

**Executive Summary**  
Volkswagen AG: Strategy 2025  
*by Argon Associates*

In 2007, the Volkswagen Group (“VW”) declared its intentions to become the largest carmaker in the world. Just as VW was about to realize this goal, a scandal erupted over VW’s willful misrepresentation of its TDI diesel engines’ emissions. Facing public outcry, new CEO Matthias Mueller is seeking a rejuvenation of Strategy 2018 and for VW to look forward with Strategy 2025.

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.

**Rev:** The emissions scandal resulted in the loss of trust from VW’s various stakeholders. This short-term **Rev** strategy is built upon the company’s proposed values of transparency and aims to assure stakeholders of VW’s intentions and mitigation activities. Priority focus will be given to key stakeholders such as *Buyers, Dealers, Employees and Shareholders*. This will be done through bridging the discrepancies between stakeholders’ wants and VW’s current actions. By providing tailored assurance to both VW’s internal and external stakeholders, founded on transparency and accountability, stakeholder confidence will be revved up and set a strong foundation for strategy 2025.

**Steer:** Having assured VW’s stakeholders upon “Dieselgate”, the next step would be look towards key markets for growth. VW should **steer** towards the key markets of China, US and Europe, which have a strong market outlook in terms of growth and size in the automobile industry. In the short term, the US and Europe market will be prioritized due to the detrimental impact caused by the emissions issue. There is an urgent need to regain consumer trust and identify new growth segments within these core markets. Localized strategies – such as tapping on the trend of increased environmental consciousness in the US – will help to extend VW’s market presence in these regions. In the US, VW will focus on battery-powered electric vehicle (BEV) R&D. In Europe, VW’s leadership in the mass market segment will be extended through increased diesel efficiency and ridesharing partnerships. In contrast, premium brands will be emphasized in China due to increasing affluence in the country’s demographic. In support of this strategy, VW will take a cross-subsidization revenue approach to sustain weaker key markets in the short-term in order to reap the long-term rewards of global economies of scale and international presence.

**Accelerate:** The long-term strategy of **Accelerate** guides VW towards focus on products and technologies that will propel the company forward. Although diesel will remain within VW’s portfolio due to its relevance to VW’s European market, immediate focus should be shifted toward the long-term growth opportunity of BEVs. The BEV market is a significant opportunity because of its high growth potential and lack of dominant players. Cost management competencies will be simultaneously developed through increased R&D and operational efficiency improvements. In addition, emphasis must be placed on the key themes of disruptive technology in mobility: shared, connected, electric and autonomous – which are widely recognized the new frontiers of automobile innovation. Coupled with improved operational efficiency – through enhanced engine efficiency, reduction in production cycles and lastly modularization and mechanization, VW will realize its core values of efficiency and innovation in delivering best-in-class performance for its consumers.

By executing the “**Rev, Steer, Accelerate**” strategy, Argon Associates is confident that VW will cruise towards Strategy 2025 and achieve its key performing indicators of **12m group sales** in terms of passenger car units, **7.2%** operating margin and **8.2% CAPEX to sales ratio**. By strategizing in periodic short-, mid- and long-term phases, we are confident that VW’s ascension to the position of #1 automobile manufacturer in the world will be a controlled and calculated endeavor by 2025.