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## **VOLKSWAGEN – AN EMERGING BOOMER THROUGH ITS SWOT**

**Ms. Harshini B. V<sup>1</sup>, Dr. Vadivazhagi.S<sup>2</sup> and Dr. Balamurugan. G<sup>3</sup>**

<sup>1</sup>UG student, School of CSE, VIT, Chennai, India

Email: harshinibv@gmail.com

<sup>2</sup>Associate Professor, Department of ICE, A.V.C college of Engg, Mayiladuthurai, India

Email: vadivazhagiice@avccengg.net

<sup>3</sup>.Professor, Department of EEE, Annamalai University, Chidambaram, India

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### **ABSTRACT**

An overview of the Volkswagen Company's SWOT analysis, a significant participant in the automotive sector, is given in this abstract in a clear and straightforward manner. Volkswagen's strengths are its presence throughout the world, its wide range of brands (including Audi and Porsche), and its innovation in electric car technology. Ongoing dangers are presented by flaws including high production costs and reputational issues stemming from the diesel emissions disaster. Opportunities for Volkswagen include taking advantage of the rising demand for electric vehicles and entering emerging markets. However, the business is threatened by fierce rivalry, volatile markets, and onerous legal obligations. To summarise, Volkswagen needs to effectively capitalise on upcoming opportunities and maintain its competitive edge in the automotive sector by utilising its strengths in innovation and global reach, addressing its shortcomings, and managing external threats.

**KEYWORDS:** Strength, Weakness, Opportunities, Threats.

### **1. INTRODUCTION**

The automobile market is dynamic and complex, with fast-moving consumer tastes, intense worldwide competition, and quick technology improvements. Undertaking a SWOT analysis of the automotive sector yields significant insights into the industry's internal strengths and weaknesses, in addition to the external opportunities and dangers impacting its future.

**Strengths:** The automotive industry's technological prowess and inventiveness are its main assets. Automakers keep spending money on R&D to improve the performance, safety, and environmental sustainability of their vehicles. Other noteworthy features include strong brand equity and customer loyalty, with well-known manufacturers like Ford, Volkswagen, and Toyota enjoying widespread trust and recognition. Moreover, economic benefits and operational efficiency are enhanced by economies

of scale in manufacturing and delivery.

**Weaknesses:** The automobile business has a number of shortcomings despite its advantages. Profitability may be strained by high manufacturing costs, which are primarily caused by labor costs, legal compliance, and raw material prices. Furthermore, the industry's vulnerability to recessions affects consumer expenditure on luxury goods like cars. Automakers are particularly vulnerable to disruptions from complex supply chains and logistics, which can impact production schedules and inventory management. Furthermore, problems like product recalls and problems with quality control can damage a brand's reputation and erode consumer trust.

**Possibilities:** The auto business has a lot of opportunities due to emerging developments. The trend toward sustainable mobility solutions and electric cars (EVs) is in line with customer demand for more eco-friendly modes of transportation. Technological developments in autonomous driving have the potential to improve vehicle convenience and safety, and new revenue streams can be created through services like data-driven analytics and in-car entertainment provided by digital connectivity and smart technologies. Additionally, there are chances for market expansion and diversification by entering emerging markets in Asia, Latin America, and Africa.

**Dangers:** The automobile sector is vulnerable to a number of outside dangers that could limit its expansion and profitability. The fierce rivalry between well-established automakers and recent arrivals, especially in the electric vehicle market, puts more strain on prices and innovations. Global supply chain dynamics are impacted by regulatory changes that require expensive compliance procedures, such as stricter trade laws and emissions requirements. Consumer purchase decisions and overall market demand are influenced by economic concerns such as shifting gasoline prices and interest rates. Operational continuity and supply chain stability are also under danger from geopolitical unrest and natural disasters.

To sum up, a SWOT analysis offers a thorough framework for comprehending the state of the automobile sector today and its possibilities for the future. Automakers may effectively handle hurdles and maintain a competitive advantage in the market by exploiting strengths, resolving weaknesses, grabbing opportunities, and managing risks.

## **2. REASONS TO CHOOSE VOLKSWAGEN:**

“How Porsche Owns Volkswagen and Volkswagen Owns Porsche”. This statement from an article motivated to dive deep into the company’s history.

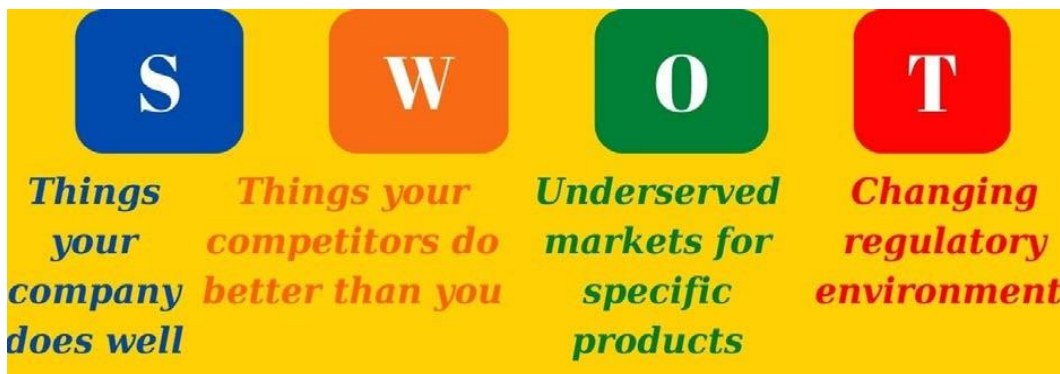
**Fortune 500:**

The Fortune 500 is an annual list compiled and published by Fortune magazine that ranks 500 of the largest United States corporations by total revenue for their respective fiscal years. The list includes publicly held companies, along with privately held companies for which revenues are publicly available.

**Volkswagen – The People’s car:**

- Volkswagen was founded in 1937 by the German Labour Front, a Nazi trade union, with the goal of producing an affordable car for the German people. The original model was designed by Ferdinand Porsche and is now known as the Volkswagen Beetle.
- During the World War II, the factory was repurposed for military production.
- The Volkswagen Beetle—officially the Volkswagen Type 1 is an economy car that was built by the German company Volkswagen (VW) from 1938 until 2003.
- The Beetle gained international popularity after the end of World War II and became one of the best-selling cars in history.
- Throughout its history, Volkswagen has played an immortal role in the automotive industry, evolving from the iconic Beetle to a diverse range of vehicles and a global presence.

**3. SWOT ANALYSIS:**



A SWOT analysis diagram with four colored boxes: S (blue), W (orange), O (green), and T (red). Below each box is a descriptive phrase:

- S** Things your company does well
- W** Things your competitors do better than you
- O** Underserved markets for specific products
- T** Changing regulatory environment

*Fortune Global 500 list of 2022*

Rank	Company	Country	Industry	Revenue in USD
1	Walmart	United States	Retail	\$572.8 billion
2	Amazon	United States	Internet Services and Retailing	\$469.8 billion
3	State Grid	China	Energy	\$460.6 billion
4	China National Petroleum	China	Petroleum	\$411.7 billion
5	Sinopec Group	China	Petroleum	\$401.3 billion
6	Saudi Aramco	Saudi Arabia	Energy	\$400.4 billion
7	Apple	United States	Technology	\$365.8 billion
8	Volkswagen	Germany	Automobiles	\$295.8 billion
9	China State Construction Engineering	China	Construction & Engineering	\$293.7 billion
10	CVS Health	United States	Health care	\$292.1 billion

Mueller is seeking a rejuvenation of Strategy 2018 and for VW to look forward with Strategy 2025.

o **Strategy 2025** has been identified as follows:

To become the #1 car manufacturer in the world;

1. VW must maintain a global presence, tailoring its strategies to the high growth markets of China and the mature markets of US and Europe, achieving 12m global group sales in terms of passenger car units by 2025.
2. VW must increase profitability through margin improvements to the tune of 7.2%;
3. VW must remain a leader in innovation and a trusted brand in the eyes of consumers;
4. While respecting the core values of transparency, reliability, efficiency and innovation.

To successfully drive VW into 2025, Argon Associates proposes the “Rev, Steer and Accelerate” strategy aimed at rebuilding consumer trust, identifying strategic geographic growth markets and investing in the future to return VW back to its rightful position as #1 car manufacturer in the world. Volkswagen, Audi, Seat, Skoda, Bentley, Bugatti, Lamborghini, and Porsche are the brands under which the company sells its automobiles. Volkswagen's motorcycle brand is called Ducati. Under the names Scania, Man, and Volkswagen Commercial Vehicles, the corporation sells buses, heavy trucks, and other commercial vehicles. No other competitor of Volkswagen manages as many brands as it does. As of right now, Toyota only offers its cars under four different names, while General Motors, the third-largest carmaker in the world, offers only ten.

### 3.2 Weakness of Volkswagen:

#### VW scandal:

- VW claimed it does not need to add a urea- injection system to bring its emissions down like all other manufacturers did - it said it will pass the tests and it did!
- Recently pollution-control advocates ran a test to show other countries that U.S. diesels are clean and they should follow their lead.
- Instead, they ended up coming across one of the biggest automotive scandals.
- It turned out that VW has developed its software to detect when the car is being tested, as to bring emissions levels down to meet EPA requirements.
- Once the test is over (i.e. regular driving conditions) the emissions control system goes off to save you some fuel and give better mileage Emissions-cheating scandal has cost Volkswagen **€31 billion** in fines and settlements. And as a result, Herbert Diess, the Volkswagen CEO whose image had been tarnished stepped down. This is How VW lost its trust among their customers.

*"I'm not upset that you lied to me, I'm upset that from now on I can't believe you"*

Falling behind in EV range:

- VW is still dependent on internal combustion engines and is unable to expand its market in electric automobile. This can be seen as a heavy setback for the company.
- Even though after so many struggles they entered the EV market, there were not enough customer to sell their product to. Hence production was halted for a noticeable amount of time.
- Numerous factors contribute to Volkswagen's **sales performance in the United States**. Volkswagen has historically had difficulties in the US market as a result of problems with quality perception and dependability. Strong domestic and international brands are competing for consumers' attention in the US car market, which is characterized by intense rivalry.

### 3.3 Opportunity of Volkswagen:

- Due to very good result on the stock exchange, Volkswagen may attract several new investors. The German auto giant's stock might be getting a boost because its annual dividend is rising about 16% to EUR8. 70 per ordinary share from EUR7. 50 a year earlier. Another possible factor: VW expects to delivery about 9.5 million vehicles in 2023, up from about 8.9 million in 2022.
- As we have witnessed, the nation's fuel prices are growing multiple times annually. In 2020, Volkswagen unveiled the first competitive electric vehicle, which may help it meet the increasing demand for them. According to industry observers, the competitive advantage of Volkswagen included cost advantage, car-building architecture, millions of loyal customers and brand value. Moreover, the industry observers opined that Tesla lacked a sharp technological edge and the company's business was not 'cash generative'. With Volkswagen attempting to challenge Tesla in the electric car market, the industry observers pondered whether it was easier for Volkswagen to scale up
- In the next several years, there will be a sharp increase in demand for self-driving cars as IoT, 5G, and artificial intelligence (AI) enable smarter cities and transportation networks. This is how Tesla is evolving, as everyone is aware. Uber and Google are two prime examples, but Volkswagen can overtake them if it up sits spending in autonomous R&D. Volkswagen is accelerating its transformation into a software- driven mobility provider. By rolling out the ACCELERATE strategy that it has just unveiled, the company will systematically prepare for the profound changes in the automotive industry in good time. Just as Volkswagen resolutely led the way with its global electric offensive, now it is also accelerating the other big issues of the future: integration of software into the vehicle and the digital customer experience will become crucial core competencies. In implementing data-based business models, the company is seeking to attract new groups of customers and tap

additional sources of income. Volkswagen also will make autonomous driving available to many people before the end of the decade. “E-mobility was just the beginning: the real disruption has yet to come. With our strategy we will ACCELERATE towards the digital future,” said Ralf Brandstätter, CEO of Volkswagen. “In the coming years, we will change Volkswagen as never before.”- as written in an article.

### **3.4 Threats of Volkswagen:**

- As we all know, Hyundai is in competition with Toyota, Ford, and Nissan, and new automakers like Tesla and Zorya are gaining market share in Volkswagen's electric and well-liked sports cars. Volkswagen sees growing competition ahead as revenue jumps on Europe, US- as the headline reads.
- Government Regulations: The increased regulation of fleet-based CO2 emissions and fuel consumption makes it necessary to use the latest mobility technologies in all key markets worldwide. At the same time, electrified and purely electric drives will also become increasingly common. The Volkswagen Group closely coordinates technology and product planning with its brands so as to avoid breaches of fleet fuel consumption limits, since these would entail severe financial penalties. Volkswagen continues to regard diesel technology as an important element in the fulfillment of CO2 emissions targets. – as the article reads.
- Cars could get costlier as custom duty on these imported auto parts hiked – VW, Mercedes: The government is increasing the customs duty on some imported auto parts with the intention of pushing local manufacturing. These parts so far invited a 7.5-10 percent duty but now it is a uniform 15 percent.
- Volkswagen has struggled to advertise itself to the millennials and Gen Z generations. As a consequence, the company's character is being regarded as a relic of the past. Volkswagen needs to upgrade itself as soon as possible to reach out to newer people. If the brand is unable to do so, it may be unable to stay ahead of its competition. - as the article reads.

### **4. Strategies that are recommended based on PEST Analysis:**

#### **Political factor:**

- Relate to laws, rules, political stability, and other political factors that could have an effect on the business climate.
- Volkswagen India ties up with Centre for its vehicle scheme. - as the article headline suggests, Automaker Volkswagen India has partnered with Centre's Kendriya Police Kalyan Bhandar scheme to offer its products to personnel of central security agencies and their families. Under this initiative, Volkswagen India is making its entire range of cars available to beneficiaries of the KPKB scheme across the country. This can be seen as a strategic move

which enables the VW to establish a smooth bond with the government.

**Economic factor:**

- It is not very practical to expect customers periodically all over the year. At some time, the product gets sold actively but sometimes not. Hence it is very important to offer products accordingly.
- If the sales are good, they need to concentrate on maintaining the trust ability of the customers
- If the sales are not as good as expected, they need to provide attractive offers and discount which satisfies the customers and urge them to make use of it for their benefit.
- **“Strike the iron when it’s hot”** adage would be the best strategy here.
- Volkswagen may be able to keep sales of its cars during recessions by offering more accessible options.

**Sociological factor:**

- Prioritize the development and promotion of environmentally friendly, electric, and hybrid automobiles in order to adapt to shifting consumer views. This is in line with the increasing demand for environmentally friendly transportation.
- The point to be noted here is that VW already had a negative publicity due to its Scandal in pollution testing. Hence it is one of the crucial step for VW to correct and cover their scandal.
- Production of efficient eco-friendly can make them stand out in a positive way among all its competitors. Thus, ensures customer and government satisfaction.

**Technological Factor:**

- As we all know that electric automobile is currently the blooming domain and also has a very good future VW should make strict plan to produce electric automobiles.
- They have already started their plan on launching the VW EV-Range but the production is on and off.
- They are frequently having challenges that they are yet to be solved.

**5. CONCLUSION**

Conclusively, Volkswagen demonstrates a robust position in the automotive industry despite facing significant challenges and opportunities. By leveraging strengths such as a strong brand reputation and extensive global presence, Volkswagen can mitigate weaknesses such as past scandals and operational inefficiencies. To capitalize on emerging opportunities like electric vehicles and sustainable practices, while effectively managing threats like intense competition and economic fluctuations, Volkswagen should continue to innovate, prioritize sustainability, and enhance

operational transparency. This strategic approach will enable Volkswagen to maintain its market leadership and drive future growth in the dynamic automotive sector.

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