

Volkswagen

*A Successful Implementation of
Differentiation Strategy*

Presented by Group 6

OUR TEAM



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Company & Industry Overview

Volkswagen

- ❖ Global automaker headquartered in Germany.
- ❖ Offers a broad vehicle range from economy to luxury.
- ❖ Strong focus on innovation, quality, & sustainability.

The Automotive Industry

- ❖ One of the most competitive **winners take most markets** worldwide.
- ❖ Key players: Ford, GM, Toyota (legacy) vs. Tesla (new entrant).
- ❖ Driven by tech, regulation, sustainability, and shifting consumer trends.

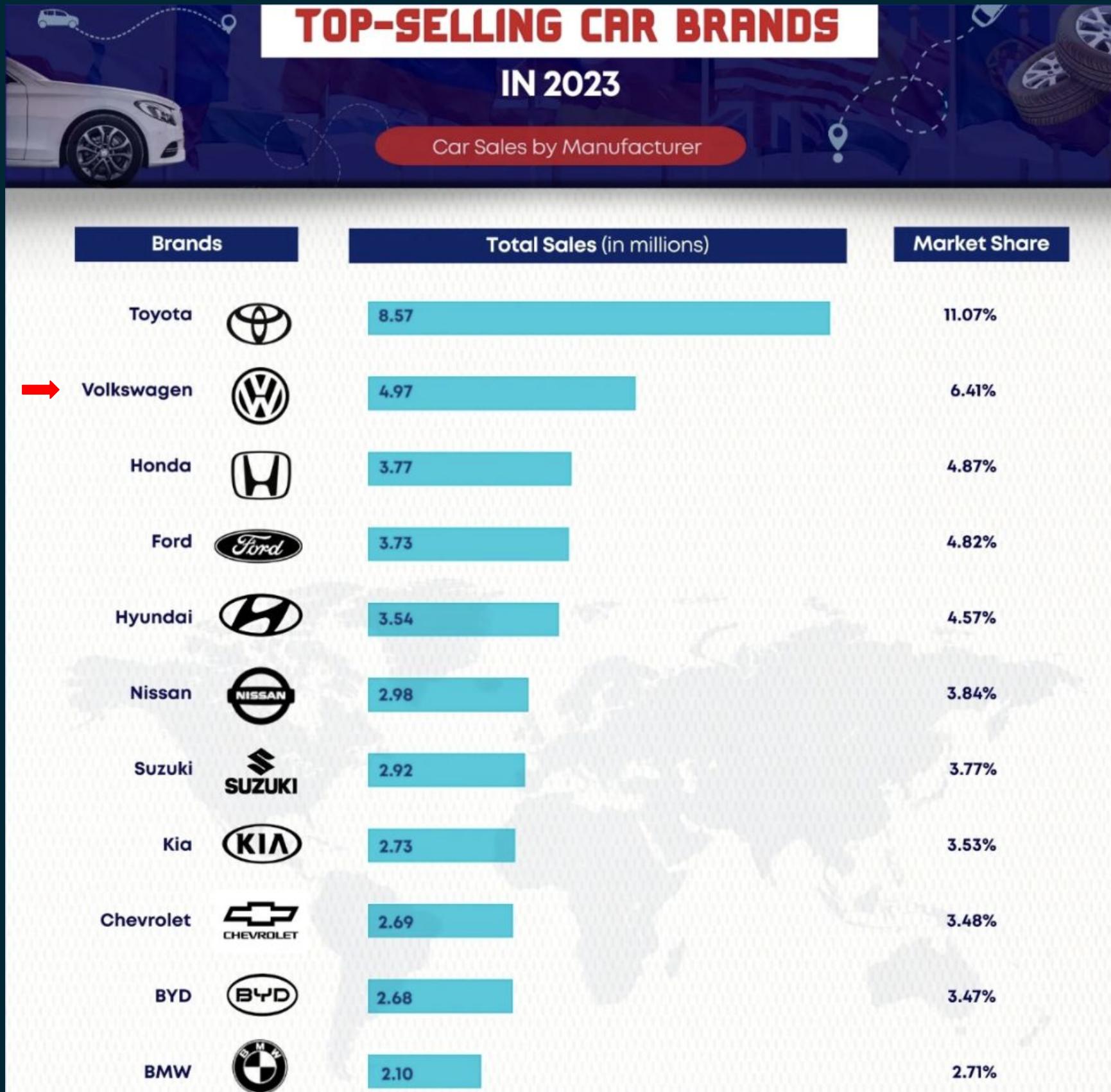


Volkswagen Business Model

- ❖ VW's business model revolves around designing, manufacturing, & selling a wide range of vehicles (cars, trucks, EVs) through its portfolio of brands (VW, Audi, Porsche, Skoda)
- ❖ Additional revenue from financing, leasing, after-sales services (e.g., maintenance, parts).



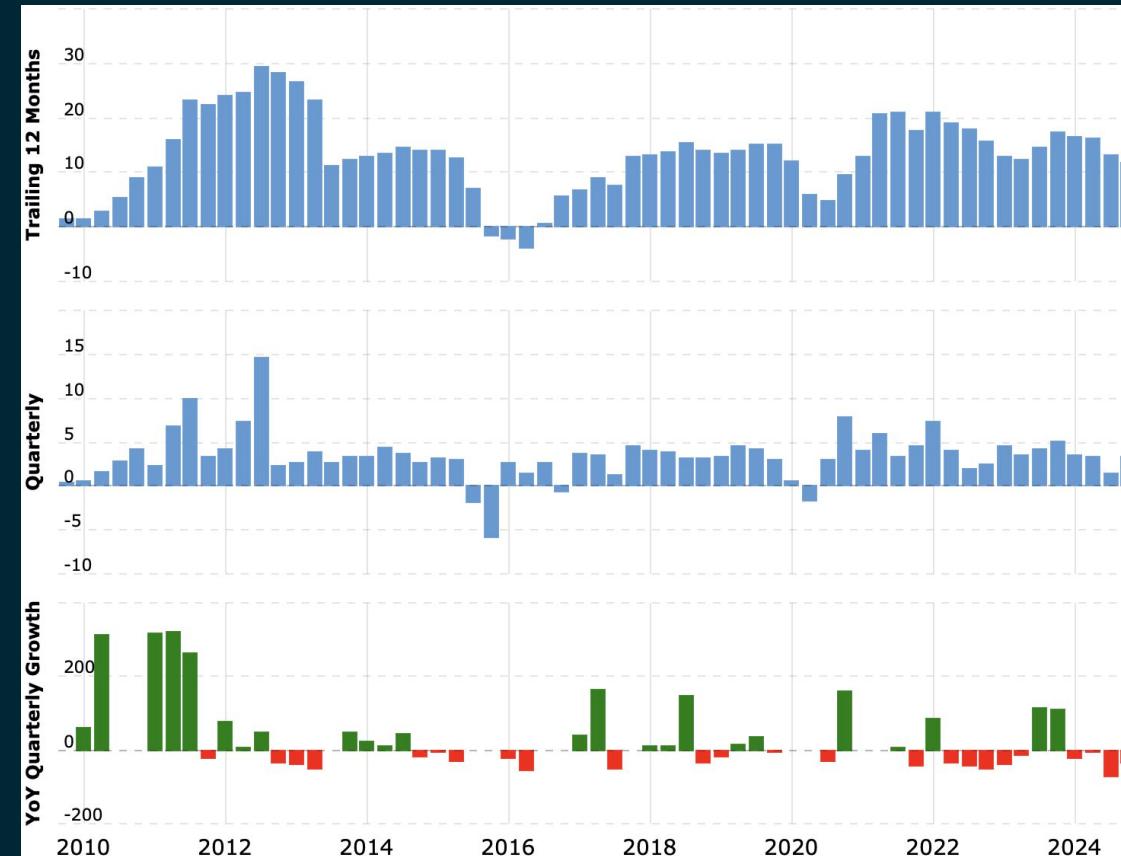
Is VW Successful?



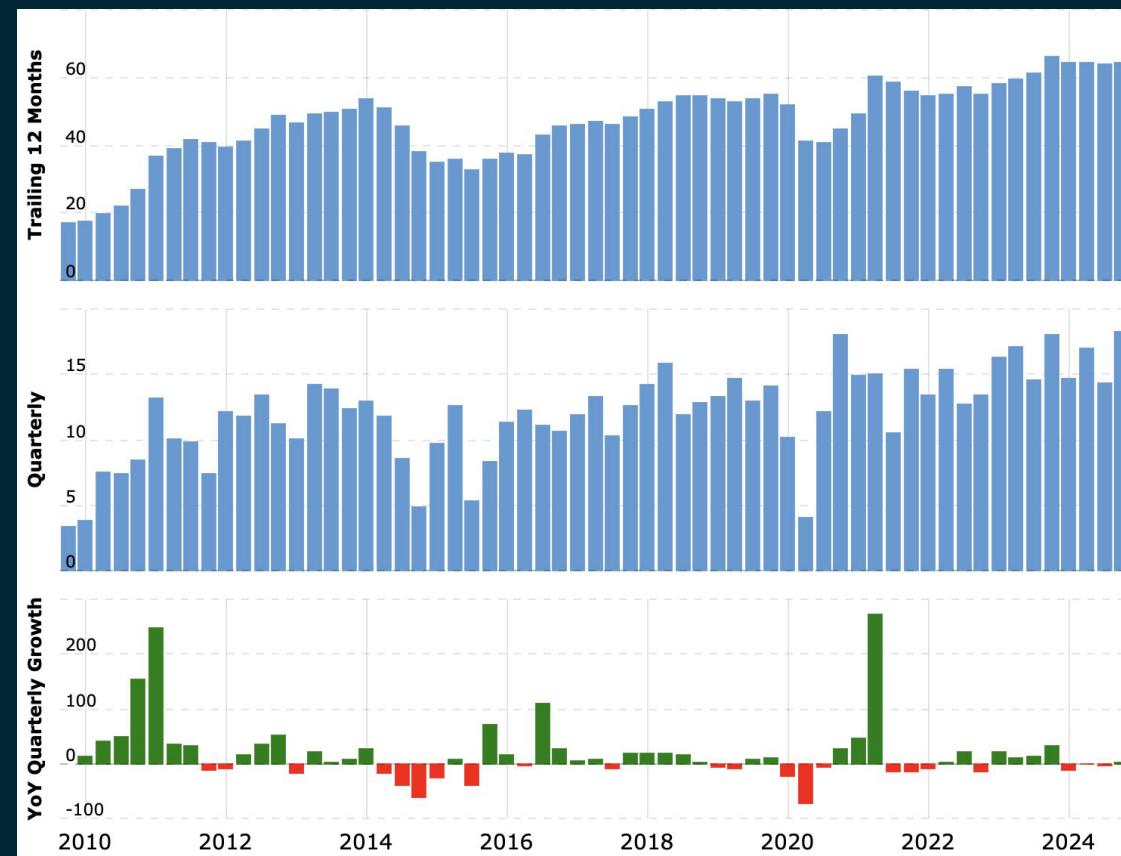
Market position:
#2 in global sales with 4.97M in 2023



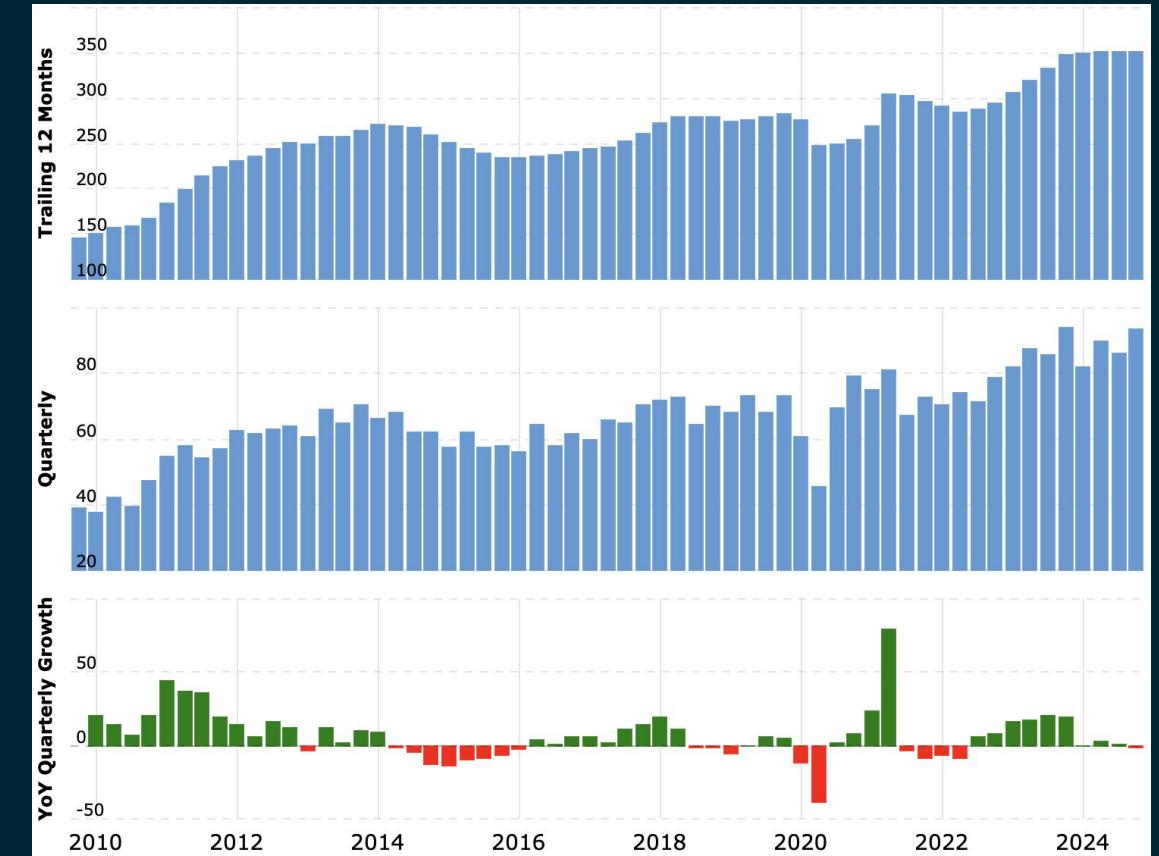
Is VW Successful?



Revenue



Gross Profit



Net Income

But what is it that makes Volkswagen so successful?



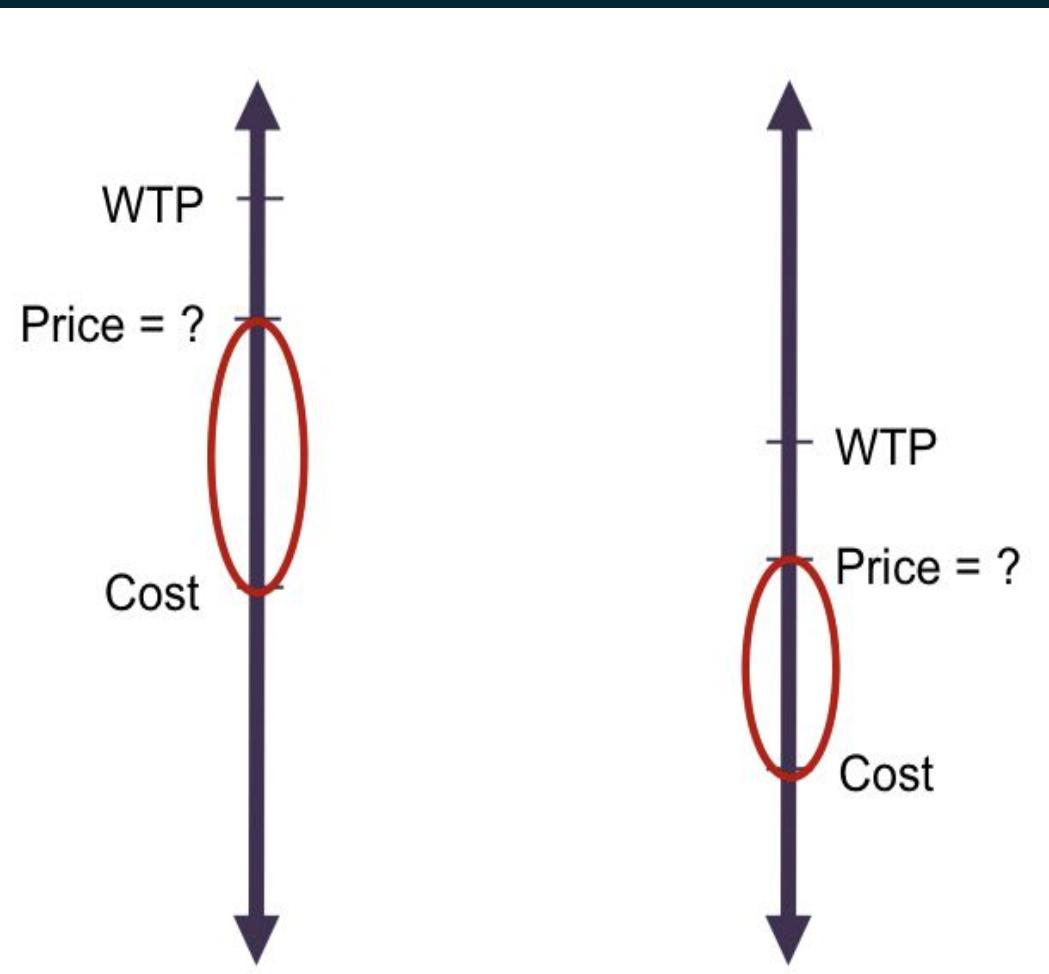
Standing Out in a Competitive Market

❖ Why Differentiation?

- The auto industry is fast-evolving and highly competitive. Brands must stand out by meeting diverse consumer needs and adapting to change.
 - Ex. Tesla's EV rollout intensified the need for differentiation in the automobile market.

❖ Differentiation Strategy:

- Offer unique features and quality to increase WTP, enabling premium pricing.



VW's Competitive Advantages

❖ Quality and Reliability

- High-quality, durable vehicles across all segments — from economy to luxury.

❖ Brand Portfolio

- Volkswagen owns a diverse range of brands—such as Audi, Porsche, Lamborghini, and Skoda—which allow VW to reach a broad spectrum of consumers.
 - Grouped into “Core,” “Progressive,” and “Sport Luxury.”

❖ Innovation and Technology

- Integrations of advanced technologies in VW vehicles, such as infotainment systems, autonomous driving features, and electric powertrains (with its ID. series).



VW's Competitive Advantages (Cont.)

❖ Sustainability

- Strong commitment to EVs and reducing emissions.
- Competitive in markets with stringent environmental regulations.

❖ Economies of Scale

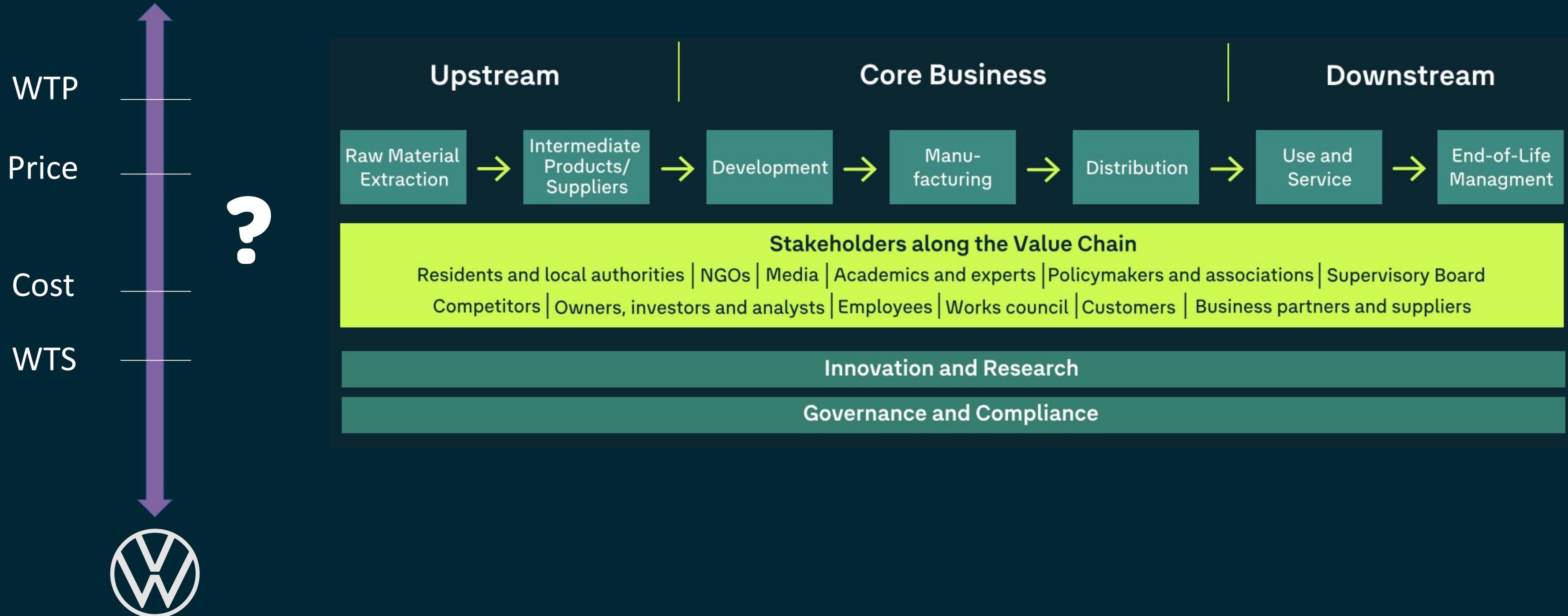
- Global production network in multiple countries→lower cost.
 - VW can pass on these savings to consumers.
- Competitive player in both the mass market and premium segments.

❖ Safety and Comfort

- Advanced safety features: adaptive cruise control, lane assist, and automated emergency braking.
- 11 awards from the Insurance Institute for Highway Safety in 2022



Volkswagen's Value Chain



How Does VW Differentiate Itself?

1. Quality & Craftsmanship

Volkswagen is known for its sleek and sophisticated designs that blend timeless aesthetics with modern sensibilities

- **Sedans**—known for their precision engineering, smooth handling, advanced powertrains, and exceptional build quality.
 - Ex. Compared to rivals like the **Honda Civic Si** or **Mazda3**, the **Golf GTI** offers a more refined balance of power and precision.
- **Premium Models (Audi & Porsche)** further bolster their differentiation strategy.
- **Warranty Coverage**—one of the best in the industry: 4-year/50,000-mile bumper-to-bumper warranty and 2 years of Carefree Maintenance.



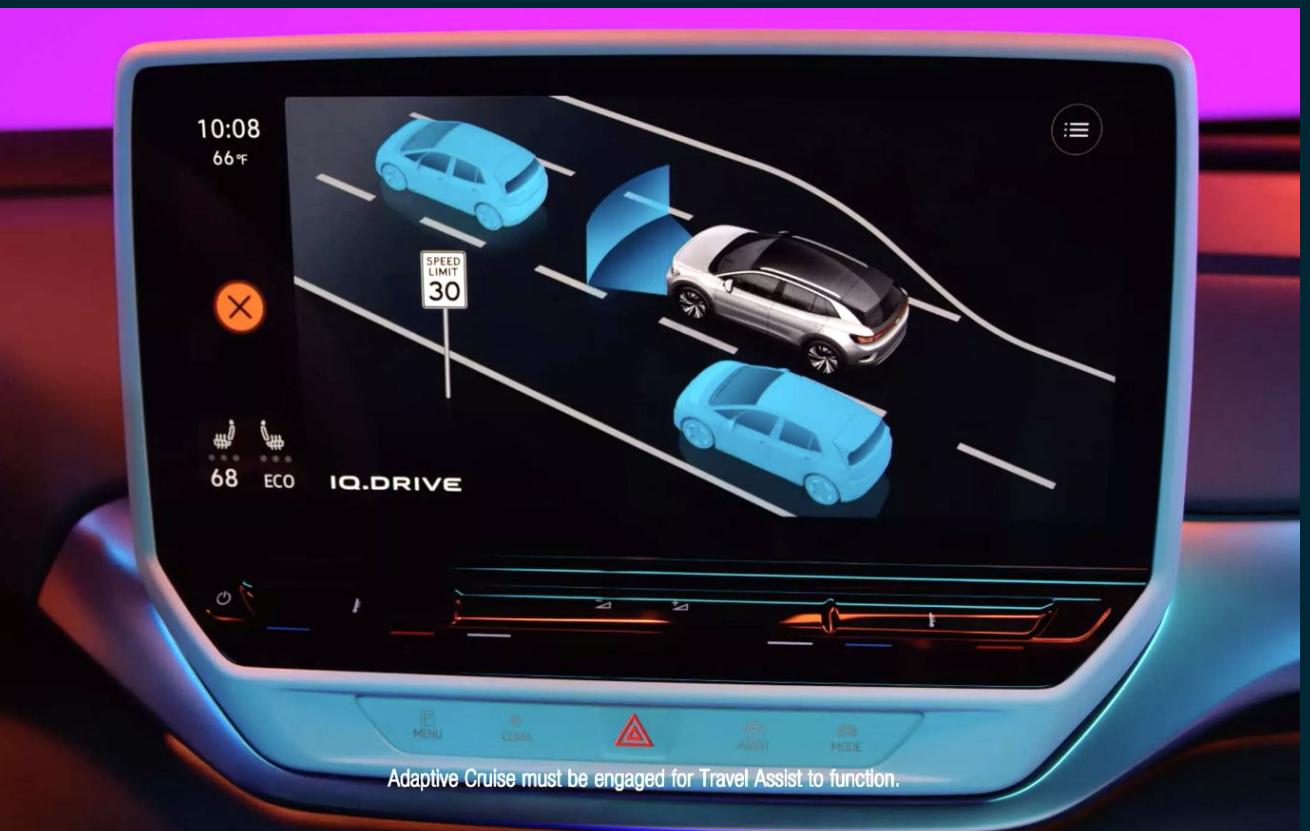
	VW Golf GTI	Honda Civic Si	Mazda3
Horsepower	241 HP/2.0L engine	200 HP/1.5L engine	186 HP/2.5L engine
0-60 mph	5.6 seconds	6.3 seconds	6.9 seconds
Suspension	Superior suspension; adaptive dampers	Basic suspension	Sporty but unrefined suspension



How Does VW Differentiate Itself? (Cont.)

2. Innovation & Technology

- **Digital Cockpit**
 - Fully customizable, high-resolution digital display; easier to use and more customizable than Honda or Mazda's models.
- **Infotainment System**
 - Intuitive touchscreen featuring
 - Apple CarPlay,
 - Android Auto,
 - Car-Net® connectivity;
 - Faster and more user-friendly than competitors, who often rely on less intuitive or more outdated controls.
- **Safety**
 - IQ.DRIVE suite with advanced driver assistance features is standard on most models, while similar features in Honda and Mazda models often require higher trims.



How Does VW Differentiate Itself? (Cont.)

3. Sustainability

- Strong eco-friendly brand image—more visible and active than Honda or Mazda.
 - Diversification into mobility services, industry leader in electric vehicles (EVs), and research into autonomous vehicles.
 - Public commitment to carbon neutrality by 2050.
- Fuel Efficiency Comparison:

Gas Car	MPG
VW Jetta	40
Honda Civic & Accord	30-40
Mazda 3 & Mazda CX-5	35-40

EV	MPG
VW ID.4	97
Honda Insight	55
No investment in EV	/

- Promoting its EV lineup like the ID.4, aligning with progressive views on climate change and sustainability. This has helped foster loyalty, especially among environmentally-conscious millennials and Gen Z.



How Does VW Differentiate Itself? (Cont.)

4. Volkswagen adopts a "dual-layer differentiation strategy"

- First Layer: Basic Brand Differentiation at the Industry Level
 - Within each brand, Volkswagen continuously expands vehicle models and configurations (sedans, SUVs, electric vehicles, luxury versions, sport editions...)
 - Goal: To meet the diverse needs of consumers and adapt to market segmentation, just like other automakers
 - ***Product Line Extension***
- Second Layer: Advanced Brand Differentiation at the Corporate Level
 - Through M&A, and partnerships, Volkswagen builds a portfolio of unique brands which develop collaboratively under the corporate brand “Volkswagen Group”
 - Goal: To construct a comprehensive brand culture matrix that enables Volkswagen to serve an extremely diverse range of consumer groups — from mass-market and practical users to luxury, sporty, and even art-collector consumers.
 - ***Brand Portfolio Strategy***

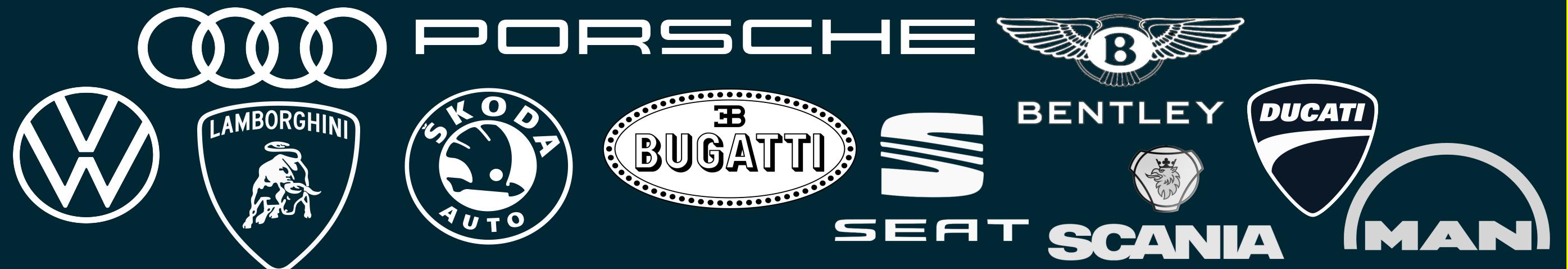


Product Line Extension & Brand Portfolio Strategy

Corporate Brand

VOLKSWAGEN GROUP

Family Brand



Individual Brand



Modifier Golf MK1 -> Golf Mk2 -> Golf Mk3 -> Golf Mk4 -> Golf Mk5 -> Golf MK6 -> Golf MK7 -> Golf MK8



Family Brands Comparison

BMW
GROUP



general motors

Mercedes-Benz Group

VOLKSWAGEN GROUP



PORSCHE



BENTLEY



STELLANTIS



Segmentation & Acquisition

Volkswagen Group uses a multi-brand strategy to target different customer segments, ranging from economy to luxury. VW's acquisitions were strategic—they created **synergy** with the existing brand.

- VW's acquisition of Audi and Porsche allowed for the sharing of advanced engineering and technological innovations.
 - Audi's Quattro System, Virtual Cockpit & EV tech; Porsche's powertrains, EV tech, & active suspension management.
- **Value-Add Test:** Boosted technological & performance capabilities, gave VW a strong foothold in the luxury market, and accelerated VW's shift into EVs.
 - These acquisitions also leaned into VW's **existing competitive advantages**: diverse portfolio, economies of scale, & innovation and R&D
- **Contract Test:** Assuming VW could get these brands to license their intellectual property, it is extremely difficult to realize the full value of IP through a licensing agreement.



By segmenting the market through multiple brands, VW is able to target distinct consumer groups with tailored offerings. This differentiation strategy allows each brand to build a unique identity, maximizing willingness to pay (**WTP**) across different segments.



Why Differentiation Works for VW?

Success in the automotive industry relies heavily on quality, innovation, & safety.

- ❖ Quality > Price
 - 45% of Americans place quality as their #1 deciding factor in car purchases; only 22% placed price at #1.
 - e.g. VW Jetta provides a luxury feel at a lower price point vs. Honda Accord or Mazda6
- ❖ Consumers more likely to prioritize safety
 - According to a study published in Transportation Research, consumers are willing to pay \$4,900 more for a vehicle with self-driving technologies & \$3,500 more for a vehicle with crash avoidance.
- ❖ ↑ awareness & concern surrounding environmental impact
 - Accenture report finds that 64% of drivers are sustainability-minded, and most prefer that their next vehicle be an EV.
 - Audi (VW) was considered on par with Tesla in terms of sustainability.

Buyer = End-User

VW leverages its core competitive advantages to differentiate itself

- ❖ By deeply understanding its strengths (quality, innovation, etc.), VW successfully differentiates itself in the marketplace by ensuring that offerings resonate with their consumers, who prioritize reliability, performance, & cutting-edge technology.





What's next for VW

(Using Porter's Five Forces Framework)

#1: Buyer Bargaining Power

Analysis:

- ❖ Buyers: Individual customers, businesses, & car leasing companies.
- ❖ Price-sensitivity
 - Mass-market → price sensitive
 - Luxury Vehicles → moderately price-sensitive
 - Electric Vehicles → become more price sensitive
- ❖ Factors in negotiations: price, quality, brand loyalty, features (fuel efficiency vs driving performance), post-sale services, shift toward sustainability.
 - Safety stands as a concern for EVs.
- ❖ Bargaining power depends on: information availability, feature differentiation, market type, switching cost.



High Buyer Bargaining Power - Decrease in Profitability

Recommendation for VW:

- ❖ **Strengthen Brand Differentiation:** While buyers have significant bargaining power, price is not always the deciding factor, so VW should continue to offer unique features & superior quality to attract customers who value brand prestige & innovation.
- ❖ **Strengthen Customer's Confidence:** Loyalty programs, better warranties, and long-term maintenance packages to enhance and maintain premium image & brand loyalty.

Evidence:

09/03/2023 · Press Release
Volkswagen Group shares future plans with stronger focus on design orientation



#2: Supplier Bargaining Power

Analysis:

- ❖ Key components: raw materials (steel, aluminum, plastic), automotive parts (engine, transmission), manufacturing technology & patent, specialized parts (batteries for EVs), labor cost
- ❖ **Supplier Leverage → Low**, VW's economies of scale generally allow it to **negotiate more favorable terms**.
 - Exceptions:
 - Specialized components like batteries for EVs or high-tech software.
 - Special circumstances result in scarcity in supply chain
 - Trump Tariff Policy in March: With 25% tariffs on imported autos and certain auto parts, automakers have been grappling with how to manage higher trade-related costs.



Low Supplier Bargaining Power - Increase in Profitability



Impact of Trump Administration's Tariffs

VW Group Negotiates With Trump Administration Over Tariffs

Trump's tariffs faced widespread criticism, yet they may achieve their intended goal, with the VW Group, for one, now considering local production of Audis



BY ANDREAS TSOAOSIS APRIL 21, 2025 AT 09:19 5



Recommendation for VW:

- ❖ Strengthen Supplier Relationships: Volkswagen should continue to leverage its economies of scale to negotiate long-term contracts with its suppliers to maximize cost-efficiency.
 - It is especially crucial nail down favorable contracts early when it comes to specialized components.
 - As EVs become more popular, higher costs for the materials required to manufacture them could erode profit margins.
- ❖ VW could also consider vertical integration to secure a stable supply of key components.
 - Ex. Producing EV batteries in-house.



#3: Rivalries Between Existing Competitors

Analysis:

- ❖ The automotive industry is a mature market—growth is slow, so firms need to **compete fiercely** for market share.
- ❖ **Additionally, innovation is constant** as companies fight to capture a greater market share—especially in the up-and-coming EV & autonomous vehicle market.
 - Low product differentiation: the basic function of car serving as a transportation mechanism.
 - Thus, there's a need to differentiate between brands on higher quality, premium features, & superior customer service.
 - High fixed cost: high upfront costs causes price war, requiring firms to maximize capacity utilization: frequent discount and promotion and increase cost in marketing
 - More concerns than just cars: cars become more software-defined, SCR efforts, and sustainability

High Rivalries Between Existing Competitors - Decrease in Profitability

Recommendations for VW:

- ❖ Intense rivalry in the automotive industry further supports that Volkswagen must differentiate itself to stand out in this crowded market through innovation, marketing, & customer experience.
- ❖ **Innovation:** Invest heavily in EVs & autonomous driving to stay ahead of competition.
- ❖ Brand Positioning: Position Volkswagen as a leader in sustainability & quality by promoting VW's eco-friendly reputation.
- ❖ VW must carefully balance competitive pricing vs. high-quality product offerings to maintain market share.
 - Price too low → undermine perception of premium quality; fail to compete with emerging EV companies like Tesla.
 - Price too high → risk losing market share to competitors like Honda or Mazda.



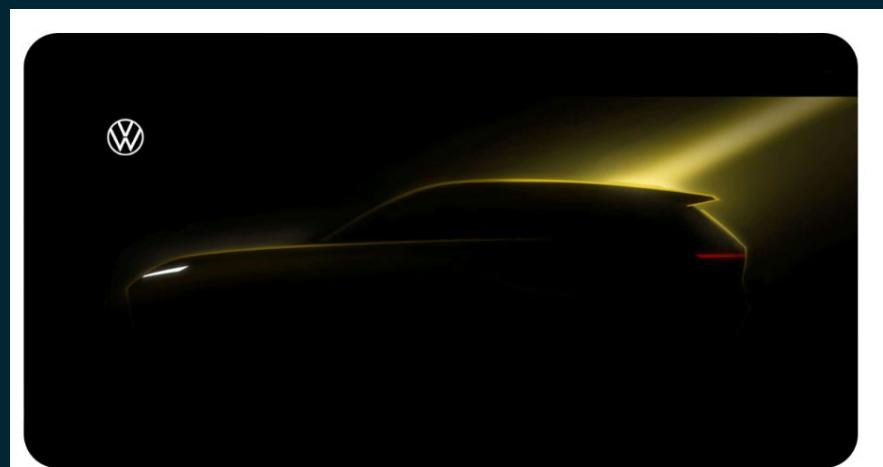
Rivalries: Toyota

Strategic responses to competition:

- ❖ **Strategic Product Decision:** In response to tariffs and currency volatility, Toyota is considering producing the next-generation RAV4 in the United States. This move could enhance Toyota's competitiveness in the U.S. market, where the RAV4 was the best-selling vehicle in 2024.
- ❖ **Cost Leadership Move:** 2025 Toyota bZ4X - The updated model features a price reduction, enhanced driver assistance systems, and one year of free charging via the EVgo network, making it a more competitive option in the EV market
- ❖ **Merge & Acquisition:** Toyota's Hino Motors and Daimler Truck's Mitsubishi Fuso are nearing a merger, aiming to strengthen their position in the commercial vehicle sector in April.

Volkswagen in response: Partnerships with Localization

- Ford Partnership
- Joint Ventures with Xpeng
- Scout Brand Relaunch
- Battery plants in Germany and Spain to secure European supply chains



02/29/2024

Ready for next EV push:
Volkswagen enters into
agreement with XPENG for
fast joint development of
two smart e-cars



#4: Threat of New Entrants

Analysis:

- ❖ Barriers to entry are high.
 - **Heavy capital investment** in manufacturing, R&D, regulatory compliance & upfront cost
 - Existing companies (like VW) have a strong **competitive advantage** over new entrants through...
 - Brand loyalty
 - Economies of scale
 - Intellectual property protections make it difficult for new entrants to compete with the well-established players in the industry
- ❖ While barriers to entry are high, Volkswagen must be wary of new threats from EV industry.
 - EV startups: Tesla
 - Tech companies entering the market: Apple, Xiaomi

Low Threat of New Entrants - Increase in Profitability



Recommendation for VW?

- ❖ Leverage economies of scale to keep costs competitive by maintaining current contracts and negotiating favorable contracts with suppliers of EV components early or consider manufacturing in-house.
- ❖ Protect and strengthen market position through brand image.
- ❖ **Innovation:** would allow Volkswagen to maintain a leadership position in EV technology and autonomous driving, creating an additional barrier to entry for potential newcomers.
 - ID series



#5: Threat of Substitutes

Analysis:

- ❖ General Substitutes: public transportation, ride-sharing services, & bicycles.
- ❖ While there is a heavy reliance on public transportation systems in some regions, and an increased push for cleaner transportation (by consumers and governments alike), this threat is moderate, at best.
- ❖ Automobile is irreplaceable in the foreseeable future.

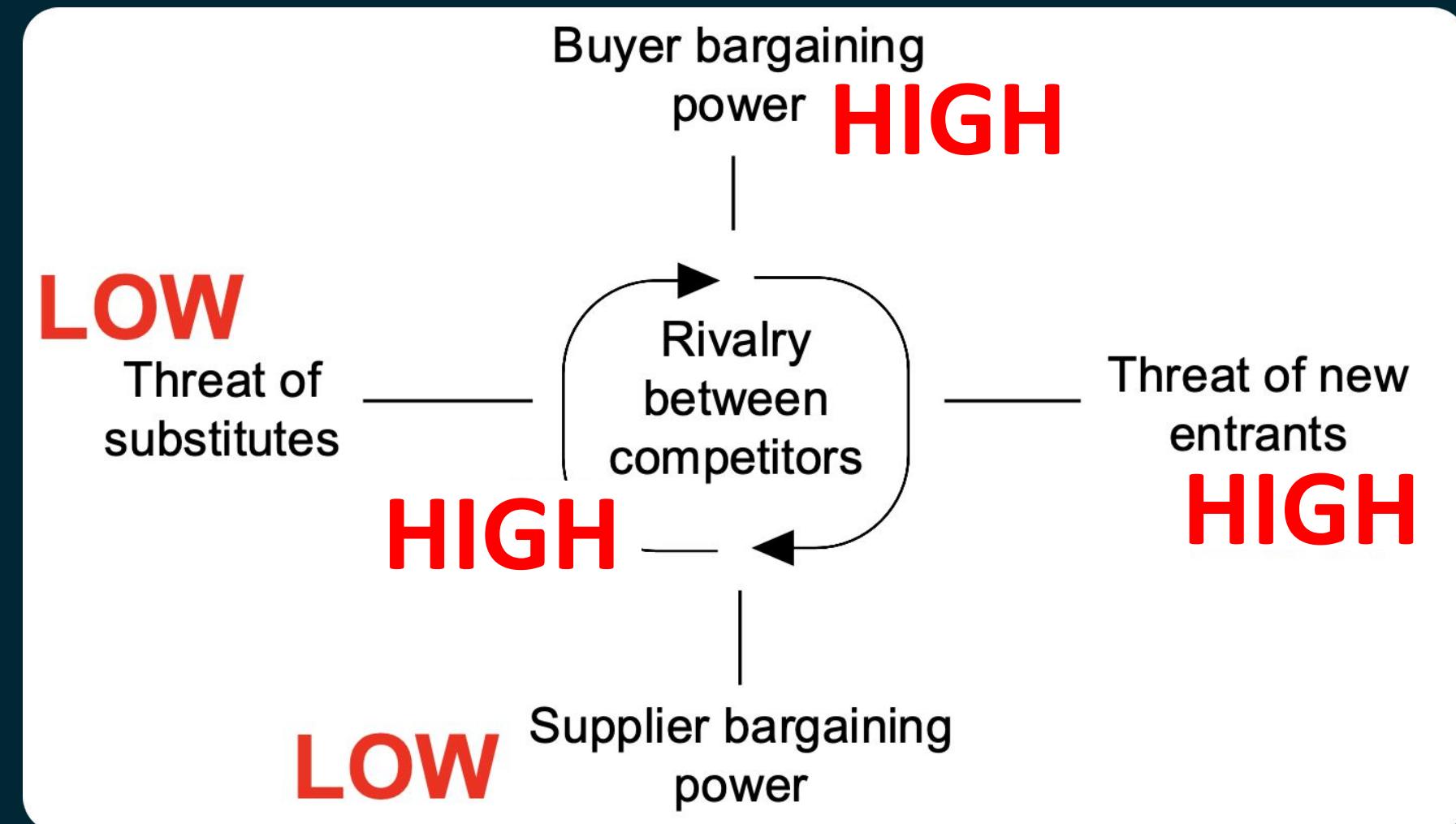
Low Threat of Substitutes - Increase in Profitability

Recommendation for VW:

- ❖ Volkswagen's investment in EVs and autonomous vehicles are a strong counter to these substitutes, promising eco-friendly transportation to sustainability-minded consumers.
- ❖ VW could diversify into mobility-as-a-service (MaaS) by offering ride-sharing services, car sharing programs, or subscription-based vehicle ownership models.
 - However, this could cannibalize existing consumers.
- ❖ Safest option would be to promote commitment to sustainability and position VW as a solution to broader environmental issues that drive the demand for alternative transport.
 - VW could achieve this through marketing, lobbying, partnering with eco-friendly groups to support environmental initiatives, or donating to environmental causes.



Summary & Future



VW's EV future?



02/05/25 | Wolfsburg | Company | Press Release

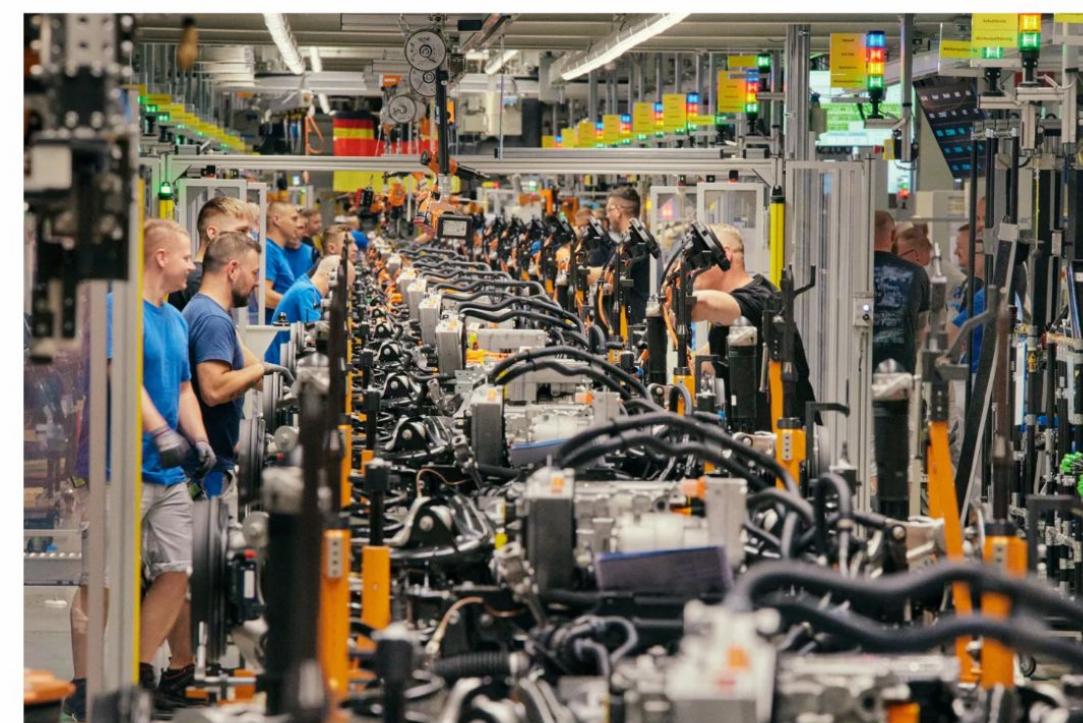
Volkswagen Future Plan: Passenger Cars brand gives first glimpse of entry-level electric model at works meeting

MAGAZINE · VOLKSWAGEN

Inside Volkswagen's \$130 billion EV battle

BY VIVIENNE WALT

August 1, 2024 at 8:15 AM EDT



Source: Volkswagen

VW's strategic response continuing differentiation strategy:

- **Electrification:** EV platforms MEB and SSP, ID EV series, investment into battery production.
- **CARIAD Initiative:** Autonomous Driving, Up-to-Date monitoring of technical advancements.



A landscape photograph featuring two Volkswagen SUVs, likely Tiguan models, parked in a vast, open field. The vehicle on the left is a dark grey or black, while the one on the right is a vibrant blue. They are positioned in front of a range of mountains with distinct, layered geological features. A winding road is visible in the distance between the cars and the mountains. The lighting suggests either sunrise or sunset, casting a warm glow over the scene.

Thank you!

Appendices

- ❖ <https://www.volkswagen-group.com/en/brands-and-brand-groups-15811>
- ❖ <https://www.aautoking.com/blog/company-blog/toyota-vs-volkswagen.html>
- ❖ <https://www.vw.com/en/iq-drive.html>
- ❖ <https://fourweekmba.com/volkswagen-brands/>
- ❖ <https://www.xdsyzzs.com/pinpai/2609.html>
- ❖ <https://www.volkswagen-group.com/en/press-releases/volkswagen-group-shares-future-plans-with-stronger-focus-on-design-orientation-17604>
- ❖ https://www.universityvw.com/volkswagen-vs-competitors-a-comparative-analysis/?srsltid=AfmBOor-81li_E5ijTECsMI3_YSQQVOMY7sNNhNBuL0Dl0eqOBq5W9Iq
- ❖ https://journalofbusiness.org/index.php/GJMBR/article/view/102789/5-Comapritive-Analysis-of-Ford_html
- ❖ <https://www.riverheadbayvw.com/compare/vw-jetta-vs-honda-civic.htm>
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- ❖ <https://roadgenius.com/cars/statistics/sales-by-manufacturer/>
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- ❖ <https://www.carscoops.com/2025/04/vw-group-in-direct-negotiations-with-trump-administration-over-tariffs/>
- ❖ <https://www.volkswagen-group.com/en/articles/ready-for-next-ev-push-volkswagen-enters-into-agreement-with-xpeng-for-fast-joint-development-of-wo-smart-e-cars-18246>
- ❖ <https://appleinsider.com/articles/21/11/19/apple-car-will-disrupt-auto-industry-says-morgan-stanley>
- ❖ https://www.notateslaapp.com/software-updates/version/2025.14.1/release-notes?utm_source=chatgpt.com
- ❖ <https://jestafreak.com/rental-car-model-pyramid/>

