



Supplying VW Group Report

The Supplying VW Group Report provides detailed analysis of this automaker's procurement strategies. The report assesses the financials of the company and goes on to provide a thorough analysis of its product, platform manufacturing and purchasing strategies. Furthermore the report provides an in-depth examination of VW Group's methods and practices with regard to supplier selection, global sourcing, pricing policy, quality management and technology.

Results from the recent SupplierBusiness OEM Supplier Relations Survey are included along with a SWOT analysis and a rendering of the VW Group's forward model program and its major suppliers by component sector.

Background to this research

The Volkswagen group has set clear objectives in its attempt to sustain the global leadership it is set to gain at the end of this year. The company is working towards a 2018 target, while bearing in mind the lessons taught by GM's recent troubles and Toyota headaches with global recalls. If on one side the carmaker—which boasts control over a galaxy of brands—targets 10 million deliveries by 2018, it also wants to remain faithful to its sustainable profitability credo and ring fence its margins even in a period in which it is working on increasing its overall volumes and gain a more substantial foothold outside its traditional comfort zones, such as North America and the ASEAN region. At the same time, Volkswagen needs to maintain a strong focus on quality and technology to achieve its objective to become a leader in quality and customer satisfaction.

The Purchasing function at Volkswagen, in charge of a procurement budget slated to reach the 100 billion euro mark this year, is expected to deliver its contribution towards the achievement of the corporate targets the company as a whole is geared towards at a group level. The volumes per part created by the carmaker's well-established cross-brand and cross-platform part standardisation strategy have given more negotiation leverage to the purchasing department with some sizeable contracts which suppliers are eager to win. As the carmaker production base becomes more global, the supply base is expected to follow suit, which will require the purchasing department to scout more suppliers closer to final assembly lines. This radical localisation plan does not rule out a good chunk of business coming from cheap sources in low-cost countries.

However, some alarm bells are ringing with regards to the state of the carmaker's relationship with its supply base, as some suppliers complain the group has undertaken a less supplier-friendly stance in recent years—as shown in SupplierBusiness' annual supplier-OEM relations surveys. This applies to a varying extent to all group's brands, from premium brand Audi to more value-oriented Skoda. An

unabated pressure to deliver best product technology and world-class quality, while maintaining substantial productivity gains seems to be a recurring theme of all group brands, particularly when compared to direct competitors.

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