



Assessment 1

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1. Introduction

The main subject of this article is the analysis of the Volkswagen Group's competitive environment and changes in its business strategy. The observation of the last five years in terms of the use of resources and the company's capabilities, which influenced the strategies established at that time, will be presented. In addition, taking into account sustainable development and the environment, the company's competitive advantage will be assessed and recommendations will be made regarding establishing its future position in relation to competitors.

Volkswagen is most often a corporation associated with the passenger car sector, produced by the German concern Volkswagenwerk Aktien-Gesellschaft (VAG) located in Wolfsburg. Currently, however, the Volkswagen Group consists of as many as 10 well-known automotive brands: Volkswagen, Volkswagen Commercial Vehicles, ŠKODA, SEAT, CUPRA, Audi, Lamborghini, Bentley, Porsche and Ducati. (Volkswagen AG, 2021). Each of the brands has its own character and operates independently on the market, thus creating an alliance of brands (Gremer, 2022). These products range from inexpensive passenger cars to luxury vehicles. The group's share in the European passenger car market is at the level of 25 percent and is expected to increase in the coming years. The Volkswagen car brand alone achieved a 6.4 percent share of the global automotive market in 2021. (Carlier, 2022a). The Volkswagen Group currently employs 672,789 people worldwide. (Forbes, 2022). Group sales revenue for 2021 reached EUR 62.7 billion (Volkswagen News, 2022) and operating profit in 2021 reached approximately EUR 19.3 billion (Carlier, 2022b).

2. Competitive advantage strategies of the Volkswagen Group

The car industry is not diverse. It is true that some companies focused on specific consumer needs, filling selected market areas. For the most part, however, the industry is highly homogeneous. (Makridis et al., 2020) Cars produced by major market players do not differ much from each other. They are aimed at a similar target group, have similar combustion parameters, additional options and amenities. The biggest players, such as the Volkswagen Group, produce cars of slightly higher quality than other brands, but companies from further down the rankings try to maximize their value in the market. In fact, the only thing that distinguishes companies in this industry is design. Therefore, in recent times in this industry we have seen a tendency to introduce new models to the market more and more often. This is a sign of declining margins and that price is playing an increasingly important role in the market

(Accenture, 2020). In order not to lower prices, companies are trying to better meet the tastes of customers by introducing new models almost every year, and sometimes even more often. Hybridization of business strategies has also been a major factor for many years (Proff, 2000).

Volkswagen has established its competitive position based on several critical factors that provide a strong competitive advantage in most consumer markets. Thanks to setting long-term directions of the company's operation, related to the main goals, and the involvement of appropriate resources necessary to achieve these goals (Whittington et al., 2020), the company has become the leader of the electromobility market in Europe, and in the United States it occupies the second position (Volkswagen, 2021). Volkswagen's competitive advantage strategies can be understood using Michael Porter's growth model (Whittington et al., 2020). Volkswagen's sales activities are also focused on increasing customer satisfaction through digitization (Annual report, 2016).

To cope with global competitive pressure, the Volkswagen Group has adopted a combination of differentiation, concentration and cost leadership strategies over the past few years (Whittington et al., 2020). Thanks to them, the company achieves its goals related to the acquisition of new customers, and the sale of products increases.

Differentiation

The differentiation strategy, also known as the differentiation strategy, works very well these days. It consists in distinguishing a product or brand from the competition thanks to features that are radically different from the rest (Whittington et al., 2020). With this strategy, the Volkswagen Group is successfully expanding its customer base by focusing on customer health issues and innovation. (Annual report, 2022) Large investments in marketing and advertising, including an increase in celebrity endorsements, also distinguish the Volkswagen Group from other brands. On a global scale, as much as 2.3 trillion US dollars were spent in 2021. Compared to 2020, this is a decrease of US\$200 billion (Statista, 2022). The strength of the Volkswagen Group is primarily experience. Besides, it is one of the oldest brands in the world. In addition, the strong position of the group is also strongly emphasized in the marketing strategy. (Annual report 2017, 2018, 2019, 2020, 2021) Each of the group's brands has its own individual logo, which strengthens the image in the minds of recipients. In 2019, Volkswagen Group diversified its Seat, giving it access to a more expensive market, while Skoda focused on cheaper rivals. (Annual report, 2019). 2021 focused on cars with the MQB technology matrix. In the near future, the differentiation will be in software development. (Volkswagen Newsroom, 2021).

By leveraging innovation, Volkswagen is also supporting the differentiation of its extended services. Services such as WeShare for renting electric Volkswagen models and WeCharge for charging and payment are already available today. (Volkswagen Newsroom, 2021).

Concentration strategy

When choosing the implementation of the concentration strategy, the business focuses on a certain category in its industry, and successively tries to adapt its activities to its needs . However, it is necessary to choose a sustainable competitive advantage, thanks to its narrow and specific specialization. Companies thus base their advantage on niche marketing (Whittington et al., 2020).

Volkswagen adopts a strategy of focusing on low costs, thus meeting the needs of a niche segment at a low price tolerated by the consumer. With the appropriate visual modification of its products, it tries to correlate price and quality in order to satisfy the tastes of customers. This was especially evident during the pandemic period. (Bai, 2021) The development of autonomous driving is also an essential element of the Volkswagen Group's NEW AUTO strategy. The goal is to equip Volkswagen Group vehicles with advanced driver assistance systems (Annual report, 2021).

Cost leadership

A cost leadership strategy is a company gaining market share by attracting customers who are price sensitive. This is achieved through the lowest prices in a specific market segment, or through a good price-to-value ratio. (Whittington et al., 2020). The main objective of the strategy is to maintain the leader through effective value chain management. This strategy is mainly focused on the low and middle class of buyers. Low prices, mainly related to the reduction of production costs, are supported by an extensive supply chain network. Recently, however, Volkswagen has had major problems with parts shortages, with more than 150,000 vehicles left unfinished at the factories. (Nilsson, 2022) Volkswagen conducts discount campaigns for its products, or a convenient vehicle loan period. The goal of promotion is, of course, the popularity and consumerism value of the audience for their brands.

At the same time, in 2022, Volkswagen AG and Ford Motor Company announced the first arrangements, which are part of a broad cooperation agreement. Its goal is to increase the competitiveness of both companies and create a more attractive offer for customers (Volkswagen AG, 2022).

3. Resources and capabilities

Organizational resources are referred to as basic economic units. They can be defined as a kind of good accumulated in order to be able to use it in the future. In business theory, there are many different resources that determine the value of the company and its ability to develop and compete on the market. These are tangible as well as intangible and legal values (Guesalaga, 2018)

In order to constantly maintain a competitive advantage on the market, the Volkswagen Group makes sure that they are in line with the VRIO assumptions, i.e. Value (including how to avoid threats), Rarity (what is the competitive advantage), Difficulty in copying (competences, unique experience) and Well used (real the state of using the gifts possessed: talents and skills) (Whittington et al., 2020).

Volkswagen Group owns 120 factories located around the world, with a well-developed logistics and research and development infrastructure (Volkswagen AG, 2021). It is extremely useful when expanding, especially to the markets of Eastern Europe. The Group will make more and more investments in innovative technologies. According to Reuters (2020), the investment rate has already exceeded EUR 73 trillion compared to 2017, when the value of the contribution made was EUR 11.6 billion. At the same time, over 6.5 thousand employee inventions were patented. (Annual Report, 2017) Volkswagen is also investing heavily in digitalisation. "Volkswagen Automotive Cloud " is one of the projects that determine the strength of the development of digitization in auto mobility (Nellis , 2021).

Despite the fact that the reputation of Volkswagen brands, but also of the entire German industry, was permanently damaged in 2015, which had its consequences in the following years (Painter & Martins, 2017), the value of these brands did not decrease. This is the result of greater commitment to environmental protection and care for greater integration with society, i.e. sustainable development goals.

4. Sustainable development of the Volkswagen Group

Volkswagen continues its transformation into a sustainable mobility service provider. Volkswagen is evolving from a manufacturer to a mobility company. Volkswagen technology platforms will be given greater autonomy to ensure that synergies are maximized across the Group. This will also be reflected in the Group's financial management. (Annual Report, 2021)

The concern has practically resisted the global crisis that affected its main competitors and is calmly pursuing its path of development. However, the 2015 Dieselgate scandal

involving the Volkswagen concern drew public attention around the world to the level of harmful substances emitted by vehicles of many manufacturers. The image of the brand itself suffered, and the value of its shares fell by a third just a few days after the fraudulent procedures were discovered. (Jung & Sharon, 2019) Thanks to the high-profile Dieselgate scandal, the governments of many countries have paid special attention to the harmful impact of transport on the state of air and have taken various types of steps to prevent it. Admittedly, the Volkswagen Group has almost solved the existing problem by concentrating resources more effectively into sustainable development. However, the Volkswagen Group suffered not only financially, but also in terms of image (Jung & Sharon, 2019).

Recent years also prove that the company must be constantly integrated with environmental protection through the ecological use of its technologies (Lin, 2019). "Go TO zero" is an important step in the strategy of the concern "TOGETHER - strategy 2025+", thanks to which Volkswagen is to become a company that fully implements the principles of sustainable development. (Painter & Martins, 2017) The company's environmental mission describes activities based on the following areas: climate change, resources, air quality and compliance with environmental legal requirements. It contains the Group's strategic guidelines, thanks to which individual brands implement programs related to an ecological approach to the environment. "Go TO zero" stands for a way of doing business that has as little impact on the environment as possible and balances carbon dioxide emissions to zero where possible - these are the goals that the Volkswagen Group intends to achieve by 2050. Switching to renewable energies is also a priority for the Volkswagen Group. The Group supports all projects in the field of reusing its resources and all recycling of materials, water and energy, develops electromobility, contributing to the improvement of air quality. In accordance with the requirements of environmental protection, Volkswagen tries to make its company modern, transparent and effective (Mission Statement, 2019).

In 2018, the ID.3 and ID.4 models were introduced as CO₂-neutral vehicles, using electricity from renewable sources for charging (Sustainability Report, 2018). The following year, 2019, the company introduces a global sustainability assessment. This applies to partners involved in the supply chain and is aimed at verifying threats in the area of corruption, human rights and environmental protection (Sustainability Report, 2019).

In September 2020, the company put EUR 2 million of green bonds into circulation to refinance projects related to MEB. Thanks to investments in WeShare and MOIA, Volkswagen is a good example of correctly chosen strategies correlated with the goals of sustainable development. The Stakeholders Panel has also been conducted for many years, which has a direct impact

on relations with them. The Group's employees actively participate in humanitarian actions for refugees. (Sustainability Report, 2020)

5. Conclusions and recommendations

Analyzing VW's strategies, including the accumulated package of brands, it can be concluded that the German model of conquering the global automotive market is effective. The above considerations translate into the Ansoff Strategy Model (Whittington et al., 2020).

In a market penetration strategy, Volkswagen can gain an advantage by selling more products and services to its existing customers or finding new ones by applying price reductions and supporting promotion and distribution.

In the market development strategy, the company should make greater expansion into new geographic regions, in particular China, North and South America, and constantly adapt its offer to different customer segments. Volkswagen already has a unique technology and can use it in other markets, which differ only slightly from those where it already has experience.

In its product development strategy, Volkswagen should constantly create and expand its range of new products and services targeted at existing markets in order to achieve growth. Although it has 10 other car brands in its portfolio, it should constantly invest in buying new ones or cooperate with others by creating a joint venture. This will give you access to other distribution channels.

As part of its diversification, Volkswagen should increase its market share by launching new offerings in new markets. An example is an investment in GPS or air mobility. Technological innovation is a precursor to the creation of new vehicles connected to drones.

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