

Project of Marketing Plan for a B2B Company

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I. THEORY

1. Definition of B2B Marketing

Here are some definitions of B2B Marketing:

Zimmermann defines B2B marketing as follows:

‘The business market has been defined to include organizations that buy products and services for use in the production of other products and services that are sold, rented or supplied to others. It also includes retailing and wholesaling firms that acquire goods for the purpose of reselling or renting to others (Kotler and Armstrong, 2001). But this definition is far too narrow for our purposes. The full B2B market includes customers who are institutions like hospitals and charities and all levels of government. This is especially true across the globe where quasi-government operations like the Mexican oil supplier Pemex may be the biggest customer in a country. The business market not only includes physical products but it includes services as well. In fact, as we will see, large institutions, governments and businesses buy virtually every type of product and service. Business buyers generally buy to increase their company’s profits. Institutional buyers have the same concerns but they may be focused on providing an adequate surplus. There are only two basic ways to increase profits (or surplus): boost sales or lower costs. These objectives may be achieved by increasing efficiency or purchasing lower-cost products/services. Sometimes B2B buyers also buy to avoid penalties from government regulators or negative publicity from activist groups. The most effective marketing programs directed at business buyers are always based on one of the following three basic appeals:

- _ increasing sales;
- _ reducing costs;
- _ meeting government regulations/avoiding negative PR.

Especially when taking a marketing strategy from a domestic to an international setting, experience shows that the appeal must be simple to explain. Appeals that do not fall into one of the three basics above often fail when translated to foreign markets.’

As the commercial markets generally deals with the functionality and performance, industrial products show similarity worldwide. In B2C markets, national differences in culture and values affects heavily product and service perceptions. B2B markets are different, because they need smaller adaptations to present the product/service to abroad. Generally, customers worldwide expect similar functionality and performance from industrial products. Globalisation of the world helps to decrease geographic distances between B2B companies. (Zimmermann, 2013)

2. Differences between B2B and B2C Marketing

In order to understand the differences between B2B and B2C companies following table is helpful: (Mathur,2008)

	B2C	B2B
According to customer acquisition	Communication with the community	Personal selling, direct sales force, commerce shows
Barriers for competitors	Low	High
According to relationship type	Catalog search Giving orders Paying Status follow	Supplying company materials Direct supply Paying Status follow Catalog information management Order filling Promotion management Cooperation management Design cooperation Planning management cooperation
Sales	Weak buyers	Strong buyers
Market size	Defined with millions	Defined with thousands

Comparing with B2C companies, generally B2B companies have less customers. Many B2B companies' revenues come from small amount of companies. Industrial product customers can be classified in three categories: Users, OEMs and dealers. (Kotler, 2006)

Users use the product for its business. For example, a producer buying a machine to produce products for end customers is in that category.

OEMs use bought products for the end product. For example, many parts of automobiles are bought from the suppliers.

Dealers are buy products to sell to the users.

3. Purchasing Strategies

A commercial buyer needs to face many decisions during the purchasing activity. The complexity and amount of the decisions are related with the situation. The purchasing decisions can be classified as follows: (Kotler, 2006)

Direct purchasing: It is the most commonly seen purchasing situation and generally has less risk. Ordinary products such as office staff are supplied routinely. Most companies have supplier list for that type of materials.

Renewed purchasing: It is the situation, when a company decides to change existing suppliers. For example, to decrease the cost, different alternatives can be evaluated.

New purchasing: The company faces a new situation about the product or service. If a product is purchased for the first time, lack of experience increases the risk to be taken. In that case, more people are involved in purchasing decision and time to take the decision takes longer.

4. Purchasing Committee

In every purchasing decision, participants of the committee change according to purchasing decision. According to product or service needs to be purchased, qualification of the committee differs. For example, in direct purchasing, a committee consist of only one person. But, in a new purchasing situation, te number and qualification of the people increases.

A good example can be given about the purchasing decisions in Volkswagen Group, which has a very strong central purchasing committee. All the purchasing decisions are taken by the purchasing directors in Wolfsburg for the brands Volkswagen, Audi, Skoda and Seat. Volkswagen Group has fife commodities, and all the commodities are managed by the directors. The commodities are: Powertrain, metal, interior, exterior and electric. For example, if a purchasing decision of a battery cable of a new Skoda project has to be taken, first analysis is made by the buyer of the product in Mleda Boleslav. He/she presents his/her analysis to the director for approval.

Every organization´s goal is to find and keep customers. It is only possible to achieve that goal creating with competitive advantage. Creating competitive advantage comes only with convincing buyers that what you have to offer them comes closest to meeting their particular need or want at that point in time. If this advantage provided consistently, your customers keep to buy your product or service.

Seven steps of marketing is: (Kotler, 2010)

A. Understand the market wants/needs of interest

- B. Based on relative size and needs of the market, select certain segments of the market that are of the most interest to you and your organization
- C. Thoroughly describe these segments based on their individual needs
- D. Create a product or service that will meet the specific needs identified
- E. Communicate the concept of the product or service to the targeted customer in a way that makes sense to the customer
- F. Deliver the product or service to the targeted customer in a way that will be convenient to the customer
- G. Solicit feedback from the customer about how your product or service could be improved to meet the customer needs even better .

These principals also can be applied in B2B marketing.

Characteristics of a marketing organization is : (Kotler, 2010)

1. The purpose of marketing is to help find and keep customers by creating a competitive advantage.
2. Marketing, one of several functions operating in an organization, is directed by the mission statement of the organization and provides certain tools to reach objectives.
3. The value of marketing must be kept in perspective: it must contribute to the growth of the firm.
4. The primary reasons for studying marketing are:
 - a. It is important to assess the role marketing should play in the firm.
 - b. Marketing offers growing career opportunities.
 - c. Marketing enhances our chances of becoming more effective consumers and citizens.

To survive, an organization should have enough number of customers, who are interested in to buy its product or service.

5. Key Account Management

Key Account Management is normally associated with the idea of looking after large and important accounts that are.

Advantages and Dangers of Key Account Management to Sellers (Ellis, 2011)

Close working relations with customer:

In B2B environment, it is widely seen, customer demand to a key account responsible/manager. Some customers request a key account manager only dealing with their company. Key account manager is the channel with the customer and supplier. Communication skills of him/her have great importance for the relations between to companies.

Close working relations with the customer:

The salesperson knows, who makes what decisions and who influences the various players involved in the decision-making process. Technical specialists from the selling organization can call on technical people (e.g. engineers) in the buying organization, and salespeople can call upon administrators, buyers and financial people armed with the commercial arguments for buying.

Better follow-up on sales and service: The extra resources devoted to the key account means there is more time to follow up and provide service after a key sale has been concluded.

More in-depth penetration of the DMU: There is more time to cultivate relationships within the key account. Salespeople can 'pull' the buying decision through the organization from the users, deciders and influencers to the buyer into the organization, as is done with more traditional sales approaches.

Higher sales: Most companies that have adopted key account selling techniques claims that have risen as a result.

The provision of an opportunity for advancement for career salespeople: A tiered sales force system with key account selling at the top provides promotional opportunities for salespeople who wish to advance within the salesforce rather than enter a traditional sales management position.

Lower costs: Through joint agreement of optimum production and delivery schedules, and demand forecasting.

Co-operation: On research and development for new products and joint promotions (e.g. within the fast-moving consumer goods / retail sector.)

Integrated systems: Information communication technology (ICT) can benefit suppliers in the areas of delivery and billing.

And here are the potential dangers of key account management:

When resources are channeled towards to limited number of companies, the supplier runs the risk of increased dependence on, and vulnerability to, relatively few customers.

The risk of pressure on profit margins if a customer chooses to abuse its key account status.

The possible danger of a customer applying ever-increasing demands for higher levels of service and attention, once they know, that they have preferred customer status.

Focusing resources on a few key accounts may lead to neglect of smaller accounts, some of which may have high, long-term potential.

The team approach required by key account management may be at odds with the career aspirations of certain high achievers who prefer a more individualistic approach and object to the dilution of praise which has to be shared with other people when a big order is won.

6. History of B2B Marketing

The history of B2B marketing can be summarized as follows: (Bly, 2007)

The death of 'industrial marketing': The name changed from industrial marketing to business marketing, and from business marketing to B2B.

From tactical to strategic: The number of marketing tools were limited before the internet.

Planning campaigns was similar and straightforward. Today, there is are lots of choices from e-newsletters and webinars, to podcasts and vertical search engines. Because of the that planning a campaign in B2B environment is more complex.

The end of the 'Industrial film', slide shows and 35mm photography: In 1970s, it was very difficult to take photos, forming slides and preparing presentations. Nowadays, everyone can take photos with digital camera and use some software to prepare presentations.

The dethroning of trade journals: Although trade magazines still exist, they struggle to compete with internet.

The decline of print advertising: Print marketing is not so popular comparing with paid search, SEO and e-mail marketing.

The effectiveness of plated feature articles: Printed work seems to be in decline, but writing articles for industry publications is very efficient marketing strategy.

The shrinking of PR: Many PR companies either folded or saw billings decline.

The demise of the sales brochure: Fewer printed brochures were printed recently, as the information about the company can be found in company webpage.

The rise of the white paper: The white paper focuses on educating prospects about a problem and how to solve it.

The critical importance of keywords and search: The primary means of finding products is through internet search.

7. Speeding up with Branding

In order to speed up with branding, brand creators should see the big picture. It is quite possible to give efforts for an unsuccessful branding work. As the companies have limited resources, they should know very well what is important and what should have done. Many companies focus on profit increase rather than value increase. Profit increase requires short term planning, however branding requires a long term planning.

According to Coe building a strong branding requires important role in B2B markets:

In part because of the complexity and large risks involved, branding plays an important role in business-to-business (B2B) markets. Although marketers of B2B brands must do many of the things that marketers of any kind of product or service must do, six guidelines that are more unique to B2B settings can be defined. First, the entire organization should understand and support branding and brand management. Employees at all levels and in all departments must have a complete, up-to-date understanding of the vision for the brand and their role. A brand mantra – a short three- to five-word summary of the essence of a brand – can help with this vertical and horizontal alignment. Second, a corporate branding strategy should be adopted if possible with a well-defined brand hierarchy. Ideally, sub-brands would be created that combined a well-known and highly credible corporate brand name with descriptive product modifiers. Third, to avoid falling into a commoditization trap, sufficient differentiation must be established to justify price premiums. To sustain that premium, it may be necessary to “frame” value perceptions to ensure that customers appreciate a brand’s differences. Fourth, one often overlooked means of differentiation is to link brands to relevant non-product-related brand associations related to customer service, well- respected customers, or clients, etc.

Fifth, emotional associations related to a sense of security, social or peer approval, and self respect can also be linked to the brand and serve as sources of brand equity. Finally, customers must be carefully segmented both within and across companies and tailored marketing programs developed for these different segments. Adopting these six guidelines will increase the likelihood of creating a strong B2B brand, reaping all the benefits that such an achievement entails.’ (Coe, 2003)

Real value of a company generally lies in abstract marketing values. Brands, market information, customer relations, distribution channels, licenses, shareholder relations, and balance-sheet. These values are factors of long term earnings.

8. Process of Brand Development

The whole process should begin from the top management, and should contain all the necessary processes to create a brand icon. In B2B companies it can be difficult to have the full support of top management, it is even difficult to convince top management for the branding idea.

The owners and managers of global brands such as Google, Volkswagen, and MAN had the vision of accepting that idea and they were highly rewarded.

To develop, strength and expand a brand the company should be competitive and should have the necessary technology.

Volkswagen Group catch big success with DSG transmission systems. It has been sold already over 3,5 million units group-wide. (VW Santa Monica)

The DSG is a global success story: 3.4 million units of the automatic gearbox have been produced at the Kassel Plant alone. An additional 150,000 units were produced in Dalian(China). It should be here well understood, that Volkswagen Group has the advantage of using the same units in various brands such as Volkswagen, Audi, Seat, Skoda, and Volkswagen commercial vehicles.

The DSG dual clutch transmission developed by Volkswagen combines the convenience of an automatic transmission with the efficiency and dynamic performance of a manual gearbox. Two clutches guarantee that the shifting process is lightning fast. The Volkswagen DSG has become an automatic transmission sensation, bringing together top levels of shifting convenience, fuel economy and sports appeal. In 2003, the world's first production dual clutch transmission was launched as the Volkswagen 6-speed DSG, which was initially used in the Golf R32 and the Audi TT. Today the DSG transmission is available across all of Volkswagen's model series.

As an example of a car model of Volkswagen, Golf is one of the most successful ones. Starting production in May 1974 Golf has achieved its 7th generation in 2012.

First Golf (VW Type 17) were produced in 1974. However, in the US and Canada from 1975 until 1984 Volkswagen Rabbit and in Mexico Volkswagen Caribe was launched by name. Golf, took the reward car of the year in 1975 by the Australian Wheels magazine, car of the year in Ireland in 1978 and car of the year award in 1981 by the British What Car Magazine.

Till Winter 2014 30 million Golf was sold worldwide. From the turbo engine, direct-injection engine, ABS, ESC, XDS, 4MOTION, trailer stabilisation, automatic post-collision braking system, automatic air-conditioning, DynAudio sound system, touchscreen with proximity sensor

or LED headlights; Trendline, Comfortline, Highline or GTI – the most important technologies and trends of our time have always been pioneered by the Golf. These technologies made Golf class leader since its launch.

Here is the brief story of all the Golf generation:

Golf I: In 1974, first series of Golf produced in Wolfsburg.

Golf GTI: The GTI model launched in 1976, which brings greater dynamism.

Golf II: It launched in 1983, and has bigger body and engine choices comparing with Golf I. Approximately 6,3 million units of model was produced.

Citi Golf: It was launched in 1984.

Golf III: It was produced between 1991 and 1998. The model release in North America was in 1993 with an 18 months of delay comparing its launch. The reason of delay were the quality problems in Puebla factory of Volkswagen, in Mexico.

Golf IV: It was produced between 1997 and 2003.

Golf V: It was produced between 2003 and 2009.

Golf VI: It was produced between 2009 and 2012. In 2009 it was rewarded for car of the year and safest car of the year.

Golf VII: (2012-): The launch was made in 2012. It has the same platform with Audi A3, Seat Leon and Skoda Octavia, called as MQB. Using same platform enables Volkswagen Group to use same parts as much as possible to reduce both tooling and part production costs. It has sharp lines as a new design concept.

Golf has three additional models, which are all produced also today:

Golf GTI: It is the sporty model of Golf

Golf R32: It is the strongest model of Golf with an 250 HP engine.

Golf Plus: It is slightly higher than classical model of Golf.

Some brands have the duality to have luxury consumer brands and quality commercial brands.

Mercedes-Benz produces luxury automobiles and also commercial vehicles like bus and trucks.

Brands like Audi and BMW produce only automobiles, while Volkswagen, biggest car manufacturer in Europe, has production of trucks only in Latin America with Volkswagen brand.

Another success study is from an automobile supplier, which has a wide range of customer portfolio including global players such as Audi, BMW, Daimler, Ford, Fiat, Fiat, Hoda, Hyundai, Kia, Renault, Seat, Volkswagen, etc.

The supplier Teklas is at the moment a system supplier, which is a step ahead of process specialists. Here are the milestones of the company:

1971: Foundation of first production plant extruded & injection rubber parts.

1978: Entrance to the windscreen wiper systems production

1985: Entrance to the brake – clutch lines production

1987: Head quarter & production plant moves to Muallimkoy location

1989: First international customer / exportation

2003: First investment for the R&D centre

2006: First oversee investment / Bulgaria plant

2007: Thermoplastic Production Technologies Investments
(3D Blow Moulding, WIT and Thermoforming)

2009: R&D Certification by Turkish Government

2011: Russia plant investment

2011: Entrance to metal tube production

2012: China plant investment

2014: New rubber mixing plant in Bulgaria

2014: Production capacity increase in Bulgaria

9. Brand Planning

As branding have always long term results, brand planning should match long term plans of the company. Many companies have marketing activities, sales planning and strategic planning, but does not have a branding planning. Because of that, brands do not reach the demanded results.

If the companies and brands should stay goal oriented, brand planning should be one of the strategic tools of them. Developing a brand cannot happen in one day. Instead of preparing a short term activity plan, the whole process should be planned according to some periods and milestones.

Branding Principles: (Kotler, 2010)

Consistency is the most important point for B2B companies, but still many companies don't give enough importance to that area. It is important not only for the product, but also channels of marketing. Social responsibility and investment planning are also parts of that area.

Clarity is essential for branding. Without clarity it is impossible to become a real brand. Customers should understand very clearly, what the company and its brands are. Brand clarity is connected with companies' vision, mission and values.

Continuity means preserving company values. People trust strong brands, because they know, what to expect from them.

10. Brand Analysis

Brand development begins with market analysis. It should be supported with customer analysis and competitor analysis.

Fundamental decisions about strategic brand management should always be supported by the information about the company and environment of company. In most cases, the biggest challenge is not to produce future values, but to discover them. Companies can build effective relations with their customers and provide the valuable information.

An efficient branding strategy can be formed with the definition of brand mission, brand identity and brand values. Starting point of all branding strategy is to work on existing purpose of the company. To answer necessary questions, marketing analysis inside and outside of the company should be made.

11. Conducting a Market Research

Following steps need to be taken for a successful market research: (Zimmermann, 2013)

The Marketing Research Process

Determine information requirements

- Define the problem
- Determine appropriate managerial level requiring information
- Decide on type of decision
 - Strategic
 - Tactical

Research Design

- Establish clear research objectives
- Consider unit of research analysis
 - Regions
 - Countries
 - Subunits within countries
- Determine sources of information
- Select appropriate research technique
 - Design and/or adapt to each country

Develop secondary data

Develop primary data

- Domestic
- In-country

Analyze data

Present findings

II. ANALYSIS

12. MAN Group

The MAN Group focuses on activities in the areas of transportation and energy — market segments that offer long-term, global opportunities. MAN's business activities are grouped into two business areas:

Commercial Vehicles, comprising MAN Truck & Bus and MAN Latin America, and Power Engineering, featuring MAN Diesel & Turbo and Renk. MAN's divisions hold leading positions in their markets. With a workforce of around 55,900. The Group operates in over 180 countries.

Business Development

MAN has a policy of providing flexible solutions to focus on individual needs and market needs. In the commercial vehicle segment, Euro 6 emission standards were the most significant issue in recent years. MAN presented in all segments Euro 6 engines. The power engineering area of the

company had also innovative product releases. As an example, an MAN steam turbo engine has been providing energy in the world's largest solar power plant, which is called as Shams 1 solar plant, in Abu Dhabi since 2013.

The solar plant was constructed between July 2010 and March 2013. It has a cost of \$600m and is the first solar plant in Middle East. The energy produced by the plant is sufficient for 62,000 homes. The steam turbines are supplied by MAN.

As the commercial vehicle business in Europe declined in year 2013, MAN lived difficulties. The higher orders from South America improved the financial situation of MAN. The orders increased by 2,4 % to 138,000 vehicles. The delivered number of the vehicles by MAN increased 4.5% to 140,000 comparing with the previous year. Here are the sales figures for each segment:

Buses: 16,000 , 4,2 % increase comparing with previous year

Power engineering business: €3,9 billion, 3,2 % decrease comparing with previous year

Commercial vehicles: 141,000, 13,6 % increase comparing with previous year (includes 16,000 bus sales)

Sales revenue: €5,9 billion, it was €6 billion in previous year

Operating profit: €19 million, it was €13 million in previous year

Operating return on sales: 2,0%, it was 5,1% in previous year

	Units of Production	
	2012	2013
Trucks	15,887	15,778
Buses	108,,417	125,413

13. HR Policy

The long-term positioning of MAN amongst the top employers is one of the four strategic goals of the MAN Group and is annually assessed by leading research institutions.

At the heart of MAN's human resources strategy lies the belief that the long-term success of the company can only be accomplished by a team of experts. This in turn can only be achieved by continuously developing all employees-from the apprentice to the manager.

As a top employer, MAN commits itself to excellence by integrating new employees into the world of MAN through special entry programs, offering expert and interdisciplinary qualification, ensuring the development of international networks, promoting transparency and cross-departmental cooperation while supporting the experience of MAN's product range.

MAN, has a high school inside the **facility**. Began in 1998, the Skills Training Center (RTC) of quality with qualified personnel trained by trying to upgrade. MAN has so far 277 graduates. MAN sends the successful students abroad to improve their education.

In 1997-98 academic year apprenticeship and technical training purposes in the factory started to train qualified personnel within the scope of Vocational Education Law. Teachers inside the company, who want to upgrade the quality of MAN, opened a center to provide training to a certain number of students each year. Students who successfully passed the written and oral exams are entitled to receive training from 30 people in the center.

Ministry of Education curriculum in accordance with the technical and theoretical knowledge instruction is issued, it took three years. Auto electrical, auto mechanics and metal centers are the areas, where students can select to specialize. Students spend two days for theoretical education, and three days for practical work each week. At the end of three years of education, students take the headworker diploma exam is. Successful students take the diploma and starts to work in MAN Turkey in various departments.

Currently there are 84 students, and 6 of them are girls. In the center there are a manager, six instructors, a technician and a psychologist. One third of the minimum wage is given to students. In the third grade is the minimum wage is given to show the performance success. German education at the German Cultural Center is given to students, and successful students sent abroad at the end of third grade.

MAN Turkey has approximately 1700 workers at the moment.

MAN Worldwide Headcount:

	Headcount	
	2014	2013
Commercial vehicles	38449	38907
Power engineering	17143	16868

Germany	32309	32430
Other countries	23594	23672

Total	55903	56102
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MAN's corporate responsibility strategy

Integration:

Integration of corporate responsibility into corporate and business strategies as well as operating processes.

Integration into vocational training and continuous professional development

Systematic stakeholder dialog and open communication

Environment:

Climate strategy with clear objectives

Resource-efficient product and service portfolio

Resource efficiency in production and administration

MAN Turkey involved in a new eco-friendly project in 2014. Cooperating with the Ministry of Water Affairs and Forestry, MAN Turkey planted Ankara-Çankırı highway, allocated 10 hectares of land, saplings. Before preparing the land for planting MAN Turkey, together 3,000 seedlings of land brought in the first place. Plan is to add more saplings to reach the number of 10000.

Economy:

Risk management

Innovation management

14. Supplier management

As a part of VW group, MAN Turkey uses VW B2B platform to communicate with the suppliers.

STAR:

STAR stands for "sourcing Tracking and Reporting".

It supports the buyer in all activities related to the "sourcing".

STAR is a Group-wide system for strategic planning and implementation of procurement processes. Essentially STAR supports the core process Global and Forward Sourcing, above and below value requests as well as local features.

Highlights of STAR

- Continuity of the process
- Harmonization of functionalities
- Standardization of presentations
- Ergonomic interface design
- Individual overview of all operations
- Complete process management in a system
- Online help

Global Quoting System – Technical Information

GAS-TI is the central tool in support of the Procurement process of global demand and allocation with supplier evaluations, logistics costs, concepts, requirements and technical information.

Objectives and tasks:

, Support and optimization of the Group's procurement process for P-type material and supplier development processes with TE, QS and Log

.-Ratings, logistics costs and concepts.

, Reducing lead times and cost per inquiry process by Process integration and flexibility of the system.

, Secure and optimize the Group's procurement bodies Premeeting and CSC for the award of component ranges to suppliers.

, Providing sourcing and decision data for downstream Processes and systems.

, Reduce costs of purchased parts by globalization.

The design data administration system (KVS) is a document turntable and an archive for the global exchange of all the design data occurring throughout the group pursuant to the process chains, as well as the associated described documents.

This includes both Cax as well as manually created documents which are published at a later date in a system administration e.g. scanned-in drawings.

HyperKVS makes the following key functions available for managing design data:

Research / inform,

Data storage (archive) with version handling,

Data exchange with internal and external partners (CAD workstation + PC),

Provide data (issue read rights)

Connection to PLOSSYS (plot drawings) and RVS.

The GSIS system is designed to assist to VW employees with scheduling field staff visits. In addition, it makes it possible to create a visit report for a field staff visit for the corresponding supplier in the system and distribute it among all stakeholders. There are several reports types to upload the system, all the reports can be seen VW Group workers. The advantage of it, to have information about a supplier without a visit.

This report screen will show the reports that have already been created for the selected commercial supplier. Reports from other users will only be available as read-only reports, i.e., you can view them, but will not be able to edit them.

The system is used to enter Procurement and Quality Assurance TAD (TAD = technical field staff) reports.

This means that there are two types of TAD reports:

- Procurement: TAD-B (Procurement technical field staff)
- Quality Assurance: TAD-Q (Quality Assurance technical field staff)

You can view both types, but will only be able to create TAD-B reports.

There are 7 phases in VW project system. They are called TAD-B New Product Launches Gate n, where n could be 1,2,3,4,5,6, or 7.

Assessment of Quality Capability

Group for:

- _ Self Audit
- _ Process Audit with Product Audit
- _ Evaluation of the Supply Chain, e.g. for outsourced Process Steps and
- _ Project related determination of Q Capability through Product Specific and Project Specific risk estimations.

Based on Audit results the Supplier is responsible for Analysing discrepancies, to define suitable Corrective Actions and to schedule the Implementation with stated responsibilities. It is expected

that the Supplier will initiate the required activities rapidly, effectively and sustainably, and as well implementing the Improvement program rapidly and verifies the effectiveness and sustainability of such actions.

After implementation of the Improvement Program, a Self Audit of the Supplier is required to verify the sustainable efficiency of the Program.

A new Evaluation and rating can be conducted when the Quality Performance is not acceptable or as a preventive measure.

The Formel Q Capability Self Audit based on VDA 6.3 is required at the Supplier as proof of compliance with all requirements. These requirements include Legal, Regulatory, Customer, Product Specific, Internal Specifications, Guidelines and Standards of the Certification Requirements. Also included are the requirements from ISO/TS 16949 or VDA 6.1. These must be proved for each Manufacturing site and specific Product Group.

The Supplier Self Audit is part of the Continuous Improvement Process and has the purpose to achieve the ‘‘A’’ Rating. After achieving a Self Assessment with an ‘‘A’’-rating, the Volkswagen Group reserves the right to conduct a Process and Product Audit at the supplier to verify the ‘‘A’’- level status of the supplier. The valid rating is the Volkswagen Group Audit rating.

The target is that the Supplier’s Manufacturing site will, after the 2nd Self Audit, achieve the ‘‘A’’ Rating. Should an ‘‘A’’ Rating not be achieved by the Self Audit in a timely way, the Volkswagen Group reserves the right to conduct an Audit at the Supplier. If the requirement of the ‘‘A’’ Rating is not met by the Self Audit of the Supplier for reasons which are the responsibility of the Supplier, the costs for the Volkswagen Group Audit will be charged to the supplier. For further cost reclaiming details – see section Customer Expectations / Escalation / Cost Reclaiming Process.

The conducting and sending of a Self Audit including Improvement Program can be demanded by the Volkswagen Group at any time.

Conducting

The Internal Audit must be conducted by qualified VDA 6.3 auditors.

As part of the Self Audit the Supplier is responsible to internally verify the adequacy of the Improvement Program. The Volkswagen Group expects the Supplier Self Audit to cover more than just identified areas of concern from the Improvement Program; otherwise it will not be valid. The Self Audit is to be conducted in the same way as a Process Audit and with a Product Audit. The outsourced processes must be also considered as well. For the overall assessment of the Quality Capability the guidelines according to the document Process Audit apply.

The Volkswagen Group requires Suppliers to conduct at least once a year (the valid time period

is a maximum 12 months) a Self Audit for all Process Steps for the Product Groups relevant to VOLKSWAGEN Group products.

Escalation

The Escalation Process according to Formel Q Konkret for failing to meet customer requirements, is defined in the Program for “Critical Project and Series Suppliers”. Volkswagen reserves the right for Critical Projects and/or not meeting agreed deadlines to conduct Process and Product Audits at the Supplier at any time.

People:

Employer branding and talent management

Promoting diversity

Occupational health and safety management

MAN’s climate strategy:

MAN’s CO₂ savings can be seen in the table between the years 2008 and 2014:

Sustainability:

Volkswagen Group gives big importance to sustainability. Member of Board with responsibility of Purchasing Francisco Garcia Sanz published his thoughts about sustainability and declares how important it is for the Volkswagen Group:

‘Sustainability is more than a current trend. Sustainability is a task we must undertake together in the interests of society at large.

Volkswagen was quick to recognize this fact. As early as the mid-1990s we began communicating ideas to our suppliers on how we could optimize our common value chain in ecological and social terms as well. Then, together with our suppliers, we took a further step with the introduction of global environmental and social standards. With the “Sustainability in Supplier Relations” concept, ever since 2006 the Volkswagen Group has been ensuring that production- and site-related environmental and social standards are integrated into the development process in which it partners with its suppliers. This approach is based on recognition of the simple fact that responsible behavior and commercial success are not mutually exclusive but actually foster one another. Because an environmentally aware and socially engaged supplier is a good and reliable partner in economic terms as well; a partner who will help safeguard our common future.

The three key elements of our sustainability concept are early warning methods, requirements in terms of environmental and social standards, and communication with suppliers. Online tools are

becoming increasingly important here: eLearning in the context of the Sustainability in Supplier Relations concept helps provide not only our own employees but also those of our suppliers with comprehensive and more in-depth knowledge of our Sustainability Requirements.

The main forum here is our Group Business Platform, which provides a rich source of helpful information for our partners in their sustainable everyday work. This includes environmental data, standards, certificates and reports, information on recommended and prohibited materials, as well as the latest news and product-related specifications for components and modules.

Volkswagen expects from its suppliers to accept its sustainability process:

‘Sustainability Requirements for suppliers that have to be acknowledged by all suppliers before submitting a quotation. No company can submit a quotation without acknowledging these requirements.

Contractual integration of the Sustainability Requirements into the procurement process. In addition, suppliers are again requested to specifically acknowledge the sustainability requirements.

An early warning system for identifying and minimizing risks along the supply chain.

Supplier monitoring and development.

A digital e-learning module is available for Volkswagen suppliers on sustainability to have further studies.

Compliance:

Corporate Compliance Officer

At the Group’s headquarter

Development of the Group-wide Compliance Program

Creating compliance policies that apply throughout the Group

Designing compliance trainings

Compliance control

Investigating compliance violations

Compliance risk assessments

Compliance Organization

Subgroups

Implementing the Compliance Program developed by the Corporate Compliance Office in the subgroups.

Each subgroup has a Compliance Officer who is supported by Compliance Managers in the different business units and sales regions.

Compliance Champions

MAN managers who have assumed special responsibility for compliance matters support the Compliance Organization in the Group companies with no own local Compliance Champions managers.

15. MAN Truck & Bus

It is the largest MAN Group company and is a leading supplier of commercial vehicles and transportation solutions.

Trucks with a gross vehicle weight of 7.5 to 44 t

Heavy special-purpose vehicles with a gross train weight of up to 250 t

MAN-branded city and intercity buses, coaches, and bus chassis as well as NEOPLAN-branded luxury coaches

Industrial, marine, and on- and off-road engines

End-to-end passenger transportation and goods transportation services

16. MAN Latin America

is the largest truck manufacturer in Brazil. It has been the local market leader in the over 5 t class for twelve years and is a leading supplier of commercial vehicles and bus chassis for growth markets, with one of the most advanced production facilities worldwide for trucks and bus chassis that are marketed under both the Volkswagen and MAN brands.

Trucks with a gross vehicle weight of 5 to 31 t

Tractor-trucks with a gross train weight up to 74 t

Bus chassis from 5 to 26 t for all uses

Tailor-made special-purpose vehicles

Commercial Vehicle Brands:

MAN

Core market is Europe

Premium segment bus and truck

NEOPLAN:

Core market is Europe

Premium segment (coach)

VW Cominhões – Ônibus

Core market is Latin America

Budget segment

SITRAK:

Core market is China

Budget segment

Global Presence

Brazil:

The acquisition of the Brazilian company, MAN Latin America, in 2008 allowed MAN to expand into the South American market.

With the launch of the MAN TGX in Brazil in 2012, the product portfolio was expanded to include a truck in the heavy truck market segment with power output exceeding 400 hp.

This heralded the start of a dual brand concept in Brazil and other Latin American countries.

Russia:

With over 50,000 vehicles in Russia, MAN commands the highest number of vehicles by far among western European commercial vehicle manufacturers.

MAN's plant in St. Petersburg started production in July 2013. This made it possible to offer localized vehicles optimized for the Russian market.

India:

On taking over the joint venture with FORCE Motors Limited, Akurdi India, MAN Truck & Bus had already stabilized the business in 2012.

The MAN CLA series, which is manufactured in India, offers tried and tested technology for the Asian and African target markets.

With its robustness and reliability, the MAN CLA is tailored to local customer needs.

China:

In the Chinese market, MAN is represented by its investment (25% + one share) in Sinotruk, one of China's largest truck manufacturers, since 2009. The joint truck brand, SITRAK, started being sold here in 2013.

The investment enables MAN to operate in the local market.

The distinguishing features of the SITRAK joint truck brand in the Chinese market are its comparatively high reliability and fuel efficiency.

In addition to the cooperation with Sinotruk in the high volume segment, the small but rapidly growing premium truck market is being expanded through the export of MAN vehicles to China.

17. MAN – Volkswagen Merger

On 3rd of November 2011, it was released that VW AG bought the majority of shares of MAN. The merger was approved of European Commission and an independent Chinese audit company. With the merger, Volkswagen owned 53,71% of shares and 59,90% voting rights.

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