover's, 2015).

After cost analysis, the quality assurance standard price of the product is obtained, and the standard cost pricing method is used to calculate the basic price range. In the research framework of alternative competition, relevant statistical data of market prices were integrated and analyzed, and the market price elasticity trend of Passat's alternative competition was described and analyzed, and the final price pricing point of the market was obtained (Warner, A., 2010).

## **2.3 Sales Channels**

At present, Volkswagen owns imported Volkswagen, Audi SEAT series, Volkswagen Bugatti series and other car brands. All major brands have adopted a relatively independent sales terminal channel model and implemented a sales terminal model in which production and sales are separated. Volkswagen's current car sales channels in Germany mainly adopt two sales channel models: online direct sales and sales through dealer channels (Bloomberg Business, 2015). Volkswagen divides the

car dealerships in the different market countries into management levels. Franchise dealers at different market levels operate their franchised products of different brands and enjoy chain operation and management policies in different markets. In 1985, Volkswagen announced that it would enter the domestic Chinese sedan market. In September of the same year, the Shanghai Volkswagen store officially opened to the public. Shanghai Volkswagen began to adjust its network in 1996, establishing regional distribution centers and regional transit warehouses. Shanghai Volkswagen has always adopted a marketing model that separates production from sales, keeping Shanghai Volkswagen away from the market, making it difficult to adjust its product planning strategy and product strategy in a timely and accurate manner according to changes in the international market (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 has already adopted a promotional strategy at an early stage. The company first sells its products to wholesalers, who then sell directly to other retailers, who in turn sell to ordinary consumers. At the same time, Volkswagen has also adopted a push-pull promotion strategy. By actively establishing a good and unified corporate image, brand image and corporate product image, as well as holding a large number of promotional advertising conferences and professional exhibitions, the company's products are successfully and orderly quickly introduced to the market in an all-round way.

### **2.4.2 International Advertising Strategy**

Volkswagen also adopts a series of comprehensive marketing and advertising strategies including the international advertising market standardization strategy and the domestic differentiated market strategy. For example, during the Shanghai period, Volkswagen Group invested a considerable amount of publicity funds, manpower and energy in the entire Chinese market in order to promote and sell its automobile

products. When Volkswagen Baocai and other new cars were just launched on the market, Volkswagen produced a batch of very good music commercial theme songs and commercial soundtracks, such as "I came to find you", "You are beautiful" and other beautiful and melodious commercial songs , and achieved good publicity and marketing effects for very good local songs. In certain foreign regions, there are many forms of music advertising tailored to the preferences of local Americans. Some of the commercial lyrics it creates take into account both public emotion and public rationality, and the themes of some music commercial lyrics often need to be changed. For example, Skoda's early car advertisements tended to emphasize the product performance of the car itself, while the later launched car advertisements focused more on the dynamic effects of Skoda car advertisements.

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

Volkswagen has its own set of strict assessment standards in the selection of car sales personnel by customers, and adopts a regional sales structure. For example, the Shanghai Volkswagen Office of China Unicom headquarters also officially released a relevant planning document last year, expanding and adjusting the capacity of China Unicom from currently having only one sales terminal call dispatching service dispatching command center to a total of 10 nationwide. At the same time, it has further comprehensively reorganized and studied the planning, carried out comprehensive and more systematic and scientific integration, and inspected some geographical fields in the above-mentioned regions of China. On the basis of the theoretical and methodological research on the classification of geographic region characteristics based on the geographical location characteristics of the original system in China, further systematic analysis, consideration and discussion have formed the obvious geographical spatiotemporal similarities in the classification of these geographical region characteristics.

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

Volkswagen uses sports marketing to promote the company and build its international image. For example, Volkswagen began to regard various well-known international professional exhibitions that new cars participated in as the most

important form of sales promotion. At the opening ceremony of the 9th Guangzhou Tianjin Asia International Automobile Trade Fair, Volkswagen models imported from Shanghai will successively display hundreds of brand new Langdong Vinda, Tiguan, Passat, Seven new-generation Volkswagen models including the Touran. At the same time, Shanghai Volkswagen also specially dispatched a dissected and refitted new Tiguan car from the US headquarters, so that global consumers can 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 unrivaled 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 About 7 billion euros.

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

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

Volkswagen's current internationalization strategy in many key countries and regions around the world is also clearly reflected in its early entry into some emerging markets where the competition with international auto companies is relatively less intense, especially those markets in relatively developing countries (Coulter, M., 2013). The company can quickly and effectively develop the local market and seize market share by virtue of its own capital, technology, sufficient production capacity and other advantages. When no other well-known international car companies can enter the local market, Volkswagen has already been condescending and seized the opportunity.

In order to maintain as much as possible the first-mover advantages that Volkswagen has established in many emerging markets, Volkswagen has adopted these two development strategies for some emerging Chinese car owners in Asia in

recent years: one is to gradually accelerate the development of new models. Launched on the market, and even began to appear synchronously with the launch of new cars around the world; to develop in the direction of product serialization, multiple brands in parallel, and a full range of products to fully cover the national market (Kaynak, E., 2002). This may be because the above-mentioned two kinds of automobile marketing promotion strategies can be effectively and reasonably interpenetrated, combined and used effectively, so that many old international automobile giants in our country who are still relatively strong in marketing technology have gradually lost their strategic advantages. It is more difficult to catch up and seize market share in the future due to the domestic reality of the advantages of machine status.

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

In the whole of China and even today's increasingly open competition and the changes in the international environment of the modern market economy, only a few outstanding Chinese companies are relied on to quickly develop Chinese companies through their own huge capital strength. International business investment, transnational business and other businesses will undoubtedly appear to be far from enough. Forming a long-term strategic alliance with some international competitor group companies is a new type of economic cooperation aimed at reducing the degree of product management quality risk and saving marketing service costs, and improving the international comprehensive trade and economic competitiveness of the products of export enterprises in my country. effective means.

In order to enter the international market, Volkswagen 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 models of Nissan-produced cars in the European market (Henry, A., 2008). Wheels dual drive coupe. Making full use of international strategic alliances makes Volkswagen's globalization process very smooth.

## **4.3 Customer Oriented Strategy**

Since the beginning of the new century, Volkswagen has realized the

transformation from the original sales-only automobile production enterprise model to the global production and service integration model in terms of the strategic choice of the global operation of its overseas core enterprise group. The competitive strategy oriented to the needs of international customers and the strategy of strengthening global services in an all-round way are the most important development concepts of the international competition pattern in the future market. The strategic orientation of Volkswagen's global operation in recent years has undergone some major adjustments and changes accordingly. They have not only begun to gradually strengthen foreign capital management and control in the field of technical production services, but also strengthened import control in the fields of market sales services and foreign services or trade cooperation, strengthened the capacity building of transnational sales channel networks, and integrated mass product marketing systems and products in the north and south of China. Manufacture capacity resources to maintain market advantage (Churchill, G A & Lacobucci, D., 2009). The stable development of the entire industrial chain is more in line with the overall interests of the market for public investors.

## **Conclusion**

In short, Volkswagen is a large car manufacturer, and the company's management has made several strategic choices to help the business defend against its weaknesses and make the most of its strengths. The company's management works tirelessly to ensure that the business runs smoothly and achieves excellent results. This has already resulted in great financial success for the organization and future developments need to be updated. As a world-renowned automobile manufacturer, Volkswagen is deeply familiar and loved by domestic consumers, which not only satisfies consumers' brand conversion intentions, but also maintains consumers' loyalty to the brand. It is necessary to pay attention to making good use of the business methods and means of other enterprises.

## **Recommendation**

Volkswagen's strategic success in the U.S. market has multiple factors that will be of great significance to the future strategic development of the Chinese automotive industry. The real success of the Volkswagen brand lies in the following strategic and tactical experience, and the precise positioning of the Volkswagen brand in the international market strategy. Advertising accurately disseminates brand positioning information, and brand positioning information of brands with different price grades penetrates into the hearts of target consumers and prices reasonably. Suitable for Chinese consumers' consumption cognitive ability characteristics and knowledge level. In response to fierce price competition, we can continue to meet the differentiated needs of Chinese consumers by continuously improving our soft quality services. But Volkswagen doesn't sell much in the U.S. As a result, Volkswagen can expand its market share in the U.S. market to tap into U.S. potential revenue. In this era where global awareness has become a major issue, most of its products are still not environmentally friendly. Volkswagen could consider producing more environmentally friendly cars, both energy-efficient and environmentally friendly.

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