

SEEMA GUPTA

VOLKSWAGEN IN INDIA

In just 4 years since Volkswagen (VW) set up its India operations, it had captured a 3.6% market share – something the Detroit giants had not been able to do after more than a decade in the country (**Exhibit 1**). VW was the flagship brand of the Volkswagen group, which also owned Audi, Bentley, Bugatti, Lamborghini, Porsche, SEAT, and Skoda. In India, the group was present with Skoda, Audi, and VW.¹ Maik Stephan, Managing Director, Volkswagen Group Sales India said:

While three brands give us the collective power, we have to be careful to market them uniquely so that we are not chasing the same customer.¹

In 2011, the group's worldwide revenues and net profit were Euro 159 billion and 15.8 billion, respectively. Headquartered in Wolfsburg, Germany, the group operated more than 60 plants around the world. It was the second largest automaker behind General Motors. It had a market share of 12.3% in 2011. Its core markets were Germany and China. It was the market leader in Europe with a 20% market share. It aimed to become the world's largest automaker by 2018. With a growth of 30% in the Indian automobile industry, India was to play an important role in realizing the group's global ambitions.ⁱⁱ

VW targeted to increase the market share of its flagship brand in India from 3.6% to 5% by 2015. Neeraj Garg, Director, VW Group Sales India said:

We have to transition from launch stage to growth stage of the life cycle. To meet our ambitious growth plans, we need to evolve our marketing strategy. Perhaps, we should review it. Are our segmentation, targeting, and positioning right? Is our product, distribution, and communication strategy appropriate to catapult us to the next level?

Volkswagen has had a tradition of highly creative advertising globally. Its campaign “Force” for Passat was adjudged the best campaign of 2011 by *Advertising Age*.² The campaign featured a kid in Darth Vader costume (Darth Vader is the central character in the *Star Wars* saga) trying to use “force” (a metaphysical power in the fictional universe of the *Star Wars* galaxy) on everything from his dog to the washing machine to his sandwich all in vain. As he focuses all his energy on Passat, the car suddenly starts to the astonishment of the kid. A shot showed that the car was started by his father using a remote control. The campaigns connect with the popular culture of *Star Wars* resulted in 31 million views on YouTube. “Think small” and “Lemon” campaigns had become part of advertising textbooks. Lutz Kothe, Head of Marketing & PR, VW Group Sales India said:

What inspiration can VW Indian advertising draw from its global advertising?

FROM GERMANY TO INDIA

The German auto industry in 1930s was largely composed of luxury cars. Since many Germans could not afford luxury cars, Adolf Hitler set up a state-owned factory “Volkswagen” (pronounced as folk's wagon) in Wolfsburg in 1933 for producing the “people's car.” Ferdinand Porsche, an engineer was chosen to steer the project. The first car that was rolled out was “Beetle.” With its distinctive round shape and low price, it stood out from the big cars and became a global cult. In the 1970s, Passat, Scirocco, Golf, and Polo were launched. The sedan version of Golf –

¹ The remaining brands were imported by independent dealers.

² *Advertising Age* was the leading magazine in the domain of advertising.

Seema Gupta, Assistant Professor of Marketing prepared this case for class discussion. This case is not intended to serve as an endorsement, source of primary data, or to show effective or inefficient handling of decision or business processes.

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Jetta was launched in 1983 and Phaeton in 2002. Thereafter, New Beetle was launched to recreate the magic of the original Beetle.

The group entered India in 2001 with Skoda. Its plant in Aurangabad assembled a few models of Audi and Volkswagen as well. Audi and Volkswagen were launched in India in 2004 and 2007, respectively. In 2010, a state-of-the-art production facility was set up at Chakan near Pune with an investment of Rs. 35 billion to manufacture Polo and Vento indigenously. The plant also manufactured Skoda Fabia and Skoda Rapid as they were built on the Polo platform. Despite sharing common product platforms, the three brands were distinctly positioned. Skoda was positioned as less premium than VW which was positioned as more premium than even Honda and Toyota. Audi was positioned at par with BMW and Mercedes in the luxury category (see **Exhibit 2** for positioning of various players). While the group integrated the back-end of technology, human resource, and finance across the three brands, the front-end of dealers was scrupulously kept separate.

Despite its careful planning, there existed an anomaly. Skoda was perceived to be a more up-market label than VW in India. This was owing to Skoda's history in India. Skoda was launched in 2001 with the Octavia, a premium car. The only other choices in the segment at that time were Honda City, Hyundai Accent, and Maruti Baleno. Octavia immediately became a CEO's car. Subsequent brands – Laura and Superb were even more premium and since they were diesel engines, they were more expensive than their Japanese petrol-engine counterparts. John Chacko, Group President and MD, VW Group Sales India said:

Our priority is to get the core brand – Volkswagen sorted out and then the other brands will fall into place. For instance, after Polo was launched, the price of Skoda Fabia was revised downwards.ⁱⁱⁱ

VW believed in engineering excellence. It pioneered “turbocharged diesel injection” (TDI) which provided fuel economy and BlueMotion Technologies which enabled energy efficiency.³ It had obsessive focus on quality. For instance, the bumpers had seven layers of paint (most carmakers had four); it welded all the points on the dashboard simultaneously to leave no room for misalignment (this required more machines; other carmakers welded the points sequentially). VW combined engineering excellence with local market insights to crack open the emerging markets.

CONSUMER INSIGHTS

Each year, the product planning team in VW engaged with 200 consumers in a freewheeling chat. Product Head – Product Planning & Training, VW Group Sales India said:

When you sit in the consumer's drawing room, you get a flavor of his life. You can see whether he prefers a Samsung or a Sony or an LG. You can gauge his tastes and lifestyle.

Buying Motives

VW research showed that a consumer bought a car for three motives. First was to signal to peers and parents that he had made it in life and was not a failure. Second was for utility – protection from rains, extreme weather, and weekend family outings. Third was for personal space, as people in metros lived in small houses with joint families – car was his little dungeon and hideout.

VW incorporated these consumer insights in its marketing strategy. To tap into the first motive, it positioned itself as an aspirational brand. To build aspiration, it followed a top-down strategy – it entered the Indian market with higher-end models such as Passat and Jetta and then introduced lower-end models such as Polo and Vento. Product Head said:

Honda entered the Indian market with Honda City, whereas Hyundai with Santro. Both have a wide portfolio, but Hyundai is seen as an accessible brand, whereas Honda as an aspirational brand. It is because first impression is what remains with the consumer.

³ Blue was the corporate color and motion stood for mobility.

VW tapped into the second motive of utility by having functionality at the core of technology. For instance, its BlueMotion Technologies had several utilitarian features such as “park assist” wherein the car could park itself. VW addressed the third motive of space by designing spacious cars. It provided light interiors and striped fabrics which gave the impression of open spaces. Product Head said:

Indians are claustrophobic. They need lot of open spaces. For Indians, house is anyways a compromise as it is inherited or is constrained by budget. The consumer hence does not want to compromise on his car.

Consumer Attitude

The product planning team researched consumer attitude toward cars. The Product Head said:

Consumer treated the car as his muse. There is a lot of boredom that sets into the life of a sober man. He marries the girl suggested by parents, lives in the same city, and works for the same family business. He brings change through two things – car and mobile. Those are his mistresses. He changes car every 3–4 years. The latest car would be his muse, his loved one. The product planning team at VW utilizes this insight to offer “wow” features which would make the car his most coveted muse.

Consumer also likens the car to arranged marriage. He chooses car just as he chooses his wife – based on looks. Later he falls in love with his car just as he fell in love with his wife – for the way it treats him – space, comfort, controls, driving experience, and cooling. The product planners leverage this insight to put experience enhancing features in the cars. For instance, the New Passat had “auto start–stop” in which the engine automatically turned off when one took the foot off the clutch after halting in a traffic jam or a red light. When one depressed the clutch again, the engine started automatically.

PRODUCT PLANNING

VW leveraged these consumer insights to design cars suitable for Indian consumers. For instance, cars had flat space on the dashboard for placing Ganesh idols, had liberal sprinkling of chrome (Indians loved chrome) and a lever behind the co-driver’s seat so that the passenger could push the seat oneself (Indian cars were chauffeur-driven so the co-driver’s seat was often vacant).

VW decided which features to incorporate in the car based on four filters. First, was the customer willing to pay for it and how much? Second, what would it cost the company? Third, how easily could it be implemented from an engineering point of view? Fourth, could it be translated into a nice communication story?

Product planners identified consumers’ willingness to pay for innovative features through gut feel and by asking a few friends. For standard features, VW used quantitative market research. They were careful not to over-engineer the cars with specifications that consumers were not willing to pay for. Product Head said:

For European markets, VW cars had strong roofs that could bear the weight of 18 inches of snow. But, in India you don’t need it.

Since the lead time for new product development was 3–4 years, product planners anticipated trends by considering socio-economic factors. The Product Head said:

The cost of chauffeur would become very high in future, but the commutes would get longer, the traffic would worsen and the jobs become more demanding. The consumer would thus be ready to pay more for automatic transmission. So, automatic transmission would become the norm in metros and hence VW has started planning for producing more of them. Music CDs would disappear and so VW is considering knocking off CD players and keeping only USB port.

Product planning at VW followed the overarching philosophy of democratization of innovation which meant making innovations available to the masses. It brought innovative features in the high-end cars and gradually introduced them in lower-end cars. For instance, VW was committed to bringing BlueMotion Technologies in the lower models after introducing it with New Passat.

Another principle that guided product planning in VW was to position the products at a premium over Toyota and Honda. VW thus priced its cars higher. However, to ensure that VW remained in the consideration set of consumers, it priced the lowest variant of the car lower by stripping the features intelligently (see **Exhibit 3** for prices of various brands). Product Head said:

I do not remove stuff that the consumer will miss. Even in lower variant, he will get power windows, central locking, nice interiors, and powerful engine. But, he will not get audio system or air bags. He can move the audio system from his old car. But, VW makes sure to give a visibly better quality car – the plastics, the paint work, the upholstery are all good quality. VW never has black bumpers or only center wheel caps; it would have full wheel caps.

SEGMENTING AND TARGETING THE MARKET

The Indian car market was divided into A, B, B+, Lower C, Upper C, Lower D, Upper D, E, multipurpose vehicle (MPV), and sports utility vehicle (SUV) segments (**Exhibit 4**). In 2011, VW had products in all segments except A and B, the lower-end segments. While A and B segments together constituted 44% of the total market, B+, and C segments were growing the fastest.

VW hired market research agency to segment consumers. The agency arrived at nine segments based on social status (income) and value orientation (traditional–modern). VW decided to focus on five segments – new middle class, new business builders, the young progressives, modern urban elite, and metropolitan smart; which together constituted 46% of the total market (**Exhibit 5**). The typical target consumer was modern, educated, high-tech, and individualistic (see **Exhibits 6 and 7** for profiles of segments and their buying preferences).

VW entered the Indian market with the launch of Passat in Upper D segment in 2007 and Jetta in Lower D segment in 2008. The ads proclaimed universal trust; strong heritage, and German engineering (see **Exhibit 8** for launch ads of VW in 2007). However, by 2009, VW had only 2,570 customers and the brand awareness was a mere 9%. Research revealed that consumers did not think that VW made cars suitable for Indian conditions, or offered value for money, or offered good customer services. On the other hand, Honda and Toyota were perceived positively. VW hired DDB Mudra to build its brand image and correct consumer perception.

DOYLE DANE BERNBACH

Doyle Dane Bernbach (DDB) was a leading global advertising network belonging to the Omnicom group. It won the Spikes Asia “Network of the year” award for 2011. DDB had a joint venture with Mudra group in India. DDB Mudra was one of the four agencies of the Mudra group. William Bernbach – one of the founders of DDB was a creative legend. His work was characterized by simplicity, irreverence, and humor. DDB produced the “Think small” campaign for Beetle in 1959, which was voted the No. 1 campaign of the century by *Advertising Age* in 1999. The ad had a small image of Beetle that emphasized its minimalism and the text at the bottom of the page listed the advantages of owning a small car – a contrarian approach when most cars of those times were big. The follow-up campaign “Lemon” with its memorable tagline “We pluck the lemons, you get the plums” left a lasting legacy in America; – the word “lemon” being used to describe poor quality cars (see **Exhibit 9** for global campaigns).⁴

DDB believed in the twin philosophies of “social creativity” and “behavioral planning.” It defined social creativity as approaches aimed at groups rather than individuals. It believed in harnessing the power of social networks by triggering word-of-mouth publicity. DDB believed in “behavioral planning” as opposed to traditional “account planning.” It aimed at changing behavior and not just attitudes. It believed in creating play-points and not

⁴ Research by Starch company showed that these ads had higher readership scores than editorial pieces in many publications. It also noted that VW ads were so distinct that they often did not even include a slogan or a logo.

just touch-points. The “fun theory” campaign of VW in 2009 which aimed at increasing awareness of its environment-friendly “BlueMotion Technologies” transformed a subway staircase in Stockholm into a giant piano. As a result, 66% more people used the stairs. The videos on Youtube received more than 20 million hits and the campaign won Cannes Grand Prix for a digitally led integrated campaign.^{iv}

POSITIONING VOLKSWAGEN

The global vision of VW was to be the world’s most innovative high-volume brand. The core values of the brand were Innovative, Valuable, and Responsible. VW provided outstanding quality and reliability such that the product retained its value in the long-term and it developed sustainable solutions for environment. The strategy for communication as well as product development in India was to have primary focus on “innovative” and secondary focus on the other two. The brand positioning was identified as “German engineering. Made for India” to emphasize on innovation for local market. The global tagline “Volkswagen. Das Auto” (which meant “The Car”) stood for the quintessence of the automobile! VW believed that it was the generic term for automobile because it democratized mobility.

VW briefed DDB Mudra to communicate the brand values of VW and generate desirability for its products by grounding the arguments in technology. The agency was thus mandated to develop a campaign integrating corporate brand, product brands, and technology. The campaign had to highlight not just innovative features but also benefits and emotions. The VW brand personality had to be authentic, human, appealing, and transparent. Similar to VW’s historic advertising, the campaign had to be understated, witty, uncluttered, with attention to detail and clear layout. The objective of the campaign was to double the brand awareness from 9% to 18% within a year and fill the capacity in the new factory in Pune while increasing the sales of the imported models. Sandeep Vij, CEO DDB Mudra said:

A major challenge was the clutter in car advertising – Rs. 10 billion was the ad-spend of the category per annum! Allocating even 10% of it would also be too much for VW. DDB Mudra needed an innovative idea that could break the clutter and create buzz.

DDB Mudra believed that social creativity requires media-inventiveness and not media-neutrality. It required combining of channels and content. Volkswagen did a roadblock campaign in which VW was the only brand to be advertised in the *Times of India* (see **Exhibit 10** for the campaigns of different brands of VW in India). Out of 28 pages of the newspaper, 13 were dedicated to VW, reaching out to 6.8 million readers. The campaign explained the brand claim of “People’s Car and The Car”. It highlighted VW’s innovation in performance and fuel efficiency, comfort, and safety. It also showcased the various car models; the investments made in the Pune plant,⁵ and the extensive dealer network (**Exhibit 11**). To make it human, the campaign engaged people in how to pronounce Volkswagen. The campaign generated buzz – it made headlines in leading business channels; Volkswagen became the No. 1 searched term on Google hot trends, India.

LAUNCHING THE MODELS

VW then turned its attention to product brands. While it positioned Passat on comfort, it positioned Jetta on superior driving experience (see **Exhibit 12** for positioning of competing brands). Positioning New Beetle was a challenge as it was priced very premium (Rs. 22 lakh as it was fully imported; 1 lakh = 0.1 million; 1\$ = Rs. 54, in March 2013). Rajeev Sabnis, President, DDB Mudra said:

It was an iconic brand, but Indian consumers were rational and style was not enough to persuade them to buy. We chose fashion-conscious women as the target audience and tapped into the counter-culture. The fashion industry echoed size zero, but celebrities such as Jennifer Lopez and Shakira had brought back the trend of voluptuous, curvy figures. Beetle joined the fight against size zero with its campaign “Curves are back”.⁶

⁵Passat and Jetta were assembled from completely knocked-down units; The New Beetle, Touareg, and Phaeton were fully imported; and Polo and Vento were manufactured in the Pune plant.

⁶The total ad-spend for the campaign for Beetle was about Rs. 150 million.

Beetle became a style icon such that it was used in several Bollywood films to establish the fashion credentials of their actors. VW sold 270 New Beetles against the targeted 200. Alongside Beetle, VW launched Touareg, a high-end SUV combining luxury and off-road ruggedness. The integrated campaign was targeted at men who loved the spirit of adventure. Mandeep Malhotra, Senior V.P. – Out-of-Home, Mudra Max⁷ said:

We attached a dummy Touareg outside a building as if it was climbing vertically whilst enlightening the VW logotype. This intrigued passersby and attracted media attention. Digitally, a rich media banner ad was developed which showed a Touareg descending at a 45° angle through the text of the page.

Phaeton was positioned as a high-end car targeted at the modern Indian royalty. The value proposition was matchless handcrafted experience wherein everything was personalized to bear the unique signature of the owner's personality. VW partnered with *Hindustan Times* such that the headlines in the *Hindustan Times* were printed using handwritten fonts.

Entering the Volume Car Segment

In March 2010, VW prepared to launch Polo in the compact car segment B+. While the B+ segment presented great opportunity, it was intensely competitive. Maruti Swift which had 28% market share was identified as the core competitor. VW set the target of achieving 9% market share in the segment by the end of 2010. The brief given to DDB Mudra was to create mass awareness of Polo and get people interested in knowing more about the car through the internet or dealers; achieve 15,000 test drives within the first 4 months with 10% converting to sales. VW leveraged the Auto Expo to create mass awareness. Ananya Handa, Head Press Communication, VW Group Sales India said:

There is no bigger platform than auto expo as it attracts more than 400 media persons – both national as well as local. It is impossible to reach out to such a large number through any other event.

VW also partnered with the *Times of India* to cut out a Polo-shaped hole in each page of the special *Times of India* supplement. The media innovation created much buzz.

A challenge was the consumer perception of VW being a premium, sophisticated European car not suitable for Indian conditions. DDB Mudra chose to embrace the consumer arguments and answer them in a persuasive style. Ashish Marwah, Vice President, DDB Mudra said:

The insight for the idea came from the book “*The argumentative Indian*” by Amartya Sen, which highlighted the Indian tradition of skepticism.

A series of five ads put features such as road handling, ground clearance, and fuel efficiency to test, one at a time.⁸ Rajeev Raja, National Creative Director, DDB Mudra said:

How we say was as important as what we say. We chose the “narad-muni” style which was the light-hearted and playful approach to refuting rational arguments against Polo.

The tagline “German engineering. Made in India” also highlighted suitability for India. A rich media pop-up ad took viewers on a digital journey to famous Indian landmarks to connect with Indianness. The campaign was targeted at the “young progressive” male, 30 years of age and well-informed. The campaign met with success. On the day of the cut-out innovation, there were 240,000 website visits.⁹ In the 4 months until June 2010, there were 68,000 inquiries, 28,000 test drives, and 3,919 cars were sold (14% test drives converted into sales). In 2011, Polo was the first choice of 13% consumers (see **Exhibit 13** for sales funnel of various brands).

⁷ Mudra Max was one of the agencies of the Mudra Group

⁸ The campaign which ran from May 1–June 30, 2010 received 7,856 spots across 54 TV channels, 172 insertions across 31 newspapers, 39 insertions across various magazine genres, and 155 outdoor sites across India.

In September 2010, VW planned the entry of Vento, its second volume car, in the Upper C segment. The segment constituted 6.4% of the market in 2011 and grew by 28% over 2010. While Honda City was the undisputed segment leader until some time back, it had started to trail behind Verna. The segment was under pressure from lower C models such as Maruti D'zire, Chevrolet Aveo, and Tata Indigo. VW targeted sales of 9,200 units of Vento and market share of 10% within 4 months of launch. The qualitative goal was to establish Vento as an aspirational and benchmark brand in entry sedans aptly reflected in the tagline “German engineering best in class”. VW believed that the core competencies required in the segment were quality, comfort, and driving experience. Vento differentiated itself with superior technology, spacious interior layout, effective air conditioning, authentic European design, and better road handling. It was aggressively priced and targeted a different segment. Lutz Kothe said:

The typical target customer for upper C segment cars was male, 35–40 years of age, businessman, and graduate with Rs. 1.5 million incomes per annum. Vento on the other hand targeted a younger (30–35 years), better educated, lower income, salaried, more value for money, and more demanding customer. It focused on the “young progressive” segment.

DDB Mudra had successfully launched Polo using rational appeal. However, Vento was an entry-level sedan, a segment in which purchase was made not only for rational, but also for emotional reasons. Rajeev Raja said:

While the Japanese and Korean brands had a strong footprint in India, they were perceived as geeky and mechanical. Hence, we saw an opportunity to build a strong emotional connect with the consumers. The strategy was to sell them not a car, but a piece of art. An artist was happy when his art was bought, but was emotionally ruffled as he watched it go away. This passion of the artist made the buyer appreciate the work of art.

High-decibel advertising in the segment meant that DDB Mudra had to think out-of-the-box yet again.⁹ It conceived the idea of the talking newspaper. In *Times of India*, a chip was pasted which had a pre-recorded voice of a Vento engineer who spoke about Vento with great passion. The campaign brought the engineer in direct contact with the consumer. This was followed by a TV commercial “Crafted with so much passion, it’s hard to let it go”; which showed the engineers manufacturing the Vento passionately and then bursting into tears after it was driven away by the buyer. By the end of 2010, Rs. 228 million in advertising resulted in sales of 7,002 units of Vento. In 2011, Vento gained further traction grabbing 22% market share in the segment (see **Exhibit 14** for market share of various models).

Relaunching Passat

In March 2011, VW re-launched Passat globally after modernizing its design and upgrading its technology. Product Head said:

Typically in the auto industry, product gets a facelift after every 5 years. The product is modernized, but the brand name is retained as consumers buy into the persona of the brand.

The Indian market started the build-up for the launch of New Passat a year in advance. VW India handpicked a few auto media men and took them to Paris motor show where the new Passat was to be unveiled. Ananya Handa said:

A motor show is more about the car than the company. It is not about business and profits. It is about the product and hence we chose media that is technologically savvy about cars. The media analyzed features available globally in the new Passat and wrote stories building anticipation of what could be expected in India.

In the next round, VW handpicked a few journalists and took them for test drive as part of global test drive. The New Passat was being introduced with BlueMotion Technologies. VW invited the auto media and wires such as PR Newswire and Press Trust of India (PTI) for a media round table and engaged with them on the concept of

⁹ Rs. 1,600 million was the total ad-spend of all the players in 2009.

BlueMotion Technologies.¹⁰ VW then gave a fleet of Passat to select journalists to drive for 4 months. As a result of the PR campaign, VW had some of the other journalist writing articles about Passat in the newspapers and magazines for 4 months.

The PR campaign was followed by advertising. The target audience for Passat was male, 35–45 years of age, postgraduate or professional, who had an income of Rs. 2 million per annum and owned at least two cars. He was mature, sophisticated, classic but confident, intelligent, well-traveled, well-informed, and a deep thinker. Toyota Camry and Honda Accord were identified as key competitors. Passat differentiated itself on “comfort.” The campaign showed a series of ads highlighting innovations that redefined comfort. The “Park assist” ad showed how the car was automatically guided into a parking space at the push of a button without the driver needing to steer and the “fatigue assist” ad showed how the car was automatically counter-steered as soon as it detected that Passat could leave its lane unintentionally. Another campaign highlighted BlueMotion Technologies – an efficient and eco-friendly way of life, in the New Passat.

VW advertising was hailed for its creativity, effectiveness, and media innovation, which were exemplified in the numerous awards it won. Beetle and Vento won the Abby for creativity; Polo won the Effies for effectiveness. Polo’s dye-cut and VW’s brand roadblock campaigns won the Emvies for media innovation. VW won the “outdoor advertiser of the year” award; Beetle won the “outdoor campaign of the year award” and Think Blue won the “public service award” (**Exhibit 15**). VW attained a share of voice higher than its share of expenditure (**Exhibit 16**). The brand awareness increased from a mere 9% in 2009 to 37% in 2011 (**Exhibit 17**). Consumers perceived the brand communication as memorable and the brand as likeable (**Exhibit 18**). Its favorability scores exceeded those of Ford and Skoda which had entered the Indian market much earlier (**Exhibit 19**). It was perceived as innovative, technically advanced, and a good quality brand (**Exhibit 20**). Lutz Kothe said:

DDB Mudra has understood the VW brand in a short period of time. They have adapted our global brand guidelines to India. They come up with multiple creative approaches and its working very well. Our awareness has increased, our sales have increased and our dealers are happy! DDB Mudra has laid a strong foundation of the VW brand in India.^{vi}

FUTURE OUTLOOK

In 2012, there was an aura of contentment as well as optimism in the VW India office. The group’s India operations were likely to break even in 2012.^{vii} The sales not only filled the capacity of the new plant, but would soon exceed it – the plant had the capacity of 130,000 vehicles annually; in 2009 VW sold 3,000 cars, which rose to around 30,000 cars by 2010 and 75,000 cars by the end of 2011. The products received critical acclaim with Polo being declared the “premium hatchback of the year 2010” by *CNBC Overdrive*; Vento, the “premium compact sedan of the year 2010” by *ET Zigwheels* and Passat “Green car of the year”. VW was the No. 8 player by sales volume. Neeraj Garg said:

We want to be amongst the top 3 in India by 2018.

Lutz Kothe said:

As we endeavor to move to the next level, perhaps we need to take a step back and review our marketing and communication strategy. Are we differentiating ourselves enough in the competitive market place? Are we giving a strong reason to the consumer to buy our brands? How can we communicate better?

¹⁰ Wires flash the stories and journalists can pick up stories from them and file them in their newspapers after giving a credit line to the wire. While PTI and Reuters are free wire services, others such as UNI and Dow Jones are paid. Reuters, Dow Jones, and Bloomberg are international wires, whereas PTI and UNI are Indian wires.

Exhibit 1

Market shares

Company	No. of Brands	Installed Capacity p.a. in lakhs	Market Share	No. of Dealers	No. of Cities
Maruti Suzuki	11	17.5	41.7	460	253
Hyundai	8	6.0	15.5	241	167
Tata Motors	6	5.5	12.7	216	146
General Motors	8	2.2	4.4	180	141
Ford	3	2	3.5	163	104
Honda Sael	5	1	1.3	122	67
Fiat	3	1	0.9	169	125
Toyota	7	2.1	4.9	147	92
Volkswagen	6	1.3	3.6	101	83
Nissan	4	2	0.7	32	31
Renault	1	-	0.1	15	15

Source: *Economic Times*, August 4, 2011; Company; [www. carwale.com](http://www.carwale.com)

Exhibit 2

Brand Positioning

Segment	Market Share	Brands	Description
Luxury Market	1	Porsche, BMW, Bentley, Audi, Mercedes, Land Rover, Jaguar, Ferrari, Ducati, Rolls Royce, Lamborghini, Aston Martin, Maserati	Volumes of super luxury brands were still negligible
Premium	8	Volkswagen, Skoda, Toyota, Honda	European mindset of premium was perceived in India as luxury as access to these brands was still confined to a small percentage of population. Consequently usual top-end volume brands such as Volkswagen, Toyota and Honda were seen as premium.
Lower Premium	27	Hyundai, Ford, Fiat, Nissan, Chevrolet	As wealth grows and access to different segments increases, brand perception would evolve accordingly.
Budget Market	64	Maruti Suzuki, Force, Mahindra, Hindustan Motors, Tata Motors	Local brands including Maruti Suzuki were perceived as budget brands.

Source: Company

Exhibit 3

Comparative prices

Company	Brand	Number of Variants		Prices (Rs. lakhs)*	
		Petrol	Diesel	Petrol	Diesel
Volkswagen	Vento	3	3	7.1–9.3	8.4–10.1
Honda	Honda City	7	-	7.1–10.4	-
Hyundai	Verna	5	5	7.1–9.8	9.8–11.1
Maruti	SX4	5	3	7.22–9.04	8.23–9.5
Fiat	Linea	4	3	6.9–9.3	7.9–9.3
Ford	Fiesta	6	4	8.4–9.8	9.4–10.6
Volkswagen	Polo	4	3	4.6–6.2	5.7–7.2
Maruti	Swift	3	3	4.5–5.7	5.5–6.8
Maruti	Ritz	4	3	4.2–5.2	5.2–5.7
Hyundai	i20	8	5	4.6–8.2	5.8–7.5
Skoda	Fabia	6	5	4.5–6.2	5.6–7.0
Fiat	Punto	3	3	4.9–6.6	5.6–6.8
Honda	Jazz	3	-	5.8–6.2	-
Figo	Ford	4	4	3.9–5.0	4.9–6.0
Micra	Nissan	4	2	4.2–5.5	5.8–6.3
Volkswagen	Passat	-	2	-	24.1–25.2
BMW	BMW 3 Series	2	2	24.6–34.7	25.1–32.1
Honda	Accord 2.4	2	-	19.9–20.6	-
Honda	Accord 3.5V6	1	-	26.7	-
Hyundai	Sonata	1	2	14.8	16.3–17.3
Mercedes-Benz	C Class	2	1	29.7–70.5	33.0
Skoda	Superb	3	1	18.9–27.2	23.2
Toyota	Camry	4	-	21.6–24.0	-
Audi	A4	3	2	29.0–38.3	30.9–38.8
Nissan	Teana	2	-	21.6–25.0	-
Volkswagen	Phaeton	-	1	-	77.1
Mercedes Benz	E Class	5	4	40.0–66.0	40.7–50.6
Mercedes Benz	S Class	2	1	85.5–99.6	85.7
BMW	5 Series	2	3	39.9–58.5	38.0–48.0
BMW	7 Series	3	1	87.2–132.7	84.2
Audi	A6	2	2	41.0–47.3	38.8–47.2
Volvo	S80	2	3	40.2–45.0	31.6–38.5

Exhibit 3 (Continued)

Volkswagen	Touareg	-	1	-	52.3
BMW	X5	1	1	72.1	55.3
Audi	Q7	-	2	-	55.5–65.8
Mercedes Benz	ML Class	-	1	-	55.5
Toyota	Land Cruiser 200	-	2	-	87.0–88.6
Volkswagen	Jetta	-	4	-	14.3–18.1
Chevrolet	Optra Magnum	2	2	7.5–8.5	8.6–9.5
Toyota	Corolla Altis	5	3	10.8–15.1	11.9–15.0
Honda	Civic	5	-	12.4–14.7	-
Skoda	Octavia	-	4	-	11.0–13.6
Skoda	Laura	3	5	12.7–15.8	14.2–18.6
Brio	Honda	4	-	4.0–5.2	-
Etios Liva	Toyota	5	2	4.3–6.2	5.7–6.0
Liva	Toyota	5	4	5.2–6.7	6.6–8.1
Land Rover Evoque	Tata Motors	1	3	59.9	47.1–57.7
EON	Hyundai	5	-	2.8–3.8	-
Rapid	Skoda	5	3	7.0–9.4	8.2–9.6
Beat	Chevrolet	4	4	3.7–4.4	4.5–5.7

Source: Author Research * Average Ex-showroom prices as of March 2012

Exhibit 4

Product-wise segments and their market shares

Segment	Engine Size (Liter) Length (mm)	Brands	Price Range (Rs. lakhs)	Customer Profile	2010		2011	
					No. of Cars Sold (000)	Market Share	No. of Cars Sold (000)	Market Share
A	<1.0 <3690	Maruti 800, Maruti Alto, Chevrolet Spark, Tata Nano	2–4	Entry-level hatch for budget-conscious people. Upgraders from 2-wheelers or 2 nd car for ladies and teenagers	59	2.8	70	3.1
B	>1.0 <3690	Maruti Zen, Maruti Wagon R, Hyundai Santro, Hyundai i10, Tata Indica, Hyundai Eon	3–5	Mass hatch for budget-conscious people. Upgraders from 2-wheelers or 2 nd car for ladies and teenagers	998	46.1	944	41.3
B+	>1.0 >3690	Hyundai Getz, Skoda Fabia, Fiat Palio, Maruti Swift, Maruti Ritz, VW Polo	4–7	Premium hatch for image- & feature-conscious people. Upgraders from 2-wheelers or used as a 2 nd car by ladies & teenagers	399	18.4	458	20.0
Lower C	<1.5 4000–4300	Renault Logan, Ford Ikon, Tata Indigo, Hyundai Accent	5–7	Entry-level sedan for budget-conscious people. Upgraders from hatchback	175	8.1	210	9.2
Upper C	1.5–1.8 4300–4500	Maruti SX4, Hyundai Verna, Ford Fiesta, Honda City, Chevrolet Aveo, Mitsubishi Lancer, VW Vento	6–9	Mass sedan for image- & feature-conscious people. Upgraders from hatchback or used as a 2 nd car by D & E segment users	114	5.3	146	6.4
Lower D	1.8–2.0 4500	Chevrolet Optra, Mitsubishi Lancer Cedia, Toyota Corolla, Honda Civic, Skoda Octavia, Skoda Laura, VW Jetta	8–15	Hatchback and C segment sedan upgraders	47	2.2	40	1.8
Upper D	>2.0 4500–4900	BMW 3, Honda Accord, Hyundai Sonata, Mercedes C Class, Skoda Superb, Toyota Camry, Audi A4, Nissan Teana, VW Passat	15–32	C and Lower D segment sedan upgraders	14	0.6	14	0.6

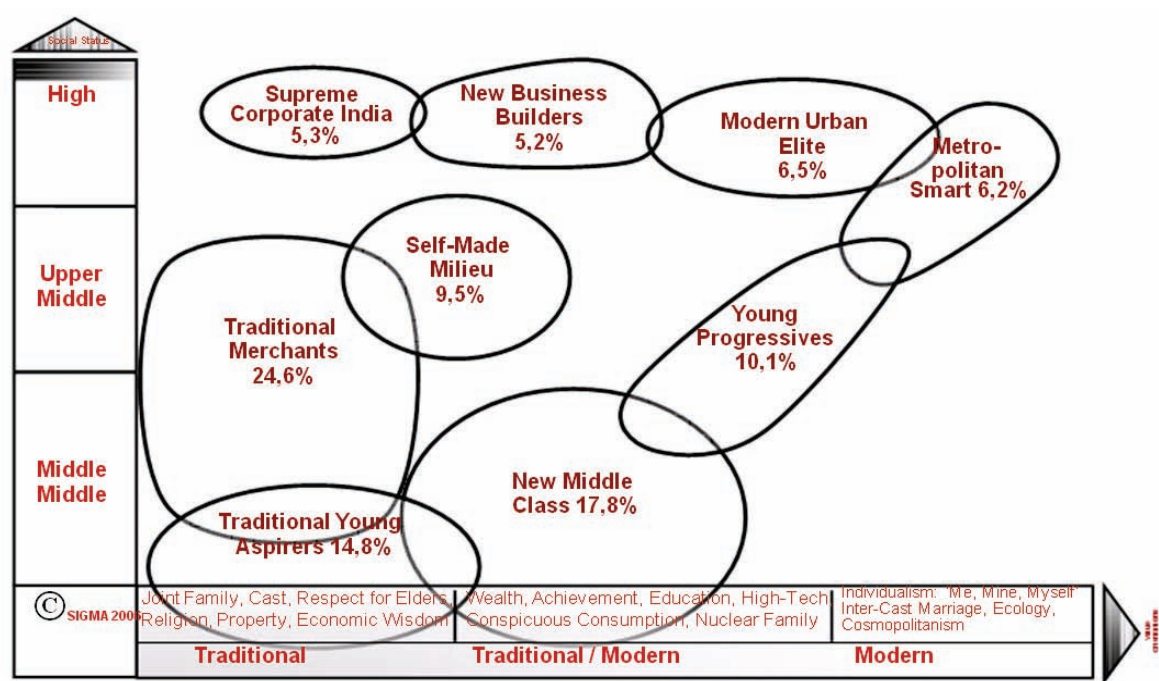
Exhibit 4 (Continued)

E Segment	2.5–6.0 4800–5200	Mercedes E & S class, BMW 5 Series, Audi A6, Volvo S80, BMW 7 Series, VW Phaeton	36–125	Image-technology-conscious sedan upgraders	7	0.3	8	0.3
SUV & MPV	>2.0 4400–4700	Mahindra Scorpio, Tata Safari, Toyota Innova, Chevrolet Tavera	6–12	Additional car. 7 or more seats for large families	171	7.9	212	9.3
					102	4.7	93	4.1
Premium SUV	>2.0 4500–5000	Ford Endeavor, Maruti Grand Vitara, Chevrolet Captiva, Mitsubishi Pajero, Nissan X Trail, Honda CRV, Hyundai Tucson	14–25	Additional car for quality- and feature-conscious user	16	0.8	17	0.8
Luxury SUV	2.5–5.0 4500–5000	BMW X3, BMW X5, Audi Q7, Mercedes M Class, Porsche Cayenne, VW Touareg, Volvo XC 90	40–100	Image-technology-conscious sedan upgraders	1	0.8	2	0.1

Source: Company

Exhibit 5

Volkswagen consumer segments



Source: Company *Based on in-depth interviews with 50 car owners and survey research with 900 car owners

Exhibit 6

Profile of consumer segments

Segment & Size	Description	Car purchase behavior
Traditional merchants 24.6%	In small & medium family business – mostly wholesale and retail; living in urban and semi-urban India; mostly males; age 40 years or more; low to medium levels of education; no experience abroad; highly traditional – paternalistic; follow religious rituals; thrifty; respect for elders; being recognized in one's own community; gender-biased.	Own hatchbacks, but aspire for saloons; use car heavily for business purposes; prefer domestic makes owing to low price, want economical spare parts, service.
Traditional young aspirers 14.8%	Self-employed or employed in public sector in clerical roles; 25–35 years of age; male; modest rural/semi-urban background; highly traditional; higher secondary and not graduate; mostly married; traditional values	Own cars below Rs. 4 lakhs, heavy usage of car mostly for business
New middle class 17.8%	Urban; 25–40 years; first generation with modern affluence through education; higher secondary to graduates; clerical jobs; moderate knowledge of English; blend of traditional and modern values – diligence, self-discipline, nuclear family, moderate individualism, modern consumption.	Own cars up to Rs. 5 lakhs, want latest technology; car as a reflection of family status; seek low running costs
Young progressives 10.1%	Executives in companies; engineers, creative professionals in knowledge sectors; below 30 years of age; superior knowledge of English; metros; many are females; nuclear family; individualistic; career-oriented; open-minded; enjoying life; spend money on leisure activities & high-tech products; watch cinema and cricket	Want leisure cars; interest in niche concepts; seek style and innovation; interest in hybrid technology
Supreme corporate India 5.3%	Elite entrepreneurs, CEOs in Rajasthan, Gujarat, Punjab; 50 years or more; possess inherited wealth; highly educated; well-traveled, traditional values; extended family; luxury signifies family status; rational approach to money – waste is frowned upon, modest outward appearance; strong social significance of charities; go to clubs and concerts	Growing interest in SUVs; buy super luxury cars; luxurious and personalized interiors; latest technology; guaranteed mobility

Exhibit 6 (Continued)

New business builders 5.2%	Funders of fast growing businesses; 30–40 years of age; well-educated; high income and considerable assets; self-made; aggressive “sky is the limit” attitude; enjoy consumption of luxury; go to sports events, art exhibitions, clubs, concerts and wellness centers	Urge for exclusivity, prestige, latest innovation; seek driving pleasure, strong affinity to saloons, roadsters, and SUVs.
Self-made milieu 9.5%	Small entrepreneurs; 30–50 years of age; modest education; moderate assets; traditional – live with extended family, gender-biased; go to shopping malls, cinema, amusement parks	Prefer known brands, modern design and latest technology as signs of social status, fuel economy
Modern urban elite 6.5%	Liberal western orientation; education from elite schools in the west or experience abroad; entrepreneurs & managers in IT, journalism, academics, media, film; above average incomes; 30–50 years; individualistic; sophisticated	Interest in saloon, coupe, SUV and convertible; personalized interiors; renowned brand; environment-friendly; go to award shows, parties
Metropolitan smart 6.2%	In media, art, entertainment, IT industry; scientists, artists, doctors, solicitors; 25–30 years of age; high income; career-oriented; individualistic; modern; highly developed leisure culture – bars, restaurants, shopping; metros; many females	Interest in coupe, SUV, diesel, hybrid; latest technology, styling; personalized interiors; off-road capability; charity; motor sports; art galleries

Source: Company

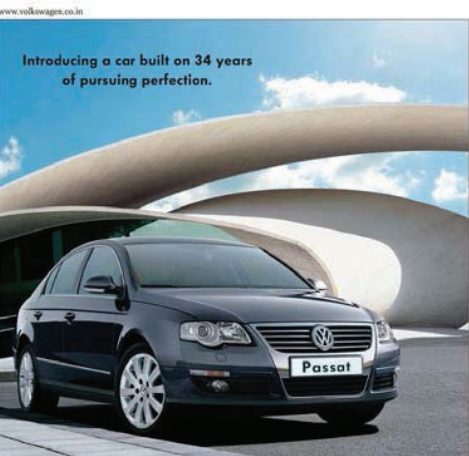
Segment-wise purchase preference of brands

Segments	Ford	Tata	Hyundai	Honda	Maruti	Toyota	Fiat	Skoda	VW
Traditional merchants	109*	126	125	96	142	94	55	99	68
Traditional young aspirers	44	114	91	118	89	76	153	65	73
New middle class	61	98	113	106	76	102	90	141	123
Young progressives	193	66	79	96	78	90	33	109	28
Supreme corporate India	200	149	116	94	84	191	167	72	118
New business builders	99	48	43	113	79	128	67	125	174
Self-made milieu	57	133	88	108	121	47	81	104	65
Modern urban elite	111	92	55	102	73	125	135	99	177
Metropolitan smart	115	0	121	51	87	112	226	67	223

Source: Company *Are Index numbers (base of 100).

VW launch ads in 2007 and 2008

www.volkswagen.co.in



**Introducing a car built on 34 years
of pursuing perfection.**

Built by Volkswagen, the No.1 car brand in Germany and Europe*, the Passat TDI has been carefully perfected over many decades. Which is the reason why its fans include over 14 million customers as well as the judges of the most prestigious car awards. However, opinions vary on what exactly is the reason for such universal acclaim. Some believe it is the economical yet powerful TDI diesel engine that makes even the longest journey seem almost unfairly short. Others link it to the 6-speed DSG gearbox that lets you switch from automatic to manual at the switch of your mood while others believe it is the 12-way seat adjustment system that always keeps you in supberb comfort.

See how far the meticulously built Passat has come in 34 years.



Volkswagen. Das Auto.

12 150 180 190 210 230 250 270 290 310 330 350 370 390 410 430 450 470 490 510 530 550 570 590 610 630 650 670 690 710 730 750 770 790 810 830 850 870 890 910 930 950 970 990 1010 1030 1050 1070 1090 1110 1130 1150 1170 1190 1210 1230 1250 1270 1290 1310 1330 1350 1370 1390 1410 1430 1450 1470 1490 1510 1530 1550 1570 1590 1610 1630 1650 1670 1690 1710 1730 1750 1770 1790 1810 1830 1850 1870 1890 1910 1930 1950 1970 1990 2010 2030 2050 2070 2090 2110 2130 2150 2170 2190 2210 2230 2250 2270 2290 2310 2330 2350 2370 2390 2410 2430 2450 2470 2490 2510 2530 2550 2570 2590 2610 2630 2650 2670 2690 2710 2730 2750 2770 2790 2810 2830 2850 2870 2890 2910 2930 2950 2970 2990 3010 3030 3050 3070 3090 3110 3130 3150 3170 3190 3210 3230 3250 3270 3290 3310 3330 3350 3370 3390 3410 3430 3450 3470 3490 3510 3530 3550 3570 3590 3610 3630 3650 3670 3690 3710 3730 3750 3770 3790 3810 3830 3850 3870 3890 3910 3930 3950 3970 3990 4010 4030 4050 4070 4090 4110 4130 4150 4170 4190 4210 4230 4250 4270 4290 4310 4330 4350 4370 4390 4410 4430 4450 4470 4490 4510 4530 4550 4570 4590 4610 4630 4650 4670 4690 4710 4730 4750 4770 4790 4810 4830 4850 4870 4890 4910 4930 4950 4970 4990 5010 5030 5050 5070 5090 5110 5130 5150 5170 5190 5210 5230 5250 5270 5290 5310 5330 5350 5370 5390 5410 5430 5450 5470 5490 5510 5530 5550 5570 5590 5610 5630 5650 5670 5690 5710 5730 5750 5770 5790 5810 5830 5850 5870 5890 5910 5930 5950 5970 5990 6010 6030 6050 6070 6090 6110 6130 6150 6170 6190 6210 6230 6250 6270 6290 6310 6330 6350 6370 6390 6410 6430 6450 6470 6490 6510 6530 6550 6570 6590 6610 6630 6650 6670 6690 6710 6730 6750 6770 6790 6810 6830 6850 6870 6890 6910 6930 6950 6970 6990 7010 7030 7050 7070 7090 7110 7130 7150 7170 7190 7210 7230 7250 7270 7290 7310 7330 7350 7370 7390 7410 7430 7450 7470 7490 7510 7530 7550 7570 7590 7610 7630 7650 7670 7690 7710 7730 7750 7770 7790 7810 7830 7850 7870 7890 7910 7930 7950 7970 7990 8010 8030 8050 8070 8090 8110 8130 8150 8170 8190 8210 8230 8250 8270 8290 8310 8330 8350 8370 8390 8410 8430 8450 8470 8490 8510 8530 8550 8570 8590 8610 8630 8650 8670 8690 8710 8730 8750 8770 8790 8810 8830 8850 8870 8890 8910 8930 8950 8970 8990 9010 9030 9050 9070 9090 9110 9130 9150 9170 9190 9210 9230 9250 9270 9290 9310 9330 9350 9370 9390 9410 9430 9450 9470 9490 9510 9530 9550 9570 9590 9610 9630 9650 9670 9690 9710 9730 9750 9770 9790 9810 9830 9850 9870 9890 9910 9930 9950 9970 9990 10010 10030 10050 10070 10090 10110 10130 10150 10170 10190 10210 10230 10250 10270 10290 10310 10330 10350 10370 10390 10410 10430 10450 10470 10490 10510 10530 10550 10570 10590 10610 10630 10650 10670 10690 10710 10730 10750 10770 10790 10810 10830 10850 10870 10890 10910 10930 10950 10970 10990 11010 11030 11050 11070 11090 11110 11130 11150 11170 11190 11210 11230 11250 11270 11290 11310 11330 11350 11370 11390 11410 11430 11450 11470 11490 11510 11530 11550 11570 11590 11610 11630 11650 11670 11690 11710 11730 11750 11770 11790 11810 11830 11850 11870 11890 11910 11930 11950 11970 11990 12010 12030 12050 12070 12090 12110 12130 12150 12170 12190 12210 12230 12250 12270 12290 12310 12330 12350 12370 12390 12410 12430 12450 12470 12490 12510 12530 12550 12570 12590 12610 12630 12650 12670 12690 12710 12730 12750 12770 12790 12810 12830 12850 12870 12890 12910 12930 12950 12970 12990 13010 13030 13050 13070 13090 13110 13130 13150 13170 13190 13210 13230 13250 13270 13290 13310 13330 13350 13370 13390 13410 13430 13450 13470 13490 13510 13530 13550 13570 13590 13610 13630 13650 13670 13690 13710 13730 13750 13770 13790 13810 13830 13850 13870 13890 13910 13930 13950 13970 13990 14010 14030 14050 14070 14090 14110 14130 14150 14170 14190 14210 14230 14250 14270 14290 14310 14330 14350 14370 14390 14410 14430 14450 14

Source: Company

Think small.

- One little car with as much of a punch as any other.
- A couple of doors, college kids don't try to squeeze inside it.
- One gal or two gets children down it and returns the gas soon.
- Reliability, lower chance of car theft.
- So, look, some people who drink too little
- know don't even think 50 miles to the gas station is going to prove easy.
- On being five years or at least 40 years old.
- On never meeting and leaving.
- On getting an 8000 dollar car is not all that.
- That's because once you get used to
- some of our accessories, you don't drive that small thing any more.
- Second, when you become one of our small driving club, you know your small car is special. You get a small repair kit.
- Or, you can get the 1000 for a new car.
- Think it over.



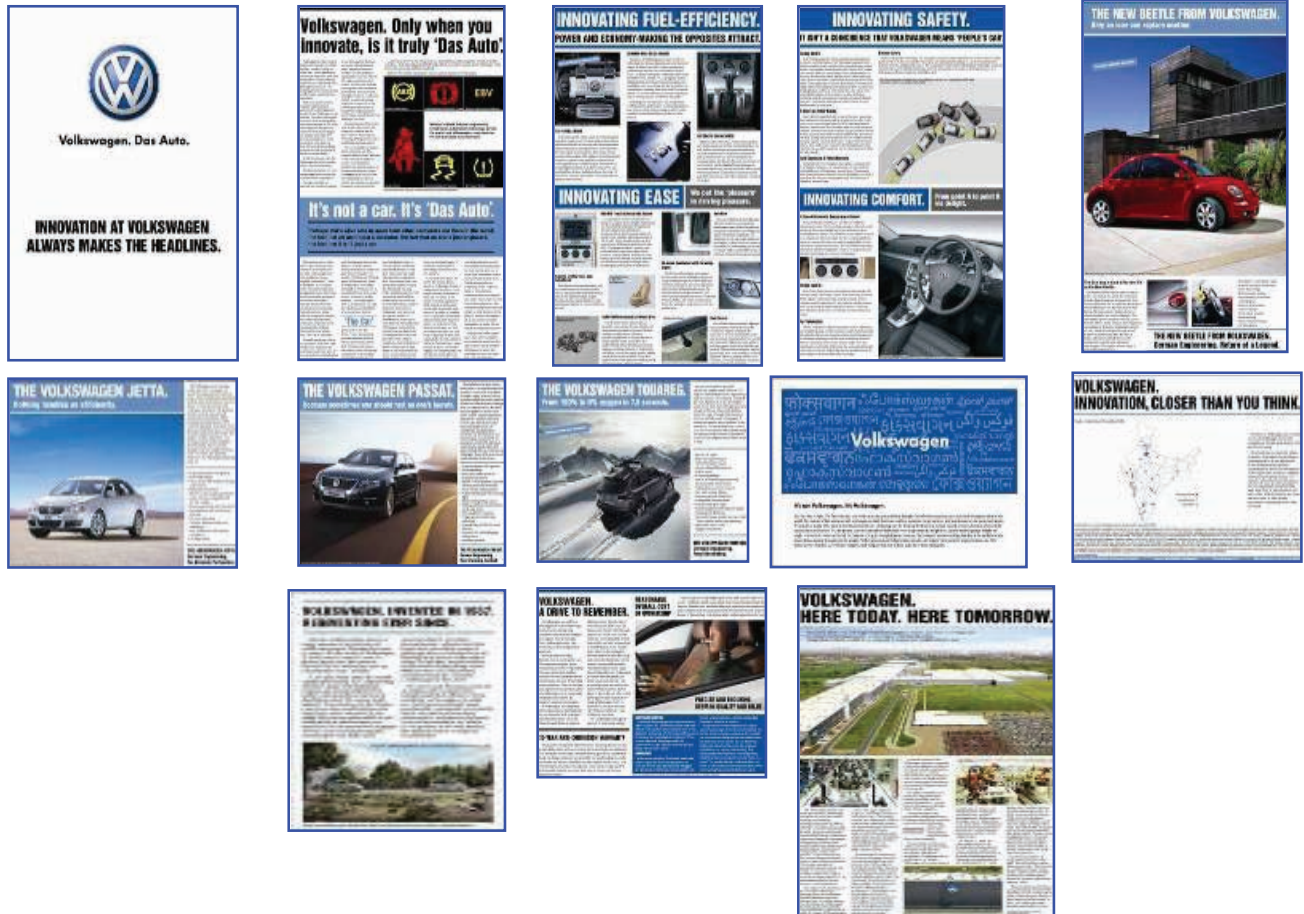
Fun Theory Campaign



This document is authorized for use only in Laureate Education, Inc.'s WAL CBE CMBA-IG006 Market Segmentation Models at Laureate Education - Baltimore from Oct 2018 to Nov 2019.

Exhibit 10

Campaigns of VW product brands:
Roadblock campaign in Times of India



Campaign for Passat



The Volkswagen Passat.

It just envelops you in comfort. Its 6-speed automatic DSG gearbox anticipates your moves. Its headlights turn before you do. It offers separate 'His' and 'Hers' climate zones. Its 12-way adjustable seats remember how you sit, and even slide back to let you slide in behind the Reach-and-Rake adjustable steering wheel. You can almost hear it whisper, "Would that be all, Sir?" German engineering. Overwhelming Comfort.



Volkswagen. Das Auto.

Campaign for Jetta

Campaign for Beetle

Campaign for Touareg

45 degree climbing, 500 mm wading.
That settles the question: How did it get there?



The first thing you should expect to see, in places where you'd least expect to find anything in the Touareg. Easily the most proven off-roader among luxury SUVs, its powerful 3.6 L V6 TSI engine is wading through 210 mm (8 1/4") of water that helps conquer the hardest terrain with relative ease. Extreme capabilities like 45 degrees full climbing, 500 mm water wading, 35 degree full driving and all manner of custom controls, including a more than 4000 km² (barbaric) ad in the adventure rock. So it's no longer a question of whether the Touareg can get you there, but of how soon. German engineering. Real Driving.

The Volkswagen Touareg.

 Volkswagen Des Auto.

Colors and contents might vary without notice. Volkswagen is a registered trademark of Volkswagen AG.

Authorized Dealers: Mumbai, Volkswagen Dealerships Mumbai: 022-6804444, 9822999191, Noida Mumbai, Volkswagen Noida Mumbai: 0121-6479660-71, 9806060315/17, Pune, Volkswagen Pune: 020-31241612, 9407900022, Goa, Volkswagen Goa: 0832-335323, 9305500500, Kolkatta, Volkswagen Kolkatta: 033-2611716, 8743777513, 9037900033/36, Nagpur, Volkswagen Nagpur: 07141-220000, 9558933333, South B., Volkswagen South B.: 0252-238422/23, 9338362223, Indore: 0731-8332258-92, 9695000050, Volkswagen India Indore: 7867, Anytime Anywhere Toll Free: 18003630069, 18003630060.

Exhibit 10 (Continued)

Campaign for Polo



The New Volkswagen Polo.

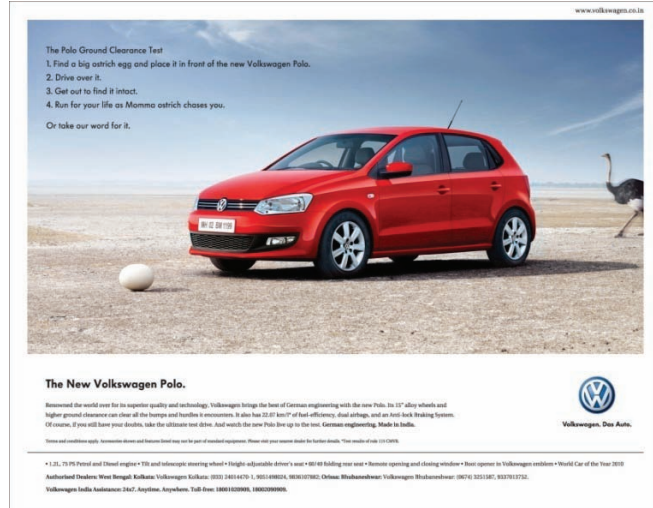
Renowned the world over for its superior quality and technology, Volkswagen brings the best of German engineering with the new Polo. Its 1.2L petrol engine delivers best-in-class fuel efficiency of 17.24 km/l* and 75 PS of power, making it one of the most economical cars around. It also has dual airbags, Anti-lock Braking System and higher ground clearance. Of course, if you will have your doubts, take the ultimate test drive. And watch the new Polo live up to the test. German engineering. Made in India.



Volkswagen. Das Auto.

*Terms and conditions apply. Accessories shown and features listed may not be part of standard equipment. Please visit your nearest dealer for further details. *Test results of rule 113/2009.

*1.2L, 75 PS Petrol and Diesel engine • 710 and telescopic steering wheel • Height adjustable driver's seat • 80/100 falling over seat • Remote opening and closing window • Best option in Volkswagen models • World Car of the Year 2010
 Authorized Dealers: Bangalore: Elite Motors (080) 42800800, 987222214, 9178 486775; Volkswagen Pune: (020) 41308072, 968802214, 968802214; Volkswagen Chennai: (044) 43222206, 9884 432222;
 988881211, 988440442.
 Volkswagen India Assistance: 24x7. Anytime. Anywhere. Toll-free: 18001010009, 18002000905.



The New Volkswagen Polo.

Renowned the world over for its superior quality and technology, Volkswagen brings the best of German engineering with the new Polo. Its 1.2L petrol engine delivers best-in-class fuel efficiency of 17.24 km/l* and 75 PS of power, making it one of the most economical cars around. It also has dual airbags, Anti-lock Braking System and higher ground clearance. Of course, if you will have your doubts, take the ultimate test drive. And watch the new Polo live up to the test. German engineering. Made in India.



Volkswagen. Das Auto.

*Terms and conditions apply. Accessories shown and features listed may not be part of standard equipment. Please visit your nearest dealer for further details. *Test results of rule 113/2009.

*1.2L, 75 PS Petrol and Diesel engine • 710 and telescopic steering wheel • Height adjustable driver's seat • 80/100 falling over seat • Remote opening and closing window • Best option in Volkswagen models • World Car of the Year 2010
 Authorized Dealers: West Bengal: Kolkata Volkswagen: (033) 2451470-1, 9851488014, 9851478012; Odisha: Bhubaneswar Volkswagen: (0674) 5511381, 9327010761;
 Volkswagen India Assistance: 24x7. Anytime. Anywhere. Toll-free: 18001010009, 18002000905.

Campaign for Phaeton

Handcrafted campaign for Phaeton in *Hindustan Times*

Volkswagen. Das Auto.

*Terms and conditions apply. Accessories shown and features listed may not be part of standard equipment.

Authorized Dealers: Maharashtra: Mumbai: Volkswagen Dealerships: Mumbai: (022) 66544444, 9874909045; Volkswagen: Navi Mumbai: (022) 94579660-75, 961966007/81; Aurangabad: Volkswagen: Aurangabad: (0240) 9617777-79, 8007778855; Kolhapur: Volkswagen: Kolhapur: (0238) 2461516, 2461517, 976777212, 957900001, 957900004; Nagpur: Volkswagen: Nagpur: (0710) 288009, 9804931198; Nashik: Volkswagen: Nashik: (0253) 2386622, 901170233;
 Pune: Volkswagen: Pune: (020) 41424142, 982399222; Goa: Pimpri: Volkswagen: Goa: (0832) 2233233, 876102096.
 For Corporate enquiries: 9820008864, 9820008472; Volkswagen India Assistance: 24x7. Anytime. Anywhere. Toll-free: 18001010009, 18002000905.

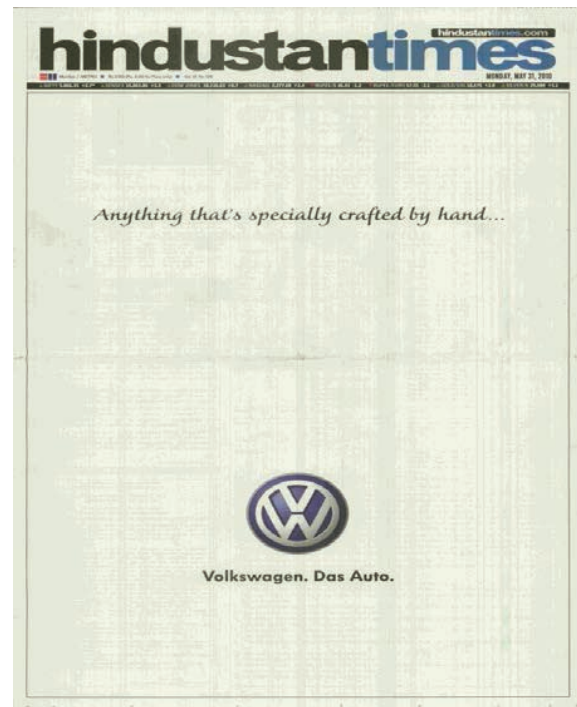


Exhibit 10 (Continued)

Campaign for Vento

www.volkswagen.co.in



The New Volkswagen Vento.
Crafted with so much passion, it's hard to let it go.

The Anti-lock braking system. Perfected over 52 working weekends and 500 crash tests.

When you step into the Volkswagen Vento, you step into a different world. Take for example the 1.6L fuel efficient engine that keeps the petrol pump miles away. Or the 6-speed automatic Tiptronic gearbox that makes any ride, smooth. Or the innovative front seat slider that enables the adjustment of the co-driver's seat even from the rear for extra legroom. Chrome finished interiors pamper your senses while dual airbags ensure adequate safety. After all, the Vento is a car that's crafted out of pure passion. Perhaps, that's why our engineers find it so hard to let it go. **German engineering. Best in Class.**

Terms and conditions apply. Accessories shown and features listed may not be part of standard equipment. Please visit your nearest dealer for further details. *Test results of mile 120 CME.

• 1.2L, 75 PS Petrol and Diesel engine • Tilt and telescopic steering wheel • Height-adjustable driver's seat • 60/40 folding rear seat • Remote opening and closing windows • Boot opener in Volkswagen emblem • World Car of the Year 2010

Authorized Dealers: Bangalore: Shre Motors (080) 4306030, 997202144, 973146477; Volkswagen Pune Cross (080) 41306972, 940401244, 940401246; Volkswagen Downtown Bangalore (080) 4323230, 4323232, 8660081212, 990049442.

Volkswagen India Assistance: 24x7. Anytime. Anywhere. Toll-free: 18001020998, 18002999999.

Volkswagen. Das Auto.

Campaign for "Think Blue" in Passat

www.volkswagen.co.in



Think Blue.

The all-new Passat, with BLUEMOTION TECHNOLOGIES

Think Blue means an efficient, eco-friendly way of life. Think Blue also means you can now contribute, by driving the new Passat with BlueMotion Technologies. Breakthrough innovations like the auto start-stop, brake energy recuperation, optimised gear ratios and intelligent gear shift prompt, work together to make the new Passat more fuel-efficient and to reduce emissions. Benefiting you and the environment.

Apart from the BlueMotion Technologies, the new Passat also comes with some stunning new features: Powerful 2.0L TDI Engine with 170PS • Park Assist • Attention Assist • DSG Gearbox • Active Climate Seats

www.thinkblue.co.in

Volkswagen. Das Auto.

*Terms and conditions apply. Accessories shown and features listed may not be part of standard equipment.

Authorized Dealers: Volkswagen Downtown Mumbai: (022) 8604644, 9870499940; Volkswagen Mumbai West: (022) 4148000, 916722640; Volkswagen Mumbai East: (022) 42067100, 918722602; Volkswagen West Hyderabad: (022) 27791029-34, 98138880701; Volkswagen Thane: (022) 87844444, 9034374444; Volkswagen Aarangal: (020) 8177777-79, 4087778888; Volkswagen Kollam: (049) 2461814, 3481817, 9780737312, 9527009803, 9527009804; Volkswagen Mysore: (07104) 228800, 952030104; Volkswagen Madurai: (045) 2348822, 3011762232; Volkswagen Pune: (020) 4145142, 9922398022; Pune: Volkswagen Goa: (0832) 2233223, 9785508896.

Volkswagen India Assistance: 24x7. Anytime. Anywhere. Toll-free: 18001020998, 18002999999.

Exhibit 10 (Continued)

Out of home advertising



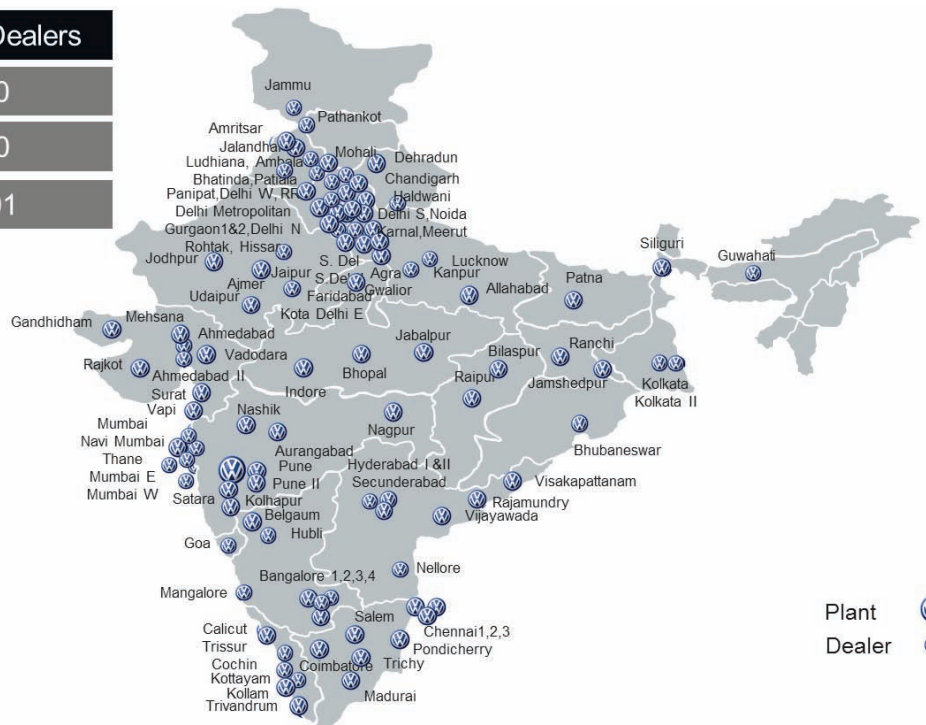
VW used several media innovations such as cluster hoarding and heli-banner. A 10,000 sq ft banner flew over Mumbai during peak hours. Radio DJs pointed people to the skies.

Source: Company

Exhibit 11

Dealer network

Year	No of Dealers
2009	40
2010	70
2011	101



Source: Company

Exhibit 12

Positioning of brands**Positioning of Competitors of Passat**

While Audi A4 symbolized innovative features and prestige, BMW 3 series stood for sportiness and youthful joy. Honda Accord stood for perfection and excellence, Hyundai Sonata for driving experience and Mercedes C Class for exclusive status symbol. Nissan Teana was positioned as lounge comfort. In a category that facilitated mobility, it advertised stillness. Skoda Superb connoted exclusivity and surpassing of excellence using the metaphor of 7 star and Toyota Camry for perfection and rejuvenation. Most communication in the segment used western cues and did not portray Indianness. Human beings were rarely shown in ads.

Positioning of Competitors of Jetta

While Skoda Octavia was positioned as utility and status for family man, Skoda Laura was positioned as an object of desire for young achievers. As compared to Octavia, Laura's target audience was more dynamic and younger. Honda Civic symbolized excitement and adventure, targeting a much younger segment. Toyota Corolla Altis symbolized corporate success through its tagline "Designed to inspire envy." Chevrolet Optra Magnum was positioned as a powerful family car for utility. It balanced individual freedom and family needs. Chevrolet Cruze combined the elegance of a saloon with the thrill of an SUV.

Positioning of Competitors of Touareg

In a category defined by adventure, Volvo XC90 projected safety as being imperative for any adventure. It positioned itself for those in the corner office. Mercedes M Class connoted exclusive power and status. Since the brand had high patronage in India, the communication did not veer far into the SUV territory, rather depicted a poised journey on the outskirts of the city. BMW X5 aimed to create an icon of it. Unlike its competition, it did not talk of adventure or luxury, but the joy of owning a masterpiece. Audi Q5 stood for innovation and advanced technology, Toyota Landcruiser Prado for powerful performance in extreme conditions and Land Rover for luxury along with all terrain credentials.

Positioning of Competitors of Polo

Honda Jazz tried to break the hierarchy of car segments, by positioning itself as a car that was in a "league of its own." The brand was positioned around other people's perceptions of the car, rather than the engineering strength of Honda. Hyundai i20 targeted youth by promising sex appeal. Maruti Swift targeted youth who were passionate about driving, but could not afford an SUV. Similar to SUVs, Swift also did not show a driver in the ad. As compared to Swift, Ritz's target audience was not as adventurous, though similarly young and ambitious. Ritz was positioned as the executive's first car: the first step on the hill to success. The Punto was independent, but not a "rebellious" car. Punto was subtle and reserved. Skoda Fabia was targeted at a slightly older target audience. It was for someone who had moved ahead in life, but had not forgotten his values. The car helped impress a girlfriend rather than get a girlfriend. U-VA had a slightly older and more self-secure target audience. It poked fun at the driver (portrayed by Saif Ali Khan), or showed him as a gentleman, rather than conveying his sex appeal or his power.

Positioning of Competitors of Vento

Honda City, Hyundai Verna, Maruti SX4, Fiat Linea, and Ford Fiesta were identified as competitors. Honda City was positioned as an aspirational luxury car. Hyundai Verna portrayed performance without emphasis on design or looks. Maruti SX4 was positioned on sex appeal with the tagline "Men are back." Fiat Linea was positioned on design and looks and not performance. Ford Fiesta was positioned as playfully stylish.

Source: DDB Mudra group

Exhibit 13

Sales funnel for different brands – 2011

	Aided Awareness	Familiarity	Consideration	First Choice
Passat – Upper D Segment				
Mean	95	70	17	14
Honda Accord	100	83	29	29
Audi A4	97	73	43	33
Skoda Superb	96	65	5	3
Toyota Camry	95	68	3	3
Volkswagen Passat	89	62	3	2
Jetta – Lower D Segment				
Mean	95	59	13	9
Honda Civic	99	78	32	22
Toyota Corolla	97	74	8	5
Skoda Laura	96	58	11	8
Chevrolet Cruze	94	58	17	11
Volkswagen New Beetle	92	45	6	6
Volkswagen Jetta	90	42	5	4
Touareg – Luxury SUV Segment				
Mean	95	57	9	5
BMW X5	97	64	12	7
Audi Q7	95	64	23	13
Toyota Prado	95	53	1	0
Volkswagen Touareg	92	48	1	1
Polo – B+ Segment				
Mean	94	62	17	9
Maruti Swift	100	90	25	4
Hyundai i20	99	92	35	24
Ford Figo	97	71	35	26
Chevrolet Aveo	97	49	3	1
Honda Jazz	96	57	15	7
Volkswagen Polo	96	64	16	13
Nissan Micra	94	52	7	0
Toyota Liva	74	19	0	0

Exhibit 13 (Continued)

Vento – Upper C Segment				
Mean	94	60	16	9
Honda City	100	82	45	29
Ford Fiesta	99	69	17	8
Maruti SX4	99	80	11	3
Hyundai Verna	97	64	9	5
Fiat Linea	91	45	7	1
Toyota Etios	89	42	13	10
VW Vento	86	38	7	5

Source: Company All figures in percent

Exhibit 14

Units sold and market share of various brands in 2011

Segment	Model	Brand	2011	
			Units Sold	Market Share (%)
Upper C	SX4		21829	13.3
	Linea	Fiat	5477	3.4
	Rapid*	Skoda	2253	1.4
	Accent	Hyundai	11107	6.8
	Verna	Hyundai	40196	24.6
	New Fiesta	Ford	10636	6.5
	Aveo	Chevrolet	1789	1.1
	City	Honda	35932	22.0
	Vento	Volkswagen	35671	21.8
B+	UVA	Chevrolet	1357	3.0
	Micra	Nissan	18784	4.1
	Fabia	Skoda	16966	3.7
	Punto	Fiat	11192	2.5
	Jazz	Honda	4386	1.0
	Liva	Toyota	20260	4.5
	Swift	Maruti Suzuki	127915	28.2
	Ritz	Maruti Suzuki	65369	14.4
	Figo	Ford	74281	16.4
	i-20	Hyundai	80571	17.8
	Polo	Volkswagen	38633	8.5

Exhibit 14 (Continued)

Lower D	Jetta	Volkswagen	2770	8.3
	Kizashi	Suzuki	488	1.5
	Corolla	Toyota	9283	28.0
	Optra	Chevrolet	3036	9.2
	Cruze	Cruze	8539	25.7
	Laura	Skoda	5873	17.7
	Civic	Honda	3207	9.7
	Fluence**	Renault	1023	3.1
Upper D	Sonata	Hyundai	165	2.4
	Passat	Volkswagen	1164	17.2
	Superb	Skoda	3470	51.3
	Camry	Toyota	222	3.3
	Teana	Nissan	132	2.0
	Accord	Honda	1610	23.8
	Beetle	Volkswagen	172	-
	Phaeton	Volkswagen	45	0.6

Source: Company *Sales figure available for November–December only ** Sales figure available for June–September and November–December only

Exhibit 15

Awards

Media Awards				
Award	Type	Category	Creative	Brand
Abby	Gold	Media Innovation – Print	Talking newspaper	Vento
Abby	Gold	Media Innovation – Strategy	Polo dye-cut	Polo
Emvies	Gold	Media Innovation – Print	Talking newspaper	Vento
Emvies	Gold	Best Integrated Campaign	2010 activity	Volkswagen
Creative Awards				
Abbys	Silver	Print	Curves are back	Beetle
Abbys	Silver	Direct	Talking newspaper	Vento
Abbys	Bronze	Print	TSI Technology	Volkswagen
Effies	Silver	Corporate Advertising	Innovations	Volkswagen
Effies	Silver	Consumer Durables	Emotional engineer	Vento
Outdoor				
OAC	Gold	Campaign of the Year	Beetle outdoor activities	Beetle
OAC	Silver	Alternative media	Innovations for all*	Volkswagen
OAC	Silver	Best use of ambient media	Road block – Headlamps	Touareg
Network 2 media	Gold	OOH advertiser of the year	OOH campaigns	Volkswagen
Network 2 media	Gold	Public service	Ugliest billboard	Think Blue
Automobile				
Award	Brand		Category	
CNBC–Overdrive	Volkswagen Jetta		Executive car of the year	
Bloomberg–UTV	Jetta TVC		Best automobile ad of the year	
Bloomberg–UTV	Passat BlueMotion Technologies		Green car of the year	
BBC Top Gear	Volkswagen Passat		Best interiors of the year	
ET Zigwheels	Volkswagen Passat		Premium sedan of the year	
CNBC Overdrive	Polo		Premium hatchback of the year	
ET Zigwheels	Vento		Premium compact sedan of the year	
Source: Company				
ABBYs was the biggest national award for creative advertising in India. Instituted by the Ad Club of Bombay, it also recognized Campaign of the year, Advertiser of the year and Ad agency of the year. EFFIEs were founded by the American Marketing Association to award creative advertising that was effective in attaining business objectives. EMVIES organized by the Ad Club of Bombay was an annual event that recognized innovation in media. *VW collaborated with the National Geographic Channel to conceptualize a contest “Innovations for everyone” in which entries were invited for radical ideas that could make a difference to the society. Short films were created on the winning projects and aired on the channel and the winner was given Vento as the prize.				

Exhibit 16

Advertising spends, share of expenditure (SOE) and share of voice (SOV)

Company	2009			2010			2011		
	Ad Spend (Rs. million)	SOE (%)	SOV (%)	Ad Spend (Rs. million)	SOE (%)	SOV (%)	Ad Spend (Rs. million)	SOE (%)	SOV (%)
Tata	2497	17	14	4503	20	16	11956	32	31
Maruti	2834	19	22	4016	18	21	4874	13	16
GM	1687	11	10	2677	12	9	4614	12	10
Hyundai	1485	10	15	1947	9	12	3314	9	12
M&M	1080	7	10	1156	5	7	2209	6	5
Toyota	877	6	3	1278	6	3	2144	6	4
Ford	810	5	3	1460	6	4	1819	5	3
Volkswagen	675	4	5	1460	7	12	1104	3	5
Fiat	1012	7	8	1217	5	6	1104	3	3
Honda	810	5	5	791	3	2	1040	3	3
Nissan	0	0	0	426	2	2	975	3	3
Skoda	270	2	1	608	3	4	715	2	2
Source: MAP 2009: January–December, 2010: January–November; Media: TV & Print, Target Group: Cable & Satellite, Males, 25–44, SEC AB; SOE is the percent share of the industry spend, SOV is the share of the industry gross rating points.									

Exhibit 17

Sales funnel for corporate brands – 2011

	Unaided Awareness	Aided Awareness	Familiarity	Consideration	First Choice	Brand Loyalty
Mean	42	94	63	19	6	12
Maruti	84	100	91	27	8	12
Tata	66	99	84	17	4	10
Hyundai	65	99	81	31	9	11
Honda	61	98	78	40	14	20
Ford	51	98	74	29	8	4
Toyota	50	98	72	20	8	30
Chevrolet	47	98	66	36	11	20
Mahindra	44	99	74	15	4	low sample
Volkswagen	42	95	53	15	5	low sample
Fiat	35	98	69	12	2	low sample
Skoda	31	96	59	13	4	low sample
Audi	29	94	51	17	7	low sample

Source: Company All figures in percentage

Exhibit 18

Attitude toward corporate brands 2011

Iceberg	Mean	VW	Toyota	Audi	Skoda	Hyundai	Honda	Maruti	Chevrolet	Ford	Tata	Mahindra	Fiat
Communication Memorability	54	68	44	68	46	54	54	62	52	43	46	50	37
Brand Uniqueness	60	72	47	75	65	58	67	61	51	52	60	49	47
Brand Likeability	64	77	61	75	55	65	72	74	64	56	56	56	42
Brand Confidence	62	73	58	75	49	59	67	76	59	53	55	54	56
Fun to Drive	55	65	56	64	58	57	67	67	53	44	42	39	44

Source: Company

Exhibit 19

Overall favorability of car brands – 2011

Brand	Mean Score*		Brand	Mean Score*		Brand	Mean Score*	
	2010	2011		2010	2011		2010	2011
Maruti	8.8	9.0	Mahindra	7.4	7.4	Porche	6.4	6.5
Hyundai	8.4	8.6	Ford	7.2	7.3	Fiat	6.2	6.3
Honda	8.3	8.5	Chevrolet	7.0	7.2	Lamborghini	5.9	6.2
Toyota	8.1	8.4	Suzuki	7.1	7.1	Renault	6.2	6.2
Tata	7.9	8.0	Bentley	6.4	6.7	Mini	6.2	5.9
BMW	7.3	7.9	Volvo	6.4	6.7	Force	5.7	5.7
Mercedes	7.3	7.7	Nissan	6.2	6.6	Peugot	5.9	5.7
Volkswagen	7.1	7.7	Jaguar	6.3	6.5	Opel	5.5	5.5
Skoda	7.3	7.6	Land Rover	6.3	6.5	Seat	5.7	5.5
Audi	6.8	7.4	Mitsubishi	6.4	6.5			

Source: Company

*Mean score is on a scale of 1–10, where 10 is the highest

Exhibit 20

Corporate brand image – 2011

Image	Mean	VW	Toyota	Audi	Skoda	Hyundai	Honda	Maruti	Chevrolet	Ford	Tata	Mahindra	Fiat
Innovative	58	68	58	68	67	64	61	57	51	50	42	40	39
Valuable	60	66	64	75	68	65	62	69	53	58	56	56	40
Responsible	59	64	58	66	68	66	62	72	51	48	65	46	45
Exterior Design	61	71	54	77	79	67	73	55	54	45	44	48	43
Fun to Drive	57	63	55	75	67	67	62	60	55	53	44	53	40
Value for Money	58	64	57	55	64	61	60	75	50	57	61	56	39
Low Running Costs	44	45	43	32	39	47	33	71	38	31	63	36	39
Good After-sales Service	53	59	56	56	38	60	62	78	58	41	51	48	30
Good Quality	63	74	64	71	71	66	71	69	58	59	54	48	50
High Resale Value	47	54	48	55	44	52	53	64	37	48	32	46	32
Technically Advanced	60	72	64	72	68	62	67	57	54	46	46	37	50
Focused On People Needs	57	61	53	61	62	62	56	74	57	53	67	61	37
Safe Cars	60	69	59	75	73	61	61	64	54	59	46	51	39
Cares About Environment	54	64	60	70	60	53	51	61	50	38	37	32	39

Source: Company All figures in percentage

Endnotes

ⁱ Source: *Economic Times*, November 10, 2011ⁱⁱ Source: The Volkswagen edge, *Fortune*, April 2011ⁱⁱⁱ Source: the Volkswagen edge, *Fortune*, April 2011.^{iv} Source: mashable.com/2009/10/11/the-fun-theory/ - 181k^v Source: Google Analytics^{vi} Source: Campaign India, Mudra Supplement, March 25, 2010^{vii} Source: Asia Pulse, January 5, 2012.