



The Volkswagen Group Board Presentation



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Prioritization of Scenarios

Current Issues

Strategy and Cost Optimization

Product Portfolio Rationalization

Future

Strategic Sourcing of cobalt in Africa

E-Mobility Strategy

Survival

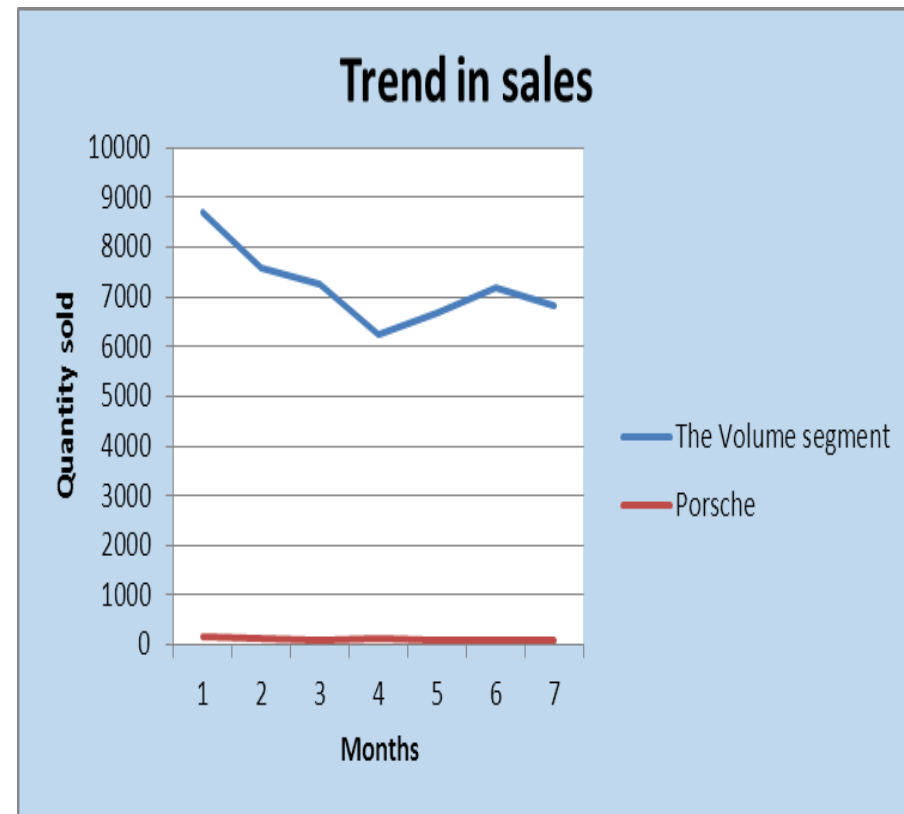
Paris Accord and Environmental Legislation

Strategy and Cost Optimisation— Problems identified

1. Herbert's centralization proposal by way of cost savings from the functional units (i.e. cost of sales-1.5%, admin expenses-2%, selling costs-2.5%) will:

- ❑ Create bottlenecks
- ❑ Get Herbert distracted
- ❑ Directly contradict KPA 3.

2. The suggestion to ditch the volume segment.



Strategy and Cost Optimization— Recommendations

- Do not centralise the functional units.
 - Ideally, delegate authority to Branch executives to implement advantageous decisions.
- Do not ditch the volume segment.
 - Ideally, make cars in the volume segment more beneficial to consumers.
 - Make management derive the contribution of each car to gross profit.

Product Portfolio Rationalization

Problems Identified

1. Loss incurred by Volume Segment in 1st Quarter

2. Unprofitable models produced

Proof of Problem 1

Sales	€ 11,549.88
<i>less</i> Costs	€ 9,817.39
Gross margin	€ 1,732.48
<i>less</i> Direct Factory overheads	€ 1,762.01
Gross profit	-€ 29.53

The Volkswagen Group 2018 financials for the Volume Segment

	1st Quarter (€)	2nd Quarter (€)	3rd Quarter (€)	4th Quarter (€)
Sales	23,273,000,000.00	18,824,854,027.50	32,608,475,959.50	27,717,204,565.58
Costs	19,782,050,000.00	13,177,397,819.25	22,825,933,171.65	19,402,043,195.90
Gross margin	3,490,950,000.00	5,647,456,208.25	9,782,542,787.85	8,315,161,369.67
Direct factory overheads	3,550,450,000.00	2,598,964,640.20	4,501,935,359.80	4,501,935,359.80
Gross profit	-59,500,000.00	3,048,491,568.05	5,280,607,428.05	3,813,226,009.87
Assumptions				
Quantity	2,015,000.00	1,475,000.00	2,555,000.00	2,555,000.00
Price	11,549.88	12,762.61	12,762.61	10,848.22
Gross margin	0.15	0.30	0.30	0.30
Direct factory overheads per unit	1,762.01	1,762.01	1,762.01	1,762.01

Recommendations:

- ✓ Increase the average price of cars sold
- ✓ End the production of unprofitable models
 - ✓ Make cars with higher market share more beneficial to buyers.

Scenario 2: Strategic Sourcing of Cobalt in Africa

Problems Identified

- Dilemma of choosing final source of cobalt supply.



Recommendations

- ✓ Do not deal with artisanal miners.
- ✓ Secure supply contracts with mining giants.

E-Mobility Strategy

- Problems identified:**
1. Dilemma of selecting one out of the four suppliers of EVBs
 2. VWs slack in e-car production worldwide.

Recommendations:

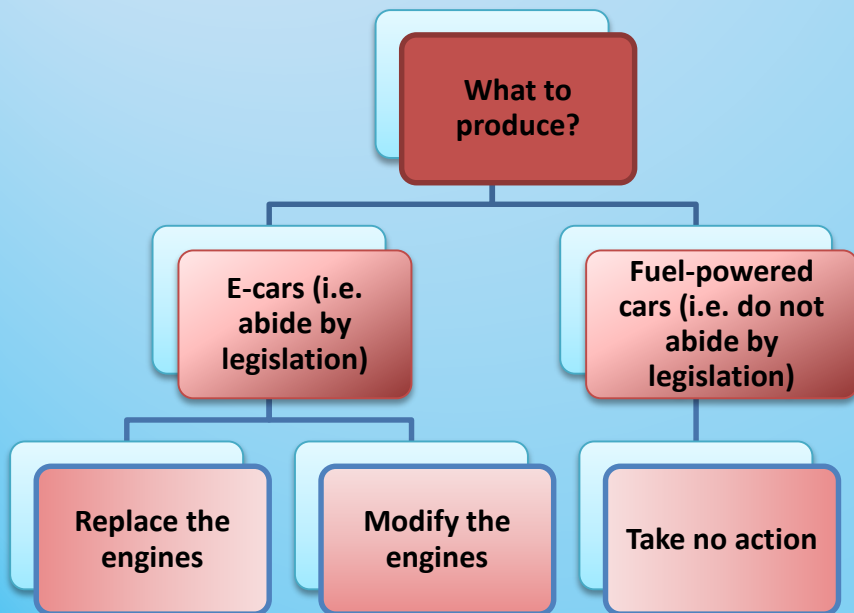
- ✓ **Secure supply contract with Supplier 4, reasons being that;**



- ✓ **Engage in strong marketing.**
- ✓ **Self production of EVBs.**

Paris Accord and Environmental Legislation

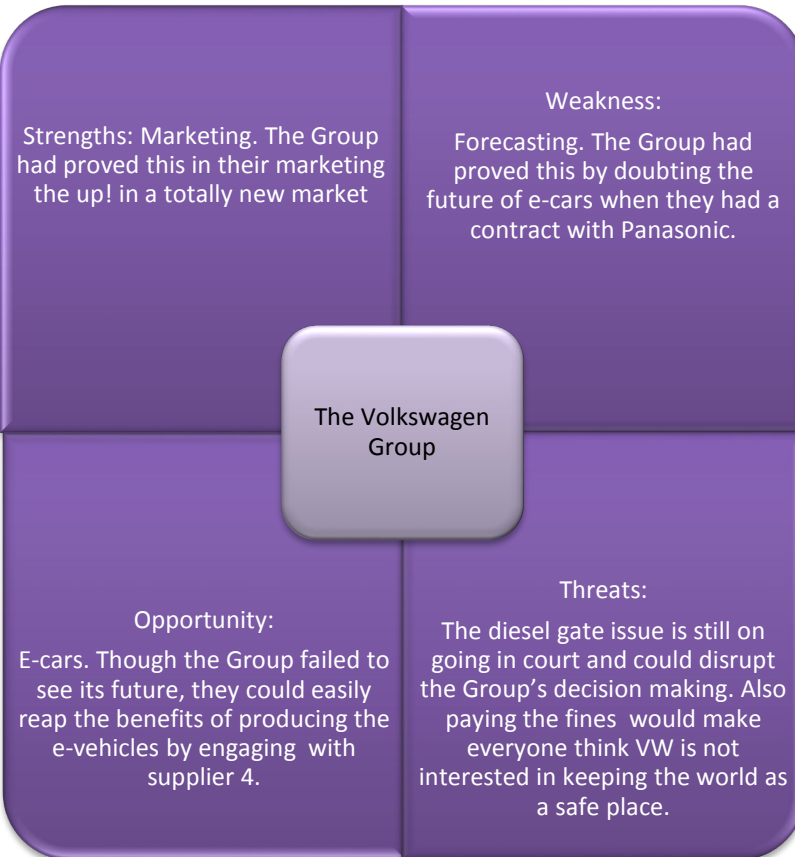
Problems identified



Recommendations

- ✓ Meet the emission standards.
- ✓ Replace the engines .
- ✓ Fund the cost by plough-back of profits.

The SWOT analysis chart



Porter's Five Forces

Threat of new entrants	Bargaining power of suppliers	Bargaining power of buyers	Threat of substitutes	Rivalry among competitors
New entrants will find it difficult to enter industry.	<ol style="list-style-type: none"> 1. Less reliance on S4. 2. Deal with multiple mining companies 	Buyers cannot bargain with the Group.	VW's competitors will entice VW's fans.	Tesla has EVBs with the longest range, making it hard for competitors to entice its fans.

The Summary of our Recommendations

Scenario 1: Strategy and Cost Optimisation

Do not centralise the functional units

Make cars in volume range more beneficial to buyers.

Scenario 4: Product Portfolio Rationalization

Increase average price of cars sold in the volume segment.

Make cars with high market share more beneficial to buyers.

Scenario 2: Strategic Sourcing of Cobalt in Africa

Do not deal with artisanal miners.

Secure long-term supply contract with mining giants.

Scenario 3: E- Mobility Strategy

Choose Supplier 4's tender

Engage in strong Marketing.

Self production of EVBs

Scenario 5: Paris Accord and Environmental Legislation

Meet emission standards

Replace existing engines with brand new engines.

Fund cost by plough-back profits.