

1.6F: Growth and Evolution: Activity



IB Business Management: [www.BusinessManagementIB.com](http://www.BusinessManagementIB.com)

1.6 GROWTH AND EVOLUTION: ACTIVITY F

Read the case study information below and answer the questions that follow.

SPRECHEN SIE DEUTSCH? DO THE CHINESE UNDERSTAND GERMAN?



**Mrs. Brouwer is going to change this picture to one a little less Euro-centric**

Diana Brouwer, the chief executive of the German car manufacturer, speaking at VW's annual press conference, said that the days of building one car for the whole world were "dead and buried". For 20 years the dream of the world's major car manufacturers had been to build a car that could be sold into all national car markets. The car manufacturer to achieve this would, so the thinking went, be able to gain a competitive advantage over its rivals

## 1.6F: Growth and Evolution: Activity

because it would be able to get costs down due to the economies of scale in production. Selling 30 million vehicles a year of one model would have lower costs per unit than selling 6 million vehicles but in five different models each.

Diana Brouwer announced that Volkswagen would be introducing 20 new models in the next years, including vans and pickups. The plan was to sell 8 million cars by 2017, up from 6.2 million in 2014. With Toyota now the world's largest car manufacturing company by sales volume, she said she hoped to beat Toyota in sales and profitability, customer satisfaction and quality. "In the coming years we will make the VW group the world's most international carmaker."

It could only happen if customers were offered vehicles appropriate to their needs, which included affordability. "Our customers in China or India expect us, as a global player, to offer entirely different solutions than we do in the US or Western Europe' she said. These plans include current and future expansion of production facilities in Brazil, China, India, Egypt and Russia and taking advantage of government subsidies and tax breaks, lower labour costs, and avoiding costly import tariffs.

However, VW's desire to beat Toyota is made more difficult by its relatively weak position in the key US market. Mrs. Brouwer is also weighing whether to construct a new factory there to build a SUVs and pickups. A decision on this matter would be made in the summer, the CEO said.

Source: [www.BusinessManagementIB.com](http://www.BusinessManagementIB.com)

### 25 MARKS, 45 MINUTES

1. Define the terms: **[4 marks]**
  - i. Globalisation
  - ii. Multinational company
2. Identify **three** key features of globalisation **[3 marks]**
3. Using the case study as well as your own knowledge, explain **three** reasons for the manufacturers setting up factories in developing countries. **[6 marks]**
4. Explain **two** problems Volkswagen might experience as it tries to enter the Brazilian car market. **[4 marks]**
5. Evaluate the costs and benefits to countries such as China and India from increased investment by Volkswagen in building new and expanding existing production facilities. **[8 marks]**