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VOLKSWAGEN: SCRIPTING A NEW INDIA STORY

"India is very instrumental in the long term strategy."

- Detlef Wittig, Executive VP, Group Sales and Marketing, Volkswagen

Circa 2008: After a couple of abortive attempts to set up a manufacturing facility in India and then launch a new product for the Indian market, Germany's Volkswagen, Europe's largest car manufacturer and the maker of the iconic Beetle, launched its first locally assembled car in India, Passat, in 2008. It was planned that Passat and other models will be assembled at the Aurangabad plant of Skoda (a Volkswagen subsidiary), until its own plant in Pune will be ready. Passat was positioned against Honda Accord, Toyota Camry, and Skoda Superb, and available only in diesel version, through a dealership network of three, which is to expand to 10 by end of the year 2008. The next launch will be the mid-sized sedan, Jetta, which is about the same size as Honda Civic and Toyota Corolla by the middle of 2009, followed by Jetta, sport utility vehicle Tourareg and either Polo or Golf in 2010. It also disclosed that the company is working on a small car for India that will compete with Maruti's Swift, Hyundai's Getz and General Motor's U-VA. But it says that the project is at a nascent stage. A decision may be taken in six to nine months after gathering the initial response to the Volkswagen brand. During the launch ceremony, Joerg Mueller, MD, Volkswagen Group Sales India mentioned,

This case was written by Professor Indranil Bose and Abhijit Sinha at the Indian Institute of Management Calcutta. The case was prepared solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation.

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“Passat will set the pace for our future product launches in India as it is the key market for our overall strategic growth plans.”

The glitzy launch of its maiden car Passat and the high voltage promotional campaign showed that the Wolfsburg based company was determined to erase the history of failed attempts by European carmakers in the country until that time.

Circa 2014: The next few years saw Volkswagen launch six models (Jetta, Vento, and Polo) and three imported cars, like, Beetle. The present looks remarkably different. With no new product launches since 2010, stiffer competition and the general slowdown in the industry, Volkswagen showed a 16% decline in sales in the April 2012 - January 2013 period when the industry recorded sales growth of 7%. It slipped to the ninth position from eighth in the ranking of India’s largest car makers. It is below the 3% market share, with 2.99% in FY 2011-2012, 2.43% in FY 2012-2013 and 2.99% during 2013-2014. Yet Volkswagen announced a target of capturing 7% market share of passenger car volumes in India by 2018. That is a far-cry from the goal set in 2010 by the German makers of the iconic Beetle. Then, it had been eyeing a share of 20% by 2018 on the back of new product launches. Volkswagen has shifted focus to China, where new brand launches (60 new ones in 2018) are expected to propel the company to the top of the pecking order globally. Mahesh Kodumudi, President and MD of Volkswagen India is therefore shuffling his options to increase and strengthen Volkswagen India’s presence in India. The big question is how? The next big question: will he be successful?