

ONLINE REPUTATION OF VOLKSWAGEN

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Abstract

What does it mean to have the best reputation on the online world? How to achieve it and how to improve it? That are the questions which are asking the companies all over the world. The online reputations includes the good will and awareness of the company (number of followers on social network, indexed pages on Google and the number of business mentions on news portals). In this article we are focusing on online reputation of Volkswagen company and how it changed through the scandal with emissions. We are trying to explain what impact have the Volkswagen scandal on its online reputation. According to an analysis which was made by RI (Reputation Institute) Volkswagen is not trying to gain back the trust of its stakeholders. In this article we are focusing on online reputation of Volkswagen company and how it changed through the scandal with emissions. We are trying to explain what impact have the Volkswagen scandal on its online reputation. When the German Volkswagen Group presented its first financial results a year after since the outbreak of the scandal in September 2015, it was not a nice figures. The car maker has made the biggest loss in its history and has put down more than sixteen billion euros in the costs of resolving the consequences associated with the artificial reduction of emissions. Nevertheless, in the autobrand there were voices that it was only the beginning and that year 2016 would be a real crisis for the company.

Key words: online reputation, emission scandal, automotive, employees, carmaker, crisis management

JEL Code: M15, M31, M10

Introduction

Do you know what will receive a person who is looking for information about you or about your business? Any bad step can lead to a negative blog post or comment, so your reputation is constantly in danger. But if someone expresses you critically, it does not mean that your company is bad! Also bad is content censorship. Online Reputation Management (ORM)

is an internet watch service (online discussions, forums, search engine results, online PR) and positive company references. It requires:

- precise monitoring,
- an appropriate way of communicating with customers and partners,
- immediate resolution of client dissatisfaction,
- proposal to get positive online references,
- good techniques to convince the user to contribute.

1 Scandal of Volkswagen

The EPA (US Environmental Protection Agency) informed about the fact, that Volkswagen company has been installing some software to decrease the diesel emission tests (US Environmental Protection Agency, 2015).

The fact is, that the cars which was furnished with this software produces up to 40-times more emissions than is allowed by US standards. According to this report, the Volkswagen's cars is no more environmentally friendly. After this scandal, the reputation of Volkswagen was highly damaged.

The world's largest automaker has admitted that diesel engine cars have installed software that falsifies the results of emission testing. The automaker admitted that the fraudulent software was equipped with 11 million diesel cars. The scandal concerns the Jetta, Beetle, Golf and Audi A3 models produced between 2009 and 2014 and Passat from 2014 to 2015. There are around 11 million problem vehicles around the world, of which around 8,5 million are in Europe.

The German concern in 2015 shook the biggest scandal in its history. Under the pressure of the US authorities, the automaker admitted to installing diesel engine software to enable it to handle emissions and to mask the actual nitrogen oxides during testing. That said, according to the Americans, 40 times exceeded the allowed level. Worldwide, around 11 million of such vehicles are driving, of which around 8,5 million are in Europe. Under agreement with the US authorities, Volkswagen has to redeem or repair at least 85 % of the banned software that it supplied to the US market by 2019.

In March, Volkswagen admitted fraud, obstruction and falsification in court in an agreement with the US Department of Justice to end the dispute and settle. The federal court should

make a verdict on April 21, and it is expected to condemn the group for three years conditionally. Given that the car manufacturer has blamed it must now introduce reforms and be supervised. Whosoever has done so has not yet decided, it is certain that he must be independent. Volkswagen has agreed to spend a total of \$ 25 billion (23,52 billion €) to indemnify US vehicle owners and vendors and fines from environmental regulators and states. He has also been offered to redeem about 500 000 malicious software delivered to the US.

1.1 Emission scandal has damaged the reputation of Volkswagen in the US

According to the latest representative sample survey, 1500 respondents up to 46 % of Americans lost confidence in the Volkswagen brand (Deutsche Presse-Agentur, 2015).

Up to 42 % of respondents think that the affair will damage the entire German economy, but 45 % consider the Volkswagen affair to be a rare case. Only 28 % completely lost confidence in products made in Germany.

„Volkswagen does not exclude that an emission scandal may have a negative impact on sales. In case of a drop in sales, production would have to be limited, which could endanger jobs. If the need to temporarily limit employment proves to be necessary, shortening working hours would be a meaningful option, as in the past“ (Deutsche Presse-Agentur, 2015).

1.2 Online reputation

Automobile value fell by \$ 15 billion in one day. Volkswagen creates more than 6 billion reserves to repair the damage.

Fig. 1: Value of Volkswagen AG



Source: www.finance.yahoo.com

Fig. 2: Value of Volkswagen AG

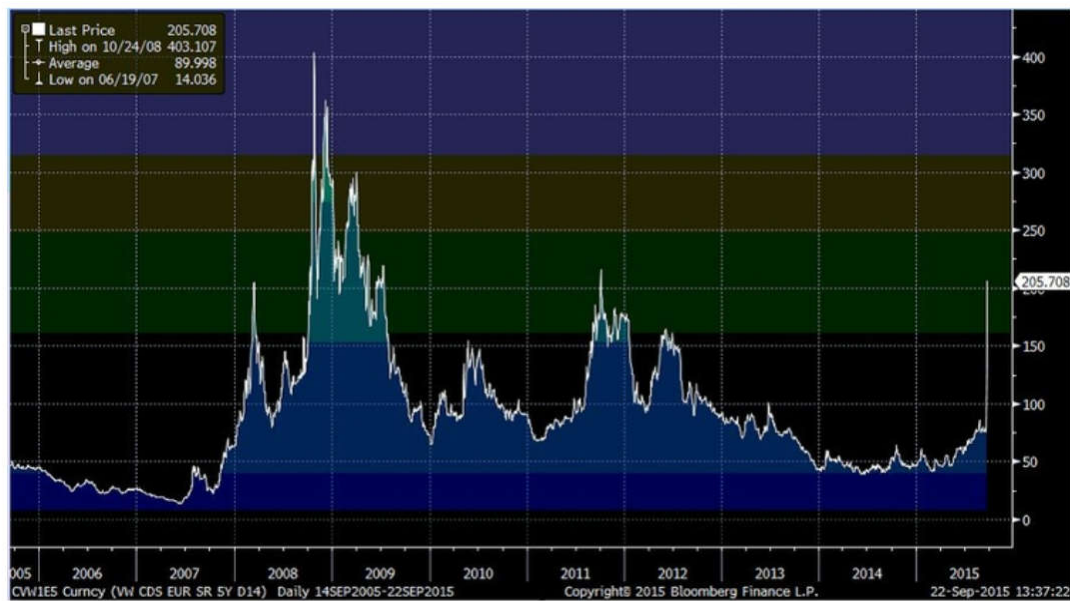
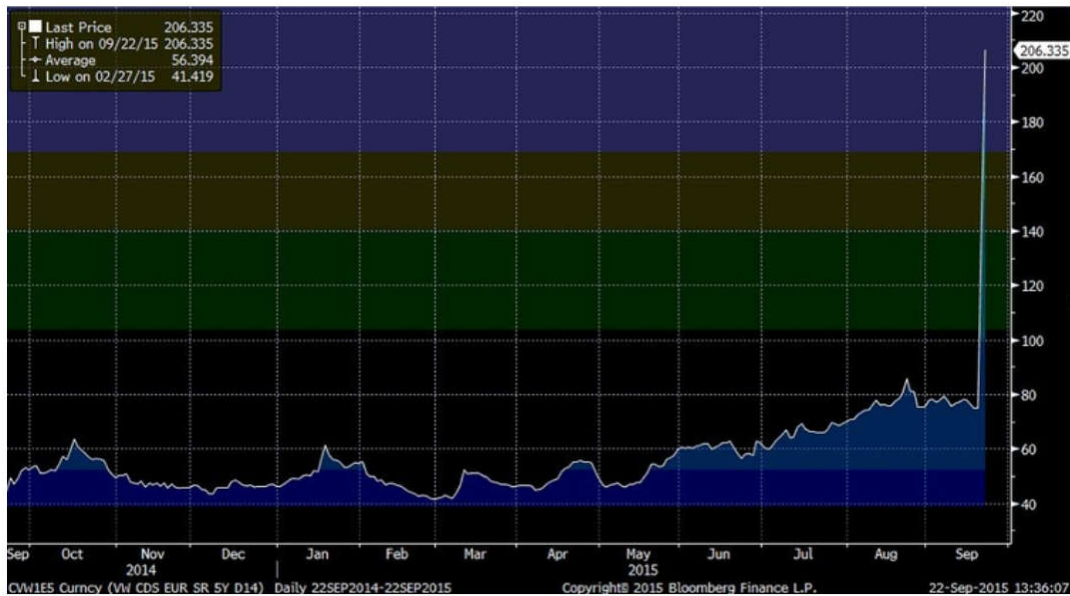


Source: www.finance.yahoo.com

The automaker has announced that it is creating a reserve of six and a half billion euros to cover the cost of necessary repairs and to gain customer confidence. Errors should concern more than eleven million vehicles with diesel engines. The downfall of the company's value means that Starbucks, the Qualcomm chip manufacturer or the German operator Deutsche Telekom, jumped in value.

There was also a surge in annual fees for non-payment. Within a few hours, the \$ 10 million in debt insurance jumped from 70 to 205 thousand dollars. They have jumped to levels over four years, and significantly higher than in the big 2008-2009 crisis. In practice, this means that the company's bankruptcy threat has increased about two and a half times.

Fig. 3: Volkswagen AG



Source: www.finance.yahoo.com

Volkswagen shares fell 19 % after the EPA's (Environmental Protection Agency) declared that the German carmaker had used the software in its vehicles to distort the results of the emission tests. This concerns the 482-thousand models of Volkswagen Jetta, Volkswagen Beetle, Volkswagen Golf and Audi A3 produced between 2009 and 2015,

and the Volkswagen Passat in 2014 and 2015. Volkswagen has stopped selling these models until it eliminates the software problem.

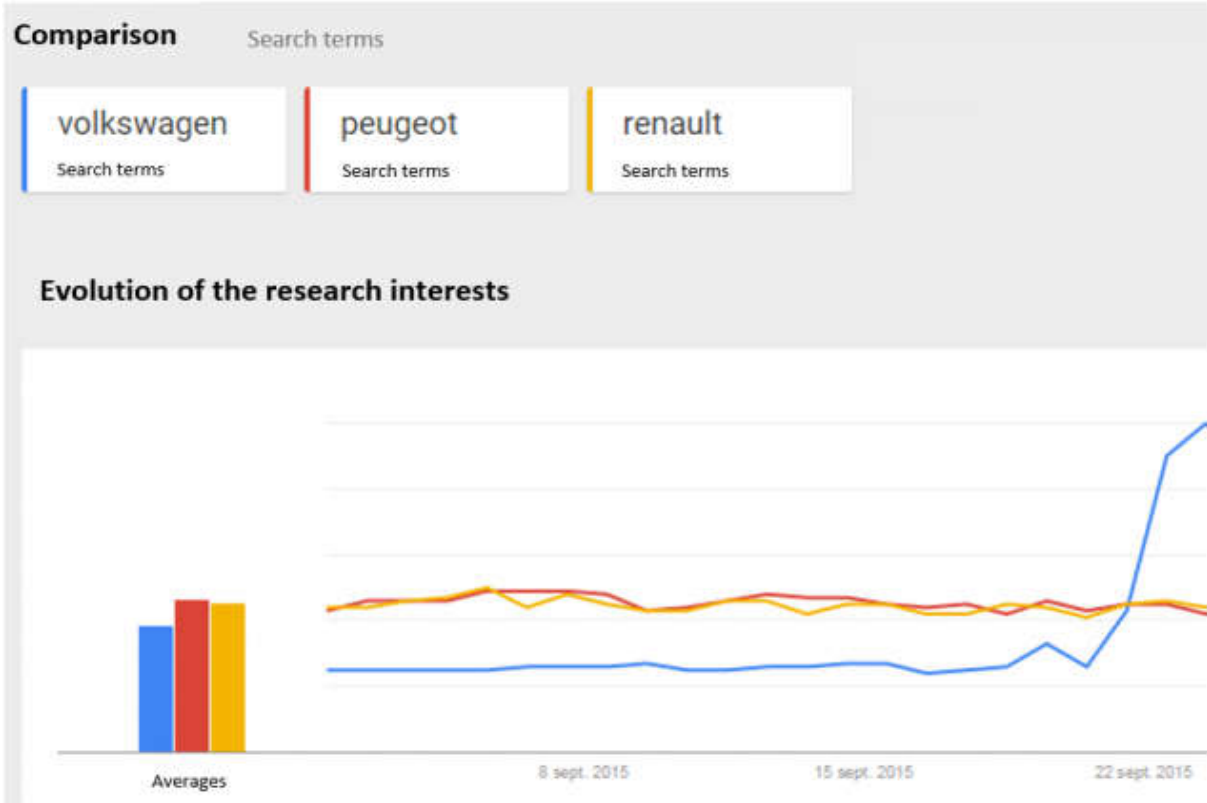
Several German carmakers are now worried that the scandal of Volkswagen will also damage their reputation.

2 Volkswagen lost the public's trust

According to an analysis which was made by RI (Reputation Institute) Volkswagen is not trying to gain back the trust of its stakeholders. It is clear by fact that Volkswagen is not implementing the right steps to increase its reputation (Reputation Institute, 2015). This scandal was caused by the own employees and could be prevented by proactive reputation management.

On the day when the crisis of Volkswagen became the hot topic in the online world, there were 3-times more searched on the Google that the week before.

Fig. 4: Google search



Source: www.reputationvip.com

There is also a consequence on Google Suggest tool by the negative online reputation. The words related to the term of Volkswagen became negative - stock, scandal, recall.

3 Volkswagen and employment

The largest employer in Slovakia plans to receive thousands of new employees in the next six months. New jobs bring the launch of a complete luxury SUV of the Porsche Cayenne and the start of the production of the brand new Audi Q8.

„For the first time in history the factory in Bratislava receives new people at a record low number of people without work, while in the Bratislava region the actual registered unemployment rate is only 3,7 %“ (Toma, 2017).

Investors like Volkswagen try to attract people from all over Slovakia. Within a distance of 150 km Volkswagen provides contracted transport with a contribution of 70 %. Employees from a larger range Volkswagen offer the opportunity to live in a dormitory, which the employer also contributes. These benefits are currently used by more than 9 000 employees. In the first half of 2017 Volkswagen Slovakia received 400 people and the number of employees rose to a record 12 700 employees.

Conclusion

The crisis of Volkswagen has caused lots of months of negative press and online reputation. Volkswagen has activated a transparent strategy of crisis management, apologize for using a software for decreasing the emissions and promise to restore the public trust of Volkswagen brand. However nobody knows what long-term effect the scandal will have on online reputation of Volkswagen. The Volkswagen crisis will stay in the history maybe as the biggest scandal of auto industry.

When the German Volkswagen Group presented its first financial results a year after since the outbreak of the scandal in September 2015, it was not a nice figures. The car maker has made the biggest loss in its history and has put down more than sixteen billion euros in the costs of resolving the consequences associated with the artificial reduction of emissions. Nevertheless, in the autobrand there were voices that it was only the beginning and that year 2016 would be a real crisis for the company.

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Grant affiliation: *This article is one of the partial outputs of the currently solved research grant no. I-17-108-00 entitled “ Analysis and evaluation of online reputation of subjects from automotive industry”.*

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