

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES



Volvo & The Polestar Series: Integration or Separation?

By:

Jonas Isaksson

Jasmin Langguth

Stefanie Schnee

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

Editor

Mats Urde
Associate Professor
mats.urde@fek.lu.se

Head of master's course Corporate Brand Management (BUSN35), part of the master's program International Marketing and Brand Management.
Lund School of Economics and Management

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WRITTEN CASE

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JONAS ISAKSSON
JASMIN LANGGUTH
STEFANIE SCHNEE

Volvo & The Polestar Series: Integration or Separation?

It is a rainy day in February 2017 and CEO of Volvo Car Group Håkan Samuelsson sits in his office in the company's headquarter in Gothenburg, Sweden, preparing for the upcoming executive meeting. Elon Musk's tweet earlier this week, giving updates on Tesla's plans to enter the mass market with the new Model 3, is again crossing his mind. Tesla is truly transforming the electric vehicle (EV) market, but knowing what his company is able to deliver, Samuelsson does not feel intimidated but rather excited and optimistic about Volvo's future within this market. A few months ago, he made a courageous decision, highlighting that Volvo does not only want to be at the forefront of the shift to electrification but also attract a new target segment. The company strives to go beyond its current, rather traditional customer segment, taking measures to attracting consumers more interested in performance driven electric vehicles. Therefore, the launch of an electric performance car series under the name 'Polestar' has been announced and execution strategies have been discussed in various management meetings during the last months. While some executive members are worried about the risk to potentially hurt Volvo's brand image, others highlight the opportunity for the Volvo Cars brand to develop and expand. As the market is developing rapidly and competition fierce, Samuelsson scheduled the decision making on how to execute the launch in regard to brand architecture for the upcoming conference. Therefore, he once again reflects on the prepared strategic analysis of possible scenarios, on which the decision with the executive board will be based upon.

Background and History of Volvo Cars

Volvo Cars' roots go back to the year 1927, when the first car rolled off the production line in Gothenburg, with the vision to build strong and safe enough cars for Swedish roads. Nowadays, Volvo Cars is a well-known and respected car brand all over the world with sales in about 100 countries and production plants in Sweden, Belgium and China. Volvo Cars produces a range of cars, including sedans, wagons, sports wagons, cross country cars and SUVs. In 2010, Volvo Cars was acquired by

Zhejiang Geely Holding of China. Prior to this it formed part of the Volvo Group until 1999, when the company was bought by the Ford Motor Company of the US.

Volvo Cars' corporate and brand strategy puts people at the center of everything it does and the company is driven by its mission to 'making life less complicated for people while strengthening its commitment to safety, quality and care for the environment', 'The Volvo way'. With its human centric approach, protecting and caring for people is at the heart of Volvo Cars' philosophy and the company is known for continuous innovations around its core value of safety. Already in 1959, Volvo Cars pioneered with the three-point seat-belt and continued its safety efforts, reducing the risk of being hurt in an accident when in a Volvo by 50% since 2000. Volvo Cars is currently working towards the goal of having zero deaths and serious injuries in a new Volvo by 2020.

'Omtanke', the Swedish word meaning 'caring', 'consideration', and 'to think again', is the name of the new sustainability program at Volvo Cars, which revolves around 'protecting what is important to you', covering Volvo Cars' impact as a company and its products, as well as, its role in society. With its Scandinavian tone and human centric focus, Volvo Cars communicates its contribution to society and strives 'to be the world's most progressive and desired premium car brand'. Overall, Volvo Cars represents a rather small share of the total vehicle market, however, its efforts in combating climate change and urban pollution are strongly acknowledged within the industry.

Background of the Electric Vehicle Market

Even though the EV market is in its early innings, still accounting for a small market share, the potential for growth is evident. In the third quarter of 2017, global sales of EVs accounted for 63% higher than in the previous year. The growth is further supported by the outlook to 2040, predicting the global EV market to exceed 60 million vehicles sold per year. Tesla, the upstart American car maker, has disrupted this market and not only made electrification popular among customers, but also among major car makers, thereby surpassing General Motors in regard to stock value. Conventional car makers have tapped into the market, General Motors, for instance, has introduced the Chevrolet Bolt or Mercedes Benz, the daughter brand of Daimler AG, will launch the EQ model and intends to introduce electrified versions of all of its cars by 2022. The growing sales of EVs, pushed by the electrification strategy of major conventional car makers, pave the way for electric becoming mainstream.

The acceleration of rolling out EVs is driven by strong governmental policies requiring lower CO2 emission in many countries by 2020. Interestingly, the Dieselgate scandal by Volkswagen has initiated the discussion on more stringent policies. Since then, governments have announced a combination of vehicle

efficiency regulations, strong consumer incentives and direct EV requirements. The effectiveness of policies is shown in the higher adoption of EVs, looking at the uptake in China, Japan, the US and Europe. Moreover, critical to success for a higher adoption among consumers is the infrastructure, since without a dense network of charging stations, driving an EV is related to inconvenience. A major advantage of EVs, besides representing a rather sustainable consumption, is viewed to be better performance compared to gas-powered engines. In fact, Tesla achieved to change the image of electric cars from 'cars only for the environment' into performance-oriented ones. With the increasing introduction of EVs, car makers need to continue working on overcoming the challenge to build the complementary infrastructure and to highlight advantages of driving EVs to appeal to consumers.

Volvo Car Group's Journey Under the Chinese Ownership

There is no doubt that the strategic moves made by Volvo Cars since the acquisition by Geely in 2010 have been proven to be successful. During the crisis in 2009 the global sales of Volvo Cars stood at 334,000 cars, compared to 2016, when Volvo Cars reported record sales of 534,332 cars. The global sales from 2016 to 2017 rose by 7% and in China, their largest market, sales increased by 26% compared to 2016.

Contrary to fears expressed, Geely has successfully steered Volvo Cars by staying true to its core values, making the company 'almost more Swedish' than before, and even turning sustainability and care for the environment into core elements of Volvo's communication strategy. Moreover, the Chinese owners have kept most of the decision making in Sweden, and in 2014 a new R&D center was opened in Gothenburg. However, the Geely Group and Volvo Car Group are not resting on their current momentum, but strive to surprise and push boundaries.

Volvo Cars' global electrification strategy is one strategic move to transform the market, and a major contribution to its sustainability focus. The company believes that 'time has come for electrified cars to cease being a niche technology' and has therefore announced that starting 2019, all cars produced will be partially or completely battery-powered. It will launch a portfolio of electrified cars, embracing fully electric cars as well as plug in hybrid cars. Calling time on the combustion engine represents a milestone and signifies that in the future there will be no new Volvo cars launched without an electric motor. Volvo will be able to strongly draw on technology developed by Geely, with their experience in producing battery-powered cars for the Chinese market, a leader in the supply and demand of EVs.

With the emerging trend of high-performance driven EVs pushed by Tesla and other companies such as Mercedes Benz and General Motors, Volvo Cars aims at going beyond the electrification movement in general and strives for getting a share of this promising market. For Volvo Cars, the launch of an electric performance

vehicle provides the opportunity to reach a new customer segment, the performance driven consumers. The executive team has agreed on the name Polestar for this new launch. The cars will be produced in China and priced higher than current Volvo models. Polestar and Volvo Cars share a long history, in 2012, Volvo Cars started offering Polestar-tuned variants of the Volvo V60 and S60 under a cooperation agreement, combining a comfortable Volvo driving experience with a high level of power. In 2015, Polestar was bought by Volvo Car Group to bring this experience to more Volvo drivers by placing the full resources of Volvo behind developing Polestar as the model name for the high-performance lines of Volvo V60 and S60. Entering a new target market requires strategic analysis of different options, which for the Volvo Car Group mainly revolve around Polestar's positioning within its brand architecture, a question that car manufacturers solve in various ways. Volvo Car Group's brand architecture allows for two potential options (see **Exhibit 1**):

- (1) launching Polestar as a new daughter brand endorsed by the Volvo Cars mother, Polestar by Volvo, or
- (2) launching the cars as a new mother brand, Polestar¹, with no communicated connection to the Volvo Cars brand.

CEO Håkan Samuelsson is aware of the risks that a wrong decision could bring along; if consumers do not agree with the strategic choice, damage will be irreversible, for both, Polestar and Volvo Cars. Fully trusting the competency of his team, Samuelsson enters the conference room, where the rest of the executive team has already gathered, and opens the meeting: "During the last months, we have all put our passion and energy into the launch of the Polestar - our first electric performance car series. Today marks a milestone in this project and we will leave the room with a clear decision on how to proceed with our new cars." **Taking on the role of the executive team at Volvo Car Group, it is now up to you to discuss and decide how to answer the following question:**

Given the two potential options, where should the Volvo Car Group position its new series of electric performance cars within the brand architecture, taking brand identities and strategies into consideration, and why?

¹ can also be referred to as 'corporate brand'

Exhibit 1 Volvo Car Group Brand Architecture

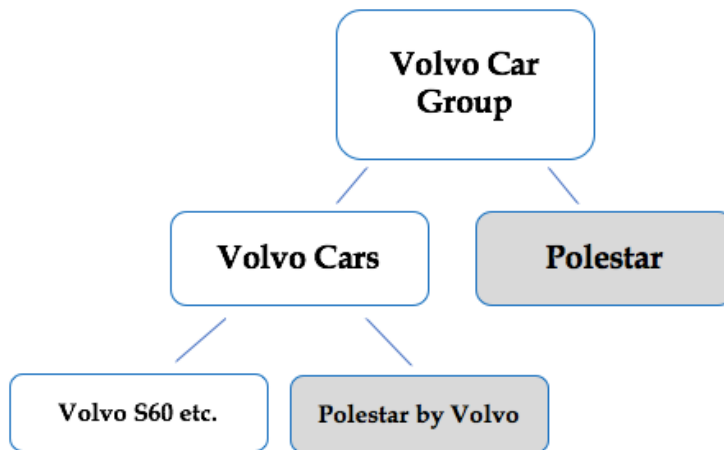


Exhibit 2 Images of Volvo (S60) and Polestar 1

