



Volkswagen

Press Conference

Berlin, 16. October 2018

Volkswagen Future Sales Europe



Jürgen Stackmann, Board Member for Sales of the Volkswagen Brand

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– Check against delivery –

Introduction

The automobile will play a fundamentally different role in tomorrow's world of mobility. Alternative drives are conquering the markets. Digital technologies are triggering the most revolutionary changes since the invention of the motor vehicle. And new competitors are entering the arena.

This is where the Volkswagen brand's "Transform 2025+" strategy steps in as the brand sets out to play a leading part in shaping the change. With our own software know-how and the strength of external partners we are building an ecosystem that turns the automobile into a central hub in the Internet of Things. Digital offerings and services will make the automobile even more attractive and enable our customers to take their worlds into their vehicles.

Strategic framework

The Volkswagen Group is the world's largest automaker, with a fleet of around 120 million vehicles worldwide. Each year, our 12 brands put some 11 million new vehicles on the road.

Volkswagen is the Group's leading brand. For decades, the brand has provided safe, reliable mobility for broad sectors of the population and made technology affordable. With 70 million vehicles on roads all over the world, Volkswagen has the world's largest fleet.

With its "Transform 2025+" strategy, the brand has launched the biggest change process in its history. The mission: to play a leading role in the new automotive industry by 2025, to set up innovative mobility solutions, and to become the world market leader in e-mobility.

There are three phases to the strategic realignment: an SUV offensive with new products such as the T-Roc strengthens core business in the first phase. From 2020 onwards, the ID. family will make its debut as an entirely new generation of electric cars that simultaneously offers new connectivity possibilities. The third phase of the Volkswagen strategy will bring new business models and mobility solutions.

Technical transformation

We are facing two radical changes when it comes to transforming the automobile: the first is the transition from conventional to electric drives, and the second is vehicle connectivity. We are heralding the advent of the electric car era with an entirely new vehicle platform. The modular electric toolkit (MEB) is the basis for our ID. electric family; starting in 2019, this toolkit will gradually be rolled out in over 10 million electric vehicles throughout our Group.

We will also be setting new benchmarks with a new IT architecture for vehicles, which will debut with the ID. family. We have a two-stage approach to fleet connectivity. We are first focusing on vehicles already on the road: "Volkswagen Connect", the retrofit we are offering for vehicles with no online access will connect some 1.5 million vehicles with the Internet.

The ID. family, a new generation of fully-connected electric vehicles, takes to the road in the second stage.

Volkswagen Future Sales Europe

Against this backdrop, Volkswagen is making its sales organization fit for the future. The brand is to fundamentally realign its sales model together with its dealers. The new sales model is to be launched in Europe in April 2020. Today in Berlin, Volkswagen and the European Dealer Council are presenting their vision for the future world of Volkswagen's 5,400 dealers and service partners as well as their 54,000 employees in Europe.

Volkswagen has adopted this approach because our business environment is changing at a breathtaking pace in view of new technologies, changed customer expectations and new market players. The objective is to safeguard the long-term viability of the dealership network, which faces considerable challenges in the wake of fundamental changes in auto-mobility.

The new sales model is being driven by the progressive digitalization and connectivity of the Volkswagen fleet, which will reach a new level with the introduction of the ID. family in 2020. This underlines our basic strategic principle – the transformation of sales must go hand-in-hand with the transformation of our model portfolio.

Volkswagen is outstandingly well-positioned with qualified sales and service partners, an established logistics network, a strong product portfolio and extremely loyal customers. The new sales model will combine this tried and tested infrastructure with the new

elements that will define business in the future, such as digital products and services as well as new online sales possibilities for products and services.

The objective is seamless individual support to customers going far beyond vehicle sales with round-the-clock availability on the basis of the unique Volkswagen customer ID.

For the first time, the new sales model gives us as a manufacturer the opportunity to make direct contact with our customers – throughout the vehicle's lifetime. Until now, that has been our dealers' privilege.

Now, in the digital age, we can provide our customers with tailor-made offerings that do not involve them visiting a workshop – software upgrades, for example. Going forward, customers will have their own personal ID, giving them unique access to the Volkswagen universe and serving as a means of authentication. Combined with the individual vehicle ID and the individual dealer ID, this creates a triangle for future customer contacts and customer relations, and brings the prospect of 100% personalized offerings.

We are thus adding new services to the traditional core business of car sales with financing, maintenance and service, new services only made possible thanks to direct connectivity: charging and billing services for electric vehicles, fleet management and car sharing services, e-commerce applications, and much more. And we are basing all of this on the greatest possible transparency and an all-out commitment to strict data protection standards at the national and European level.

In brief, Volkswagen is digitalizing its sales organization.

Volkswagen connects up with its customers

In future, the customer will be the key element in Volkswagen's digital ecosystem, which is to link customers, vehicles, dealers and the manufacturer. Volkswagen intends to introduce five million new customers per year around the globe to this world of mobility.

With its personal ID, Volkswagen will learn more about the needs and interests of its customers thanks to smart data management (operated in cooperation by OEM, importer and dealer on the basis of joint, modern IT infrastructure) and will be able to make tailor-made offerings and services available to each customer. This way, Volkswagen will create an individual experience for each Volkswagen customer.

Connectivity will offer customers decisive benefits such as reduced waiting times for servicing or the immediate availability of software updates and upgrades.

Over-the-air updates similar to those which have been normal practice with smart phones for some time will be crucially important. These will be carried out directly by the OEM. Another example is the predictive maintenance app, which will automatically register the vehicle with the dealer for its next service.

Vehicle-related services such as functions on demand are also planned. These will allow customers to purchase functions for their vehicles online and to activate them digitally, also retroactively.

Of course it will also be possible to call up offerings from the Volkswagen We digital ecosystem that has already been successfully launched. These include, for example, We Park, We Deliver or We Experience. And there are also services going far beyond the customer's own vehicle, such as We Share –Volkswagen's planned car sharing offering.

Online business is being expanded

Online business will play a key role in building up the new sales model. This is now being massively expanded.

Within the framework of its new digital partnership with its dealers, Volkswagen will develop a joint Internet platform which will handle the entire purchasing process through to contract conclusion, including financing, payment and even used car trade-ins. This will offer considerable potential, especially for leasing business.

Our customers will therefore have round-the-clock access to our products. This way, Volkswagen will provide customers with a seamless customer journey allowing them to decide when, where (online or offline) and how they conduct their business with Volkswagen.

In view of the fact that a car purchase is the second-largest and second most important investment in people's lives, after the purchase of a home, online sales will initially be at a much lower level than in other sectors. At the beginning, between 2020 and 2015, we expect that about five percent of our customers will complete the entire customer journey online and only collect their vehicle from the dealership. About 15 to 20 percent will opt for a mixed journey, obtaining information and configuring their vehicle online but concluding the contract at a dealership.

We are convinced that consumers will increasingly accept and welcome this new channel. We therefore want to lay the foundations for exploiting its potential to the full at a later stage.

Five new sales formats

In future, customers will have more points of contact they can use to reach the brand and obtain support.

There will be five new sales and service formats: city showrooms, pop-up stores, service factories, used car centers and scalable full-function facilities in addition to classical full-function dealerships and the new online platform.

In future, each dealer will only need to operate one full-function facility. By agreement with the relevant importer, dealers will be able to optimize operations individually by using different formats, with a view to operating their business in a more efficient, customer-oriented way in their market area.

There will also be other points of contact allowing interaction between the customer and Volkswagen: a new VW website, a European customer interaction center, apps and smart charging stations at dealers' facilities.

Entrepreneurship, customer centricity and productivity are the three key words for dealers

Dealers are and will remain a cornerstone of our business model, because they are one of the elements that guarantee the satisfaction of our customers and our long-term success. This is why such a far-reaching transformation of the sales system can only be accomplished together with dealers. Our dealers were involved from the outset in shaping the new model and cooperation with Volkswagen was based on a fair and open dialogue.

The future sales model basically aims for higher productivity and even stronger customer orientation – also providing greater entrepreneurial leeway for dealers to react flexibly to the new market requirements. We want to develop leaner structures and new, simplified standards and processes for dealers

We will significantly reduce the minimum requirements for dealers. In future, we will not state requirements for minimum personnel levels, for the completion of training days or for the availability of special tools. In future, special tools may for example be used by several dealers or borrowed.

In future, we will focus less on *how* a service is performed and more on the fact *that* it is performed. Following entrepreneurial principles, we will steer the business on the basis of outputs such as customer satisfaction, loyalty, volume or the number of new customers gained. The satisfaction of our customers is the measure of our success as a company.

With the introduction of the market area concept, we are giving dealers more flexibility for shaping their outlets. In the long term, this will allow dealers to reduce the cost of the premises used.

It is important to note that dealers will remain involved in all processes in the new sales model with its additional channels and formats in the future.

To an increasing extent, we will integrate digital elements in the sales process at all points where they can be used beneficially, thrill customers and reduce the cost of the system. One example is the use of “virtual reality” for vehicle configuration. This approach provides more effective customer orientation at the same time as reducing the need for dealers to stock demonstration vehicles.

The cross-brand Group project D!AS (Digital After Sales System) which is already under way will help reduce administration time per repair job by half to about 40 minutes. The Group is investing €400 million in this project. A similar initiative for sales is to be launched in the form of the D!S (Digital Sales) project.

New possibilities for Volkswagen

For Volkswagen, direct sales will be possible; this means that the manufacturer will be able to establish direct contact with its customers for the first time. The brand will use this channel mainly in the field of software and online services. This will provide a considerable boost for the marketing of digital products and services.

As an OEM, we will reserve the right to market vehicles direct in individual campaigns by agreement with the dealers. Our dealers will also be involved in this business and receive remuneration.

The new sales model will provide support for Volkswagen’s efforts to forge ahead with e-mobility and charging infrastructure, in order to rapidly achieve high market penetration: In future, all dealers will be entitled, but also under an obligation to market electric vehicles. Dealers will be required to have at least one electric vehicle available in the showroom and for test drives and to provide charging stations at their facilities.

Implementation

The new dealer contracts lay the foundation for Volkswagen's new sales model. Volkswagen passenger cars had given notice of termination of the previous dealer and service partner contracts on March 31, 2018. The new contracts are to take effect after a two-year notice period from April 1, 2020.

In the early summer, the German dealers' association had already agreed to the content of the contract, followed by the European importers a few weeks ago. By the end of November, all European dealers will have signed the new contract. The step-by-step implementation of the various modules in the new sales model will then start.

Volkswagen Future Sales Europe



Enriching our strengths. Creating new customer experience.

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Over the past two years Volkswagen have worked closely with the European Dealer Council to develop the Future Sales Model



**Volkswagen
Passenger Cars**



**European
Dealer Council**

We act as **one.**



Our starting point

» We need to **change** our **partnership model** in fundamental areas to **create exciting services** for **customers** and a successful future for our **retail model**.

We are building our future on a strong foundation in Europe



5.400

Dealer and Service Partners



54.000

Employees in Retail



~1,7 Mio.

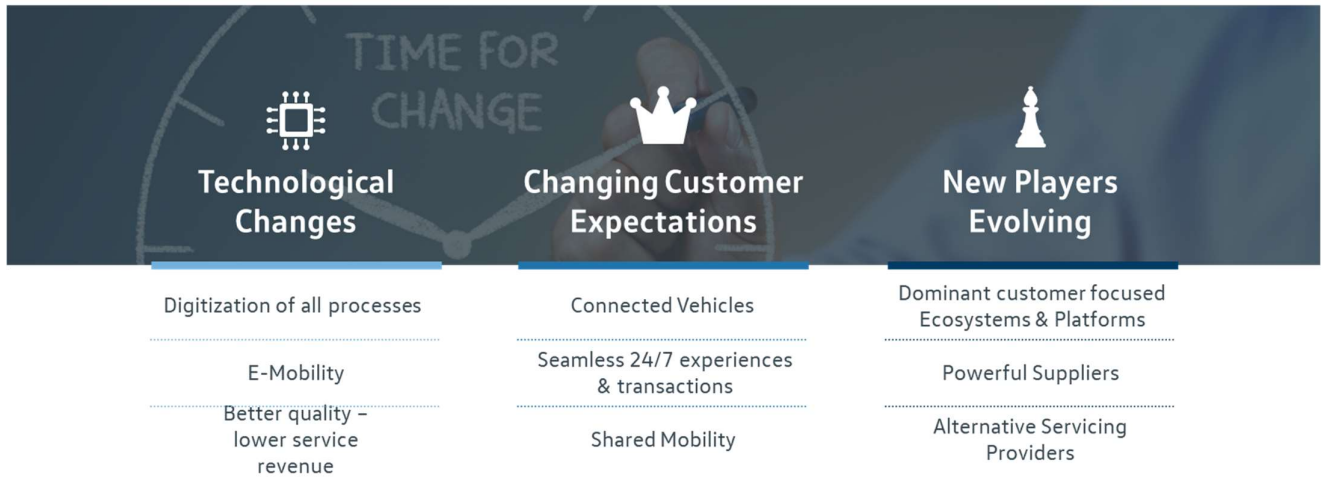
Vehicles delivered p.a.



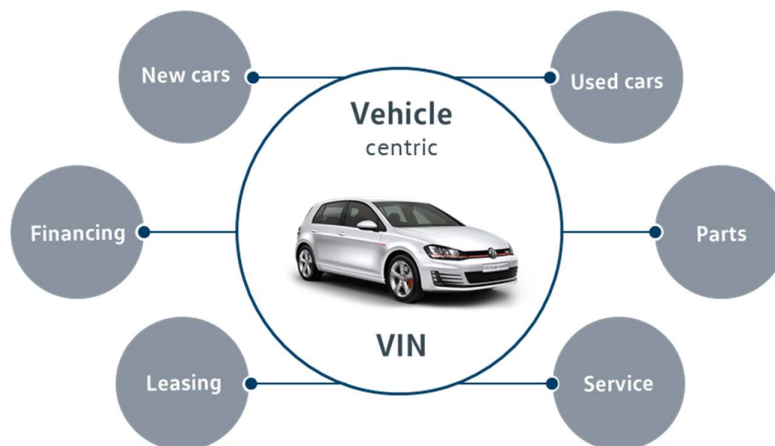
~20 Mio.

Workshop throughputs p.a.

Our business environment is currently undergoing fundamental changes



Today's VW business is driven by the extended value chain around our products (VIN)



Golf GTI - fuel consumption in l/100 km: urban 8.2 - 7.8 / extra-urban 5.5 - 5.3 / combined 6.4 - 6.3; CO₂ emissions combined: 148 - 145; efficiency class: D

Our new ID. product family starting in 2020 will massively push our strategy towards full connectivity and open new business opportunities



E-Mobility central **success factor** of the Volkswagen brand in the **future**

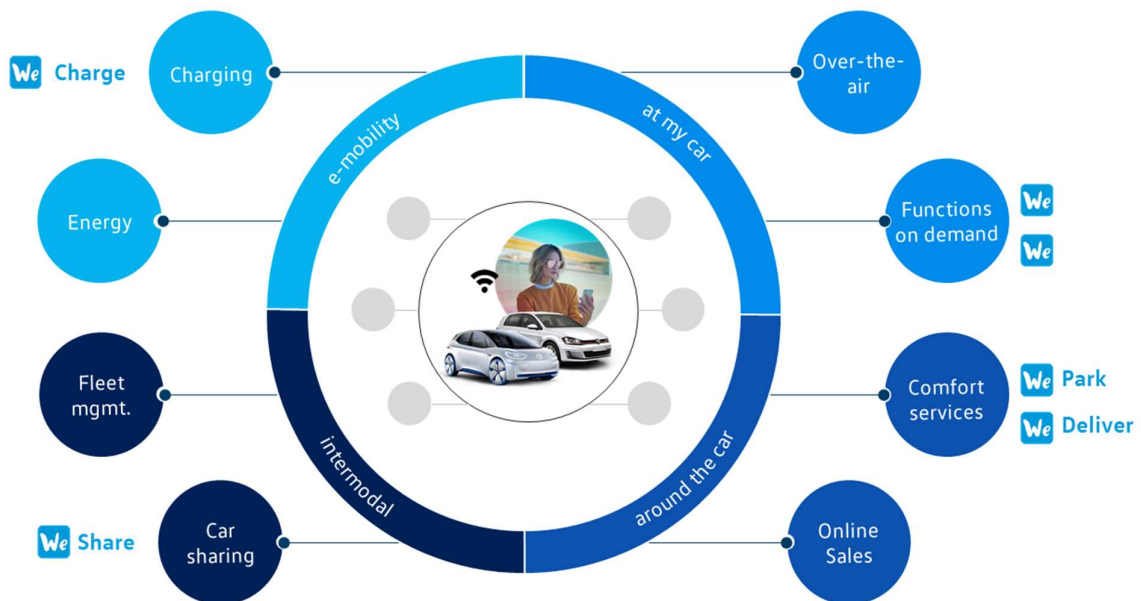


Fully **connected**, **updateable** and **upgradeable** products to **keep the vehicles 'fresh'**

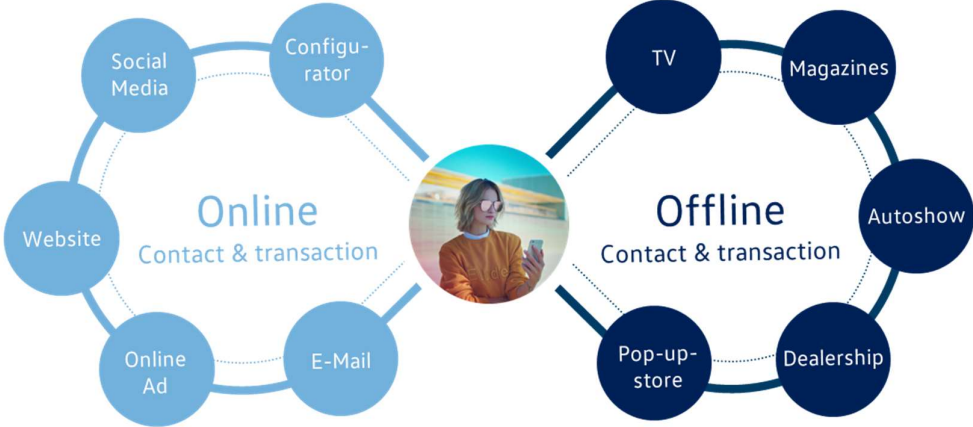


Fully **connected customers** to **VW ecosystem** of **mobility solutions** and **services**

The Future Sales Model builds on today's value chain and expands to a mobility system



A new Volkswagen world is emerging for our customers: they can gather information, make contact and choose to buy products and services online or offline at their convenience



What you want, when you want, where you want, how you want.

The Volkswagen Future Sales Model makes our retail partnership ready for the future and enables customer synchronization on all touchpoints



Together with our network we create a new Volkswagen World with the customer in its centre for an individual 360° service through all touchpoints

Today
Linear sales chain

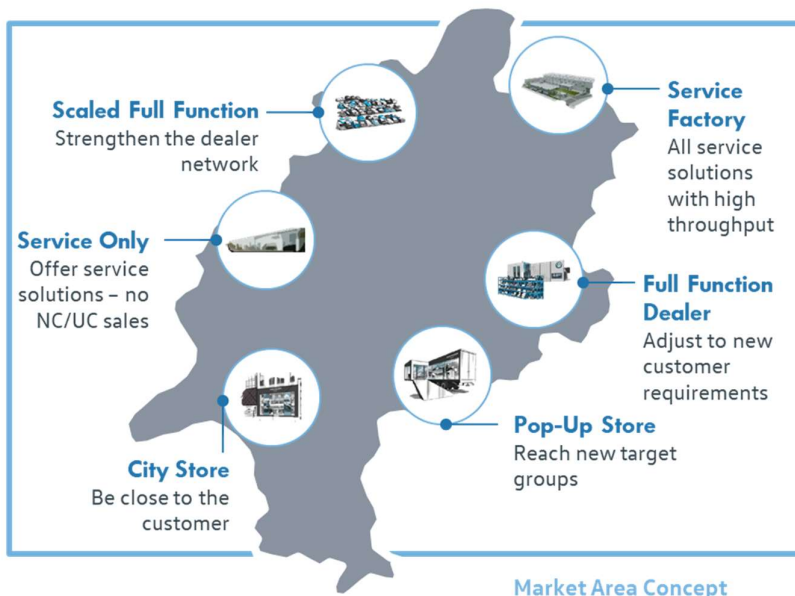


Tomorrow
VW ecosystem



From an anonymous customer to a customer with **ONE ID**

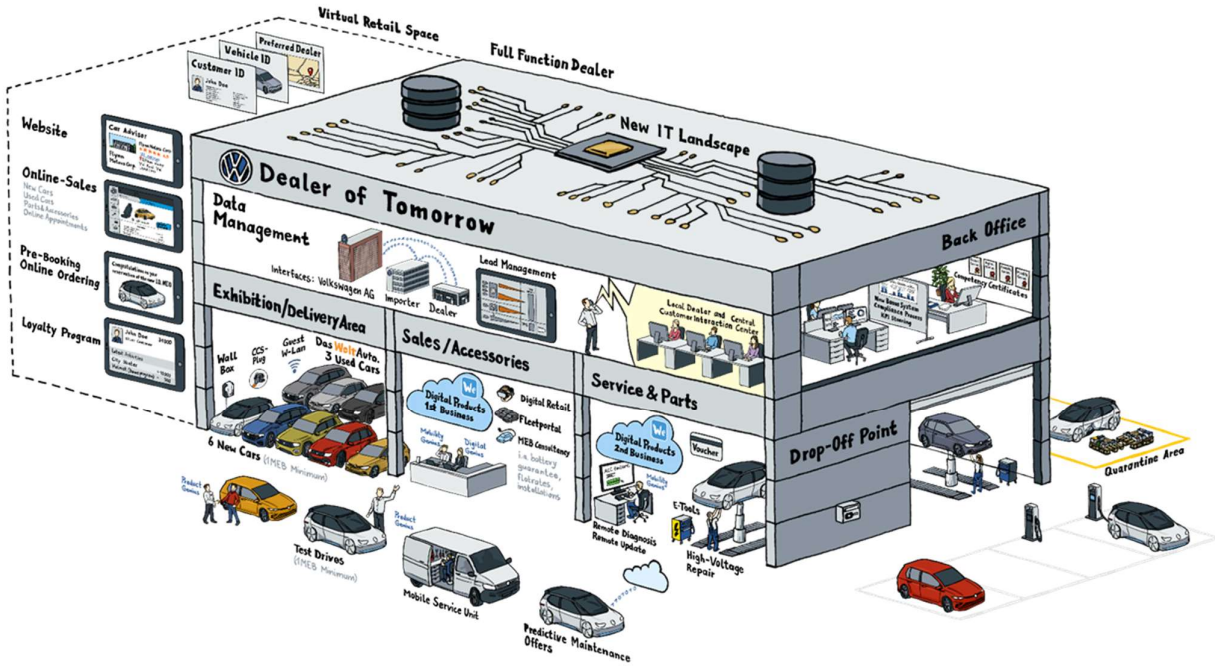
We create new formats for our retail investors that fit our customers' requirements



- ▶ New points of contact enhance the brand experience of our customers
- ▶ Specialized and increasingly digitized retail formats provide more convenience for our customers
- ▶ Optimized allocation of appropriate formats ensures efficiency of the retail network
- ▶ Decrease of existing total invest in the market area over time

Market Area Concept

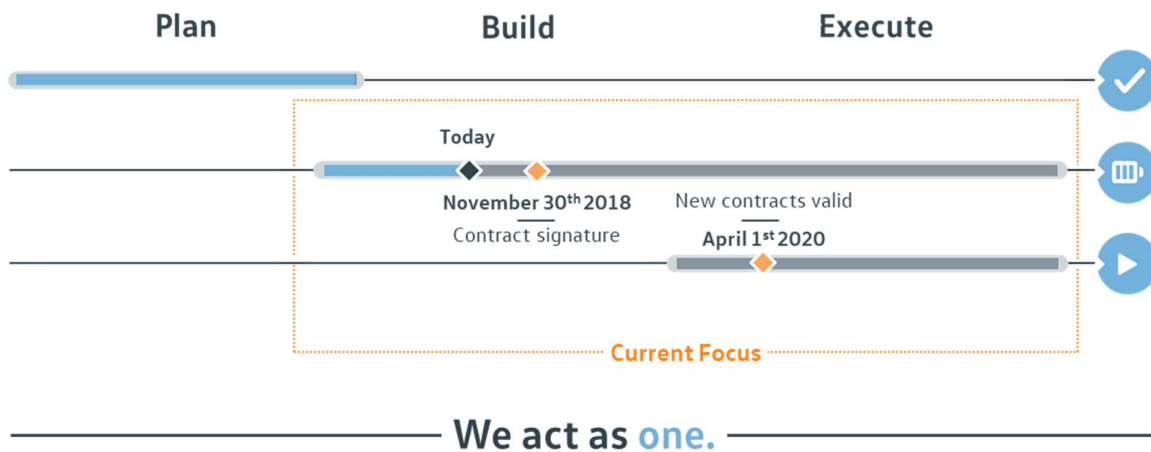
Future Sales will introduce a range of new facets to the dealer's business



Our new Future Sales Model combines innovative future elements with our proven excellent infrastructure



Volkswagen and its dealers are now entering the implementation phase in which they will continue to work together



We act as one.

