

# **Volvo & The Polestar Series: Integration or Separation?**

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## **MANAGEMENT DECISIONS**

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## Reactions and Decisions

### Separation - Introducing Polestar

During the board meeting in early 2017, the executive team discussed the risks and opportunities related to potential options on where to place the new series of performance cars in Volvo's brand architecture. Brand alignment, implementation costs, media awareness, possibilities to capture market share, and target group, among other factors, were discussed and evaluated, pointing the solutions towards different directions. Eventually, the options were weighed against each other by using an evaluation matrix, and the executive team finally came to a unified decision. It was decided to launch the performance car series under a separate brand with its own identity, named Polestar.

*"Polestar will be a credible competitor in the emerging global market for high performance electrified cars. With Polestar, we are able to offer electrified cars to the world's most demanding, progressive drivers in all segments."* – Håkan Samuelsson, CEO of Volvo Cars<sup>1</sup>

### Communicating Polestar

The decision to launch Polestar as a separate brand was kept secret from the public and chosen employees of Volvo started to work on building the new brand. Volvo silently worked with designing, engineering and defining the brand identity until June 21st, 2017, when it was announced to the public that Polestar will become a stand-alone brand within the Volvo Car Group and drive under its own logo. Volvo was still secretive when announcing the news, but they directly caught media's attention, which already coined Polestar as 'a direct threat to Elon Musk' and 'a potential Tesla killer'. The news went viral and with Thomas Ingenlath leaving his position as Senior Vice President of design at Volvo Cars to be the CEO of Polestar, it was already considered to be a legitimate competitor in the market for high performance electrified cars.

The mysterious announcement got the world excited, but it would take another four months before Polestar announced further information. On the 17th of October, Polestar called for a press conference in Shanghai, China, and finally some information on the reasoning for the decision made in regard to brand architecture was revealed.

At the press conference, Polestar Model 1 was announced as a plug-in hybrid car, with 600 horsepower and an electric range of 150 km, the longest range of any hybrid up to date. The premium price was estimated to lie between 130,000 and 150,000 euros,

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<sup>1</sup> Autoweek (2017). Volvo uses Polestar to go after Tesla, Available at: <http://autoweek.com/article/green-cars/volvo-turning-its-polestar-brand-tesla-competitor> [Accessed 5 Mars 2018]

indicating the brand to strive for a different target group than aimed at by Volvo Cars so far. In order to reach this desired target group without risking being constrained by associations with Volvo Cars, a separate brand with a new brand image had to be created. To establish this prestigious image, Polestar was presented as a technology spearhead for the Volvo Car Group, bringing new technology and performance attributes to the market. The direction of guidance is also shown in the brand name itself, relating to the North Star, in Swedish referred to as 'Polstjärnan', meaning 'Pole Star'. Further, the core values pure, progressive, and performance were explained. Pure reflects the environmentally sustainable nature of the car with reduced pollution levels and its shell made from carbon fiber, but it is also expressing the minimalistic design of the car regarding typography and a monochrome color scheme. Moreover, a hint towards being progressive is based on the scientific architecture, the precision of the star symbol and finally the technology of the car. Lastly, the high horsepower of the Polestar, as well as the brand's ambition to constantly improve and pay attention to detail, clearly builds on performance. Obviously, these core values are somewhat non-identical and disruptive to the Volvo brand, which revolves around safety, quality and care for the environment.

Further reasoning for launching Polestar separate from Volvo, could be the risk of hurting the brand image, which Volvo has worked hard on to earn over the years. Firstly, Volvo clearly is the car brand known for safety, therefore, adding a 'performance-based' brand under the corporate brand brings the risk of losing the clear differentiation in the market. Secondly, if the cars are not perceived well by the market but launched under the Volvo corporate brand, this could have a negative impact on Volvo's image. Lastly, it was announced that the Polestar cars will be designed in Sweden but manufactured in China. Even though some of the Volvo Cars are produced in China today, the question if Geely will keep the Swedish roots of Volvo intact, have been a concern ever since the purchase in 2009. A bold decision to state that all the new electric cars would be manufactured in China, could potentially question Volvo's 'Swedishness'.

## Future Outlook

As of today, Polestar 1 is already turning out to be more popular than anticipated by Polestar. Initially, plans were made to produce a limited number of 1,500 units, 500 units per year. However, due to the rising demand, having already around 6,000 interested customers, and that without a confirmed price, Polestar is making plans to accommodate this demand. Due to production facilities available in China, as well as, parent company Geely and Volvo backing up Polestar, increasing supply is not seen as an issue.