GROUP ASSIGNMENT COVER SHEET

Please complete **ALL** sections in **CAPITAL LETTERS** and attach to the front of your assignment.

<table>
<thead>
<tr>
<th>LECTURER</th>
<th>Mrs Renu Agarwal</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSIGNMENT NAME</td>
<td>Value Chain Management at Volvo Cars</td>
</tr>
<tr>
<td>GROUP MEMBERS</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SID NUMBER</th>
<th>FAMILY NAME</th>
<th>EMAIL ADDRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 4 1 1 5 1 2 9 1</td>
<td>Aufschläger, Martin</td>
<td><a href="mailto:martinaufschlaeger@gmail.com">martinaufschlaeger@gmail.com</a></td>
</tr>
<tr>
<td>2 4 1 0 7 9 9 6 5</td>
<td>Widing, Adam</td>
<td><a href="mailto:adam_widing@hotmail.com">adam_widing@hotmail.com</a></td>
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<td>3 4 0 9 8 1 0 2 9</td>
<td>Gassner, Stefan</td>
<td><a href="mailto:mail@stefan-gassner.de">mail@stefan-gassner.de</a></td>
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<tr>
<td>4 4 1 1 3 1 2 9 0</td>
<td>Amidzi, Ehsan</td>
<td><a href="mailto:eamidi@rumms.uni-mannheim.de">eamidi@rumms.uni-mannheim.de</a></td>
</tr>
<tr>
<td>5 4 1 1 6 6 6 9 8</td>
<td>Rodriguez, Adriana</td>
<td><a href="mailto:aberenyce@yahoo.com">aberenyce@yahoo.com</a></td>
</tr>
</tbody>
</table>

**CERTIFICATION**

Please confirm that your assignment meets with **ALL** of the following requirements by ticking each box and by **ALL** group members signing below. Assignments that do not comply with the following requirements **MAY NOT BE MARKED**.

- We have read and understood the Unit for this course. This assignment has been prepared and submitted in accordance with the guidelines for preparation and submission of assignments set out there. We understand that failure to meet any of these requirements will lead to a deduction in the marks awarded for this assignment.
- We have attached the relevant marking criteria sheet for this assignment as provided in the Scheme of Work outline for this course. We have read and understood these marking criteria and understand that these criteria will be applied in the assessment of this assignment.
- We certify that this assignment is the work of the group, based on their personal study and research, and that all material and sources in the preparation of this assignment have been appropriately acknowledged. We have read and understood the policy on plagiarism set out at http://www.student.mq.edu.au/plagiarism/ and understand that students found to be plagiarising will be penalised.
- We have submitted an electronic version of this assignment via an email attachment sent to the lecturer and understand that a mark for this assignment will not be assigned unless this electronic version is submitted. We understand that the University will hold the electronic version of this assignment, which may be tested now or in the future for evidence of plagiarism.

1. .......................................................... 4. ..........................................................
2. .......................................................... 5. ..........................................................
3. .......................................................... 6. ..........................................................

**SIGNATURE OF GROUP MEMBER** | **DATE** | **SIGNATURE OF GROUP MEMBER** | **DATE**

**IMPORTANT:** Your assignment is to be handed to the lecturer in class on the Due Date. The lecturer will return marked assignments on the date specified in the Unit Outline.
Welcome to Macquarie Business Dialogue

Value Chain Management at Volvo Car
What influences the Customer Value of a car?
What are your expectations?
Welcome to Macquarie Business Dialogue
Today’s speakers are:

Adriana
Host of the Day

Martin
Academic

Adam
VolvoCars

Ehsan
VolvoCars

Stefan
Consultant
What the academics say
Value Chain Management – an academic approach (1/4)
Porter’s Value Chain is a tool for analyzing a company’s sources of competitive advantage

The Generic Value Chain (Porter 1985, pp. 37-45)

Support Activities:
- Support primary activities
- Support each other

Primary Activities – involve:
- Physical creation of the product/service
- Sale and transfer to the buyer
- After sale assistance

Margin = TV – CV_{VA}

TV: Total Value
CV_{VA}: Collective cost of performing value activities

Firm Infrastructure
- HRM
- Technology Development
- Procurement

Inbound logistics
Operations
Outbound logistics
Marketing and Sales
Service
Value Chain Management – an academic approach (2/4)

The New Economy requires a stakeholder orientated approach to the Value Chain

The Value Chain of the New Economy (based on (WISE 2003, p. 12) and (Walters & Rainbird 2007, p. 7))
Value Chain Management – an academic approach (3/4)

...forces affecting a company’s Value Chain

- Internal knowledge management
- External knowledge management
  (Walters & Rainbird 2007, pp. 120-3)

- Prosumerism, mass customization
- Life cycle thinking,
- Customer Relationship Management
- Product & service features (value drivers)
  (Walters & Rainbird 2007, p. 155)

- Performance management
- Cost management
- Time management
- Service management
  (Walters & Rainbird 2007, p. 155)

- Financial Assets
- Physical Assets
  (Boulton et al. 2000)

- Strategic fit
- Operational fit
- Financial fit
- Relationship fit
  (Walters & Rainbird 2007, p. 177)

- Products & Services (R&D)
- Business Model rethinking (Wise 2003)
- Process Innovation
  (Boulton et al. 2000)

- Innovation
- Supply Chain
- Demand Chain
- Knowledge
- Strategic Alliances
- Tangible Assets
- Company’s Value Chain
Value Chain Management – an academic approach (4/4)

The final Value Chain consists of five important steps:

1. **Identify Value Expectations**
   - Market trends
   - Customer research
   - Product/service specification
   - Prototype production and testing
   - Product modification and development
   - Customer service development

2. **Create the Value**
   - Sourcing and procurement
   - Materials management
   - Manufacturing
   - Product modification

3. **Communicate the Value**
   - Reseller/distributor communications
   - Customer/end-user communications
   - Internal “customer” communications

4. **Deliver the Value**
   - Product/service delivery program:
     - availability
     - frequency
     - reliability

5. **Service the Value**
   - Customer service programs
   - Product recall programs

“A chain is only as strong as its weakest link”

Source: Lecture notes, week 3
Value Chain Management at Volvo Cars
**Volvo Cars**

The Company at a Glance

<table>
<thead>
<tr>
<th>Vision:</th>
<th>To be the world’s most desired and successful premium car brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission:</td>
<td>We create the safest most exciting car experience for modern families</td>
</tr>
<tr>
<td>• Founded:</td>
<td>1927 by Assar Gabrielsson and Gustav Larson (Gothenburg, Sweden)</td>
</tr>
<tr>
<td>• Ownership:</td>
<td>Since 1999 part of the Ford Motor Company, Premier Automotive Group (PAG)</td>
</tr>
<tr>
<td>• Markets:</td>
<td>Main Markets are USA, Sweden, Germany, Great Britain (market share = 1-2%)</td>
</tr>
<tr>
<td></td>
<td>Emerging markets (growth per year): China (+83%), Ireland (+39%), Portugal (+33%)</td>
</tr>
<tr>
<td>• Production sites:</td>
<td>Sweden, Belgium, Thailand, Malaysia</td>
</tr>
<tr>
<td>• Sales:</td>
<td>In 2005, Volvo delivered a total of 443,942 cars to end consumers (-3% compared to 2004)</td>
</tr>
<tr>
<td>• Bestsellers:</td>
<td>XC90, S40, V50</td>
</tr>
<tr>
<td>• Employees:</td>
<td>25,553 (2006)</td>
</tr>
<tr>
<td>• Characteristics:</td>
<td>Emphasis on safety, environment and quality</td>
</tr>
</tbody>
</table>

Source: Ford Motor Company, Volvo Cars
What Customers think about Volvo
What is the reason why you just bought a Volvo car?
Volvo Cars – How we create Value
...forces affecting VOLVO’s Value Chain

- Extensive employee Training (Kramer et al. 1996)
- Good relationship btw. Management and Employees (strong Corporate Culture)
- Emphasize on Information and Communications Management (De Jager et al. 2001)
- Cooperate Citizenship (involvement of Government, Unis and society) (VolvoCar Company, 2007)
- Reducing maintenance costs and increasing product line availability (Pushing the Production Line Towards Maximum Efficiency 2006)
- Using supplier’s consortium (Bedingham et al. 1995)
- Increase of shared parts within PAG and platform sharing (Wernink 2006, Truett 2003)
- Increased financial possibilities (Wernink 2003)
- Team purchasing (Wernink 2006)
- Customer based production (De Jager et al. 2001)
- Continuous improvement (Kaizen) (De Jager et al. 2001)
- Outsourcing to suppliers account up to 75% of a car’s value (eg. India) (VolvoCar Company 2007)
- Supplier controlled warehousing (Barding 2006)
- Sourcing of whole components (from suppliers) (Foudy 2002)
- Attempt to attract younger buyers
- Monitoring customer satisfaction in order to improve product design (Gustafsson et al 2000)
- Introduction of CRM resulted in three times more customer leads (Abbate 2004)
- Xpower XDMS system: track each car throughout lifecycle for customer benefit (Casanova 2006)
- Align product to foreign demands (De Jager et al. 2001)
- Customer integration into production process (De Jager et al. 2001)
- Optimization of ordering processes (lead time reduction) (De Jager et al. 2001)
- Implementation of reverse logistics system for recycling used cars (Hudson 2004)
- Process redesign, focus on customer-facing processes (Kramer et al. 1996)
- Ford spends 3% of Revenue for R&D (2005 top R&D spender) (Bordia et al. 2006)
- Derive relevant information from environment (stakeholders) to develop better products

- Knowledge
  - Tangible Assets
  - Supply Chain
  - Demand Chain
  - Innovation
  - Strategic Alliances
Volvo Cars – How we create Value (2/2)

...what is unique about Volvo's Value Chain?

- CRM
- Integration of local knowledge
- Gov't cooperation
- Optimizing internal and external processes
- Making use of alliances (Platforms)
- Clear value proposition
- Strong Brand
- Cooperate Citizenship
- Meeting value proposition
- Corporate culture
- Financial value to Ford's shareholders
- Performance measurement
- Kaizen
- Interaction with universities

Value generated at each stage:

Knowledge  Cost reduction  Shareholder Value  Customer Value

Sources: See previous slide
Measuring Up

Evaluation of Volvo’s Performance
Trends in the Automotive Industry (for next 20 years)

...major trends can be identified that effect Volvo’s way of doing business

- Outsourcing to Suppliers
- Sourcing of whole functions
- Standardization, Platforms

- Technological Innovation

- Demographic Changes
- Internationalization

- Corporate Citizenship

Sources: Booth 2006; VDA 2003
Assessing Volvo’s Value Chain

...once again, Volvo’s Value Chain is influenced by those cornerstones
Volvo already performs well in those areas
... within those cornerstones, Volvo has an comparative advantage

In 2015 77% of all value adding activities will be outsourced. Volvo has already achieved this.

Source: Mercer 2004

Knowlege: Corporate Citizenship

- Understanding stakeholders makes Volvo able to develop the cars society needs
- Volvo promotes importance of road safety through NGOs
- Volvo recruits people and knowhow by cooperating with unis
- Corporate Culture, Social Responsibility and Environmental caring are big advantages of Volvo

Source: VolvoCar 2007

Customer satisfaction monitoring
Customer Based Production
Customer Relationship Management
lifecycle thinking

Source: VolvoCar 2007
Where Volvo still must improve
...however, there are other areas in which Volvo still has to improve

**Strategic Alliances: PAG**

**Relationship Fit:**
- **Corporate Cultures** within Ford Motor Company too different (Wernle 2003)

**Strategic Fit:**
- Volvo moves upward in the luxury segment, Jaguar downward, resulting in competition within PAG.
- With substantial growth, which Ford requires from Volvo, it would lose its uniqueness (Flint 2002)

**Operational Fit:**
- Not many platforms shared within Ford Motor Company so far.
- Developed platforms are rejected by partners (Rechtin et al 2005)

**Financial Fit:**
- Ford enables Volvo to develop new technologies
- Volvo is profitable within PAG
- PAG is lacking far behind Ford's expectations (goal: 30% contr. to Ford's profits, 2005: loss of $100 Mio.) (Wernle 2003)

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![Most Productive Automobile Plants in Europe 2001](https://example.com/most-productive-plants.png)

Volvo Plants are lacking productivity

Source: Automobil Produktion 2002
Assessing Volvo’s Value Chain
To put it all together: Summary and Conclusion

Volvo’s Value Chain

Knowledge

Tangible Assets

Demand Chain

Supply Chain

Innovation

Strategic Alliances

Good

Improvement needed

No focus for assessment
Thank you very much for your attention.

We would like to answer your questions now!
Sources, we used for this presentation


Sources, we used for this presentation


References (4/4)
Sources, we used for this presentation


