



## VW – Very Worried!

It's simple: Companies, customers and other stakeholders stick to established norms and practices to build mutually beneficial exchange relationships. As a result, customers strengthen their loyalty to and trust in the brand, whereas the brand benefits from awareness, intent to repurchase or recommendation. Simple, isn't it?

Since autumn 2015 everybody knows that one of the major players in the automotive industry has violated norms. The Volkswagen group confessed to manipulation of exhaust values emitted from its diesel engines. At the moment, one can speculate about the consequences:

The financial loss for the Volkswagen brand will only become clear in the next

few months and years: Preliminary figures indicate fairly stable sales in the US (although significantly higher discounts were granted and thus, the brand price premium was squeezed) as well as reduced demand on online retail sites that could result in a lower resale value<sup>1</sup>. Besides, the US government is preparing a lawsuit concerning "frauds against the general public"<sup>2</sup>. Additionally, at the end of 2015 Volkswagen announced the end of their claim "Das Auto" (used for many years) – an indication that this level of self-confidence is currently not justified<sup>3</sup>.

Besides the financial loss, the Volkswagen group needs to think about its relationship to (potential) customers. A current study by the Institut für Marketing – Strategieberatung GmbH & CoKG in cooperation with Research Now GmbH investigates VW drivers' current perceptions of their car brand in comparison to other brands' drivers and examines other facets of the relationship between Volkswagen and its car buyers. The sample is representative for the German car-owning population. In total,

<sup>1</sup> CNBC, Online, 15.10.2015

<sup>2</sup> Süddeutsche 05.01.2016

<sup>3</sup> WARC, Online, 12.2015

965 German car owners took part in the survey, of which 187 are Volkswagen owners. These 19.4% are slightly below the market share of Volkswagen in Germany (21% in 2015).

According to reputed brand experts<sup>4</sup>, experiences, associations and knowledge of a brand form the basis of brand-related assessment, behavior and relationships. When asked to spontaneously state their thoughts regarding Volkswagen, the fraud scandal is the top association (63% of all respondents). The different VW models are 2<sup>nd</sup> place, far ahead of associations like quality, reliability and “made in Germany” – which positively contribute to the overall brand image.

With regard to evaluations of brand attributes, VW drivers do not differ from other brands’ drivers concerning technical aspects, fuel consumption, design, sportsmanship or prestige. Also, trust in VW products is almost as high as in other brands’ products, whereas trust in VW employees and vendors is lower and trust in the management significantly lower. Additionally, eco-friendliness is associated less with VW than other brands. Mainly the ability to build eco-friendly cars is no longer attributed to VW. Despite the negative evaluation of individual brand aspects, VW owners consider the resale value of VW higher than owners of other brands.

Brand knowledge as well as the evaluation of performance factors influence brand equity. One of the most popular figures to measure brand equity is the Net Promoter Score (NPS)<sup>5</sup>. The NPS measures how likely someone would recommend a brand to a friend or colleague on a scale from 0 (very unlikely) to 10 (very likely). The respondents are divided into three groups: promoters (10, 9) are loyal to the brand,

tend to repurchase it, and even advocate the brand. Passives (7, 8) are quite satisfied but more open to offers from competitors. Detractors (0-6) have low brand loyalty, rarely recommend the brand and switch more frequently. The NPS is the percentage of promoters minus the percentage of detractors and can result in values between +100 and -100. The NPS of VW owners is not flattering: the likelihood that VW owners recommend the brand is much lower (NPS = +1) than it is for owners of other brands (average NPS = +21). Audi (+32) and BMW (+40) have the highest NPS amongst brands with a market share of at least 5%.

Brand knowledge and brand attitude influence brand-related behavior. When thinking about buying a new car, 35% of all respondents state that they will very likely buy the same brand, while 45% will buy the same brand likely. Drivers of German premium brands (Audi, BMW, Mercedes) are even more certain about buying the same brand (45-50% very likely). Skoda and Toyota reach similar high values. However, VW owners are not so sure they will buy a VW again. Only 29% of VW drivers indicate that their next car will very likely be a VW again – this is the lowest value except for Renault. Taking into account scientific studies on brand attitude, this figure hurts even more: Studies across many industries show that the repurchase intention in an industry is typically quite similar among current users of different brands<sup>6</sup>. However, brands with a higher proportion of buyers also enjoy slightly higher loyalty. This phenomenon is known as the “double-jeopardy-effect”. Accordingly, it would be expected that VW, the market share leader, benefits from higher repurchase intention than other brands – but it does not.

<sup>4</sup> Aaker, 2006; Keller, 2003

<sup>5</sup> Reichheld, 2004, Harvard Business Review

<sup>6</sup> Ehrenberg et al 1990, Journal of Marketing

A few more details about the VW scandal: All respondents denounce the behavior of the management and are convinced that the entire German car industry, particularly VW, has suffered a loss of confidence. Mostly VW drivers think that other car companies manipulate their exhaust values too – an attempt to accommodate their own situation? It is not expected that VW drivers will switch to other brands in the future, however, VW drivers as well as drivers of other brands are not convinced of the compensation measures taken by Volkswagen so far.

VW drivers affected by the exhaust scandal expect full coverage for upcoming repairs, no added costs regarding past and future higher vehicle taxes and fuel consumption, and transparency about the incidence. Scientific literature recommends that brands suffering crises and loss of confidence need not only take informative and damage-controlling measures, but also affective actions like an honest apology to regain credibility<sup>7</sup>. To what extent the VW group adopts these recommendations will be seen.

<sup>7</sup> Xie & Peng, 2009, Psychology and Marketing

This study was conducted in cooperation by:  
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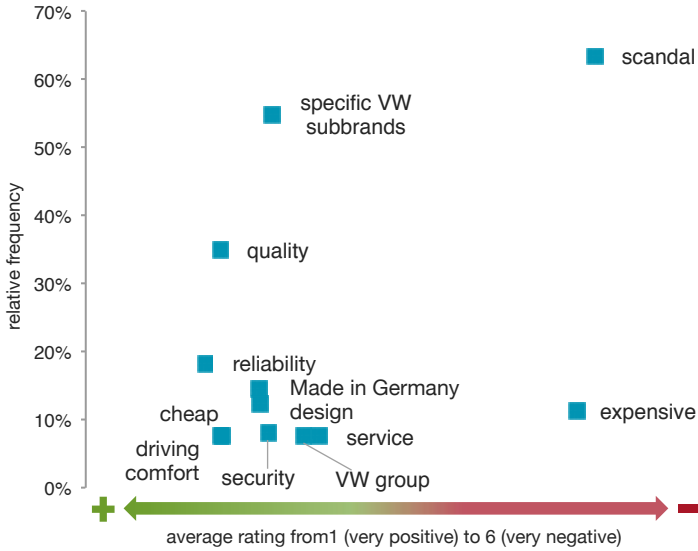


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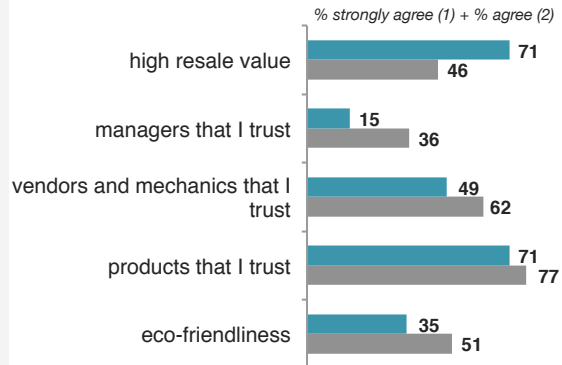
## Brand Associations of VW drivers

When you think of Volkswagen, what comes to your mind? Please indicate for each of your answers whether you consider it a positive or negative association.



## Evaluation of Brand Attributes

When I think of brand ..., (owned by respondent) I associate it with ...



No significant differences between VW and other brands with regard to modern technology, prestige, low consumption, sportsmanship, security and attractive design.

■ VW owner  
■ owner of other brands

## Net Promoter Score®

How likely would you recommend brand ... to a friend?



## Volkswagen

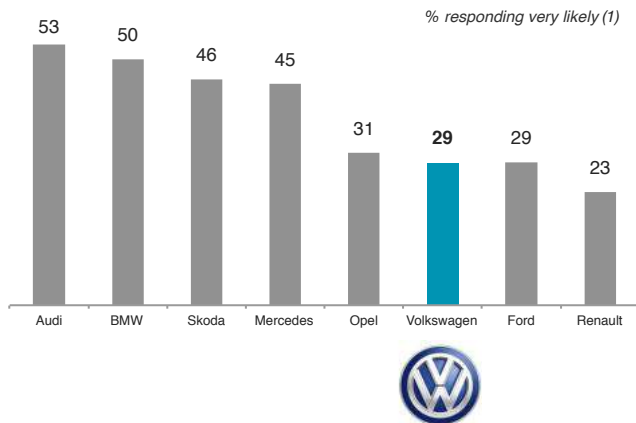


## Other brands



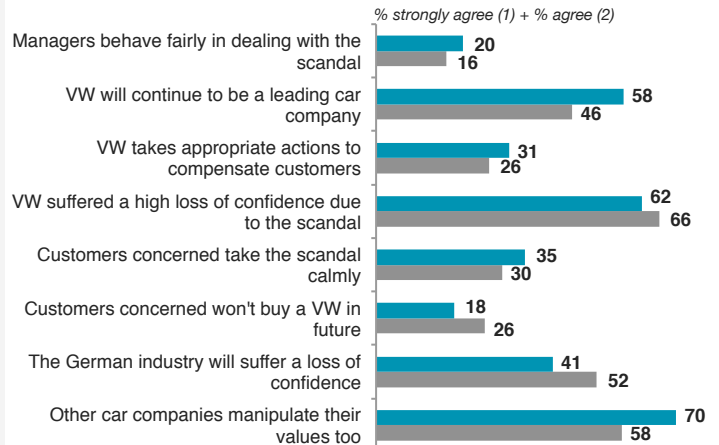
## Likelihood of Repurchase

When you think of your next car purchase, how likely are you to buy brand ... again?



## Attitude to Scandal

Please think of Volkswagen. To what extent do you agree with the following statements?



Information in % of respondents: 965 respondents, thereof 187 VW owners