



Executive Summary: Team D1 - Horizon Consulting

With the vision of being the leader in the automobile industry, the recommendation presented today will lay out the foundation for the Volkswagen Group to build a long term 2025 strategy for a new customer value proposition, international scalability, and commitment to the quality of life.

Current bumps in the road for the Volkswagen journey:

Volkswagen has been a market leader in sales and innovation of the automobile industry since 1937 through outstanding German engineering. The company's core competency was however challenged in September 2015, receiving phenomenal media attention on the cheating software installed in diesel vehicles. With the current tangible and intangible scandal costs, the uncertainty of diesel technology, and the scrutiny over Volkswagen's quality and innovation; the corporate business strategy must be rethought.

Key issues:

The Quality of Life strategy will address the three main issues Volkswagen faces today:

1. How do we minimize the total costs (tangible and intangible) of the scandal in the short term?
2. Strategy 2025: What is the Volkswagen value proposition?
3. What geographic strategies must be pursued to scale Strategy 2025 successfully?

Accelerating over bumps and reaching the horizon with the Quality of Life strategy:

1. Tackling the scandal's repercussions by mitigating costs

By embracing a generous and fair goodwill package to customers, complying to government sanctions and collaborating in building the future of the car industry, costs will be reduced by €1.239B, shifting US diesel operations towards other portfolio brands.

2. A new customer value proposition

Building off a commitment to the quality of life, the 2025 Strategy will ensure qualitative growth through a superior customer value proposition, increasing the customer life time value by 37%, or by €1,510 on average. Pairing advanced product engineering and value added services, the rethought business model will spearhead the integration of Volkswagen in the customer lifestyle.

3. Successful international Scalability focusing on China

To successfully accomplish the superior value proposition and capture market trends on the international level, scalability is achieved through strategy customization. The focus on China will ensure dominance in a very promising market, driven by technological innovation.

Key outcomes and takeaways:

With the global unification between governments, corporations and individuals to resolve the urgent environmental challenges, Volkswagen will re-capture sales momentum and industry leadership by focusing on what they do best; automobile innovation, a commitment to quality and being proactive in meeting consumer needs.

The three-part strategy will first mitigate the post-scandal costs by €1.239B, increase customer lifetime value by 37%, and dominate in China with 25% of the market share by 2020.