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Realities



Marketing Strategy of the Volkswagen's

"Das WeltAuto" Program

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Declaration

I declare that this thesis “Marketing Strategy for the Volkswagen’s "Das WeltAuto" Program” is my independent work. All sources and literature are cited and included. All quotations are duly marked. The used literature and sources are stated in the attached list of references.

Prague, 15th of May 2015.

Polina Pavlishyna

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List of Acronyms

4P's – Marketing mix: Product, Price, Place, Promotion

BPI - Business Performance Indicator

CRM - Customer Relationship Management

DWA – Das WeltAuto

FAW – VW – FAW – Volkswagen

OEM - Original Equipment Manufacturer

PEST – Political, Economic, Social, Technological environment

POP – Point of Purchase

POS – Point of Sale

SEA - Search Engine Advertising

SEO - Search Engine Optimisation

SWOT – Strengths, Weaknesses, Opportunities and Threats

VW – Volkswagen

Introduction

With a rising amount of cars on roads, the worldwide market for both new and used cars is vast and continues to grow. This has given an opportunity to the used car segment to become a separate market of particular interest for manufacturers and dealers. The amount of used cars sold each year on a worldwide level is almost three times bigger than the new car sales volume. In addition to that, it offers a significant margin, which represents another profit opportunity for companies. Used-vehicle sales are more profitable than new-vehicle sales on average, and the gap is widening. Generally, the average used-vehicle sale tends to deliver a gross profit almost twice as the average profit on a new-vehicle sale.

The used-car market has changed dramatically in the past few years. To start with, today's new cars - and thus used cars - are made better, as a result the overall quality and durability has increased. A second factor is the rise of leasing. New used-car advantage is that opting for a 2-year-old model instead of buying a new one, customer can save as much as 30% to 40% over new. The cost of obtaining a new car can be prohibitive for most people, so many buyers look to the used car market for purchasing a new vehicle.

Used cars play an increasingly important role for all brands of car manufacturers. Indeed, greater success in selling used cars also increases profits of the whole company. In many countries of the world, the used-car market plays a key role for profitability of the dealer network.

The used-car business is prompting franchised car dealers to pay more attention than ever to their used-vehicle operations, in some cases opening used-only stores. Dealers are tapping sophisticated digital tools to enhance their used-vehicle profits. A professional used car business can absorb the increased volume of trade-ins and returned vehicles, stabilizes prices and increases residual values.

In the last few years, car dealers, backed by manufacturers, have introduced what they call "certified" used-car programs for newer used cars. Manufacturers insist that a used car must pass a series of inspections before it can become certified. Once a car passes, the manufacturer adds a fresh warranty, sometimes 12 months or more.

It has become a trend for biggest players in automotive production industry to set up their own used car programs. Companies like BMW, Mercedes Benz, Renault, Hyundai offer their customers the opportunity to buy used cars of their brand directly from them. In addition to that, overall dealer network of used car sellers has grown stronger, and that includes not only physical dealer showrooms, but also online automotive classified sites such as cars.com, mobile.de and others.

As the competition grows, the dealers aim to get new customers by offering a wide range of additional offers and services, varying from car customizations to finance opportunities. Facing

such competition, it is important for any dealer or brand to find a way to build a successful, recognizable and trustworthy image if it aims to become a global player on this perspective market. This is exactly what Volkswagen AG – the second biggest automotive producer in 2014 – aims to do by operating its Das WeltAuto program.

The used-car business up until not long ago has been of secondary importance for Volkswagen. Each country and each importer has developed their own solutions. In other words, every dealer in each country took an entirely different approach. What was known as “Volkswagen First- Class” in Germany was called “Volkswagen Select” or “Volkswagen Occasion” elsewhere. Similarly, while in Germany the focus was on quality, in other countries low prices or a large range of products could be the priority.

Despite the varying demands made by customers, their key requirement is the same: they all want to risk as little as possible and to know as much as possible – about the used car, and about the dealer and his dependability. Volkswagen AG decided to become the first to be able to fulfil these concerns credibly. Das WeltAuto brand will enable them to satisfy these customer demands.

“Das WeltAuto. Used cars you can trust. Guaranteed.” The Volkswagen brand reorganized its used car business under this slogan. Having been introduced in Germany in 2010, the implementation continued shortly after in Russia, Italy, France, the UK, and the USA, with presence in over 30 countries currently. The brands mission is to deliver the performance and quality that the customers expect from Volkswagen for used cars. Going forward, they introduced standards and a comprehensive customer promise at attractive prices for every used car under the Das WeltAuto brand. Volkswagen created a common platform for all markets, thereby professionalizing its used car business on a sustainable basis.

A successful used-car brand is the basis for a highly profitable dealer network. It is only by employing professional used-car management strategies that enables stabilizing and increasing residual values. In future, used-car business will benefit as much from the power of Volkswagen as new cars do, by becoming part of a globally consistent used-car world brand – featuring an internationally recognizable name, identity and portfolio of services. Dealers have the chance to benefit from new synergies, and from practicalities such as standard processes, low development costs for POS materials, campaigns and websites, not to mention products such as the used-car warranty.

The launch of the Das WeltAuto was accompanied by a comprehensive marketing campaign. The theme of the campaign was that trust is part of the new brand promise, which includes offering customers a better range of products and services than ever before.

I chose to study the marketing strategy of Das WeltAuto brand as I find it an interesting and challenging task – to build a worldwide used-car business, that sales all car brands under one

name. Creating an international program that is conducted under a single marketing strategy, single requirements and with similar operational standards with a focus on customer satisfaction and building long-term relationships with the customers based on trust and loyalty.

This thesis work is a mixture of theory and practice analyses.

The marketing strategy of the company defines on which markets the company operates, with which segments and customers it works, what products it produces or sells, what are the concepts and values of the brand, which distribution channels to use and how to choose, control and organize them, how to coordinate communication and promotion. Marketing strategy is based on a thorough knowledge of the target audience, their needs, characteristics and features. It sets the unified mode of behavior for all company key elements. This allows not only managing effectively the marketing mix, but also based on the knowledge of the product, consumer and market, formulating the requirements for the rest of the functional strategies of the company (operating activities, logistics, sales, etc.).

The aim of the thesis is to explore the process of integration of different brands on the level of a big corporation and to research the process of implementation of a marketing strategy for used cars in Volkswagen group through special used car program Das WeltAuto.

Since this thesis is devoted to marketing strategy of an international company applied to particular brand, chapter one is a summary of theoretical knowledge of marketing. It describes different dimensions of international marketing strategy and will present different steps companies are recommended to go through during international strategy planning process. The challenge of formulating marketing objectives will also be addressed in this chapter. I include a description of research tools that are used in order to form information basis for company's strategic planning. Description of analytical basis required for international marketing strategy is done on the country, industry and company levels. Another important step is customer analysis, segmentation, targeting and positioning which are also addressed in one of the sub-chapter. The chapter also overviews the marketing mix as an important tool used by companies.

The analytical part of my thesis starts with chapter two in which the company is presented. The chapter provides description of the Volkswagen AG. The company analysis consists of an overview of company's structure, its fields of operations, businesses and brands. The analysis contains the indicators of company's performance such as the production volumes, sales, profit and income for the whole company and its brands. The second part of the chapter is devoted to introduction and description of Das WeltAuto program. I describe how the brand operates, what are the main benefits and reasons why the company runs this program. The final part of the chapter is the analysis of major European used car markets together with the analysis of Russian and

Chinese markets. The subchapter includes the description of buyer trends in conducting research and buying used cars over the past few years.

The third chapter is the marketing strategy analysis of the Das WeltAuto brand. This chapter describes the brand philosophy and the integrated approach to the customer-focused marketing of used cars. The chapter analyses the implementation of a single marketing strategy by all dealers, the requirements of the brand that allow to follow this single strategy, the standards and ways of their implementation in order to fulfill the strategy in the context of multi-brand dealerships. The analysis focuses on four key elements, which represent the key channels of communicating the Das WeltAuto corporate identity. The first is the product strategy that allows the brand to gain customer trust based on quality, which is the main message that DasWeltAuto communicates to the potential customers. The high quality product strategy sets a good example and gives customers the security of at last knowing for certain that there are no undisclosed faults and there is no hidden catch. It gives used-car buyers the sense of “Volkswagen assurance” when they choose DWA as their dealer. The second element is the dealership requirements that must be followed by all franchised dealers in order to give Das WeltAuto a consistent image that helps customers to immediately recognize the brand. The third element is the personnel – another key factor that is crucial to fulfilling the marketing goals. The personnel has to deliver the same message to the customers – the quality of products and services provided, and the feeling of engagement with the brand, the trust that they win with the help of these messages that they communicate. The fourth part describes the digital marketing strategy, as nowadays an online presence is an integral part of any business. The brand has to communicate the same messages online and also push the customer to interact with the brand and consequently to become an existent client. The final part of the chapter highlights the customer strategy of the brand, which is the services and benefits the brand offers to its clients in every DWA dealership. These permit to gain customer trust, loyalty, and thus putting into practice its customers for life strategy with the help of various loyalty techniques.

The third chapter is followed by a conclusion, which summarizes all findings and results of marketing strategy overview and comments regarding its effectiveness and further recommendations on its development and improvement.

1. Marketing Strategy of a Company and Core Elements of Marketing Strategy

1.1 Strategic Planning and Environmental Analysis

Strategy is a long-term action aimed at fulfilling previously set goals. It is a managers' tool to perform certain tasks, both strategic and financial. It consists of purposeful actions and reactions to unexpected events and to growing competition. Strategy is a set of all control actions that help achieve the company's goals; operating strategy of the company is partially planned and partially responsive to changing circumstances. Implementation of the strategy is a set of actions that enhance business activity in institutional and financial fields, policy development, creating corporate culture and employee motivation, leadership that are all aimed at achieving the intended results.

The company's strategy, as a rule, consists of purposeful actions and responses to unforeseen events. The company defines its long-term action with respect to markets, product assortment, pricing, merchandising and promotion of goods on the market, develops marketing strategies according to different levels of demand, forms a global direction of its development. The firm is free to choose its own strategy. It can diversify activities into related or unrelated businesses through joint ventures, strategic alliances, acquisitions, or opening new lines of business. Some companies follow a strategy of cost leadership; others focus on different, more customer-attractive combinations of numerous characteristics of the product, or choose to fulfill special requests from a narrow range of buyers.

After an organization develops a strategic plan, it can then formulate a business and marketing plan to implement the broad strategies identified by the top corporate management. Similar to the strategic planning process, marketing planning involves the establishment of marketing objectives, formulation of marketing strategies, and development of an action plan. The marketing plan is contained within the business plan.

Marketing strategy defines the mission, marketing objectives, and needs the market offering is intended to satisfy as well as its competitive positioning. All this requires inputs from different areas, such as purchasing, manufacturing, sales, finance, and human resources. Marketing strategy refers to both the corporate, organizational and marketing issues. Although there is no clear distinction between some aspects of strategic management and marketing strategies, the latter concentrates rather on the needs of customers, it seeks to adapt to customer needs and influence them in order to achieve organizational goals.

A marketing strategy involves selecting the best opportunities to pursue, identify an appropriate target market (the group of people the organization wants to reach), develop a competitive edge, and create and maintain a suitable marketing mix (the product, place / distribution, promotion, price and people) that will satisfy those customers in the target market. A

marketing strategy articulates a plan for the best use of the organization's resources and directs the required tactics to meet its objectives¹.

1.1.1 Strategic Planning Process

Marketing strategies are developed in order to increase sales and segment the market to increase long-term profits. However, at the same time the development of the marketing mix, including product development, positioning it using a variety of measures to stimulate sales, relates to strategic management. Before entering the market with a specific marketing strategy, the firm must clearly understand the position of competitors, their capabilities, and define the framework of dealing with competitors.

When forming the company's marketing strategy, the four groups of factors should be taken into account:

1. The trends of development of demand and trends of external marketing environment (market demand, consumer demands, product distribution systems, legal regulations, trends in the business community, etc.).
2. The condition and features of competition in the market, main competitors of the company and the strategic direction of their activities.
3. The management resources and capabilities of the company, their strengths compared to the competitors.
4. The basic concept of the company development, its global goals and business objectives in key strategic areas.

The starting point for the formation of management and marketing strategy is to analyze the dynamic market environment and to forecast the further development of the market, which includes macro and micro segmentation, evaluating the attractiveness of selected markets and segments, evaluation of competitiveness and competitive advantages of the company and its products on the market.

Further on goes the development of the strategies, which depend on the organizational level at which they are set. At the corporate level the general strategy is formed, that reflects the overall strategic policy and direction of development in accordance with market conditions and opportunities of the company. It sets plans and programs that are the basis for all the marketing activities. At the divisional level or the level of business units managers develop a strategy of particular division, associated with the development of product and distribution of resources on their production. At the product level the functional strategies are formed, based on the target

¹ Dibb, S., Simkin, L., Pride, W.M., Ferrell, O.C. (2012) Marketing: Concepts and Strategies, 6th Edition. Cengage Learning EMEA. ISBN: 978-1-4080-3214-5, p.25

segment and positioning of a particular product on the market using a variety of marketing tools (price, communication).

To ensure they select and execute the right activities, marketers must give priority to strategic planning in three key areas:

- managing a company's businesses as an investment portfolio,
- assessing each business's strength by considering the market's growth rate and the company's position and fit in that market, and
- establishing a strategy - the company must develop a game plan for achieving each business's long-run objectives².

Key aspects of the process of defining and implementing a marketing strategy are that it is cyclical, i.e. subject to constant review and reiteration; that it is dynamic, subject to changes in the environment (including customers and competition); and that it should be shared within the organization, rather than being the sole preserve of the marketing department, if it is to be wholeheartedly adopted and implemented by the whole organization³.

In order to formulate company's marketing strategy, it is necessary to firstly conduct the analysis of foreign market, the industry analysis and the internal analysis of the company.

The first four steps of the marketing process itself focus on creating value for customers. The company first gains a full understanding of the marketplace by researching customer needs and managing marketing information. It then designs a customer-driven marketing strategy based on the answers to two simple questions. Firstly, "What consumers will we serve?" (market segmentation and targeting). Good marketing companies know that they cannot fulfill all customer needs in every way. Instead, they need to focus their on the customers they can satisfy best and most profitably. The second marketing strategy question is "How can we best serve targeted customers?" (differentiation and positioning). Here, the marketer chooses a value proposition that explains best what values the company will deliver to win target customers⁴.

As soon as the marketing strategy is chosen, the company begins to build an integrated marketing program - consisting of four marketing mix elements - the four Ps - that transforms the marketing strategy into real value for customers. The company develops product offers and creates strong brand identities associated with them. It sets prices for offers to create real customer value

² Kotler, Philip. (2012) Marketing management/Philip Kotler, Kevin Lane Keller. — 14th ed. Pearson Education, Inc. ISBN 978-0-13-210292-6, p.36

³ Marketing strategy and planning. (2015). Available:
http://web.ntpu.edu.tw/~jason/120%20MM/reference%201/Marketing%20strategy%20and%20planning_PDF_.pdf.
Last accessed 15.04.2015.

⁴ Kotler, Philip. (2012) Principles of marketing / Philip Kotler, Gary Armstrong. -- 14th ed. Pearson Education, Inc., ISBN-13: 978-0-13-216712-3, p 29

and spreads these offers to make them available to target consumers. Finally, the company designs promotion programs to communicate with target customers and persuade them to react to the company proposition.

1.1.2 Analysis of the External Environment

The most commonly used tool to conduct external environmental analysis is PEST analysis. A PEST analysis is an acronym for analyzing the external environment (political, economic, sociological/demographic, and technological) and setting the stage for strategic planning. Also known as environmental scanning, this analysis reviews the environment of a market - whether emerging or existing - and provides a snapshot of the external situation that may influence an industry or the firms within that industry.

A scan of the political climate should include any new government regulations as well as legislation. Often considered more relevant when entering a foreign market, the political situation in any new or existing market is valuable to study and understand. Existing government policies and regulations can deter new entrants into an economy, particularly in underdeveloped or developing areas of the world, or can swiftly affect companies in an industry with new regulations and policies that can have both positive and negative results⁵.

The economic health and welfare of a state, nation, or region also affect the firm's decision-making process. If an area is healthy economically and the consumers in a region have the means or potential means for creating purchasing power, then a company may want to consider selling its product or service in that area.

In social and demographic environment analysis the focus is on trends and factors of the population of market - for example, social attitudes or population shifts that represent either opportunities or threats to company's overall strategy. It is worth to include the education level of the local market, in terms of creating both a workforce and a customer base for the firm. If the levels are too low, then the cost of creating training programs for potential employees and educational marketing methods for potential customers should be taken into consideration. The aging trends, overall demographic indicators can affect the strategies of many organizations.

Technology is the application of science to solve problems. It encompasses not just information (computer) technology, but also to the infrastructure necessary to support modern systems and processes. Certainly, the diffusion of Web-based technology has affected most organizations, giving even the smallest a global presence and a cost-effective way to reach millions

⁵ Stralser, S., (2004) MBA in a day: what you would learn at top-tier business schools (if you only had the time!) John Wiley & Sons, Inc. ISBN 0-471-68054-0, p.155

of potential customers⁶. Thus, the strategy of an organization may be affected by technological change, and in addition, the velocity of technological change means this variable must be monitored constantly. Certain areas of the world cannot support systems without great build-out expense and investment. A firm must look at the condition of the host country or region's communication, transportation, and power systems, as well as the cost of using those systems. If the condition and cost are adequate, then the quality of the end product or service and the reliability of consistently providing the firm's product or service to the end user/customer must be analyzed. Understanding the technological environment can provide a greater understanding of a product's life cycle and the direction the market is taking when it comes to newer technologies.

1.1.3 Industry and Competitor Analysis

In today's increasingly competitive market, it is no longer enough to understand customers for a firm to succeed. Firms must pay close attention to their competition. They constantly need to compare their products, prices, channels and promotional efforts with their close competitors, to identify areas of competitive advantage and disadvantage.

Firms must be forward looking and identify both their current and potential competitors, gather information, and operate a market information system to monitor competitor's moves and market trends. Ignoring or underestimating the threat posed by potential competitors and focusing only on current competitors can drive firms out of business.

Competitor analysis provides both an offensive and a defensive strategic context for identifying opportunities and threats. The offensive strategy context allows firms to more quickly exploit opportunities and capitalize on strengths. Conversely, the defensive strategy context allows them to counter more effectively the threat posed by rival firms seeking to exploit the firm's own weaknesses⁷.

Through competitor analysis, firms identify who their key competitors are, develop a profile for each of them, identify their objectives and strategies, assess their strengths and weaknesses, measure the threat they pose, and anticipate their reaction to competitive moves. This information is then used to make informed decisions about everything from marketing to long term business strategies.

Firms that develop systematic and advanced competitor profiling have a significant competitive advantage. To identify their current and potential competitors, firms have to use both

⁶ Kotler, Philip. (2012) Principles of marketing / Philip Kotler, Gary Armstrong. -- 14th ed. Pearson Education, Inc., ISBN-13: 978-0-13-216712-3, p. 80

⁷ Cuellar-Healey, S., Gomez, M. (2013). Marketing Module 4: Competitor Analysis. Available: <http://dyson.cornell.edu/outreach/extensionpdf/2013/Cornell-Dyson-eb1305.pdf>. Last accessed 17.04.2015.

an industry approach as well as a market approach. The industry approach will yield insights on the structure of the industry and the products offered by all market participants. The market approach on the other hand, focuses on the customer need and the firms attempting to satisfy those needs, which will provide the firm with a wider view of current and potential competitors.

Once a firm has identified its primary competitors, it needs to assess and analyze their objectives, strategies, strengths and weaknesses as well as their competitive reactions. Objectives ascribed to competitors can encompass profitability, market-share growth, cash flow, technological leadership, service leadership, etc. Competitors' objectives are shaped by various factors, including the firm's size, history, current management, and economics.

Competitors' strategies encompass product quality, product features and product mix, target marketing and positioning, customer service, pricing policy, distribution coverage, sales force strategy, advertising and sales promotion programs, research and development (R&D), manufacturing, purchasing, financial and marketing strategies (4Ps: Product, Price, Promotion and Place/Distribution). The more one firm's strategies resemble another firm's strategy, the more the two firms compete⁸.

Whether or not a competitor can carry out its objectives and strategies depends on its resources and capabilities. For this reason, the analysis of the corresponding strengths and weaknesses constitutes key information for a firm analyzing its competitors. The technique typically used to conduct this analysis is SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis.

Some competitors react quickly to events in the marketplace, whereas other competitors take a different approach and react only to selective events in the marketplace. Others are laid-back and react slowly, while still others do not show a pattern of reaction at all. Looking at these behaviors provides the firm a better understanding of what may occur in an industry if the firm takes certain actions or implements certain initiatives.

Industry analysis has two primary objectives:

1. To determine the attractiveness of various markets (i.e., Will competing firms, on average, earn attractive profits or will they lose money?).
2. To better understand the dynamics of the market so that opportunities and threats can be detected and strategies adopted.

Porter's five forces analysis represents the intensity of competition and hence the profitability and attractiveness of an industry. These forces also influence the profitability of firms already in the industry. It is a strategic foresight to avoid putting the competitive edge at risk and

⁸Cuellar-Healey, S., Gomez, M. (2013). Marketing Module 4: Competitor Analysis. Available: <http://dyson.cornell.edu/outreach/extensionpdf/2013/Cornell-Dyson-eb1305.pdf>. Last accessed 17.04.2015.

ensure the profitability of products on a long term. For the company this vision is quite important because the firm is able to direct its innovations in terms of choice of strategies and investments.

The five forces were identified as the competitive rivalry within the industry, the threat of new entrants, the threat of substitute products, the bargaining power of suppliers and the bargaining power of customers⁹.

1. The competitive rivalry within the industry. The competition between firms determines the attractiveness of a sector. Companies struggle to maintain their power. The competition changes based on sector development, diversity and the existence of barriers to enter. In addition, it is an analysis of the number of competitors, products, brands, strengths and weaknesses, strategies, market shares, etc.

2. The threat of new entrants. It is in a company's interest to create barriers to prevent its competitors to enter to market. They are either new companies, or companies, which intend to diversify. This barriers can be legal (patent regulations), or industrial (products or single brands). The arrival of new entrants also depends on the size of the market (economy of scale), the reputation of a company already installed, the cost of entry, access to raw materials, technical standards, cultural barriers, etc.

3. The threat of substitute products. The substitute products can be considered as an alternative compared to supply on the market. These products are due to changes in the state of technology or to the innovation. The companies see different products can replace their products. These products often have a better price/quality report and come from sectors with higher profits. These substitute products can be dangerous and the company should anticipate to cope with this threat.

4. The bargaining power of suppliers. The bargaining power of suppliers is very important in a market. Powerful suppliers can impose their conditions in terms of price, quality and quantity. On the other hand, if there are many suppliers their influence is weaker. One has to analyze the number of realized orders, the cost of changing the supplier, the presence of raw materials¹⁰.

5. The bargaining power of customers. If the bargaining power of customers is high, they influence the profitability of the market by imposing their requirements in terms of price, service, and quality. Choosing clients is crucial because a firm should avoid being in a situation of

⁹ Porter, M. E. (1985) *Competitive Advantage: creating and sustaining superior performance*. New York: The Free Press. ISBN: 978-0684841465

¹⁰ Stralser, S., (2004) *MBA in a day: what you would learn at top-tier business schools (if you only had the time!)* John Wiley & Sons, Inc. ISBN 0-471-68054-0, p.160

dependence. The level of concentration of customers gives them more or less power. Generally, their bargaining power tends to be inversely proportional to that of the suppliers¹¹.

There is a number of different possible levels of competition:

- budget level - the customer chooses between spending his/her budget in two completely different ways, to meet completely different needs;
- generic competition - the competitive product delivers the same benefit but in a different way;
- product category competition - the customer may choose between different product categories within the same industry;
- brand competition - the most direct form of competition¹².

1.1.4 SWOT Analysis

The key stages in the development of marketing strategy are the analysis of the internal and external environment. Analysis of the internal environment allows companies to identify opportunities of implementing the strategy; analysis of the external environment is necessary as the changes in the environment can lead to both higher marketing opportunities and to limits of successful marketing. During the marketing research, it is necessary to analyze the consumers' perception of goods, competition in the industry, the state of the macro environment, the potential of the industry in the region where the firm plans to operate¹³.

A widely recognized approach that allows carrying out a joint study of external and internal environment is a SWOT analysis. In addition, SWOT analysis allows developing a set of strategic actions aimed at strengthening the competitive position of the company and its development.

At the first stage strengths and weaknesses are identified - these are the factors of the internal environment that will help or hinder the effective operation of the company. Each business needs to evaluate its internal strengths and weaknesses. Clearly, it is not necessary to correct all weaknesses or focus strictly on strengths.

The task is to decide whether it is possible not to limit business activity to those opportunities for which it possesses the required strengths, or consider those that might require it to find or develop new strengths.

¹¹ Kotler, Philip. (2012) Marketing management/Philip Kotler, Kevin Lane Keller. — 14th ed. Pearson Education, Inc. ISBN 978-0-13-210292-6, p.232

¹² Kotler, P. (2000) Marketing Management Millenium Edition, Tenth Edition, Prentice-Hall, Inc. ISBN 0-536-63099-2

¹³ Tanner, J., Raymond, M. A. (2012) Marketing Principles (v. 2.0) Flat World Knowledge, Inc. ISBN: 978-1-4533-4499-6, p.41

Sometimes a business does poorly because its departments do not work together well as a team. It is therefore critically important to assess interdepartmental working relationships as part of the internal environmental research.

At the second stage opportunities and threats are identified – these are external environmental factors that favor or hinder the development and effective functioning of the organization. A business unit must monitor key macro environment forces (demographic, economic, technological, political-legal, and social-cultural) and significant microenvironment factors (customers, competitors, distributors, and suppliers) that affect its ability to earn profits. For each new trend or development on the market, management needs to identify the associated marketing opportunities and threats.

A marketing opportunity is a newly identified need, want, or demand trend that a firm can exploit because the competitors are not addressing it. There are three main sources of market opportunities. The first is to offer something that is in short supply. The second is to supply an existing product or service in a new or superior way. This last method often leads to a completely new product or service.

Opportunities can be classified according to their attractiveness and their success probability. The company's success probability depends on whether its business strengths not only match the key success requirements for operating in the target market, but also exceed those of its competitors. The best-performing company can generate the greatest customer value and sustain it over time among its competition.

An environmental threat is a challenge posed by an unfavorable trend or development that can possibly lead to lower sales or profit. Threats should be classified according to seriousness and probability of occurrence. Minor threats can be ignored; threats that are somewhat more serious must be carefully monitored; and major threats require the development of plans that state changes the company can make if necessary.

Based on the received data a SWOT table is prepared, followed by answers to questions as:

1. Does the company have any strengths or main advantages, which should be the base for the strategy?
2. Do weaknesses make the company vulnerable to competition and what weaknesses should the strategy smooth out or eliminate?
3. What opportunities can the company use with its resources and experience to expect success and what opportunities are the best in terms of the company?
4. What threats are to be feared most to ensure companies' protection?

It is also necessary to establish links between internal and external parties. For this SWOT matrix is prepared which is composed of four fields. On each of these fields, the researcher must

consider all possible pairs of combinations and identify those that should be taken into account when developing strategies of the organization¹⁴.

In the "strengths - opportunities" the researcher should develop a strategy for the use of the strengths of the organization in order to get a return on opportunities that have emerged in the external environment (it is proposed to use as benchmarks for strategic development). It is more correct to consider opportunities that are open not only to the particular enterprise, but also to its competitors in the relevant market, where the company operates or intends to operate. These features allow developing a program of specific actions - the strategy of the company.

The combination of "weaknesses - opportunities" applies for internal changes. The strategy should be built in a way to overcome the weaknesses in the organization at the expense of emerging opportunities.

The combination of "strengths - threats" is considered as potential strategic advantages. The strategy must involve the use of forces of organizations to address threats.

The combination of "weaknesses - threats" is seen as limitations of strategic development. The organization should develop a strategy that would allow it to get rid of weaknesses, and at the same time try to prevent the threats it faces. In the process of generating strategies, it is important to remember that opportunities and threats can be transformed into the opposite. Therefore, untapped opportunities may become a threat if used by a competitor. Alternatively, successfully preventing the threat can create additional strengths for an organization in the case competitors did not eliminate this threat.

To assess the competitive position of the company a methodological tool called benchmarking is used. This term refers to a comparative analysis of key success factors (parameters of business) of the analyzed company compared to its main competitors. In other words, it is a way of controlling the competitive potential of the company. As a rule, a comparative analysis is performed according to the following parameters:

- market share;
- the quality and price of products;
- production technology;
- the cost and profitability of products;
- the level of labor productivity;
- the volume of sales;
- business channels and proximity to sources of raw materials;
- the quality of management;
- new products;
- the ratio of domestic and world prices;

¹⁴ Proctor, Tony. (2000) Strategic marketing: an introduction, Routledge ISBN 0-203-46005-7, pp. 137-138

- reputation of the company;
- competitors' strategies and plans;
- study of the competitiveness of products and the effectiveness of marketing activities.

This comparison is necessary to determine what the company should seek and what to change. The results of SWOT analysis and benchmarking allow a full-scale and, most importantly, objective assessment of the company's competitive position in the industry. Once the company has performed a SWOT analysis, it can proceed to goal formulation, developing specific goals for the planning period. Goals are objectives that are specific with respect to magnitude and time.

1.1.5 Consumer Analysis, Segmentation, Targeting and Positioning

Marketing strategy development begins with the customer. A prerequisite to the development of the rest of the marketing strategy is specification of the target markets the company will attempt to serve. Marketers have generally been moving from serving large mass markets to specification of smaller segments with customized marketing programs¹⁵.

Strategic marketing involves methods of systematic analysis of the needs and the development of the concept of effective products and services to ensure sustainable competitive advantage, and includes market research (consumers, competitors and others.), market segmentation, targeting of demand and product positioning. A logical part of strategic marketing is the classic "four P's" - price, product, promotion, and place; implementation and control.

Thus, the marketing strategy is also based on segmentation, targeting and positioning. It aims to search for competitive advantage of the company in the market and the development of the marketing mix, which would allow it to realize that competitive advantage.

The first step of consumer analysis is the research of the market the company aims to enter. Market attractiveness is an index composed of the following nine elements:

1. Overall market size
2. Annual market growth rate
3. Historical profit margin
4. Competitive intensity
5. Technological requirements
6. Inflationary vulnerability
7. Energy requirements
8. Environmental impact
9. Social/political/legal issues

¹⁵ Dolan, Robert J. (2000) "Note on Marketing Strategy." Harvard Business School (Revised November 2000.) p.2

Once the market was chosen the company moves on to the processes of segmentation, targeting and positioning.

Segmentation allows the systematic analysis of needs and development of effective assortment of goods and services that provide competitive advantages in the market. Segmentation is the process of dividing the market into groups of customers with similar needs. We can allocate macro segmentation, whose task is to identify the market for goods; micro segmentation whose purpose is to identify the diversity of needs within each segment of consumers for a more detailed analysis.

Market segmentation divides a broad target market into subsets of consumers. A market segment consists of a group of consumers who have common needs and desires as well as common applications for the relevant goods and services. The marketer's task is to identify the appropriate number and nature of market segments and decide which one(s) to target.

Two broad groups of variables are used to segment consumer markets. Some researchers try to define segments by looking at descriptive characteristics: geographic, demographic, and psychographic. Then they examine whether these customer segments demonstrate different needs or product responses. Other researchers try to define segments by looking at behavioral characteristics, such as consumer responses to benefits, usage occasions, or brands. Regardless of type of segmentation scheme, the key is adjusting the marketing program to recognize customer differences¹⁶.

Based on assessment of segments, organizations develop a marketing strategy aimed at positioning products, and at developing targeted marketing program focused on selected segments. Segments can be assessed by:

1. The size and growth of the market segment(s).
2. The structural attractiveness of the segment determined by the level of competition, the possibility of replacing the, the power of buyers and power of suppliers, the competitiveness of the products in these segments. Reaction and sensitivity to the marketing actions of the firm and its competitors.
3. The objectives and resources of the organization.

Choosing of the target market and achieving the best possible effect requires taking into account all of these criteria in the combination.

¹⁶ Stralser, S., (2004) MBA in a day: what you would learn at top-tier business schools (if you only had the time!) John Wiley & Sons, Inc. ISBN 0-471-68054-0, p.147

Once a firm has successfully identified the segments within a market, the next step is to target these segments with products that closely match the needs of the customers within that segment. There are a number of targeting strategies, including:

1. Niche/concentration marketing – this is concerned with targeting one particular, well-defined group of customers (a niche) within the overall market. Niche markets can be targeted profitably by small firms who have relatively small overheads and, therefore, do not need to achieve the volume of sales required by larger competitors¹⁷.

The main disadvantages of niche markets are that the potential for sales growth and economies of scale may be limited, and the survival of the firm may be seriously affected if sales begin to decline.

2. Mass/undifferentiated marketing is concerned with selling a single product to the whole market. This strategy is based on the assumption that, in respect to the product in question, customers' needs are very similar if not identical.

The main benefit for the firm is that it can produce on a large scale, benefiting from low unit production costs via economies of scale. These lower costs can be passed on to the consumer in the form of lower prices because, although profit margins on each item sold may be lower, high sales volume should generate large profits overall.

The main disadvantage of mass marketing is that, increasingly in today's markets, consumers are less interested in standardized products and often prepared to pay premium prices for products that cater for their specific needs.

3. Differentiated/selective marketing is concerned with targeting each segment with a product with its own marketing mix designed to match the needs of the consumers within the segment. By tailoring products to meet consumer needs more closely, firms are likely to increase consumer satisfaction and generate a greater degree of consumer loyalty. The differentiated approach also allows the firm to spread risks, so that it will be less affected by a decline in demand from one segment¹⁸.

The main disadvantages of this approach include confusion amongst customers when faced with dozens of brands and lost economies of scale from shorter production runs and the additional costs of having to advertise several rather than one brand.

¹⁷ Armstrong, G., Kotler, P. (2005) Marketing: An Introduction. – 7th ed. Prentice Hall. ISBN-13: 978-0131424104, p. 20

¹⁸ Market Segmentation, Targeting and Positioning. (2012). Available: http://www.oxfordfajar.com.my/files/HE/sample_pages/201307031923242420_ORIS-PRINCIPLES-OF-MARKETING-2E-2012.pdf. Last accessed 5.04.2015

4. One-to-One Marketing is the case when companies target their best customers, form close, personal relationships with them, and give them what they want¹⁹. One-to-one marketing is an idea proposed by Don Peppers and Martha Rogers in their 1994 book *The One to One Future*. One-to-one marketing seeks to reinvest marketing with the personal touch absent from many modern business interactions.

Each strategy differs primarily on the content of the main tools of the marketing mix. Segmentation should translate into marketing strategies in order for the company to get a differentiated competitive advantage.

Positioning involves implementing the targeting. Positioning determines the perception of products in target segments. It can be defined as the development and creation of the image of the goods in such a way that it takes a rightful place in the mind of buyers, different from that of competitors. Thus, positioning is in a way connected to branding. On the other hand, it affects a variety of areas of the marketing mix.

Is necessary in the process of positioning to pay attention to those features, and combinations thereof, that are most important for the consumer. This may be the price, the quality of goods or services, goodwill and others. One way to position product is to plot customer survey data on a perceptual map. A perceptual map is a two-dimensional graph that visually shows where companies' product stands, or should stand, relative to competitors, based on criteria important to buyers²⁰. The criteria can involve any number of characteristics - price, quality, level of customer service associated with the product, and so on. To avoid head-to-head competition with competitors, companies want to position their product somewhere on the map where their competitors are not clustered. Many companies use taglines in their advertising to try to position their products in the minds of the buyer - where they want them, of course. A tagline is a catchphrase designed to sum up the essence of a product.

Using the information obtained from perceptual map, the company can develop a positioning strategy taking into account the strategies used by competitors:

1) By product attribute. A product attribute is a specific feature or benefit of the product. Positioning in this way focuses on one or two of the product's best features/benefits, relative to the competitive offerings.

2) By user. This positioning approach highlights the user (the ideal or representative target consumer) and suggests that the product is the ideal solution for that type of person and may even contribute to their social self-identity.

¹⁹One-to-one Marketing. (2014). Available: <http://www.segmentationstudyguide.com/understanding-target-markets/niche-marketing/one-to-one-marketing/>. Last accessed 23.04.2015.

²⁰ Tanner, J., Raymond, M. A. (2012) *Marketing Principles* (v. 2.0) Flat World Knowledge, Inc. ISBN: 978-1-4533-4499-6, p.184

3) By product class. This positioning strategy tends to take a leadership position in the overall market. Statements with the general message of “we are the best in our field” are common.

4) Against competition. With such approach the firm directly compares (or sometimes just implies), a comparison against certain well-known competitors (but not generally the whole product class as above)²¹.

5) By use/application. In this case, the product/brand is positioned in terms of how it is used in the market by consumers, indicating that the product is the best solution for that particular task/use.

6) By quality or value. Some firms will position products based on relative high quality, or based on the claim that they represent significant value.

Sometimes several strategies are used. Due to the specific nature of behavior and needs of individual consumers the processes of segmentation, targeting and positioning focus on the search and selection of ways to affect consumers and to create competitive advantages of products.

The analysis of consumer behavior is an important part of consumer analysis. Consumer behavior analysis includes:

- consumers' attitudes to the company;
- the level of customer satisfaction (expectations);
- the intentions of consumers;
- the purchase decision process;
- consumer behavior during and after the purchase;
- attitude to different aspects of the company in the context of individual elements of the marketing mix (products manufactured by the company and new products, features of upgraded or newly developed products, pricing, effectiveness of distribution network and effectiveness of product promotion activities);
- the motivation of consumers (which characteristics of the product are the most important for them: quality, price, taste, etc.).

In addition, it is necessary to examine consumer attitudes towards competitive brands.

1.2 The Marketing Mix (Four P's)

Guided by marketing strategy, the company designs an integrated marketing mix made up of factors under its control - product, price, place, and promotion (the four Ps). In order to identify the best marketing strategy and mix, the company engages in marketing analysis, planning, implementation, and control. After determining its overall marketing strategy, the company is ready to begin planning the details of the marketing mix, one of the major concepts in modern

²¹ Bhasin, H. (2011). Positioning Strategy. Available: <http://www.marketing91.com/positioning-strategies/>. Last accessed 2.04.2015.

marketing. The marketing mix is a set of controllable variables that the company can use to influence the buyers responses. The marketing mix consists of everything that every company has the option of adding, subtracting, or modifying in order to influence the demand for its product²².

1. Product is the goods and service combination the firm offers to the target market, including variety of product mix, features, designs, packaging, sizes, services, warranties and return policies. This area is concerned with developing the right product for the target market.

2. Price is the amount of money consumers are willing to pay to obtain the product. Also includes retail price/wholesale, discounts, trade-in allowances, quantity discounts, credit terms, sales and payment periods.

3. Place includes company activities that make the product available to target consumers, using distribution and trade channels, coverage, assortments, locations, inventory and transportation characteristics and alternatives. Typical supply chain consists of four links in the chain: Producer/Factory/Manufacturer, Distributor, Wholesaler, Retailer supplying the consumer and user²³.

4. Promotion means activities that communicate the merits of the product and persuade target customers to buy it. The communication element includes personal and non-personal communication activities. Activities, that communicate the advantages of the overall product, include:

- personal selling/ sales force;
- advertising - mass or nonpersonal selling: TV, radio, magazines, newspaper, outdoor/out-of-home;
- sales promotion - trade deals, samples, coupons, premiums, tie-ins, p-o-p, displays, sweepstakes, allowances, trade shows, sales rep contests, events/experiences and more;
- collateral materials - booklets, catalogs, brochures, films, sales kits, promotional products and annual reports;
- direct marketing - direct mail, database management, catalogs, telemarketing, and direct response ads;
- public relations - press releases, publicity²⁴.

The marketing mix approach states that all the messages the customer receives must be consistent with each other and help to communicate the differential advantage (sometimes called

²² Whalley, A., (2010), Strategic Marketing, ISBN 978-87-7681-643-8, pp.86-87

²³ Cuellar-Healey, S., Gomez, M. (2013). Marketing Module 1: Marketing. Available: <http://dyson.cornell.edu/outreach/extensionpdf/2013/Cornell-Dyson-eb1302.pdf>. Last accessed 17.04.2015.

²⁴ Proctor, Tony. (2000) Strategic marketing: an introduction, Routledge ISBN 0-203-46005-7, pp. 232

the value proposition). An effective marketing program includes each of four elements into an integrated marketing program designed to achieve the company's marketing objectives.

1.3 Marketing Strategies

Based on the opportunities and threats, the potential of the company, as well as the competitive environment, that is, based on study of all elements of marketing strategy, an overall marketing strategy of the firm can be developed. It can be represented by one or a combination of strategies. In general, there are several most common types of strategies.

1.3.1 Growth Strategies

The most common strategies are the growth strategies that reflect four different approaches to the growth of the company and are associated with a change in status of one or more of the following elements: product, market, industry, the position of the company within the industry, technology²⁵. Each of these elements can be in one of two states - existing or new. These types of strategies include the following groups:

1. Intensive growth strategy is associated with changes in the product and (or) market when the firm is trying to improve existing businesses, improve product or begin to produce a new one, without changing the industry, and is looking for opportunities to improve position on the existing market or move to a new market. In principle, a company can innovate in products and/or innovate in markets. Four alternative strategies emerge from combining these two options, which can be integrated into Ansoff's Product-Market Growth Matrix²⁶:

1) The company first considers whether it could gain more market share with its current products in their current markets, using a market-penetration strategy. The company concentrates on markets already served and products currently being offered. This strategy thus exhibits the lowest degree of innovation.

2) Next it considers whether it can find or develop new markets for its current products, in a market-development strategy. The company's established products are marketed in new geographic markets (internationalization), in new market segments or by establishing new sales channels.

3) Then it considers whether it can develop new products of potential interest to its current markets with a product-development strategy. This strategy focuses on developing products in the same markets the company is already catering to.

²⁵ Ansoff Matrix. (2014) Available: <http://www.free-management-ebooks.com/faqst/ansoff-01.htm>. Last accessed 24.03.2015.

²⁶ Ansoff Product-Market Matrix. (2011). Available: https://vpofstrategy.files.wordpress.com/2011/11/vpos_ansoff_matrix_nov_2011.pdf. Last accessed 13.03.2015.

4) Later the firm will also review opportunities to develop new products for new markets in a diversification strategy. New products are offered in markets where the company had no presence before. This strategy exhibits a high degree of innovation.

The Product-Market Growth Matrix has important strategic implications. First, it formulates different growth strategies along the line of an innovation orientation. Second, the concept illustrates the risks inherent in the different strategies. Market penetration has a low risk, product development and market development have an intermediate level of risk, and diversification is a risky strategy. Third, the matrix can also be regarded as a portfolio of strategies and, in line with the basic idea of a portfolio, the notion of a balanced Product-Market Growth Matrix should be emphasized. No company can survive by pursuing only market penetration as the Product Life Cycle Model indicates that products will eventually reach maturity. Companies need to innovate in products and markets and – consequently – in both to survive in the long run. In order to do so, companies need a strong focus on innovation orientation.

These intensive growth strategies offer several ways to grow. Still, that growth may not be enough, and management must look for integrative growth opportunities.

2. Integrative growth strategy is associated with the expansion of the company by adding new structures. A business can increase sales and profits through backward, forward, or horizontal integration within its industry. In both cases, position of the company within the industry changes.

3. Strategies of diversification growth are implemented in case the company cannot develop further on this exact market with this exact product within the given industry. It is a case when good opportunities exist outside the present businesses—the industry is highly attractive and the company has the right mix of business strengths to succeed.

4. Strategies of downsizing and divesting older businesses are realized when the firm needs a regrouping after a long period of growth or in connection with the need to improve the efficiency when there are recessions and radical changes in the economy, for example, restructuring, etc. This allows company to release needed resources for other uses and reduce costs. Under certain circumstances, use of this strategy cannot be avoided, or sometimes it is the only possible strategy for the renewal of business.

1.3.2 Porter's Generic Strategies

Michael Porter believes that there are three main areas of strategy development of firm behavior in the market (a strategy of competitive advantage).

1. Overall cost leadership strategy is related to the fact that the company achieves the lowest production and distribution costs. As a result, it can underprice competitors and win market share due to lower prices for the same product. Maintaining this strategy requires a continuous search

for cost reductions in all aspects of the business. To be successful, this strategy usually requires a considerable market share advantage or preferential access to raw materials, components, labor, or some other important input. Without one or more of these advantages, the strategy can be easily mimicked by competitors. This marketing strategy should not be heavily used.

2. Differentiation strategy is the case when the company does not tend to work on the whole market with one product, but it works in a well-defined segment. Differentiating the product offering of a firm means creating something that is perceived industry wide as being unique.

The specialty can be associated with design, brand image, technology, features, dealers, network, or customer's service. Differentiation is a defensible strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers. Buyer's loyalty can also serve as entry barrier-new firms must develop their own distinctive competence to differentiate their products in some way in order to compete successfully.

3. Focus strategy is the strategy when the firm concentrates on selected few target markets. The company tries to become a leader in the manufacturing of its products, carries out highly specialized manufacturing and marketing. Firms that implement this type of strategy should have a high potential for research and development, have high-end designers, excellent system to provide high quality products as well as a developed system of marketing. The purpose of this strategy is to better meet the needs of selected target market segment than the competition. Such strategy may be based on differentiation and cost leadership, but only within the target market segment. The firm typically looks to gain a competitive advantage through effectiveness rather than efficiency. Focus strategy allows achieving high market shares in the target segment, but always leads to a small fraction of the overall market²⁷.

1.3.3 Competitive Strategies

The roles played by firms in an industry can be classified into market leader, market challenger, market follower or market nicher. A firm can gain further insights about its competitors and design more effective competitive strategies by identifying its role and that of its competitors.

1. Market Leader. It is common in many industries to have one firm with a dominant market share. This firm is the market leader in terms of prices, new product introductions, distribution coverage, and promotional spending. Competitors typically challenge, imitate or avoid the leader. Leaders want to continue being the number one firm in their industry. Their typical approach is to attempt to expand total market, protect their current market share, or grow their market share.

²⁷ Kotler, Philip. (2012) Marketing management/Philip Kotler, Kevin Lane Keller. — 14th ed. Pearson Education, Inc. ISBN 978-0-13-210292-6, p.61

2. Market Challenger. Firms that trail the market leader can be either a market challenger or a market follower. A market challenger aggressively tries to expand its market share by attacking the leader, other similar firms, or smaller competitors. However, before embarking on an attack, market challengers need to define their objective and whom they will attack. Attacking the market leader is risky, but the payoff could be excellent if the leader is not doing a good job of serving its target market. Alternatively, challengers may choose to attack underperforming firms of similar size, which are not satisfying their customers appropriately, or to grow their market share by attacking/acquiring smaller firms (e.g. firms operating in local and regional markets)²⁸.

3. Market Follower. A market follower is a firm that decides not to attack the market leader or its competitors, usually out of fear that it stands to lose more than it might gain. Many firms prefer to be a follower than a challenger. Such behavior is very common in industries where there is little opportunity for product differentiation, service quality is often very much the same, price sensitivity is high and market shares are very stable. Under these circumstances, most firms present the customer with the same or very similar products, usually by copying the leader. To survive, a market follower must know how to hold on to its current customers and how to win new ones. Such firms aim at peaceful coexistence on the market and agree with existing market sharing among companies²⁹.

4. Market Nicher. Instead of being a market follower in a large market some firms choose to be the leaders in a small market, or market “niche” that does not attract the attention of the larger firms. The goal is to become a major player in a particular segment. The key to being a successful market nicher is specialization, which can be focused on: the end-user (specializes in serving one type of final customer), the customer size (concentrates in selling to small, medium or large customers), specific customers (limits its offer to one or a few major customers), a geographic area (sells only in a certain place, region, area), a product or product line (produces or carries only one product or product line), the quality-price ratio (operates at the low or at the high quality end of the market), the service (offers services not available from other firms), the channel (serves only one channel of distribution), etc.

Market nichers can get to know their customers well enough to meet their needs much better than competitors while making a high profit margin. However, to increase their survival prospects, market nichers need to be strong in two or more market niches.

²⁸Gilligan, C., Wilson, R.M.S. (2009) Strategic Marketing Planning – 2nd edition. Taylor & Francis. ISBN-13: 978-1856176170, p.455

²⁹Market Dominance Strategy. (2011). Available: <https://smartamarketing.wordpress.com/2011/03/28/market-dominance-strategy/>. Last accessed 19.04.2015.

The above types of marketing strategies coincide with the strategies of management as they are based on market research and determine the general direction of the company. Characteristics and analysis of different types of marketing strategies allow concluding that they are largely complement and repeat each other. Moreover, as a rule, companies develop and apply a particular combination of strategies taken from a large set of possibilities. Choosing of the most appropriate is carried out by a variety of methods based on the factors that affect the functioning and development of the company.

Development of marketing strategy is laborious process that requires significant time, ability to correctly analyze the situation and think creatively. This process begins with an analysis of external and internal environment and ends with an analysis of the effectiveness of the decisions taken. In the last step you need to know how difficult the planned actions are performed accurately, correctly and in time, but also how properly these activities were chosen to achieve this goal.

1.4 Evaluating Marketing Strategy

Strategy formulation frequently results in several alternative marketing strategies that can differ significantly or only gradually. It is therefore the company's task to evaluate the alternative strategies with regard to suitable criteria and select an alternative based on this evaluation.

Marketing strategies can be evaluated based on both qualitative and quantitative aspects. During the course of a qualitative evaluation of the various alternative strategies, several aspects have to be considered. The consistency of the marketing strategy is the first issue in this consideration, which concerns maintaining consistency to the company objectives as well as to other strategies that are deployed by the company (e.g. business unit strategies). A second aspect when evaluating a marketing strategy is its information basis. The core question here is whether the marketing strategy has a sufficient information basis or if parts of the strategy were formulated based on managerial 'gut feeling'³⁰.

An essential key aspect when evaluating a marketing strategy is an assessment of the strategy content. In this, the most important aspect is the extent to which the central strategic questions have been addressed adequately and to what degree those answers are feasible and useful. Furthermore, a marketing strategy should also be evaluated with regard to the feasibility of strategy implementation.

³⁰ Homburg, C., Kuester, S., Krohmer, H. (2008) Marketing Management: A Contemporary Perspective. McGraw-Hill Higher Education. ISBN-13: 978-0077117245, p.89

2. Used Car Program in Volkswagen Group “Das WeltAuto”

2.1 Introduction to VW Group

The Volkswagen AG (VAG) is the second largest car manufacturer in the world (behind Toyota) and the largest European car manufacturer³¹. In 2014, Volkswagen announced its global sales of 10.14 million vehicles having crossed the 10 million mark for the first time. This is an improvement of 4.2% in comparison to 2013 when it had sold 9.73 million units worldwide. In 2014, generated sales revenue of 202.5 billion euros. Volkswagen AG's sales reached 69.0 billion euros, and were up 5.2% on the previous year. Cost of sales increased to €65.3 billion. As a result, gross profit improved to 3.7 billion euros. Net income for the year was 2.5 billion euros.

Volkswagen was founded on 28 May 1937 as the Gesellschaft zur Vorbereitung des Deutschen Volkswagens mbH ("Society for the preparation of the German People's Car") by the Nazi Deutsche Arbeitsfront (German Labor Front). The purpose of the company was to manufacture the Volkswagen car, originally referred to as the Porsche Type 60, then the Volkswagen Type 1, and commonly called the Volkswagen Beetle. The company's production grew rapidly in the 1950s and 1960s, and in 1965, it acquired Auto Union, which subsequently produced the first post-war Audi models. Volkswagen launched a new generation of front-wheel drive vehicles in the 1970s, including the Passat, Polo and Golf; the latter became its bestseller. Volkswagen acquired a controlling stake in SEAT in 1986, making it the first non-German marque of the company, and acquired control of Skoda in 1994, of Bentley, Lamborghini and Bugatti in 1998, Scania in 2008 and of Ducati, MAN and Porsche in 2012. The company's operations in China have grown rapidly in the past decade with the country becoming its largest market.

Volkswagen AG is the parent company of the Volkswagen Group. It develops vehicles and components for the group's brands, but also produces and sells vehicles, in particular passenger cars and light commercial vehicles for the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands. As parent company, Volkswagen AG holds indirect or direct interests in Audi AG, Seat S.A., Škoda Auto a.s., Dr. Ing. h.c. F. Porsche AG, Scania AB, MAN SE, Volkswagen Financial Services AG and a large number of other companies in Germany and abroad³².

All brands in the Automotive Division – with the exception of the Volkswagen Passenger Cars and Volkswagen Commercial Vehicles brands – are legally independent separate companies. With its brands, the Volkswagen Group has a presence in all relevant markets around the world.

³¹ CNBC. (2015). Toyota remains top in global vehicle sales, beats VW, GM. Available: <http://www.cnbc.com/id/102354829>. Last accessed 5.03.2015.

³² https://en.wikipedia.org/wiki/Volkswagen_Group

Currently the key sales markets for the group are Western Europe, China, Brazil, the USA, Russia and Mexico.

Volkswagen AG and the Volkswagen Group are managed by Volkswagen AG's Board of Management. The Supervisory Board appoints, monitors and advises the Board of Management; it is consulted directly on decisions that have a fundamental significance for the company. The Group Board of Management, formed to support the work of the Board of Management, ensures that Group interests are taken into account in decisions relating to the group's brands and companies within the framework laid down by law. This body consists of the members of Volkswagen AG's Board of Management, the chairmen of the larger brands and selected top managers with group management functions. Volkswagen's strategic management is often conducted at group level by various committees. These committees, composed of representatives both of the relevant central departments and the corresponding functions in the company's business areas, cover, among other things, the following functions: product planning, investment, liquidity and foreign currency, and management issues. Each brand in the Volkswagen Group is managed separately by the respective a board of management, which ensures its independent development and its business operations. In addition to the interests of their own companies, each individual company management takes into account the interests of the Group and of the individual brands in accordance with the framework laid down by law³³.

The starting point for the Volkswagen Group's internal management is the medium-term planning conducted once a year. This covers a period of five years and forms the core of operational planning. It is used to formulate and check the requirements for realizing strategic projects designed to meet group targets in technical and economic terms. In addition, it is used to coordinate all business areas with respect to the strategic action areas concerned: functions/processes, products and markets.

When planning the company's future, the individual planning components are determined based on the timescale involved. The long-term unit sales plan sets market and segment growth, and then derives the Volkswagen Group's delivery volumes from them. The product program is the strategic, long-term factor determining corporate policy. Capacity and utilization planning is used for the individual locations.

The coordinated results of the upstream planning processes are the basis for the medium-term financial planning: the group's financial planning, including the brands and business fields, comprises the income statement, cash flow and balance sheet planning, profitability and liquidity,

³³ Volkswagen Aktiengesellschaft. (2015). Annual report 2014. p.52

as well as the upfront investments needed for alternative products and the implementation of strategic options.

The first year of the medium-term planning period is then fixed and a budget drawn up for the individual months. This is planned in detail down to the level of the operating cost centers. During the year, the budget is reviewed each month to establish the level to which the targets have been met. In the process, target and actual comparisons, prior-year comparisons, variance analyses and, if necessary, action plans to ensure targets are met, are crucial instruments within the management system. The focus of intrayear internal management is therefore on adapting ongoing operations.

Financial management at the Volkswagen Group covers liquidity management, currency, interest rate and commodity risk management, as well as credit and country risk management. It is performed centrally for all group companies by Group Treasury, based on internal directives and risk parameters. With regard to liquidity, the goals of financial management are to ensure that the Volkswagen Group remains solvent at all times and at the same time to generate an adequate return from the investment of surplus funds³⁴.

The Group operates 118 production plants in 20 European countries and a further 11 countries in the Americas, Asia and Africa. The Volkswagen Group employed an average of 583,423 people in 2014. Every weekday, employees worldwide produce vehicles and work in vehicle-related services or other fields of business. The Volkswagen Group sells its vehicles in 153 countries. The Group's goal is to offer attractive, safe and environmentally sound vehicles, which can compete in an increasingly tough market and set world standards in their respective class.

2.1.1 The Volkswagen Group Brands

The Volkswagen Group consists of two divisions: the Automotive Division and the Financial Services Division. The Automotive division comprises both the Passenger Cars Business Area and the Commercial Vehicles/ Power Engineering Business Area. The Financial Services Division, which corresponds to the Financial Services segment, combines dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings.

The VAG group markets twelve brands from seven European countries. It sells passenger cars under the Audi, Bentley, Bugatti, Lamborghini, Porsche, SEAT, Skoda and Volkswagen marques; motorcycles under the Ducati brand; and commercial vehicles under the MAN, Scania, and Volkswagen Commercial Vehicles marques. Each brand has its own character and operates as an independent entity on the market. The product spectrum ranges from motorcycles to low-

³⁴ Volkswagen Aktiengesellschaft. (2015). Annual report 2014. p. 102

consumption small cars and luxury vehicles. In the commercial vehicle sector, the products include ranges from pick-ups, buses and heavy trucks.

The Volkswagen Group is also active in other fields of business, manufacturing large-bore diesel engines for marine and stationary applications (turnkey power plants), turbochargers, turbomachinery (steam and gas turbines), compressors and chemical reactors. It also produces vehicle transmissions, special gear units for wind turbines, slide bearings and couplings as well as testing systems for the mobility sector.

1. Volkswagen Passenger Cars

Volkswagen Passenger Cars is a German automobile manufacturer. Established in 1937, Volkswagen is nowadays the top-selling brand of the Volkswagen Group. The factories for manufacturing or assembling vehicles for local markets are located in many parts of the world. Currently the company maintains facilities in 14 countries, where it produces vehicles for customers in 153 nations. The brand delivers innovative, responsible mobility to people worldwide.

During the year 2014, the Group's core brand presented a range of innovative and enhanced vehicles. This year the eighth generation of Passat was launched which is the Europe's most successful company car. The best-selling model Golf celebrated its 40th anniversary. Production began in 1974 and the model went on to lend its name to an entire market segment

Having produced 6.2 million vehicles in 2014, the brand sold 4.6 million vehicles, which is 2.6 % less than previous year. The reasons behind that include the declining market in South America and the deteriorating demand in Russia resulting from the crisis. The Volkswagen Passenger Cars brand's sales revenue reached 99.8 billion euros in the past year.

2. Audi

Audi is one of the world's leading manufacturers of premium cars and has been part of the Volkswagen Group since 1965. Today, the company makes vehicles ranging from compact to top-of-the range models. The production facilities include 11 plants in nine countries. In addition, the production will start in Brazil in 2015, and later in Mexico in 2016. The Audi brand includes the Lamborghini and Ducati brands. Lightweight construction, efficient drivetrains, connectivity and innovative assistance systems – Audi clothes its progressive technologies in clear lines and sporty design.

In 2014, the third generation of Audi TT was launched, and a range of new technological improvements was introduced in other models. There was a particularly strong demand globally for the A3 and A6 series, as well as the Q3 and Q5 SUVs.

The brand delivered 1.7 million vehicles in 2014, setting a new sales record. The recorded sales revenue was at the level of 53.8 billion euros.

3. Lamborghini

The Italian luxury sports car manufacturer Lamborghini has been part of the Volkswagen Group since 1998. Lamborghini continually rewrites automotive history with super sports cars such as the new Huracán. The distinctive features of the brand are an uncompromisingly sporty identity, extreme design and ultimate performance.

Lamborghini's production facility and headquarters are located in Sant'Agata Bolognese, Italy. In 2014, Lamborghini produced 2650 vehicles. The new Huracán model was well received by customers.

4. Ducati

The Italian motorcycle brand Ducati was founded in 1926 and has been part of the Volkswagen Group since 2012. Audi owns the brand through its Italian subsidiary Lamborghini, and both are owned by the Volkswagen Group. The company's reputation is based on its legendary racing triumphs. The Ducati name stands for motorcycles in a class of their own, with optimal performance, state-of-the-art technology and exciting design. It produces top-of-the-range motorcycles in Bologna. In 2014, Ducati produced 45339 motorcycles.

5. ŠKODA

Škoda has been a brand member of the Volkswagen family since 1994. In 2000, it became a wholly owned subsidiary, positioned as the entry brand to the group. ŠKODA's aspiration is clever solutions for everyday car journeys. The traditional Czech brand combines functionality and everyday practicality with high quality and timeless design.

This year was marked by global launch of the Fabia Combi and hatchback version at the Paris Motor show. The Rapid had its global launch just few years and is already the second most successful series after the Octavia. The ŠKODA brand is expecting to roll out its new corporate identity across its global dealer network by the end of 2015, and will further expand its range of models over the next few years. The aim is to emotionalize the brand.

ŠKODA set a new record for deliveries this year, selling more than one million vehicles worldwide for the first time. The brand produces seven series and the sales revenue in 2014 was recorded at the level of 11.3 billion euros.

6. SEAT

SEAT combines temperament and precision. The Spanish brand's vehicles radiate sheer enjoyment and impress with their technological perfection.

SEAT looks back on a history spanning over 60 years. A member of the Volkswagen Group since 1986, the Spanish carmaker has production locations in Barcelona, Martorell and Prat. With the Ibiza model still keeping positions as the bestseller, two other models expanded the successful Leon series in 2014 – Leon Cupra and Leon X-PERIENCE.

Both production and sales increased, resulting in 395 thousand produced and 501 thousand sold SEAT vehicles in 2014. Improved mix, volume and material costs had positive effect on earnings and as a result, the brand recorded sales revenue of 7.7 billion euros.

7. Bentley

Bentley Motors was founded by W.O. Bentley in 1919 and has been part of the Volkswagen Group since 1998. At its headquarters in Crewe, the English carmaker manufactures luxury cars that combine individual luxury, handcrafted perfection and powerful performance with cutting-edge automotive technology.

The launch of new models played a large part in the past year's sales success. A sporty Speed version of the Mulsanne flagship became available this year, and the Flying Spur along with the coupé and convertible versions of the Continental GT V8 S made their debut. Bentley brand also returned to motor racing in 2014, securing a historic victory at Silverstone, its first in the UK since 1930.

The US market was once again the largest single market for Bentley, followed by China. There was also growth recorded in Europe and the Middle East. With 11033 vehicles produced and 10930 sold, Bentley generated 1.7 billion euros of sales revenue.

8. Bugatti

For more than 100 years, Bugatti has been synonymous with aesthetic and technologically exceptional cars. Its super sports cars epitomize its quest for the perfect synthesis of art and technology. In 1998, the legendary brand became part of the Volkswagen Group. Since production started in 2005, the four Bugatti models – Veyron, Grand Sport, Super Sport and Vitesse are produced in the company's facility in Molsheim, Alsace. Bugatti's key values "Art, Form, Technique" come to life in its products. In the year 2014 the brand delivered 45 cars worldwide, which is two cars less than the previous year.

9. Porsche

Porsche is one of the best-known and strongest brands in the automotive world. It became a member of the Volkswagen Group in 2012. Porsche maintains own production sites in Stuttgart and Leipzig.

In 2014 the series production of Macan started, customer deliveries of the first Porsche 918 Spyder hybrid super sports cars began and the new generation of the Cayenne was launched at the Paris Motor show. A further highlight for Porsche was its return to top-flight motor sport in the World Endurance Championship after an absence of over ten years.

Current model range includes the Porsche 911, Boxster, Cayman, Cayenne, Panamera, Macan and 918. In addition to Western Europe, the company's key sales markets are the USA and

China. In 2014, company produced 203 thousand vehicles, sold 190 thousand and generated 17.2 billion euros of sales revenue.

10. Volkswagen Commercial

Over 60 years ago, the Volkswagen plant in Hanover had started the production of the first transporters. Nowadays the brand positions itself as a customer-centric mobility service provider offering a unique variety of passenger and goods transport and mobility solutions, tailored to the needs of different customers and sectors. The brand's light commercial vehicles offer highly flexible and cost-effective performance for everyday driving.

This year the brand announced the market launch of the new generation of T series for the following year. In addition, the e-load up! was launched in the market as a small commercial vehicle suitable for daily delivery use in urban environments.

The vehicles are produced in Hanover and Poznan, and the company's goal is to start production at a new Volkswagen Commercial Vehicles plant in Poland from 2016.

11. Scania

Scania was one of the first companies in the world to make commercial vehicles and has been a member of the Volkswagen Group since 2008. This long-standing Swedish brand manufactures heavy trucks, buses, industrial and marine engines at nine production sites in six countries. Scania trucks, buses and engines offer maximum efficiency and absolute reliability. The premium brand in the commercial vehicle segment stands for high cost effectiveness and comprehensive service.

In 2014 Scania presented unveiled several new variants of its comprehensive range of Euro 6 engines. The brand continues to focus on providing complete packages tailored to meet customers' transport business requirements.

In 2014, Scania delivered over 82 000 commercial vehicles to customers in more than 100 markets. The sales revenue for products and services was at the level of 10.4 billion euros. During the year, there was a significant growth in the Asian markets, and sales doubled in the Middle East. At the same time, the sales dropped in some other regions, especially South America and Russia.

12. MAN

The MAN Group is one of Europe's leading industrial players in transport-related engineering. Technological expertise in transportation and energy is a characteristic of all MAN products, from trucks to buses, from large-bore engines to turbomachinery. Its divisions hold leading positions in their respective markets.

MAN has been in business for over 250 years. In 2011, Volkswagen increased its equity interest in MAN SE the 55.09% of the voting rights and 53.71% of the share capital and therefore consolidated another successful brand in the Group. In April 2012, MAN SE announced that

Volkswagen had increased its interest to a 73.0% voting stake and 71.08% of the share capital. In June 2012, Volkswagen AG announced that it had increased its share of voting rights in MAN SE to 75.03%

In 2014, MAN launched new technologies to reduce fuel consumption in commercial vehicles and marine engines. The new TGX D38 truck and the natural gas-powered Lion's City GL CNG articulated bus were well received at the IAA Commercial Vehicles show. The 175D high-speed engine was unveiled at the SMM maritime trade fair in Hamburg. The MAN brand produced 116 thousand commercial vehicles, and received 14.3 billion euros of sales revenue in 2014.

13. Volkswagen Financial Services

Volkswagen Financial Services' portfolio of services covers dealer and customer financing, leasing, banking and insurance activities, fleet management and mobility offerings in 51 countries. Volkswagen Financial Services AG is responsible for coordinating the group's global financial services activities, the only exceptions being the Scania and Porsche brands, and the financial services business of Porsche Holding Salzburg. The principal companies in this division in Europe are Volkswagen Bank GmbH, Volkswagen Leasing GmbH and Volkswagen Versicherungsdienst GmbH. VW CREDIT, INC. operates financial services activities in North America. (Volkswagen Aktiengesellschaft. (2015). Annual report 2014. P. 44)

In 2014, Volkswagen Financial Services AG continued its internationalization trajectory: the Volkswagen Financial Services South Africa joint venture started operations in spring and is responsible for the development of automotive financial services within the Volkswagen and Audi dealer networks in the South African market. Volkswagen Capital Advisory, a wholly owned subsidiary of Volkswagen Financial Services AG, offers vehicle financing and insurance in Malaysia since last autumn.

The core elements of financial services provider's funding strategy are diversification of the instruments used and the broadest possible local funding. On this basis, money market and capital market instruments, asset-backed securities (ABS) transactions and customer deposits in particular are used for funding.

Last year Volkswagen Financial Services generated record results. This success was reached by close cooperation with Volkswagen Group brands, growth in the existing markets and international expansion. In addition, the product portfolio was expanded. The company employed 12,821 people globally, including 6,248 in Germany.

The number of new financing, leasing, service and insurance contracts signed in 2014 was 4.9 million and at 12.4 million, as a result the total number of contracts set a new record. Generated

sales revenue reached 22.1 billion euros. This year, as in previous ones, Volkswagen Financial Services continued to make a significant contribution to Group earnings.

2.1.2 Strategy 2018

The Volkswagen Group aims to increase its unit sales and profitability for the long term. Furthermore, its Strategy 2018 focuses on positioning the Volkswagen Group as a global economic and environmental leader among automobile manufacturers. The company has set four goals that aim to help Volkswagen fulfill the strategy by 2018:

1) Volkswagen intends to deploy intelligent innovations and technologies to become a world leader in customer satisfaction and quality. High customer satisfaction is seen as one of the key requirements for the company's long-term success.

2) The goal is to generate unit sales of more than 10 million vehicles a year; in particular, Volkswagen intends to capture an above average share of growth in the major growth markets.

3) Volkswagen's aim is a long-term return on sales before tax of at least 8% to ensure that the group's solid financial position and ability to act are guaranteed even in difficult market periods.

4) Volkswagen aims to be the most attractive employer in the automotive industry by 2018. To build the best vehicles, the best team in the sector; highly qualified, fit and, above all, motivated is required.

The company focuses in particular on the environmentally friendly orientation and profitability of vehicle projects. The group's activities are primarily oriented on setting new ecological standards in the areas of vehicles, drivetrains and lightweight construction.

In addition, to continually expand the customer base the plan is to further increase satisfaction among existing customers and acquire new, satisfied ones around the world, particularly in the growth markets. In order to ensure this, the products are being increasingly adapted to meet local requirements and focusing on the specific features of individual markets.

The success that comes from outstanding performance and participation in its rewards are the core of human resources strategy. All employees from vocational trainees through to senior executives must consistently deliver excellence to ensure the quality of the Volkswagen Group's innovations and products for the long term and at the highest level.

The Volkswagen Group's internal management is based on seven core performance indicators, derived from the goals set out in Strategy 2018: deliveries to customers, sales revenue,

operating profit, operating return on sales, capex/sales revenue in the Automotive Division, net cash flow in the Automotive Division, return on investment (ROI) in the Automotive Division.³⁵

2.2 Used Car Business

The used car business is the fourth key source of income in the company's dealer organization after the new car, services and parts businesses. To ensure the profitability of the used car business Volkswagen provides efficient processes and systems and highly qualified employees, as well as clear guidelines and management tools.

The focus on professional used car management exists at both the wholesale and retail levels. Customer-centric financial services are the basis for attractive product packages. In addition, the company strengthened its proprietary used car brands and rolled them out internationally to ensure that the offerings meet customer needs. Cross-brand activities allow implementing examples of best practice throughout the group, benefiting from economies of scale and leveraging synergies.

Volkswagen established and standardized processes for used cars at all distribution levels, enhanced and increasingly harmonized the underlying IT infrastructure, and introduced uniform management performance indicators.

Considerable importance to stable residual values is attached to ensure long-term success in used car business – and this is as well in the interest of the group's customers. There are set up system-based reporting functions for this purpose.

2.2.1 Used Car Program “Das WeltAuto”

The used car business is conducted under the brand name of Das WeltAuto. Das WeltAuto - the world car - is a pre-owned vehicle brand of Volkswagen Group launched worldwide in 2010, and has now succeeded in providing consumers with one-stop pre-owned vehicle purchasing experience in 24 countries. The 24 markets all around the world where Das WeltAuto is currently implemented cover about 73% of Volkswagen focus markets. It is not only a first-class pre-owned vehicle brand, but also a complete system that allows consumers to fully experience German top technology, Volkswagen Group's standardized process, systematic aftersales solutions, and worry-free quality warranty. The aim is to increase the quality of sale of used cars to the level of the trade with new vehicles. Das WeltAuto has the potential to fulfil the various wishes of all customers, which should be supported by the new standards and visions based on the successful operation

³⁵ Volkswagen Aktiengesellschaft. (2015). Annual report 2014. p. 51

The programme allows customers not only to buy certified used cars, but also to sell them. Das WeltAuto dealerships trade in car models from all manufacturers and are not be restricted to Volkswagen car lines.

All the cars under the Das WeltAuto brand go through over 140 checks before being offered to the customers. Before any car is approved for sale, there is a workshop and test drive inspection carried out by a group of Volkswagen trained technicians. Any faults identified are fixed using Volkswagen Genuine Parts. Only then, a car can be part of the used car programme.

Das WeltAuto provides independent vehicle history and mileage tests, guarantees the verified origins of the car. In addition, company verifies that there are no outstanding finance arrangements on the car, and that the mileage is correct.

All Volkswagen approved used cars come with at least a 12-month Volkswagen warranty. This warranty gives customers protection from any unexpected cases that may arise. Furthermore, all approved used cars come with a minimum 12 months Volkswagen Roadside Assistance. This includes breakdown and recovery services all year, at home or on the roadside with no limit on call outs³⁶.

Das WeltAuto provides its clients with a right of exchange, which is the right to exchange the purchased used car for another of the same price, as long as the vehicle is returned in the same condition as when collected within 3 days after purchase with a maximum mileage of 500 km.

In addition to used car requirements, every dealer has to meet strict standards to be part of Das WeltAuto programme. The standards include standards for the sale, additional services and appearance of the floor space. The standards are reviewed every year in order to constantly provide improvements in the field of the sale of used cars.

Das WeltAuto operates mostly in European countries. The main markets include Spain, France, Poland, Italy, Switzerland, Austria, UK, Germany, Sweden, Slovakia and Czech Republic. In addition to those, the biggest non-European markets include China, Russia and India. Each country has a great customer base for new as well as used cars.

2.2.2 Used Car Market Overview

Europe (EU28) has a population of 507 million and a park of around 252 million passenger cars, 212 million of them in Western European countries. New passenger cars registration numbers showed that in Europe the best-selling car brands in 2014 were Volkswagen (12.5% market share), Ford (7.3%), Opel (7.1%), Renault (6.7%) and Peugeot (6%). However, in used cars segment, buyers were more interested in BMW (14.7%), VW (12.1%), Mercedes Benz (11.7%), Audi

³⁶ Volkswagen. (2015). Used Car Package: Volkswagen UK. Available: <http://www.volkswagen.co.uk/used/our-programme>. Last accessed 15.03.2015.

(11.6%) and Opel (4.4%). Interestingly, only Volkswagen was close to the same market share for both new and used cars³⁷. Europe's new car sales in 2014 were up 5.7% to 12.5 million cars. On the other hand, overall European used car volumes were higher than EU new car sales. The six biggest used markets – UK, Germany, France, Italy, Spain, Netherlands, alone, accounted for nearly 26 million used car sales in 2013. Germany alone provides almost 47% of all export of second-hand cars. Italy and UK both reach almost 20% of all used car export. At the same time Germany, UK and France are the top three markets for used car dealers.

With more than 40 million title transfers annually, the European used-car market has a potential of 40 billion euros. A seller can earn an additional 31,000 with each car, in the result of customers who are willing to pay more for vehicles in which they can place their trust.

Taking a closer look at the biggest European used car markets, UK used car sales recovered from the recession, reaching 7.4 million again in 2013. Germany's used car volumes has followed a same positive growth as the UK in recent years, rising steadily after recession to 7.1 million units, keeping its second position in the European biggest used car sales markets. Despite long-term economic difficulties in both countries, French and Spanish used car sales have experienced a relatively positive growth lately. Italian used car volumes went up to 2.5 million over the past two years³⁸.

Although the UK has a used-new ratio that equaled 3.3:1 in 2014, as new car sales outpaced the rise in used car volumes, it still leads all other EU major markets. France's figure was at the level of 3.0:1 last year, the result of relatively flat used car sales compared to a marked drop in new car volumes. In Germany used-new ratio rose for the second year to 2.4:1, reflecting a fall in its new car volumes in comparison with a rise in used car sales. Italy's and Spain's ratios remained at 1.9:1 and 2.3:1 respectively, as new and used car volumes followed a similar pattern last year³⁹.

United Kingdom

In the UK, the majority of vehicles sold in 2013 of the age up until 6 years was registered to private people. Used cars were mainly bought as a replacement. Generally, used car owners are used to purchasing used cars. In case of 79% of current Volkswagen used car owners, their previous car was a used car, too. In case of Audi the number was around 68%, for Škoda the percentage reached 75%.

³⁷ Henk Bekker. (2015). 2014 Europe: Most-Popular Used Cars and Colors. Available: <http://www.best-selling-cars.com/europe/2014-europe-popular-used-cars-colors/>. Last accessed 22.04.2015.

³⁸ British Car Auction (2015). The BCA Used Car Market Report 2014, The University of Buckingham Business School Centre for Automotive Management. p.49

³⁹ British Car Auction (2015). The BCA Used Car Market Report 2014, The University of Buckingham Business School Centre for Automotive Management. p.53

Compared with other brands of VW group, Audi owners paid the highest average purchase price for their used vehicle. While most used car owners had a used car before, 33% of Audi owners had a new car before they bought a used one. In terms of trading in their previous cars, only 38% of Volkswagen used car owners traded in their previous car, while the majority of Škoda owners did so, which was about 59% of clients. Approximately a quarter of the current Audi, Volkswagen and Škoda used cars had more than one previous owner.

For 88% of buyers, the purchased used car was used as the only or most important car in the household. For the owners of Audi this number was even higher - 94%. In addition to that, 25% of Volkswagen and Audi used cars were bought in addition to another car or as the replacement of the previous one. Regardless of the purchase reason, roughly 40% bought a 3 to 6 year old used car.

Authorized dealers, family or friends and daily papers or magazines represented the main offline information sources. For used car owners of all competitive makes the used car department of authorized dealers was the main information source. As for the online searches, the most powerful ones were internet search engines, websites of authorized dealers and manufacturers for both new and used cars.

Regardless of the brand, visiting the used car showrooms of authorized car dealers was one of the most frequently used information source even when the actual purchase took place from elsewhere. In fact, 45% of the used car owners who finally bought their vehicle from an independent dealer did also visit the used car showroom of authorized dealers in order to gather information.

In 2012, the majority of clients considered authorized car dealers as a purchase source. In fact, about 80% of the Audi and Škoda owners and intenders considered an authorized dealer of their current brand as a source of purchase. However, authorized dealers of a different brand and independent dealers also showed a high extent of interest from the clients.

Authorized car dealers received a high acceptance level among used car buyers for vehicles of six or less years - 85% of those who purchased at an authorized dealer of their present make preferred a dealer of the same brand for their next car purchase. However, authorized used car dealers were also facing potential for losses: 36% buyers preferred independent used car dealers or bigger centers, 28% considered buying from private.

During the purchase process of current vehicle, the clients not only considered buying alternative brands, but overall 65% of all Volkswagen used car drivers who also considered a new car considered a new Volkswagen. For 40% of all Audi used car drivers, who also considered another used car, BMW was an alternative brand. For all SEAT used car drivers, who also considered a new car, Ford was a strong alternative reaching 53% of clients. The majority of Škoda

used car drivers considered other cars of this brand as an alternative, new as well as used ones. Furthermore, the majority of Volkswagen, SEAT and Škoda used car owners specifically decided on their make and/or model.

Besides BMW, Toyota and Ford, Audi used car owners were very determined towards the place of their purchase. The sales person at authorized dealers often was the decisive factor for the customers, while when buying from independent or private dealers these factors were mostly price and conditions. At the same time, 85% of customers who bought at authorized dealers of the present brand considered the same purchase source again, which shows high loyalty. In case of replacement of the current car, especially Audi, used car owners tend to consider buying the same brand again.

When customers turn to authorized used car dealers, they are driven by certain reasons and expect certain benefits or guarantees that are the outcome of such choice. The most important criteria that make customers prefer the authorized dealer include trustworthiness of the dealer, used-car guarantee, trade-in of the previous car, variety of cars to choose from the possibility of test-driving was the most important criteria.

Germany

Germany is Europe's number one automotive market in production and sales terms; accounting for over 30 percent of all passenger cars manufactured and almost 20 percent of all new registrations. German OEM market share in Western Europe was more than 51 percent in 2013.

German market analysis showed many similar results as the UK market. A vast majority of the owners of used cars were private people. Comparison of purchase price showed that BMW, Audi and Mercedes used car owners paid the highest average purchase price for their used car. About half of the Volkswagen, Audi and Škoda used cars were completely paid by cash, which in average is a higher level than in the UK.

The biggest amount of traded in cars among all major brands belongs to Audi - 57% of the Audi used car owners traded in their previous car, whereas only 36% of the Volkswagen owners did so. The purchased used cars were used as only or most important car in the household for 81% of customers. In addition, 73% of the used cars purchased were bought as a replacement, especially used Opel and Renault models.

A major difference from the British market is that Peugeot/Citroën, Audi, Škoda and BMW cars mainly had only one previous owner at the time of purchase. Most used car owners had a used car before; but 42% of the Audi used car drivers owned a new car before they bought a used one.

In terms of information sources, the trends among all markets are relatively the same. In the offline sources, list the leaders were authorized dealers, family or friends and papers or

magazines. While searching online customers mostly used websites of independent car brokers, manufacturers and authorized dealers. For information about used cars, customers mostly turned to the used cars authorized dealers both online and offline.

A very important fact is that 71% of all Volkswagen used car drivers and most Škoda used car owners who also considered buying a new car considered a new Volkswagen. In case of Audi the numbers are different, as 44% of all Audi used car drivers who considered a used car as next vehicle, BMW was an alternative brand.

Interestingly, Mercedes, Škoda and Volkswagen used car owners searched and evaluated the most. Similarly, BMW and Mercedes used car owners mainly selected on brand or model, for Opel setting a price limit was very important. In case of replacement of the current car, Audi and VW used car owners intended to buy the same brand again.

The reasons in favor of buying from authorized dealer included good service performance and salespersons. The main criteria for the authorized car dealers was attractive price-performance ratio. Others included trustworthiness of dealer, possible test drive, broad variety of used cars and quality seal. In general, premium brands performed a little better than volume brands regarding service and customer relationship.

France

Similarly to most markets, the main customer base for used cars consists of private clients. On the other hand, the amount of trade ins in France is relatively low, resulting in 38% of Audi used car owners, and even smaller number of only 15% of Volkswagens. Moreover, the majority of Audi used cars were the only or most important car in the families. For other brands, the result was a lot lower.

On average, 79% of all used cars were purchased as a replacement vehicle, but only 66% of Volkswagen vehicles. In this market, current Volkswagen, Audi and SEAT used cars had more often two previous owners compared with French brands. Besides. Only a very small fraction of current used car owners had a new car before.

The sources of information used for research are practically similar to other markets. Once again, they include authorized dealers offices, family or friends, daily papers or magazines, internet search engines and used car offers from authorized and independent car brokers.

In the process of making choice, all Volkswagen used car drivers who also considered a new or another used car Volkswagen was the first alternative. The same results came from Audi clients. On the other hand, the main competitor of SEAT in this case appeared to be Citroën. At the same time, SEAT seems to have been the most successful brand in terms of spontaneous purchases.

Considering the purchase from authorized dealer, the sales persons and service performance aspects appeared to have been key success factors, while it was price and conditions when buying from independent dealers or private persons. In general, customers who previously used the authorized dealers' services of their current car brand tended to show more customer loyalty. Consequently, loyalty in general was lower in cases when purchase of the future vehicle was planned via internet. As for brand loyalty, the French customers showed a rather high level of loyalty in case of replacement of current car, especially the Audi owners. Although there was still a certain percent of customers willing to try other brands.

An attractive price-performance ratio along with attractive price-performance and trustworthy sales people were the most important criterion for customers. An important factor is that less than a half of Volkswagen sales people offered and explained the used car program of their brand to the customers. For Audi the number is even lower. At the same time, Das WeltAuto was mainly known from television and from visits of authorized dealers.

Italy

As stated before, the most part of used cars are traded to private clients. Especially for SEAT brand, the number of cars sold to private persons is very close to one hundred percent. Audi used cars appeared to be the most expensive Volkswagen brand, but still the prices are lower compared to BMW and Mercedes. The terms of payment for the cars vary, although the tendency to pay for the car completely by cash is widely spread.

The opportunity of trading in their previous car is not often used by Italian customers, although the Audi owners are more likely to do that. On average, 77% of the current used cars were either the only or the most important car in the family.

Audi appears to be the most popular car bought for replacement, followed by Mercedes, Škoda and BMW. The majority of all purchased used cars regardless of the make only had one previous owner. Most cars that tended to have had more than three owners were the SEAT cars. On average, 39% of current used car owners had a new car before, although this number differs between brands.

Information sources traditionally include authorized dealers, family and friends, daily papers and magazines along with Internet search engines and websites of authorized dealers. The used car department of authorized dealers was often visited before making a purchase in any point of sales.

In both cases of considering a new or an old car, majority of Audi used car owners thought of the same brand as an alternative vehicle brand. This number is considerably smaller for Volkswagen. For all SEAT used car drivers, who also considered a new car, Fiat and Alfa Romeo

were the main alternatives. Škoda also experienced a low level of customer loyalty, as customers often considered Fiat as the replacement.

Audi, SEAT and Škoda owners were more likely to use the services of authorized dealer than Volkswagen drivers, although around 69% of Škoda owners considered buying from private person. Once again, the clients of authorized dealers were very likely to turn to them again in the future, demonstrating high customer loyalty.

Those who planned to replace their current car, especially Audi used car owners would most likely buy the same brand again. Attractive price-performance ratio was the most important criterion for the customers. In addition to that, the customers also paid attention to the offer of a used car guarantee, possibility to barter the purchased car and trustworthiness of car vendor.

Spain

The clear majority of all vehicles was registered to private people. Audi was the most expensive Volkswagen used brand, with 58% of Audi used car owners completely paying their car by cash, while only 28% of Škoda used car owners did so.

Less than half of clients traded in their prior vehicle, although it was more common for Škoda vehicles. Most of the used cars were the only or the most important cars in the household. Volkswagen, Audi and SEAT used cars were bought more often as replacement, whereas Škoda was more often purchased as additional car.

Most used cars regardless of the brand only had one previous owner with Škoda being an exception. This brand more commonly had three or more previous owners. In addition, SEAT used car owners had more often a used car before (70%) than Volkswagen (61%) and Audi (60%) used car owners.

Not surprisingly for Italy, visiting the used car showrooms of authorized car dealers and talking to colleagues/ acquaintances/ family/ friends were the most frequently used information sources. The online sources mostly consisted of Internet search engines and websites of authorized manufacturers and dealers.

For all Volkswagen and Audi used car drivers who also considered a new or another used car the Volkswagen or Audi cars respectively were the first alternative brands. At the same time, for SEAT, Citroën and Ford were strong alternatives while Škoda owners considered Citroën.

An attractive price-performance ratio and the offer of a used-car guarantee were the most important criteria for authorized points of sale. The sales person at authorized dealers often was the key decisive factor, while it was price and conditions when buying from independent dealers or private persons. In case of replacing the current car, especially Škoda used car, owners would most likely buy the same brand again. In addition, a considerable number of VW used car owners were interested in purchasing the new car at an authorized dealer of the same brand.

China

Looking at non-European markets, the two other are China and Russia. Chinese market is slightly different in terms of the mentioned previously indicators. All the used cars sold in China were sold only to private persons. The cars sold in China are produced by FAW-Volkswagen Automobile Co., Ltd. It is a joint venture between FAW Group and Volkswagen Group, which manufactures Audi and Volkswagen marque passenger cars for sale in China. Ownership of the company is FAW - 60%, Volkswagen AG - 20%, Audi AG - 10%, and Volkswagen (China) Invest - 10%. FAW-VW Audi used car owners paid the highest average purchase price for their used car compared with all other brands. Over a half of customers paid for the FAW-VW Volkswagen used car by cash, while less than a half of FAW-VW Audi buyers did so.

At the same time in average only 33% traded in their prior vehicle, almost half of FAW-VW Audi used car owners did so. From all the brands, Audi used cars were bought more often as replacement. The majority of all purchased used cars, not just Volkswagen, but from all the brands, only had one previous owner.

The information resources included authorized dealers and independent used-car dealers. As for online services, the potential customers tended to use Internet search engines and websites of car manufacturers and independent dealers.

FAW-VW Volkswagen used car drivers considered their own brand as first alternative, followed by Guangqi Honda. For Audi owners the same brand was the main alternative in this case. The price and conditions often were decisive factors when buying from independent dealers or private. At the same time for authorized dealers, quality as a purchase reason was mentioned more often. The customers, who once bought a used car from authorized dealer, had a very high loyalty, meaning they would almost definitely use the service of the same dealer next time.

The most important requirements for the used car department of authorized dealers were a broad variety of used cars, an attractive price-performance as well as the possibility to barter.

Russia

In Russian market, almost all the purchased cars aged less than 6 years were registered to private people. A difference of this market was that all VW Group brands' used car owners paid a higher average purchase price for their used car compared to the overall average. In addition, the amount of cash payments in the country is relatively high. On the other hand, over all brands, including Volkswagen brands, an average of 29% of customers traded in their prior vehicle.

Majority of Volkswagen used cars were bought as a replacement of the previous car. Besides, most of them had a used car before. More than half of the customers with no previous vehicle bought a 3 to 6 year old used car. In addition, the majority of all cars over all brands had no more than one previous owner.

The offline sources of information in the country were scaled differently, with family and friends occupying the first position, followed by daily papers, magazines, private used car providers and authorized dealers. The most popular online sources were used car offers from independent car brokers and internet search engines. For the majority of all used car owners the purchase process was rather a process of an extended search and evaluation than a spontaneous decision, with certain price limit as the most important selection criterion for almost all competitive brands.

For all Volkswagen owners the same brand was the most popular alternative for either new or used car. At the same time for Škoda drivers, the first alternative was Ford, than followed by Škoda. In case of replacement of the current car, especially Volkswagen used car owners would most likely buy the same brand again.

An attractive price-performance ratio and a broad variety of used-cars along with the quality were the most important criteria for used car divisions of car dealers. A very important feature of Russian market is that many potential customers prefer purchasing cars from a private person.

Overall, analyzing the results of Volkswagen AG after year 2014 it is clear that the business development in the period has been positive. The group increased deliveries to customers and maintained its market position in 2014, despite the persistently challenging environment. Volkswagen Group delivered more than ten million vehicles to its customers for the first time in 2014, reaching the defined Strategy 2018 target four years earlier than planned. The sales in the diverse automotive markets went up by a total of 4.2%. Sales revenue, operating return on sales and as the result operating profit were all up year-on-year.

The Volkswagen Group has a worldwide market presence thanks to its numerous brands. The market as a whole grew by 4.5% last year, meaning that the Group's share of the global market increased to 12.9%. The Volkswagen Passenger Cars (+1.6%), Audi (+10.5%), ŠKODA (+12.7%), Bentley (+8.9%), Lamborghini (+19.3%) and Porsche (+17.1%) brands recorded their best ever delivery figures. For the first time, Volkswagen Passenger Cars sold more than 6 million vehicles and ŠKODA's sales exceeded 1 million units. Demand for Volkswagen Group passenger cars grew fastest in the Asia-Pacific region and in Western Europe, with China recording the highest absolute increase.

The Volkswagen Group expanded its model portfolio in many key segments. The Group's vehicles now includes around 335 attractive and environmentally friendly models of passenger cars ranging from small cars to super sports cars, commercial vehicles ranging from pickups to heavy trucks and buses and motorcycle models, as well as their derivatives. In addition, there is

also the widest range of electric vehicles and plug-in hybrids. The goal is to continue moving into unoccupied market segments that offer profitable opportunities.

The used car business has also been particularly successful this year, and it will remain an economically important market. For both, car manufacturers and dealers, it is essential to achieve and maintain a sustainable competitive advantage in used car markets, as it can provide them with significant profits and help them promote brands and company image.

3. Marketing Strategy of Das WeltAuto Program

The used car business is of strategic relevance – every year the amount of sold used cars is times bigger than new car sales. Consequently, this market represents huge opportunities for any company to generate profits and expand its business. Moreover, different markets have exploited this potential to different degrees. Nowadays manufacturers pay greater attention to the crucial role used vehicle management plays in improving residual values, new car sales and the building of manufacturers' brands. This attention is likely to continue to grow. Investing in used car management is increasingly becoming a necessity in a market characterized by relentless competition, slimming margins and ever more demanding consumers.

The current market situation shows that European used car market is 3 times larger than the new car market and has been more stable over the years. Every market demonstrates unexploited business potential, which represents opportunities for used car dealers. The used car business fulfills a strategic role for the original equipment manufacturer, wholesaler and retailer, as it influences customer acquisition and retention, revenue as well as profitability.

Performance in the used car business has significant impacts on Volkswagen's overall results. Weak used car performance may have numerous consequences. The negative outcomes may include lower both new and used car sales, lower aftersales revenues, weak dealer profitability and financial service results. These are only the major negative outcomes, which in their turn include other factors. Moreover, profitability and volume of the new and used car businesses are interdependent and therefore each business has to be carried out in its own independent way.

In order to constantly keep up with changing customer preferences, new competitor initiatives, technical innovation and market trends, to be able to improve the performance and provide high quality service to its clients, the Das WeltAuto implemented a marketing strategy that aims to assist in positioning the program as a leading used car brand in the market.

3.1 Product Commitments

The core element of every retail business is the product. Quality is critical to satisfying your customers and retaining their loyalty in the future. Quality products make an important contribution to long-term revenue and profitability. They also enable you to charge and maintain higher prices. Quality also affects company's reputation. The growing importance of social media means that customers and prospects can easily share both favorable opinions and criticism of product quality. Thus, a strong reputation for quality can be of a great importance in markets that are very competitive. These are only few of many impacts that product and its quality may have on success or failure of any business. Thus, the quality of used cars has a significant importance for Das WeltAuto.

DWA used vehicles fall into two segments – Young Used Cars and Traditional Used Cars. Young used cars are cars aged less than 24 months with mileage of less than 40 000 km. Traditional used cars are aged between 24 and 60 months with mileage between 40 000 and 120 000 km.

Before a car becomes an approved WeltAuto used car, it undergoes over 100 individual checks. Factory trained technicians conduct a thorough inspection both inside and out, noting and resolving any defects that may appear. This inspection covers a wide range of checks from mechanical, electrical, under bonnet, vehicle underside, bodywork as well as wheels and tires checks and ends with a full road-test. First, Volkswagen technicians look at critical factors like age, mileage and maintenance history, before conducting a road test to evaluate the vehicle's performance. This is followed by more tests for components like the cooling system and battery. Next step is a thorough examination of the interior, exterior and underbody to detect any imperfections. Any faults identified are fixed using Volkswagen Genuine Parts. The final step involves touch-ups to the paint and body, and the update of the maintenance record among other measures that aim to make the vehicle like new. Certificate of Quality verifies that the vehicle has been carefully and professionally checked with regards to all relevant vehicle components and fluid levels.

Complete mechanical quality checks and repairs are followed by cosmetic repairs, which include reconditioning and refurbishment. All used cars undergo reconditioning using professional solutions. These eliminate imperfections and dirt both inside and out. Over recent years there have been many improvements in both paint repair techniques and repairs to interior trims. These improvements have resulted in much lower costs to repair damage. Das WeltAuto refurbishment is intended to ensure used cars reflect their age and kilometers. The refurbishment covers mechanical and quality checks and repairs, optical refurbishment and cosmetic repairs, cleaning. Used cars get prepared and displayed within 3-days of them arriving on inventory.

Furthermore, every approved WeltAuto used car gets check against the large information databases that exist for customer protection. This way, both the dealers and customers know the full history of a vehicle and can tell whether it has been stolen, involved in an accident or has any outstanding finance issues. All WeltAuto used cars are provided with a one-year warranty cover. That means that should the unexpected happen in the future, it protects customers against significant financial risks and gives them a feeling of security. There is also a possibility to extend warranty to provide reassurance for an even longer period. This warranty is the principal sales argument for Das WeltAuto program.

3.2 Unified Dealer Requirements and Benefits

Volkswagen is seeking a brand culture, so that a customer in one country on one continent experiences the same brand experience as another customer on the opposite side of the world. The group needs a used car brand that customers can trust as much as the Volkswagen brand itself. That brand is Das WeltAuto.

Das WeltAuto stands for an integrated approach to the customer-focused marketing of used cars worldwide. DWA is a multi-brand used car program, which means it does not just cater for used Volkswagen vehicles. The company believes that if a dealer is offered a used car that fits his stock profile then he should be able to sell it, even if it is not a Volkswagen, Seat, Skoda or Audi. Normally these cars will not make up the biggest part of sales volume but the dealer should still be able to sell them under Das WeltAuto as they represent a profit opportunity. This is why Das WeltAuto does not follow other manufacturers with a typical Approved programme. If dealers can retail a non - Volkswagen vehicle, they will make more profit, which means more money can be invested in the business and in purchasing more quality used cars. These, in turn, will sell better, leading to greater profit opportunities. The strength of Das WeltAuto as a used vehicle brand will grow due to integration with other strong brands. Different car brands working together under a single used car name gives the best conditions for playing a leading role in the used-car business in the long term.

Das WeltAuto has been instrumental in enabling dealers around the world to perform successfully. Franchised dealers are now selling more new and used cars than ever before. The goal of Das WeltAuto is to not only roll out this pioneering used car programme to new markets, but also to work with the existing Das WeltAuto dealers to sell an even greater number of used cars, at even greater profits. Thus, it is critical to make sure all DWA dealers follow a single market strategy, either in terms of their goals and strategies, in terms of quality of services and cars and in terms of architectural principles and signage elements of the dealers.

Every dealer must comply with the standards of the WeltAuto program. The standards are reviewed every year by mystery shopping: a mystery shopper comes to the dealer and shows interest in a car and additional services. The dealer has to prove his or her professionalism in a natural environment; naturally, he or she does not know that the client is a mystery shopper. Evaluation follows and continuous improvement in the field of the sale of used cars is discussed with the dealer based on the results.

A consistent visual identity is critical in determining how the brand is perceived. Regardless of where or via whom they present themselves as a brand, it must be immediately clear that the brand in question is Das WeltAuto. The consistent appearance of dealerships – as a business card – plays a particularly important role in this. This is why, in parallel with the brand

philosophy, the company developed binding rules for it right from the start. Dealers wishing to become part of DWA get a full range of directions concerning their used car facility. These directions cover every smallest detail, including architecture, proposals for the design, site / display planning, layout and branding, presentation options, recommendations for etc. for the dealer who wants to meet the standards and requirements of the program. The following standards are listed in the list of Das WeltAuto requirements: floor space for the display of used cars; staffing requirements; equipment of the showroom, office and technical equipment; display of vehicles for sale; technical condition inspection; incorporation of the used car in the sale; test drive and sale of the used car; standards for the point of sale. A full range of DWA-branded point of sale and marketing materials must be available, designed to enhance the used car display and create customer interest. Unless a dealer can fulfil all the standards, he cannot join the WeltAuto used car program.

The guidance from Das WeltAuto helps to prepare a convincing dealer used car business that demonstrates the revenue and profit potential. It will also provide suggestions and best practices on how to improve used car business effectiveness, enhance the customer experience and motivate used car staff.

In addition, the program set seven clear and simple Business Performance Indicators (BPIs) on which to base their used car business, and requires its dealers to run their business around these BPIs. The selected indicators are considered the most important for achieving higher sales volumes and increased profitability. The BPIs were split into two categories.

- Increasing Sales Volume:

1) Used to new car sales ratio - the number of retail used cars sold (including wholesale) vs. the number of all new cars sold (including fleet business and demo vehicles).

2) Number of used cars sold with Das WeltAuto - percentage of retail used cars sold where the customer benefits from both Das WeltAuto purchase and ownership experience. To support the ownership experience cars must be sold with the approved Das WeltAuto warranty.

3) Percentage of cars on Das WeltAuto Website - the total number of relevant Das WeltAuto cars (age, mileage and condition) in used car stock advertised on Das WeltAuto website.

- Increasing Dealer Sales Volume:

4) Used Car Stock Cover and Stock Rotation. Used car stock is the measure of how much stock there is against sales rate. Das WeltAuto stock rotation (how many times a year dealer turns stock) is six so two months are needed to cover stock. Stock planning and a stock disposal policy go hand in hand. Inventory management is a key success factor in running profitable operations.

5) Stock Age - the number of days a used car has been on Das WeltAuto inventory (<90 days).

6) Refurbishment Costs - the total cost of Das WeltAuto mechanical preparation (<€350).

7) Gross Profit per Unit - the amount of profit made on each vehicle sale before deduction of costs (refurbishment and warranty).

All the above enables Das WeltAuto dealers to work together in a consistent manner following a single strategy.

3.3 Recruitment and Personnel Approach

To ensure successful business development, all elements of the brand need to function together in harmony. That includes the company's personnel. Every member of the team must be committed to Das WeltAuto business philosophy. Employing the right personnel, that will help the brand follow its marketing strategy, begins with recruitment process.

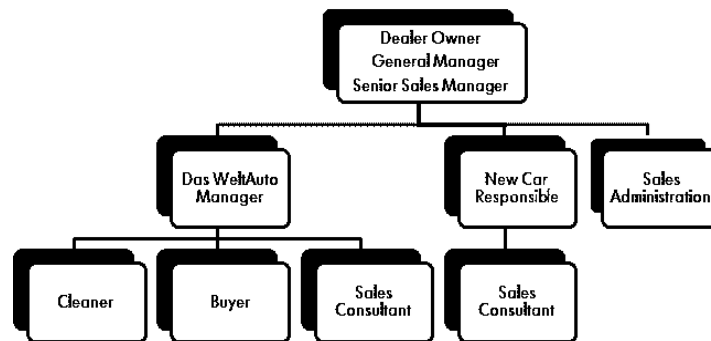
As the sales process is the most crucial element in the value chain, sales techniques and customer propositions can help achieve improved customer confidence. This is an important step to move away from distressed discounting discussions and develop the used car business more into added value and increased up-selling and cross-selling opportunities.

Here are some of the characteristics that Das WeltAuto is looking for in sales persons:

- They like working with people and have a pleasant friendly manor. It is important to remember that, above all, people buy from people they like.
- They are good listeners.
- They are enthusiastic about the products and services they offer.
- Naturally competitive with a desire to be successful and take pride in being the top performer.
- They are motivate to look their best, own the latest gadgets such as watches / mobile phones and enjoy spending money.
- They enjoy recognition amongst their peers. Peer recognition is likely to make individuals (motivated by recognition amongst their peers) focus on achieving goals and personal objectives that will help them stand out. It is likely that this means acquiring wealth and status.

Each Das WeltAuto Dealer needs to have a dedicated Das WeltAuto Manager; this is a standard of Das WeltAuto participation - somebody within business responsible for the day-to-day running of operations. It has to be a manager with the authority and skills to oversee the smooth running of the Used Car Department and make sure standards and processes are in place.

An ideal management overview for Das WeltAuto looks something like this:



Das WeltAuto manager is responsible for DWA sales persons, administration staff, drivers and cleaners. His responsibilities include:

1. Das WeltAuto Business Planning.
 - To assist dealer management in formulating and agreeing Das WeltAuto sales policy. This includes the setting of targets against DWA BPIs to ensure long-term business growth.
 - To establish the necessary sales organization to meet the BPIs.
 - To select and hire department staff.
 - Operate staff performance and appraisals to develop skills and sales abilities.
 - Establish and review basic pay and incentive schemes to ensure sales are achieved.
 - To ensure DWA is implemented effectively and that high retailing standards are achieved.
 - To identify staff training needs. To hold regular sales meetings.
2. Business Performance Indicators implementation
 - Increase used car sales to achieve a Used to New Ratio greater than 1:1.
 - Increase percentage of used car sales via Das WeltAuto to more than 60% of total sales.
 - Ensure 100% of all DWA stock is on the web with a selection of good quality photographs.
 - Balance used car stock / accelerate stock rotation to a minimum of six per year.
 - Reduce stock age to below 90-days.
 - Reduce refurbishment costs to a minimum of €350.
 - Increase Gross Profit per Unit to more than €1000 or to a minimum of 7% of the total sales value/invoice price of the car sold.
3. Administration
 - Monitor departmental financial performance weekly.
 - To examine monthly/quarterly management accounts to ensure total expenditure, including reconditioning expenses, is in line with the goals.
 - To ensure used car stock value does not exceed agreed annual figure.

- Ensure all cash payments are cleared before cars are handed over to used car buyers.
- Monitor outstanding debtors and take appropriate action to ensure debtor days fall within agreed limits.

4. Vehicle acquisition and retail price position

- To ensure stock is purchased in line with DWA sale policy ensuring optimal stock of cars on premises at all times.

- To identify sources of used car stock.
- To build relationships with other dealers, independent retailers and traders.
- To ensure vehicles for sale are priced accurately and consistently across all marketing channels.

- To operate Das WeltAuto dynamic pricing strategy.
- To accurately value trade-in vehicles.

5. Reconditioning and repairs – to ensure used cars are displayed within 3 days of arriving in stock. This should be 5-days if cosmetic repairs are required.

6. Display and Stock Management

- Ensure adequate stock of product and price information is available.
- To monitor used car stock and ensure that agreed liquidation policies are implemented to achieve the agreed Business Performance Indicators in respect of stock turn.
- To ensure cost-effective utilization of sales space.
- Monitor cleaning and condition of stock and the sales area.

7. Selling: CRM and Das WeltAuto used car marketing

- CRM and lead management to ensure Das WeltAuto customers are always followed-up and managed throughout the sales process.

- To monitor all contacts and leads to ensure achievement of target conversion rates.
- To improve the conversion ratio of enquiries to sales.
- To ensure annual increases of local market penetration.
- Formulate used car marketing plan, initiate and conduct sales promotions.
- To create and manage advertising programs to agreed budget.
- Analyze own and competitors' stock, sales and lost sales, adjusting stocking policies as appropriate.

- All lost sales recorded.

8. Aftersales

- Develop activities to upsell finance related products, extended warranties, service packages and accessories.
- Ensure budget requirements are met.

- Implement policies to ensure the satisfaction and retention of customers.
- Ensure that customer complaints attributable to sales staff, sales processes, vehicles and other products are minimal and resolved. A register of incidents is to be maintained, and all customers' satisfaction to be monitored by telephone contact post-sale.
- Ensure that all sales staff perform to company standards in customer relations.
- Ensure that customer contact is maintained at intervals determined by the company's customer care programme and customers' wishes with a view to securing repeat sales.

Das WeltAuto sales person has to:

- Sell the maximum number of vehicles possible whilst obtaining the highest profit available.
- Present the features and benefits of Das WeltAuto and ensure these are delivered to the customer in such a way that the value of the car being sold is enhanced.
- Ensure customers are aware of finance offers, accessories, extended warranty products and service packages.
- Ensure the highest degree of customer satisfaction at all times.
- Introduce and follow-up agreed suitable sales prospects in quantity per week / month .

His responsibilities include implementing business performance indicators, administration, vehicle acquisition, display and stock management, selling, and aftersales. Selling includes CRM and DWA used car marketing. Sales team actively work with used car stock on a daily basis. This will help them remember which cars are available in stock along with the specification and price. Sales people need to meet the customer face-to-face rather than sell the actual car itself. The best method of doing this is the need to value a trade-in / part exchange. Working with sales force and offering coaching will improve their skills, help sell more cars, and help exchange ideas that they have to offer.

The best performing dealers reward employees with a performance related bonus or commission plan. Once manager understands the characteristics that motivate his employees, he will be able to set well-targeted pay plans. It is important to make sure that employees know exactly what they have to do to earn their salary and make sure they know how much they earn as the month moves on. Hiding the earning potential or making it difficult to access will most likely demotivate employees.

Obviously, it is not only cars that interest the customers, but also the services that support them. Brand is responsible for its used car business result (e.g. profit, volume) as well as other brand specific tasks. Keeping in touch with customers after the sales is a crucial task for all Das WeltAuto managers and sales people, as the program promotes customers for lifetime policy.

As a major difference to private sellers or the non-franchised used car sellers, DWA dealers can provide all dealership's services to their customers. This means, instead of simply doing one

sale, there is a possibility to create a whole value chain of planned events: sale of the car, service inspection, warranty extension, insurance extension, repairs, re-purchase of the vehicle, sale of replacement vehicle to customer, re-sale of first vehicle etc. Upselling opportunities also include accessories (like winter tires), finance assistance, service packages and so on.

Dealers are advised to build an updated and detailed customer relationship management database which includes the customers' personal data, preferences, family status, hobbies, replacement cycles and, of course, the ongoing events of interest (birthdays, anniversaries etc.). This is how Das WeltAuto builds 'customers for life'.

The internet means customers are coming into the showroom knowing more about the car they want to buy. Customers are more confident, and in addition, they can make price comparisons on-line. The internet allows making a quicker decision about buying a car. Customers might just be comparing competitors with each other, rather than showing clear indications of being ready to buy. This is where the sales team need to sell everything but the car. In such case, joining Das WeltAuto program offers dealers the opportunity to acquire a valuable selling tool. Here is what the program has to promote:

- Das WeltAuto used car program, the benefits over the competition and customer peace of mind.
- The added value to the purchase through extended offers such as service packages or extended warranty to help close the deal.
- Its business, dealers and the services they offer.
- Sales persons as individuals who are reliable, honest and trustworthy.

Used car buyers do not expect to get the cheapest car in the market from the franchised Das WeltAuto dealer. On the other hand, in terms of quality and customer service, the expectations of used car buyers is ever increasing.

The purchase funnel helps mapping the journey of prospective used car customers through a series of logical steps from awareness to sales, and measuring performance through the funnel, can give the best chance of sustainable sales success.

Of course, one of the keys to the success of end sales is how many prospective customers enter the funnel in the first place through good awareness of the DWA brand, its products, and the dealerships. Then, through the subsequent stages in the purchase funnel, it is important to perform well to prevent losing these potential customers to competitors. Therefore, it is crucial that a dealer understands how they, DWA brand, and traded products perform through each of these stages.

There are some variations in the explanations of the purchase funnel logic; however, they generally follow a similar approach.

1) Awareness (or knowers) of the brand, of the products and services offered, and the company offering them.

2) Consideration (or Interest) in the products and services and the promise the brand offers.

3) First Choice Consideration (Rational Purchase Consideration) are prospects that have done their research, are knowledgeable on the detail of the brand, products and services offered, and have placed them high on their shopping list. They are probably preparing for a purchase decision and are weighing-up the pros and cons compared to competitors. This level of detailed evaluation is generally a move from what has been a more emotionally driven consideration, to a more logic-based 'Rational Purchase Consideration'.

4) Purchase. Whilst this may at first sight be considered as the last point of turning a prospect into a customer, it is also the important start of building a sustainable customer relationship. It is vital to consider how well the dealership handles the period between the customer placing a used car order and the delivery date which can be anything from a few days to several weeks.

5) Ownership/Re-Purchase. Success in delivering customer satisfaction creates a longer-term potential for additional revenue and profit for both aftersales and for the sales department. Ideally, this will result in an additional sale for the household, a future re-purchase for a replacement used car, or even an upgrade to a new car.

Understanding the strengths and weaknesses of the purchase funnel stages from a business planning perspective is key to sales success. They will help prioritise resources and marketing spend to strengthen sales results. Dealers can get a clearer view of how to plan dealer marketing and promotional activities around the purchase funnel; manage all showroom leads carefully; ensure customer contact details are recorded and that the sales manager decides whether a lead is no longer a hot prospect. Before spending more money on advertising, dealers must make sure, they are making the best of the customers they have. In addition, using sales ratio analysis will help them look at where their team needs assistance to increase test drives and / or sales.

3.3 Traditional and Digital Advertising

Raising awareness is about communicating in a more strategic way the broad details of Das WeltAuto, the brand promise it offers, and that certain dealership is best placed to deliver this DWA promise. Traditional advertising coupled with working with local journalists, using high quality press, poster and radio advertising, plus direct mail is one part of the strategic approaches.

However, in these days of high internet usage and search engine efficiency, you need a combination of this traditional approach together with effective use of smart communications to drive traffic to company/brand website. Examples are press advertising/outdoor posters/message

cards on car windscreens, complimented with text messaging, Facebook, Twitter and even simple production of YouTube style clips. All with the basic objective of getting prospects attention and motivation them to visit DWA website.

It is now common for new and used car buyers to conduct a lot of research before visiting a dealer and buying a car. In present sales environment customers know what they want to buy, they have done more research than ever before, they know what they need and how much they need to spend, they know more or less what their existing car is worth. Much of this research is conducted during leisure time, at home during the evening and at weekends; some is conducted when dealer office is closed. With this new knowledge, customers are entering the sales process with a considerable amount of rational information.

3.3.1 Traditional Advertising

Merchandising is a vital part of the marketing mix. Point of sale material is what attracts customers to dealer's display. Advertising costs include press, poster, online and related equipment costs, e.g. a digital camera for taking photos for the website. Das WeltAuto programme offers the opportunity to source brightly colored high-quality point of sale material, and using these materials is what helps the brand's displays to stand out. Furthermore, these materials will also help inform customers about the program and serve as a good point of reference for sales team to back-up statements about the customer offer. The global nature of DWA means that development costs of point of sale and marketing materials are reduced.

Merchandising and organizing the used vehicle display is a daily practice for the used car professional. Keeping used car display in the best possible condition is key to increasing opportunities to sell more used cars. Furthermore, it is important to make sure that prices are accurate, in line with stock sheet, and the same as on website. It is also necessary to make sure that cars start, that they are clean and ready to sell. Das WeltAuto requires that dealers keep their display simple to make sure customers can easily move around the vehicles. Creating showroom traffic is key to running a successful Das WeltAuto used car operation.

In each dealership, every car has a price clearly displayed; compulsory and relevant Das WeltAuto program merchandising is in place. Potential buyers have something they can take away with them, various brochures available. These contain the price and specific details about the car such as the engine type, transmission and specification.

One way of creating a simple vehicle data 'take away' is by using a QR Code, which can be photographed with a smart phone and offers a direct link to a particular vehicle on dealer website. This technology is cheap and effective. When there is a used car display that is outside, there is a good chance that potential customers visit during closed hours. This is another example

of using the QR Code. In addition, dealers make sure the marketing / customer offer is clearly displayed along with dealer telephone number and opening hours. Another consideration is having an 'out of hours' number - allocating a mobile phone to the sales team and organize a rota so that customers visiting the site or looking on website can contact a sales person during the evening.

The answers to optimizing advertising spend versus maximizing the effects often lie within the customer database. There are examples of dealers that have achieved high advertising efficiencies simply by developing business through stronger relationships with prospects and existing customers. That means dealers operate a structured well-managed follow-up system that results in customers having regular contact with dealership staff. In addition, one of the best and cheapest forms of advertising is word of mouth. Dealers should ask their customers for recommendations, and whether they know anybody else who might be looking for a new or used car. Offering service customers a free trade-in valuation and a proposal for a new car every time they have a service is also very effective.

Das WeltAuto requires its dealers to monitor every mainstream media publication that covers their area. In addition, many local media publications (such as the local press) now provide internet sites and publish free weekly supplements. Dealers need to concentrate on what will carry the right messages to the right prospects. One way of doing this is to ask every customer what media he or she have used when looking for a used car. This helps evaluating advertising to make sure it is generating enquiries, and that these enquiries are from people genuinely in the market to buy a new or used car. It is crucial to make sure to target the right market.

There are two types of promotional advertising:

1. Tactical – this is intended to bring customers to the showroom immediately and for a specific offer. The advert aims to drive customers into business to buy a car now. That requires keeping the message simple and.
2. Strategic – this is about building a community to sell to in the future. In effect, it is awareness advertising. Awareness advertising helps promote business in the local area but it will not offer a short-term burst of showroom traffic. It is an essential part of the marketing message.

It is also a common practice to send the customers a 6-monthly newsletter. This gives the opportunity to include many low cost CRM initiatives. This is also an opportunity to contact the customer database for a showroom event such as a tactical sales initiative or a product launch.

Showroom events are a great way to promote business and are an important part of the marketing mix. It is necessary to attract customers into the showroom, not just by general advertising, but also by directly targeting individuals and businesses. The first step is to define the purpose of the event, to decide if it is either an awareness event, where selling cars is an unplanned bonus or a tactical event, where selling cars is the objective.

The object of an awareness event is to make sure people know about DWA business, and not what dealer offers. The event should build a database with future prospects and that includes making sure to run activities that help capture data on those attending.

Some very effective awareness events worth running are:

- Promoting a new model in the range.
- A technical evening: How to look after your car, check the oil, change a wheel.
- A ladies evening: Road safety (inviting guest speakers, such as the Police).
- Hiring the showroom out to local charities for their special events.
- Holding cultural or community events.

Advertising these types of events in the local press is often more effective than advertising a list of cars, and is more likely to bring people to business. They are also an excellent way of getting active in local community and are often promoted in the local press free of charge.

A tactical event has the objective to sell cars. Tactical events have to be supported by a series of key messages, like a sense of urgency, price or offers (such as finance, service packages, etc.), a suggestion that there is special offer available for a given period of time only, that there will be a lot of choice available, that missing the event means missing something special.

3.3.2 Das WeltAuto Online Presence, Internet Platform and Digital Strategy

Das WeltAuto conducts a marketing strategy that has a goal of building a strong online brand with wide presence in the internet. There is a focus on using key elements of digital commerce techniques and social media using advanced web analytics together with CRM methodologies to build and maintain leads and a business relevant prospecting database. Having a dealer DWA website that is interesting, informative, and engaging for the customer will maximise chances of getting used car prospects engaged. Therefore it is crucial to understand how well the company is performing in raising awareness.

The used car purchase process has changed. Currently, over 90 % of used car buyers use the internet as an information source, but they buy their used car offline at the dealer. Therefore, having an online presence is key to success.

Applying online tactics means knowing how to reach target audience at the right time, in the right place, in the right context, with the right message. That involves reviewing media strategy at every step of the purchase funnel.

1. Awareness of the brand, products and services. Media Tactics: Owned media, Print, Radio, SEO/SEA, YouTube.
2. Consideration (or Interest) in the products and services and the brand promise. Media Tactics: Owned Media Optimization, Performance Display, SEO/SEA, YouTube.

3. Purchase - turning a prospect into a customer and the important start of building a sustainable customer relationship. Media Tactics: Offers and User Experience Optimization.

Das WeltAuto internet platform offers a number of major benefits. Firstly, one hundred percent of national DWA dealer used car stock is consolidated in one DWA stock locator. Secondly, the clean, effective and user-friendly website with advanced search functionalities for all makes and models. In addition, the platform supports all devices (desktop, tablet, smartphone). Das WeltAuto marketing campaigns and tactics are focused on generating traffic to the platform.

Das WeltAuto uses paid and Volkswagen AG owned media. The VW owned brand website is the most important source for customers. Here are listed user journeys that help to build an online brand via owned media.

User journey: Brand website - using the quick search to find the right car:

1. Country Page. Teaser stage, quick search box and flexible teasers.
2. Result list. Fast and easy search results with full filter options.
3. Detail page. Focus on contact button, plus 'next best activities' e.g. print, share, watch list, comparison.

User journey: Google Search Engine Optimisation (SEO):

1. Google search. Customer searches for VW used car on Google.
2. Result list. Result list pre-filters matching the Google search request.
3. Detail page. Just two clicks to vehicle details page, three clicks to dealer.

User journey: from brand campaign to DWA offer:

1. Traffic source. Specific campaign URL, banner, newsletter or social media.
2. Flexible landing page. Flexible landing page: promotions, special offers, brand campaigns.
3. Detail page. Result list pre-filtered matching campaign statement.
4. Detail page. Just three clicks to vehicle details page, four clicks to dealer.

One of the most effective paid media is Google search engine advertising. Nowadays, about 93% of internet visits start with a search⁴⁰. Therefore, we can target users in both the awareness and demand generation phase of the decision making process. At awareness stage: display of ads when searching for generic search terms (e.g. 'used cars') and competitors, awareness-oriented ad copy. At demand / lead generation stage: display of ads when searching for specific search terms and specific brand terms, offer-oriented ad copy.

In addition to online search, the statistics says that over 60% of car buyers watch online videos as part of buying process for general research and info gathering. Mainly on YouTube, as

⁴⁰ Eric Siu. (2012). 24 Eye-Popping SEO Statistics. Available: <http://www.searchenginejournal.com/24-eye-popping-seo-statistics/42665/>. Last accessed 26.4.2015.

it is the second biggest search engine worldwide. Moreover, close to 90% of online video viewers can recall what they saw.

The importance of mobile devices is an unquestionable factor in modern marketing. Thus, DWA campaigns are always supporting mobile fully through responsive website (link consistency) and integrated SEA and display ads on mobiles. In addition, all dealers not only have websites, but also allow customers to e-mail the dealer directly via a link from the website. There is also the potential to expand this contact to include live chat.

A significant indicator for online strategy is the websites conversion rate. The latest researches demonstrate that about 97% of all users don't convert at first visit of a website⁴¹. These users can be addressed again individually with retargeting.

Retargeting strategy requires individual approach to users:

1. Users who show interest by visiting at least one touch-point are tracked, e.g. YouTube Channel, VW Website, Das WeltAuto Website.
2. Retargeting lists are built up with smaller segments based on user behavior.
3. Interested users are targeted directly: through the Google Display Network with display and text ads; on YouTube with online video ads; with Google search text ads.

There is obviously a great impact that both new and social media have had on the world of business, especially the motor industry, taking over from more traditional forms of advertising and promotion. The internet and changing customer behavior significantly affects when and how customers contact business; the role of the sales person has changed and there is a need to respond to the customer in the post-internet sales environment. Social media is, perhaps, best understood as a new kind of online media. Some of most well-known platforms are Twitter, Facebook, YouTube, Flickr, LinkedIn and of course Google+. Other common platforms include blog sites and on-line forums. Social media platforms and social spaces enable any business to have a conversation with somebody they have not been able to reach before.

The internet and social media now presents the car industry with a number of new opportunities. First, social media is not about marketing; it is about learning. The role of DWA dealer is to be the teacher, and social media platforms offer the opportunity to get people interested and engaged in business by providing authentic, relevant, compelling and thought-provoking information.

⁴¹ Michael Mace. (2014). How To Make Mobile Convert: The Most Common Mobile Store Mistakes. Available: <http://conversionxl.com/make-mobile-convert/>. Last accessed 26.4.2015.

The first step is to consider what dealers hope to achieve through social media activity. Some of these will be similar to any type of advertising: increase awareness of a new service or product, promote a service, brand or product, and lead generation.

Achieving these objectives is done by deploying techniques such as: pulling people to brand website, taking people from the website to social media platforms, creating customer engagement for nurture, news distribution, public relations and humanizing the brand.

Principally the use social media must drive traffic to brand website, although deploying any form of social media has to be secondary to building and maintaining a dealer website. The website must be engaging, accurate, up to date, and informative. Web address must be well published; it should be on business cards, letterheads, invoices and all promotional material. It is also quite engaging for the reader to see pictures of staff, and view comments placed about the job they do. The objective is to offer advice and recommendations; to be seen as a center of excellence in used car field: helpful, knowledgeable and informative.

Relevant content, purposeful, useful and compelling output may include innovative campaigns and messages, blog posts, research reports, white papers, videos, customer testimonials, case studies, useful guides and helpful information.

Social media activity is a daily activity. To maximize exposure, it is essential that to integrate social media as part of the general marketing mix. All communications and 'touch points, be they online or offline, should include a link or web address for brand/dealer social media channels.

A popular and effective way of promoting social media activity is putting some or all of the following on business cards, letterheads and invoices:

Follow us on Twitter @

Read our Blog @ www.

Join us on Facebook @

Twitter is probably one of the few social media spaces where to place a direct sales message. However, these should be few and far between and the content should be subtle. Participating in relevant blogs should be the start-point. Eventually, dealers should to consider setting up their own blog page and linking this to the most popular blogs previously found. It is recommended to initially select no more than two or three forums to engage with, ones that relevant to used car business and look like they attract potential customers.

Every dealer must have a Facebook page. This is the place to store e-mail addresses and continue to engage with people, who have purchased or are considering purchasing from the dealer. Facebook page is used to share videos, link to Twitter account and various blog sites.

Using YouTube is also crucial. Videos add a real personal touch to social media activities. Posts can include interviews with some of the team, demonstrating the process of a used car sales inspection, explaining how to check the oil etc.

Apart from resources such as employee salaries, advertising and promotion represents one of the biggest costs associated with running a franchised dealer. As with all forms of expenditure, it is necessary to measure the effectiveness of this spend. There are two important measures:

1. Customer response – is the advertising drawing customers into the business and / or increasing the size of the dealer database? Sales Persons must ask customers why they have come to the dealer, whether they have seen any of the dealer's advertising, or what the source of the enquiry was. This helps to see whether the advertising is working or not.

Much of what dealers spend on advertising is now done online and evaluating website activity is now becoming increasingly important. The agency hosting the website provides statistics for the number of hits and page views to brand site. Also useful is the time a browser (possibly a used car customer) spent looking at a particular page.

Another place to get this information is from Google Analytic. This is a free service from Google, which generates detailed statistics about website. Using social media platforms to increase awareness requires looking at how many followers there are (Twitter) and views on YouTube channel. Typical metrics to measure social media results:

- Traction / traffic to blogs / websites
- Retweets and Twitter analytics / Twitter grader improvement / Hootsuite stats
- Google alerts / picking up relevant activity with company name in the text
- Facebook fan / page growth
- Google Analytics: review sales / conversions coming from social media channels

Testing and measuring what works best can be done by asking customers how they found dealer's business, whether they have seen it online, and what type of websites they use.

2. Return on investment

Business spending 1% to 1.5% of used car sales turnover on advertising is in line with the typical industry benchmark. Ideally, a return on this is around 500%. To find if this result is achieved, dealer should take the total spent on advertising in one month and look at it as a percentage of total profit. Another common measure is for dealers to look at the total cost of advertising against the number of sales as this gives an advertising cost per car.

By looking at sales records, it is useful establish the split of annual sales and use this to decide when to spend advertising budget. This will enable dealers to target advertising spend towards periods when business is quieter. The plan should be to spend the budget just before – and

in the early stages of – busy periods (when people are more likely to be looking for a car), and to reduce spending during quiet periods.

To summarize, it is important to ensure that marketing and advertising spend is effective, and that dealers are encouraged to find a balanced approach to building and managing their database to increase contact with prospects and existing customers.

3.5 Customers Benefits as a Strategic Element

From the customer perspective, Das WeltAuto's marketing strategy is directed towards developing and strengthening the long-term customer relationship based on a win-win logic that increases customer satisfaction and, by doing so, also building stronger revenue and profit potential for its dealerships. Via high levels of customer satisfaction and a convincing ownership experience, dealers can also improve their chances of repeated vehicle sales to the customer and even incremental sales through the other vehicle purchasing needs in the customer's household, and even those of their neighbors and friends.

In order to ensure success the DWA program focusses on four main aspects: Assurance, Trust, Dependability and Transparency. In contrast to other used car programs, the DWA program speaks in clear terms and has confidence in what it says and how it says it.

Das WeltAuto brand is the best address on the used-car market and stands for maximum transparency. It offers the high quality assured by Volkswagen Group brands plus other leading brands that have been examined in accordance with these standards. Because each car is tested exhaustively and comes with a warranty to this effect, the brand knows exactly what it is offering and selling to its customers.

It thus significantly reduces the potential risks involved in purchasing a new car. The customers want a trustworthy dealer with honest, reliable sales staff. The program sets a good example and gives customers the security of knowing that there are no undisclosed faults and there is no hidden catch. In short, it gives used-car buyers the sense of 'Volkswagen assurance' when they leave the forecourt with their newly acquired used car.

Additional services and benefits, which the customer gets from DWA cover trade-in opportunity, test drive, warranty, vehicle customization, mobility guarantee, finance options. Additionally, the brand has an Exchange Policy, which states that within a defined time period (e.g. ten days) or mileage (e.g. 1,200 miles), a Das WeltAuto used car can be exchanged for a different vehicle with no cost to the customer – except the costs of depreciation and the distance travelled. This opportunity is another way of giving customers confidence of transparency and used car quality.

One of the main elements of the strategy is the idea of creating customer for life. DWA promotes the importance of keeping contact with customers after they have taken delivery of their used car. As sales margins and profits are squeezed, it becomes more important that dealers retain customers and develop a good relationship with them. In order to do that, dealers can invite customers to any dealer events, and find opportunities to sell additional products and services during the ownership period. As there is a large number of additional offers that a customer may get, it is still important to remember, that the proposed cross-selling opportunities must be relevant to the customer, otherwise is likely to turn the customer against the dealer's business through feeling harassed

A useful technique is sending customers a voucher book or loyalty card to make sure they stay in contact with business, and become familiar with other products and services offered. The voucher can be used to promote a range of services across business. Promoting other products and services available within business will enhance customer loyalty, increase revenues, and help the dealer stand out as the place customers automatically think of when requiring vehicle-related services.

As part of CRM activities, the dealers email occasional newsletters with offers included, or – if customer details are available – send them a card on their birthday, at Christmas, or other special occasion.

The various techniques of staying in touch with the customers not only assist in creating customers for life, but also means that loyal customers can become the best sales people for the brand, as the word of mouth is one of the most effective and cheapest forms of advertising.

Conclusion

The goal of my thesis work was to analyze the marketing strategy of Volkswagen AG used car program Das WeltAuto, the brand that sells various car brands under one name and single strategy in markets around the world. The brand sells high quality used cars and is considered a trustworthy service provider. Operating a single marketing strategy in all the countries where the brand operates is the main goal of Volkswagen group.

In the first chapter, I presented the theoretical background of marketing strategy of a company. The chapter presents the result of studying different sources, which included books, articles and internet sources. The chapter begins with looking at the process of conducting the market research prior to formulating a marketing strategy. Before working on the strategy, it is necessary to have a thorough knowledge of the country where the business will take place from the perspectives of political, social, economic and technological environments, from the perspective of competitive environment, customer base and the company's opportunities overview on the market. After the company has a picture of the market where it plans to operate it can build its strategy based on the specific characteristics of the country, market and customer needs. The marketing strategy also includes segmentation, targeting and positioning of the customer base, as obviously it is almost impossible for the company to address the needs of all customers, thus they need to find out who their target customers are and how to address them. The chapter also includes the overview of the marketing mix – the four P's, as these elements represent the key basis for the company's success.

In the second chapter, I introduced Volkswagen AG – the second biggest in the world and biggest in Europe car manufacturer. The group designs, manufactures and distributes passenger and commercial vehicles, motorcycles, engines, and turbomachinery and offers related services including financing, leasing and fleet management. To introduce the company I described its structure, its organization and mentioned some financial parameters. In addition, I presented an overview of the twelve brands that represent the automotive business and the financial services. The final part of the second chapter is the presentation of the Das WeltAuto program. Volkswagen AG sells used cars of their own and other brands under this brand since 2010. Finally, the second chapter has a sub chapter dedicated to analysis of used car markets in five largest European countries, China and Russia. The analysis concentrates on trends of used car buyers behavior in last few years, the research and purchasing trends of customers.

The third chapter consists of the analysis of marketing strategy of Das WeltAuto. The goal of Volkswagen was to introduce a single brand of used cars and implement it in different countries around the world under single standards and strategy. The marketing strategy mainly focuses on the product – used cars – the standards and requirements for used cars sold under the

brand, the dealers – their visual identity, requirements and standards for showrooms and how the business should be organized and conducted, the personnel requirements and recommendations, and advertising strategy – both digital and traditional marketing strategies are described in the chapter. Additionally, the program stresses the importance of their customers, as the programme concentrates on consumer confidence and consumer trust, and thus I also described how the brand builds long-term relationships with its customers and creates a loyal customer base.

As a result of analyzing the marketing strategy of Das WeltAuto used car program, I can say that the brand has a consistent marketing strategy, that enables the company to follow its goal – to introduce a single brand in different markets, that will allow its customers to find the same quality products and services regardless of where the brand operates. In general, I can conclude that this marketing strategy appears to be beneficial for Volkswagen group, for the dealers that work under DWA brand and for the customers.

Das WeltAuto is an international brand with a strong, globally consistent identity. In various countries, our brand stands for the same attributes and comparable products and services. The program offers the high quality assured by Volkswagen Group brands plus other leading brands that have been examined in accordance with these standards. Because each car is tested exhaustively and comes with a warranty to this effect, the brand knows exactly what it offers and sells to its customers. When possible, the Das WeltAuto logotype always appears together with its claim - “Das WeltAuto. Used cars you can trust. Guaranteed.”. Such level of transparency and quality allows building a positive image of the DWA program and Volkswagen group in general and helps to strengthen the trustworthy position in customers’ minds. The brand has a consistent visual identity that makes Das WeltAuto recognizable at all brand touch points. Whether at the dealership, on the Internet or in printed media, company always employs the same design elements at all interfaces with the customer: logotype, white frame, corporate typefaces, colors, picture style and, at the beginning, the Volkswagen logo. This creates a single image for the company and the used car program and differentiates them from competitors. Obviously, running a successful used car brand around the world provides an opportunity to increase significantly the profits of the group.

DWA needs dealer support to succeed and dealers need DWA to succeed. In return for investment in commitment, time, and a financial outlay the dealers benefits will result in higher used car sales and profits. The program provides its dealers with a range of business tools and best practices to help make used cars a success. The most important advantage of selling used cars under Das WeltAuto increases profits of dealers through consumer confidence in DWA and Volkswagen, leading to high enquiry level. The program’s benefits also enable price justification, greater margin retention, increased accessory sales opportunities, customer retention in aftersales,

and customer retention for future / additional vehicle purchases. In customers minds the brand communicates trust, strength, quality and dependability. Posters, image advertisements in magazines, dealer advertisements in newspapers and advertising banners on the Internet are usually the first point of contact with potential customers. A memorable and consistent visual appearance that all dealers must follow ensures that each advertisement immediately identifies the Das WeltAuto brand and, in so doing, strengthens the image of the dealer and the brand itself.

At the same time, the customers also benefit when buying from Das WeltAuto. The brand gives used-car buyers the sense of Volkswagen assurance. Used car buyers go to a franchised dealer, because they are looking for the security that comes with manufacturer-backed used car programs, aftersales expertise, comprehensive warranty cover from the manufacturer, transparency (in terms of vehicle history), preparation completed by factory-trained technicians and trust in the dealer and the brand. Not only the buyers can get a certified quality used car, but they also receive a number of additional services, such as full vehicle check, reconditioning, assistance in finance solutions. The program also offers the chance to trade in previous vehicle and offers the exchange policy to the customers. In every DWA dealership, customers know they can get high quality services and assistance from professional qualified personnel. DWA operates mainly in the interests of customers, it is about consumer confidence and consumer trust. Das WeltAuto stands for quality and dependability, guaranteeing its customers used cars they can trust.

After carefully studying the marketing strategy that the Das WeltAuto program applies to all its dealerships, I have some recommendations for the company. First, regarding the fact that some DWA dealers work as franchised dealers, it is possible that not all the dealers can or are willing to follow the high quality standards of the used cars and services that the brand demands. This can happen intentionally, or due to the lack of used cars or personnel that would fit the high standards set by the brand. In that light I can recommend the company to work out a strategy of quality control over the dealers, that would allow to constantly monitor the work of the dealers in every country. Das WeltAuto as a brand promotes itself as a trustworthy brand, and that includes all the elements of customer service. In case some of the dealers fails to meet the standards that the program promotes, that can have an effect on the overall image of the brand and Volkswagen group. As a result, I believe it is an important task to find a way to constantly be sure that all the franchisees support the quality standards of Das WeltAuto.

Secondly, I recommend Volkswagen to expand its business to developing countries. Currently the main market of the brand is Europe. Even though this market is big by itself, as it was described in second and third chapters, the developing countries may be even of a bigger interest for a used car program. In the developing countries, the percent of used cars exceeds the number of new ones, which represents a significant potential for used car dealers. There are several

reasons for that. Firstly, the solvency in developing countries in general is lower than in any European country. As the result, the population will most likely opt to buy a used car rather than a new one. In addition, the amount of potential customers that would be willing to buy a Volkswagen car is very big, the group has many loyal customers among all its brands. Nevertheless not every prospect has an opportunity or is willing to buy a new Volkswagen group car. These customers represent high interest for the program, as it can offer them the Volkswagen cars or other cars but with certified VW quality instead of a new car. As a result, the brand can get a customer, which can potentially in the future purchase a new VW car or become a loyal DWA customer. I believe these factors can help the program significantly raise its profits as well as increase the customer base. Expanding the used car program to developing countries can have a long lasting positive effect for the whole group.

In addition to what I have already mentioned, it is very important that even though Das WeltAuto positions itself as an international brand, even used car markets have differences. Dealers on different markets can face specific problems. The marketing program, which is formulated by the headquarters, may not be entirely applicable to every market, or it may not include every possible detail that the franchised dealers need to operate successfully. In that case, it could be necessary to help every dealer to adapt the program to specific market, at the same time not changing the overall concept and strategy of the program.

The brand may also face another problem – participating in the program requires initial financial investments from the importers. It is possible that independent dealers will not be willing to join the program due to these financial issues. Or else, because joining the program requires for example complete makeover of the dealership, the advertising plans, etc. Not to mention the strict requirements of the program in terms of services and used car standards, personnel, showrooms etc. I believe these factors may be an actual challenge for Das WeltAuto – to persuade the dealers of the positive outcome of becoming part of the program. I recommend to concentrate on promoting the advantages of the program among independent used car sellers, in order to expand the business.

Naturally, formulating a unified strategy for an international brand that operates in various countries is a complicated task. Especially considering differences between countries, changes in trends, unpredictable and unforeseen events and so on. As a result of these numerous factors, Das WeltAuto as a program does not have a solid plan with strictly specified goals and a firmly formulated strategy. Operating in an unstable environment, the brand has a program based on a rollout, which is amended approximately every three years. The changes are implemented after an accurate evaluation of achieved results. Every year the board meets in order to discuss and analyze the results of the implementation of the strategy, and based on that evaluation the corrections are

made. Clearly, there are general elements and indicators of the marketing strategy that remain constant, as for example the amount of cars, the requirements for dealers, services and cars, conditions for franchisees, the design strategy, digital strategy etc. These elements of the strategy may be only improved, and get a clearer plan of implementation, but the concept of the program remains unchanged.

In conclusion, I believe that the DWA program is successful, because it is innovative, value retaining and responsible, concrete, transparent and dependable. It behaves in an exemplary manner in order to gain and justify customer confidence; it is transparent in regards products, services and costs and continually sets new standards to keep customer confidence. Additionally, Das WeltAuto is convincing, as it talks about quality, checks and guarantees, gives customers the reassurance of dependability. The program clearly communicates its benefits and advantages compared to competitors. As a result, the program succeeded in winning customer trust and building a positive image on the used car market as a trustworthy brand.

To sum up, I can say that the goal of my thesis was achieved. The study of the company and the brand were presented, and the marketing strategy of the program was analyzed. Based on the analysis conclusions were made and recommendations offered for Das WeltAuto to improve its marketing strategy effectiveness.

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