

VOLKSWAGEN CRISIS

Volkswagen Crisis

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Issue before the scandal broke (Imani Belton)

To give a brief history of Volkswagen and their history as it regards to their current crisis, in 1937, the Nazi party formed their own automobile company. Post World War II, the German brand attempted to expand their audience by moving into US territory in car sales, but because of the Nazi history connection and the unusual shape of the car compared to the Model T, their sales plummeted. After introducing cars like the Beetle and other cars in their line, Volkswagen has grown into the company that we know today (Volkswagen Is Founded).

After getting in the US market, their sales were still not as high as other car companies like Toyota, Ford, or Honda. As a plan to gain a larger share of the market, in 2006 they planned to become use fuel-efficient diesel to compete with the other car companies.

In late 2006 Volkswagen started installing the illegal software into some cars, so when they tested it would not fail the emissions test. Once Volkswagen noticed that the software worked, they began with their clean diesel campaign to promote their cars.

For awhile this plan worked, but in 2013, West Virginia University studied whether diesel cars emitted nitrogen were really clean. In the spring of 2015, Volkswagen recalls the vehicles and their scandal starts.

While there is nothing from Volkswagen before 2016 showing a true contingency plan, their actions from 2006 to 2015 shows that they knew that this was an illegal action and their management team did not do anything to take corrective actions before the fallout (Ewing).

Stakeholders (Morgan Evans)

In a crisis such as this, there is no doubt that Volkswagen's stakeholders felt the repercussions. According to the company's 2016 Crisis Communication plan, potential

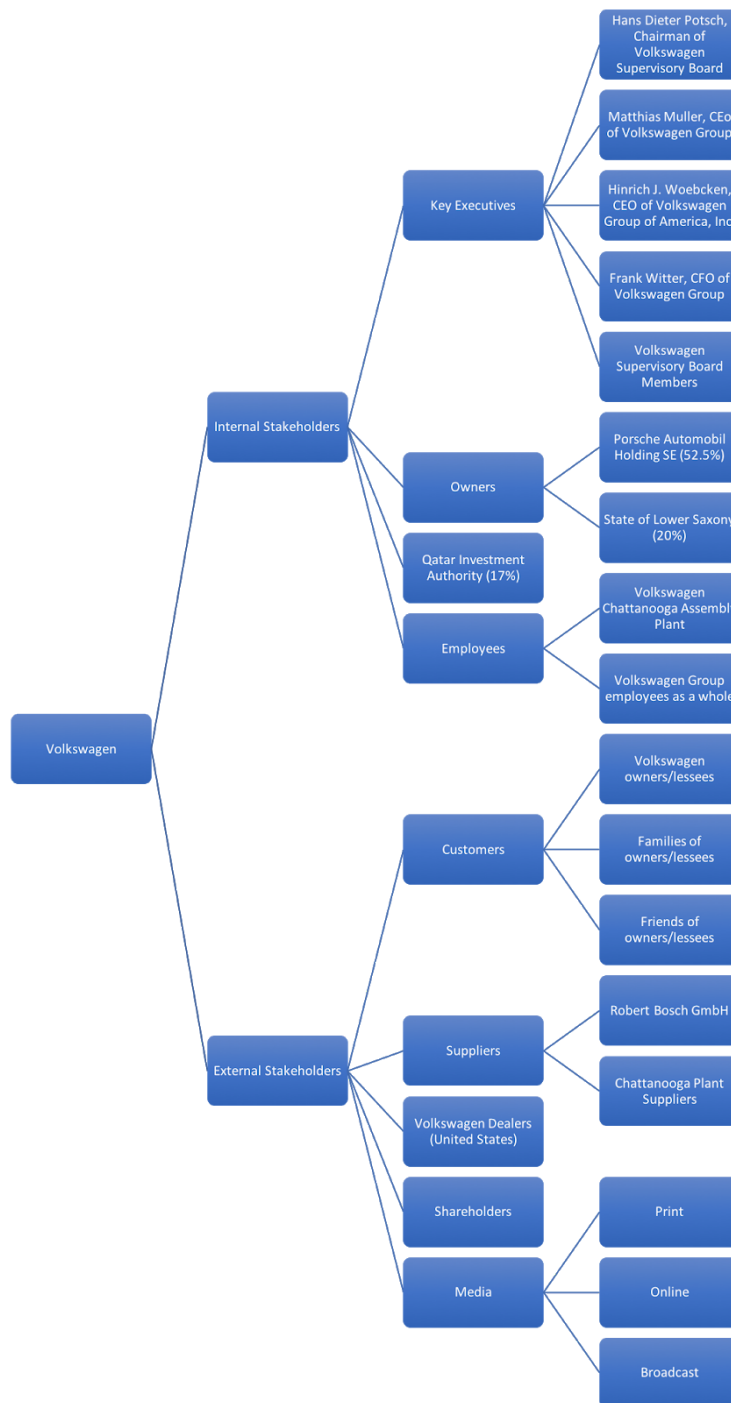
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stakeholders could either be an internal or external part of the company. Some internal stakeholders that Volkswagen considers in their plans are their key executives, such as their CEO, Matthias Müller, the owners, Qatar Investment Authority, and their employees (Conklin 5). Other internal stakeholders that Volkswagen failed to consider could also include their manufacturers. External stakeholders that Volkswagen considers in their plan includes their customers, suppliers, dealers/distributors, shareholders, and the media (Conklin 5). Other external stakeholders that Volkswagen failed to consider could also include their competitors and environmental lobbyist groups.

In order to maintain good relations with these stakeholders, Volkswagen needs to ensure that they are being reactive and taking actions to reestablish their image, while also making sure that they follow through on any promises they may make during this crucial clean up phase that they are still stuck in. Now that the crisis has landed them under public scrutiny, the choices they make now will either lead them to a successful recovery, or with a tarnished reputation.

The chart below shows Volkswagen's internal and external stakeholders as they are explain in their Crisis Communication Plan for 2016.

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**Analysis of Crisis (Nicolette Outtrim)**

In the days following the scandal, Volkswagen made many efforts to apologize and assure customers that they are working diligently on gaining their trust and support. In large,

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bold letters, the headline “We are working to make things right” appeared in ads just days after the allegation. Volkswagen urged buyers to stand by them as they came up with solutions to fix the emissions within the vehicles. The company compensated affected customers by reimbursing them with \$500 gift cards towards a new Volkswagen and three years of roadside assistance at no cost. Volkswagen also released a statement that read “We sincerely hope you see this as the first step toward restoring your invaluable trust.” The scandal led to the company’s first annual loss in nearly 20 years and various legal cases, causing an \$80 billion repercussion. Volkswagen’s chief executive, Martin Winterkorn, resigned in result of the scandal. Matthias Muller, Winterkorn’s replacement, claimed that “this misconduct goes against everything that Volkswagen stands for.” Muller took a positive route and claimed that the company's lawsuit proved to be a beneficial impact by requiring the company to speed up changes that were long overdue and strengthen the company’s values and priorities.

Last year, Volkswagen released their own urban mobility app and they just recently announced their partnership with autonomous start-up Aurora and chipmaker Nvidia. Today, there is speculation suggesting that Volkswagen and Ford will soon partner up. A Volkswagen spokesman declined the chance to speak on the company’s behalf regarding the recent conjecture. The possibilities are being explored as Ford has a strong market in the United States; whereas, Volkswagen has a reinforced market in China, the two leading auto markets. Speculation for the two companies working together has caused concern as Ford has also faced their own tragedies.

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Aftermath of Crisis (Maddy McCoy)

Since this crisis was created by the company themselves, it was likely that Volkswagen would suffer more from the consequences. This can be seen on lists of popular cars where Volkswagen has been beaten out by brands such as Ford, Toyota, and even Nissan. Despite this, they have slowly started to gain momentum once again in markets around the world. According to the Volkswagen Group website, sales have been positive in all of their markets with the United States up by 8.6 percent, Germany up by 9.4 percent, and with Russia being the highest at 20.1 percent. Overall this year, 2 million Volkswagen's have been sold with worldwide sales going up by 7.1 percent. Volkswagen has until the end of 2018 to fix any issues their customers had with their cars("News").

After researching this topic we think that Volkswagen will be able to recover after some time, but they will never fully come back from this scandal. Even today when one goes online to look up Volkswagen there are results pertaining to the incident. The company is still getting in trouble with their publics as well. In January, it was uncovered that Volkswagen had been using monkeys in their emission tests in 2014. With animal cruelty being an important factor to consumers for whether or not they should buy a product this could be another setback for the company(Boudette). To help regain their old customers and to gain new ones, Volkswagen has started to extend their warranties on new cars to six years or 72,000 miles. This is twice as much as they previously offered.

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