



Volkswagen

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## **TRANSFORM 2025+ Volkswagen presents its strategy for the next decade**

- **Brand CEO Diess: we want to create a new Volkswagen**
- **Consistent restructuring and repositioning**
- **Return to sustainable, profitable growth; operating margin to rise to 6 percent by 2025**
- **Multi-billion euro investments: Volkswagen to become the world market leader in e-mobility by 2025 and to develop the industry's strongest digital ecosystem**
- **Turnaround plans for regions**

Wolfsburg, November 22, 2016 – Volkswagen is comprehensively repositioning itself. The Board of Management of the Volkswagen brand has decided on the TRANSFORM 2025+ program which will set the course for the brand over the next decade and beyond. The new strategy focuses on clearer brand positioning across the various regions and segments, backed by significant improvements in efficiency and productivity. At the same time, the brand will be making massive investments in e-mobility and connectivity. Enthusiastic customers, earnings power ensuring a secure future, sustainable mobility and a new team culture will lay the foundation for the Volkswagen brand's journey to the future. The new vision which is valid throughout the world is: "Volkswagen: Moving People Forward".

The Chairman of the Volkswagen brand Board of Management, Dr Herbert Diess, said in Wolfsburg: "Our goals are high and our strategy is very ambitious. We want to benefit from change and to take Volkswagen into the lead in the new automobile industry with determination. Over the next few years, Volkswagen will change radically. Very few things will stay as they are. In the final resort, the new strategy is a major transformation program."

### **Transformation in three phases**

The reorientation of the Volkswagen brand is to take place in three phases. In phase 1, up to 2020, the brand will be entirely restructuring its core business and completing a transformation along the entire value stream. At the same time, the company will develop new competences. In Phase 2, up to 2025, Volkswagen intends to take the lead in e-mobility on the basis of its regained strength as a leading, profitable volume manufacturer. The strategy in this phase aims to create a broader earnings base, for example through new mobility services. Volkswagen also intends to play a key role in shaping the major transformation in the industry expected after 2025. The objective is to achieve a leading role in the new world of mobility by 2030.

### **Volkswagen aims for global "top of volume" position**

A key element of the new strategy is positioning at the top end of the volume segment, near to the premium competitors. To date, Volkswagen has only achieved its objective of

becoming “top of volume” in China and Europe. In future, Volkswagen aims to achieve this position throughout the world through a realignment of product strategy – with an SUV offensive in the first stage and the electrification wave in the second stage. A further element of the new strategy is a uniform global brand system with a new design concept.

### **E-mobility offensive**

In future, e-mobility will be part of the Volkswagen brand core. “From 2020, we will be launching our major e-mobility offensive. As a volume manufacturer, we intend to play a key role in the breakthrough of the electric car. We are not aiming for niche products but for the heart of the automobile market. By 2025, we want to sell a million electric cars per year and to be the world market leader in e-mobility. Our future electric cars will be the new trademark of Volkswagen,” said the brand CEO.

The e-mobility offensive is to be financed by a number of measures including the discontinuation of certain low-volume, low-earnings conventional models and model variants. This will release funds in excess of €2.5 billion for e-mobility.

### **A leading role in connectivity**

The brand will develop its own digital platform. By adopting this approach, Volkswagen will be moving closer to its customers on the one hand and developing new earnings potential with a comprehensive range of services on the other hand. By 2025, Volkswagen expects to have about 80 million active users throughout the world. This would mean that the brand would have the leading digital ecosystem in the entire automotive industry. Volkswagen estimates that its sales revenue from services related to networked vehicles will reach about €1 billion per year by 2025 and expects a significant contribution to earnings from this business area.

### **Turnaround for the regions**

In North America, Volkswagen intends to evolve from a niche supplier into a relevant and profitable volume producer. Diess: “We will be significantly stepping up our activities in the USA. The main focus will be on the key segments in the country, large SUVs and limousines. In those segments, we will be strongly expanding our range. In a second stage, we will then take our new electric cars to North America. Over the next few years, we will be making considerable investments in electric infrastructure.” Local production of MEB vehicles is to start from 2021.

In China, Volkswagen intends to strengthen the “top of volume” position it has already reached. This will be achieved by an SUV offensive and by rapidly launching electric vehicles. In China, Volkswagen also aims to benefit from the potential in the strongly growing economy segment. Work has already started on the development of appropriate models. In other major markets such as India, South America and Russia, Volkswagen also intends to develop the economy segment.

### **Transformation of corporate culture and organization**

The strategic offensive is to be supported by a comprehensive organizational reform. The reorganization will aim for agility, a stronger entrepreneurial spirit, a more transparent discussion culture, flatter hierarchies and more flexible working models. This will be backed by a new corporate mission – with specific goals as regards earnings power, sustainability and attractiveness as an employer– as well as a new leadership model and a broad-based integrity campaign.

### **Profitable growth through higher sales revenue and lower costs**

The brand Board of Management expects a significant increase in sales revenue over the next 10 years as a result of the consistent implementation of the TRANSFORM 2025+ program. At the same time, the profitability of the brand is to improve considerably. The operating margin is to double from about 2 percent in 2015 to 4 percent by 2020, with a further increase to 6 percent by 2025. Further improvements are aimed for after 2025.

A key step towards profitability safeguarding the future of the brand will be the pact for the future presented on 18 November. Specifically, the pact for the future is to have a positive impact on earnings of €3.7 billion per year by 2020, with the German facilities accounting for €3.0 billion.

Over the next few years, the Volkswagen brand will keep its investments stable at about €4.5 billion. Together with improved operating earnings power, this will result in significant positive net cash flow in the medium term.

**Note:** This text and videos are available on our media database at [www.volkswagen-media-services.de](http://www.volkswagen-media-services.de) (Press ID: transform2025 Password: Strategie)

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