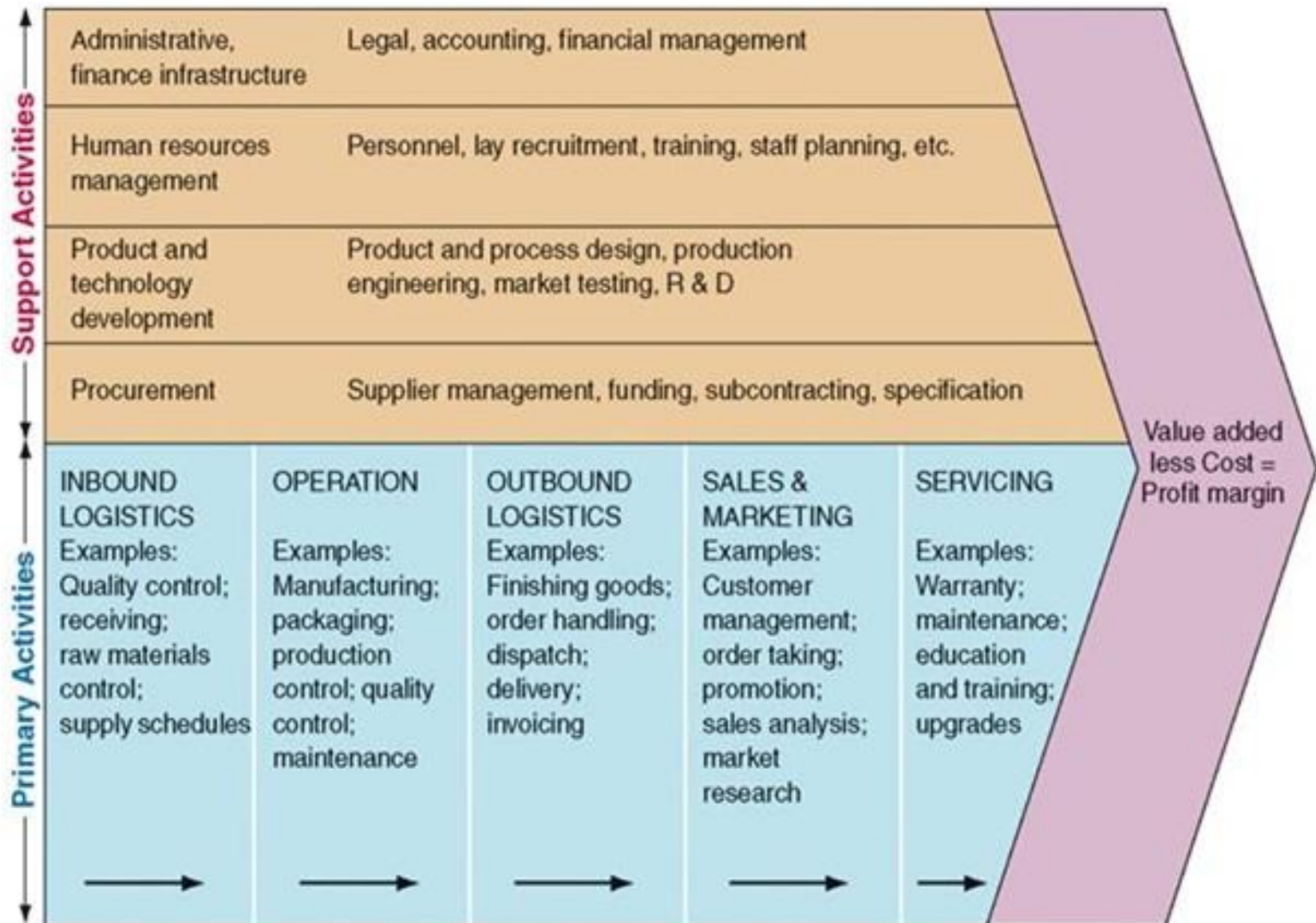


# **STRATEGY – TOOLS AND TECHNIQUES**

# PORTER'S VALUE CHAIN



# RESOURCES&CAPABILITIES ANALYSIS

**TABLE 5.4** Appraising VW's resources and capabilities

|  | Importance <sup>a</sup> | VW's relative strength <sup>b</sup> | Comments   |
|--|-------------------------|-------------------------------------|--|
| <b>RESOURCES</b>                         |                         |                                     |  |
| R1. Finance                              | 6                       | 6                                   | Credit rating is above average for the industry but free cash flow remains negative  |
| R2. Technology                           | 7                       | 5                                   | Despite technical strengths, VW is not a leader in automotive technology   |
| R3. Plant and equipment                  | 8                       | 8                                   | Has invested heavily in upgrading plants   |
| R4. Location                             | 4                       | 4                                   | Plants in key low-cost, growth markets (China, Mexico, Brazil) but German manufacturing base is very expensive   |
| R5. Distribution<br>(dealership network) | 8                       | 5                                   | Geographically extensive distribution with special strength in emerging markets. Historically weak position within the U.S.  |
| R6. Brands                               | 6                       | 5                                   | VW, Audi, Bentley and Bugatti are strong brands but, together with Skoda and Seat, VW's brand portfolio lacks coherence and clear market positioning   |
| <b>CAPABILITIES</b>                      |                         |                                     |  |
| C1. Product development                  | 9                       | 4                                   | Traditionally weak at VW. Despite a few big hits: Beetle (introduced 1938), Golf (1974), Passat (1974), Vanagon (1979), VW still not an industry leader in new product development   |
| C2. Purchasing                           | 7                       | 5                                   | Traditionally weak—strengthened by senior hires from Opel and elsewhere  |
| C3. Engineering                          | 7                       | 9                                   | The core technical strength of VW  |
| C4. Manufacturing                        | 8                       | 4                                   | VW is a high-cost producer, but struggles to attain above average quality  |
| C5. Financial management                 | 6                       | 4                                   | Has traditionally lacked a strong financial orientation  |
| C6. R&D                                  | 5                       | 4                                   | Despite several technical strengths, VW is not a leader in automotive innovation   |
| C7. Marketing and sales                  | 9                       | 4                                   | Despite traditional weakness in recognizing and meeting customer needs in different national markets, VW has increased its sensitivity to the market, improved brand management, and managed its advertising and promotion with increasing dexterity |
| C8. Government relations                 | 4                       | 8                                   | Important in emerging markets  |
| C9. Strategic management                 | 7                       | 4                                   | Effective restructuring and cost cutting, but lack of consistency and consensus at top management level  |

# PEST ANALYSIS

## Political

- Tax Policies
- Labor Policies
- Environmental Policies
- Trade Policies

## Economic

- Inflation Rates
- Interest Rates
- Currency Exchange Rates
- Current Economic Climate

## Socio-Cultural

- Age demographics
- Lifestyle choices
- Population growth rate
- Changing preferences

## Technological

- Impact of emerging technologies
- Threats from competing technologies
- Research & Development
- Speed of data transfer

# SWOT MATRIX

