

VW Crisis

The emissions scandal continuing to engulf Volkswagen shows that no company, however large or well-established, is immune to a crisis. But how a business responds when things go wrong can mean the difference between a swift resolution and making the problem a whole lot worse.

After rigging its vehicles to cheat pollution tests, VW has seen billions wiped off its market value and its reputation left in tatters. To its credit, say public relations professionals, the former chief executive Martin Winterkorn said sorry quickly and stepped down.



VOLKSWAGEN EMISSION'S SCANDAL

So what's the scandal all about?

Volkswagen said on Sept. 21st that 11 million of its diesel cars were equipped with software that was used to cheat on emission tests.

The software activated equipment that reduce emission while the car was being tested. But then the equipment turned off making emissions above legal limits, possibly to save fuel or to improve the car's torque and acceleration.



Volkswagen holds the **13% market share** in global passenger cars

11 MILLION

Cars affected worldwide

482,000

in the United States

Cost for the company



Source: Volkswagen AG, Environment Protection Agency

When it comes to financial penalties, however, Volkswagen may enter the record books. The company says it will set aside 6.5 billion euros (\$7.3 billion) for potential costs associated with the emissions scandal, which the U.S. Environmental Protection Agency exposed last week. A fine has not yet been set, but U.S. law allows a penalty of up to \$18 billion, and the company will likely be forced to make additional payouts resulting from consumer lawsuits.

\$18 BILLION

could be faceup to in the United States alone

\$7.3 BILLION

has put aside (Half a year of the company's profit)

To its credit, **say public relations professionals**, the former chief executive Martin Winterkorn said sorry quickly and stepped down.

But a lack of consistent messaging on social media and a failure to reassure customers quickly has done the firm few favours.

"A few weeks into the crisis and a lot of customers are still confused,"

"We are still only getting some reassurance it won't cost us to fix the issue."



THE ROAD TO RECOVERY

Ms Gudgeon believes VW can restore its reputation, just as carmakers Toyota and Lexus have survived their own scandals.

But she says it will take a huge amount of "investment and engagement" as well as a rethink of where it stands in the car market.

"Are they going to be a company that absolutely plays whiter than white and takes climate change very seriously, or are they going to be one that trades on performance and price? I don't know if there is any middle ground for VW to own."

That said, popular brands can be surprisingly resilient to crises.

Apple faced a backlash last year when it added the U2 album, Songs of Innocence, to 500 million iTunes users' libraries without their consent. But the company's sales have continued to rise, and the album has become one of the most successful of all time.

Mr Mason adds the public are often willing to forgive if a company "says sorry and moves on". That is as long as they demonstrate they have genuinely learned their lesson.

"Ultimately, if there is a problem that needs fixing, people will judge you more on what you did about the situation than what the situation originally was," says Mr Clayton.

"And if you deal with an issue well then ultimately you get credit for that."

"At this point, I don't have the answers to all the questions...But we're in the process of ruthlessly investigating the (falsification of emissions data) issue, and to that end everything will be put on the table as fast, thoroughly and transparently as possible"

-Martin Winterkorn

How did they handled a corporate crisis

The emissions scandal continuing to engulf Volkswagen shows that no company, however large or well-established, is immune to a crisis.

But how a business responds when things go wrong can mean the difference between a swift resolution and making the problem a whole lot worse.

After rigging its vehicles to cheat pollution tests, VW has seen billions wiped off its market value and its reputation left in tatters.



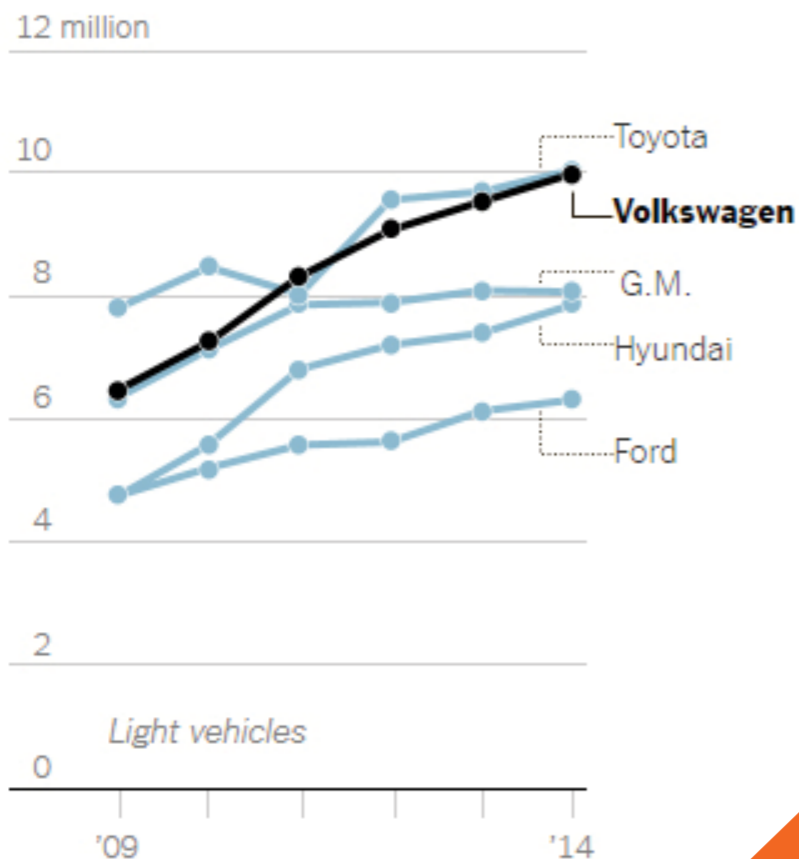
WHAT IS AT STAKE FOR THE COMPANY?

Volkswagen has set aside 17.8 billion euros, or about \$19.9 billion, for costs related to the scandal. But the American settlement with the government and car owners will consume a big chunk of that money. The company has recently recorded losses, and internally it has shaken up its leadership. Its chief executive, Martin Winterkorn, as well as the head of its American operations have stepped down, and the company suspended several high-ranking executives.

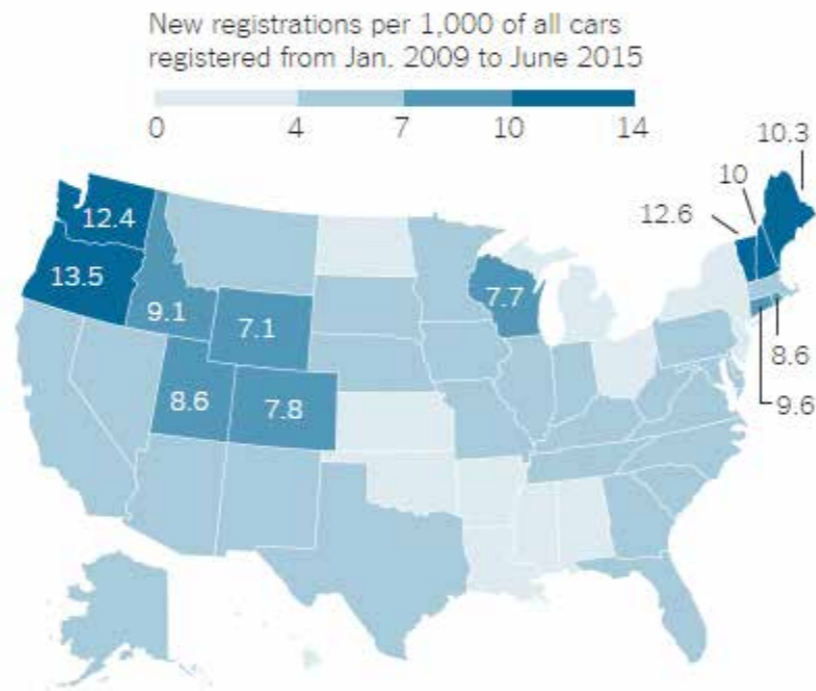
The company continues to face legal challenges, including civil and criminal investigations in the United States, Germany and other countries. On Sept. 9, an engineer at the company who was central in the development of the software pleaded guilty to criminal charges related to the scandal.

One big risk to the carmaker is in Europe. The United States deal focuses on nearly 500,000 Volkswagen vehicles, but the carmaker admitted to installing the cheating device on more than 11 million cars worldwide, with 8.5 million in Europe.

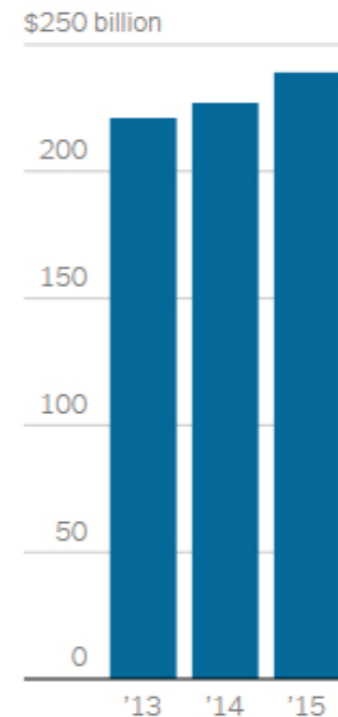
Worldwide annual car sales



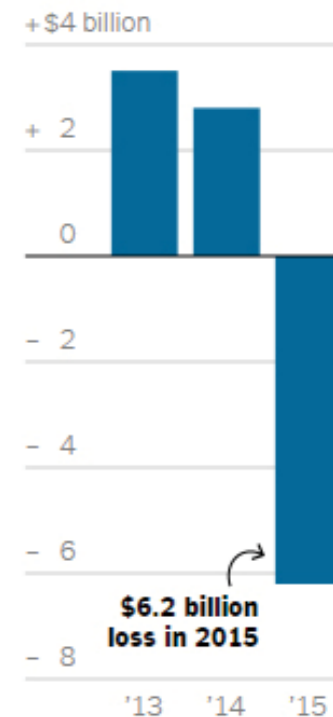
Diesel Volkswagens in the United States



Revenue



Net income



VOLKSWAGEN BRAND ON ROAD TO RECOVERY AS IT LAUNCHES FIRST CAMPAIGN SINCE EMISSIONS SCANDAL

Volkswagen is hoping that its first European marketing campaign since it was caught fixing emissions test can help boost the brand and its sales as the latest brand measurement statistics show the brand is beginning to recover from the scandal. Initial signs suggest the brand is starting to cover. According to YouGov's BrandIndex, Volkswagen's Index score – a measure of a range of metrics including quality, value and reputation – is up by a statistically significant 8.6 points over the past 60 days. It now sits 18th in a list of 35 car brands. Three months ago it was at the bottom.

[FIND OUT MORE>>](#)



OVERVIEW

Today's global business environment requires companies to build relationships with a wide variety of stakeholders. For listed companies' investors are a key stakeholder. Best practice Investor Relations is evolving as regulations, technology and the audience for the equity story changes. Pro-active interaction with investors brings many benefits from enhancing corporate reputation, effective use of senior management time and ultimately reduction to the cost of capital.

Led by an accomplished practitioner with over twenty-five years' experience this interactive three-day course helps companies with strategy and actions to build stronger relationships with key financial stakeholders. To achieve this the course uses many case studies and examples, encouraging discussion of shared experiences.

LEARNING OBJECTIVES

- ✓ Developing your investment story to create investor awareness: How to articulate your investment case to understand what your audience wants to hear and if your message is understood
- ✓ Developing effective investor presentation materials: meet investor and analyst audience need
- ✓ Trends in Corporate Reporting: how to deal with challenges of implementing Integrated Reporting

Investor Relations & Corporate Reputation Management Excellence 2017

3 Day Master Class

 Hotel Grand Millennium, Malaysia

 15th - 17th March 2017

COURSE LEADER



Diane has over 25 years' experience in Investor Relations having held in-house roles for various UK corporates and advisory roles with Citigroup, Brunswick and Nasdaq. Her consultancy was established in 2014 to specialize in training and mentoring IR professionals.

Over the years Diane has advised companies of all sizes, sectors and regions on developing their IR strategy, creating and executing an effective IR plan, presentation development and the best use of technology to achieve IR goals. Diane is a former Chairman of the UK's professional body the Investor Relations Society. She is an engaging speaker and presenter and has developed and led very highly rated programs; consulted with clients all across Asia Pacific & Middle East as well as in Africa, China, India, North America, Australia, Ghana, Kuwait, Mexico, Malaysia, Pakistan, Philippines, Thailand & Singapore.

Quest Masterclass

Founded in 2002 in Singapore and with 8 offices in Asia, Quest Masterclass is a leading consulting and training company helping organizations and individuals achieve their goals by sharing knowledge and insights gained by experienced Quest professionals and other industry experts. Our Master Class training sessions combine the best in research; expert trainer and excellent delivery thus providing attendees opportunity learn from the practitioners and develop lasting networks with fellow successful professionals.



www.questmasterclass.com