

ŠKODA AUTO VYSOKÁ ŠKOLA, O.P.S.

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ŠKODA AUTO VYSOKÁ ŠKOLA, O.P.S.

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Development of a Marketing Communication Concept for Volkswagen Group Quality Management System on Wholesale level

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Acronyms

B2B	Business to business
BER	Block Exemption Regulation
CEO	Chief Executive Officer
CI	Continuous Improvement
CL	Checklist
CRM	Customer Relationship Management
GCC	(Volkswagen) Group Connective Certification
GM	General Motors
GSM	(Volkswagen) Group Standard Management
IMC	Integrated Marketing Communications
ISO	International Standardization Organisation
K-GVO-R/1	Abbreviation name used for Group Network Quality Steering department (Volkswagen AG, Wolfsburg)
KPIs	Key Performance Indicators
KVP	Konzern Verbesserung Process / (Volkswagen) Group Improvement Process
MD	Managing Director
MC	Marketing Communications
MM	Market Manager
MS	Market Support
NSC	National Sales Company
QA	Quality Audit
QM	Quality Management
QMS	Quality Management System
QS	Quality Standards
QMR	Quality management Responsible

TQM	Total Quality Management
VDA	Verband der Automobilindustrie / German Automotive Industry Association
WTO	World Trade Organization
VW	Volkswagen
VW PC	Volkswagen Passenger Cars
VW CV	Volkswagen Commercial Vehicles

Introduction

Today's automotive market is developing more dynamically than ever before: major changes are affecting not only technologies, but also the way of doing business itself. The competitive environment is constantly forcing car manufacturers raise their requirements to the quality of produced products and organizational processes. While Quality Management Systems are considered to be an efficient instrument used by organizations to optimally react on such requirements and adapt to them.

Maintaining a Quality Management System for big international companies like Volkswagen Group is not only a possibility to become more resistant to crises but also a way to ensure business sustainability in a long run.

Even though the recent decade's trend has shown growing significance of Quality Management, many mid-size and smaller businesses (Doole, Lowe 2008), such as certain Volkswagen Group Importers operating on Wholesale level, still consider maintaining a Quality Management System rather binding and costly than advantageous.

Obviously, there is a number of reasons for that: sustenance of a Quality Management System requires resources and time, considerable effort and involvement of all organizational departments besides support from business's top-management. Generally the dispute between Volkswagen Group Quality Steering function and Volkswagen Importers lays in lack of understanding of importance of the Quality Management topics on Wholesale level and unclear communication of Quality Management System benefits to the Wholesalers, who are not able to see the additional value that it is bringing to their business.

The aim of this thesis therefore is to elaborate a Marketing Communication concept to raise the acceptance of Volkswagen Group Quality Management System on Wholesale level. To accomplish this target it is necessary to achieve several objectives: firstly, get understanding of the role of Quality Management System in Wholesaler business; secondly, find out how Marketing Communications work on business-to-business level; thirdly, identify the factors affecting communication of Volkswagen Group Network Quality Steering

department to the Importers of the Group vehicles and finally, define the most effective means and ways of communication of Volkswagen Group Quality Management System benefits to the VW Group Importers worldwide.

Current master's thesis is structured into three relevant chapters. The first chapter will focus on Quality Management and its main elements and will explain the significance of its impact on customers, organizations and business stakeholders. In the following it will clarify how Quality Management elements and principles are affecting Quality Management System of particular entities and introduce the practices of ISO 9001 Quality Management as one of the most developed and widely used nowadays. As long as comprehensiveness of Quality Management System principles does not guarantee its success on Wholesale level, in the continuation of theoretical research Wholesaler needs for quality will be examined. Whereupon it will be highlighted, how Quality Management System can satisfy those needs. Further theoretical investigation will reflect the effect of marketing means on Business-to-Business communication. Examination of peculiarities of Business-to-Business communication will allow identifying the most effective Marketing Communications strategies and tools that can be applied for encouraging Wholesalers to accept and maintain Quality Management System.

The second chapter will give a brief insight to the Volkswagen Group business and its distribution network. Then, it will introduce the Quality Management System of the company and explain how Group Connective Certification serves the needs of Wholesalers, importing the Group Brands' vehicles. The empirical analysis will capture in the following the communication flows between the VW Group Standard Management Team – responsible for steering the Group QMS and its existing and potential customers which are represented by the Importers of several VW Group car brands.

Major part of the analysis will be based on examination of the Volkswagen Group Network Quality Steering internal documentation and individual interviews, conducted with Volkswagen Group Standard Management Team members. The collected findings will be then incorporated into SWOT analysis, which will reveal the potential for QMS communication improvement.

The third chapter will provide general recommendations for improvement of communication from the VW GSM Team towards existing and potential Wholesale QMS customers. It will also include a Marketing Communication concept developed for the use of Volkswagen Group Standard Management Team towards Wholesalers. This Concept shall be aimed to raise the acceptance of the VW Group QMS and should be applicable at all global markets.

The conclusion will summarize the findings and recommendations and include some critical points to evince the obstacles that might arise during implementation of the developed Marketing Communication concept.

1 Theoretical aspects of Quality Management and Marketing Communication on Wholesale level

The concept of quality by Goetsch and Davis (2010, in Knowles 2011, page 10) is defined as “a dynamic state associated with products, services, people, processes and environments that meets or exceeds expectations and helps produce superior value”. However Knowles (2011) anticipates confusing quality with specification: as an example he refers inaccurate perception of that a high specification vehicle (for instance, Rolls Royce) must be higher quality than a lower specification car (such as Volkswagen Beetle). In this case it is important to understand that both vehicles can be quality products as long as they fulfill the purpose for which they were acquired.

The need for managing the quality has been described by Charantimath (2011, page 5) as a key element “to success in business and for the achievement of customer satisfaction”. Basic idea of Quality Management is that everything can be improved. Requirement for improvement lays on one hand in aspiration of business organizations to satisfy customer needs: since “customer is the foundation of a business and keeps it in existence“(Drucker, 1993, page 61). From this prospective the Quality Management purpose is to ensure that customers get quality goods and services that meet their expectations. On the other hand same business entities have to organize their activities in the way that they are able to deliver desired quality to the customers. This means incorporation of the Quality Management processes into organizational practices.

Contemplating Quality Management from both prospectives includes detecting its constituent elements and principles that will be covered within this chapter. In the following this will bring us to understanding how an efficient Quality Management System can be built. After exploring the most recent and advanced - ISO 9001 Quality Management System, it will be possible to define what advantages can Quality Management System bring to a Wholesaler business.

1.1 Quality Management

Quality Management for business organizations is a tool that ensures achieving a consistent level of excellence in their performance. According to International Organization for Standardization (ISO, 2015b, online): “Quality management includes all the activities that organizations use to direct, control and coordinate quality. These activities comprise formulating a quality policy and setting quality objectives”. Juran and De Feo (2010) characterize QM by its four constituting elements: quality planning, quality control, quality assurance and quality improvement.

Quality planning for goods or services according to Hoyle (2007) means assuring that they meet customer requirements. In this case planning activity implies understanding what customer wants; assuring availability of necessary resources; product or service delivery and lastly, verification procedures. Alternatively quality planning can be attributed to a company’s quality system itself. This sort of planning starts with defining company’s mission statement and then using quality planning techniques it can be converted into an action plan as illustrated example at **figure 1**:



Source: Author’s illustration

Fig. 1. Quality planning exaple

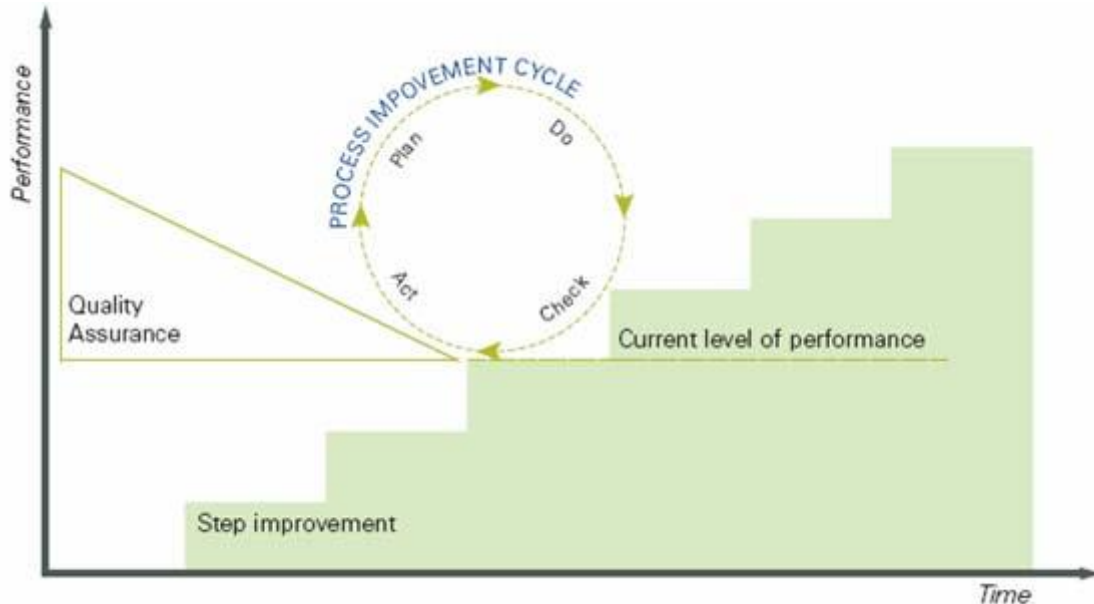
After specifying company mission, further step is setting objectives that comply with it. To make objectives achievable, they have to be concrete and measurable, controllable and realistic. On the next level it is necessary to define actions that will underlay company strategy and lead to objectives achievement. The action plan has to specifically define what must be done, who is responsible, how to measure results, what are the necessary resources. Finally, when performing the actions, it is important to review the objectives periodically to be able to understand if plan is working and based on the results, update the plan.

Quality control is focused on verifying that process outputs are fulfilling required quality standards or procedures (Hoyle 2007). In other words it ensures that business is reaching standards it has set for itself. Once it had been detected that product, service or process does not meet particular quality requirement, quality control methods prescribe taking action to eliminate standard non-conformity. Disadvantages of quality control are that it is costly and does not allow preventing mistakes. Due to that quality control is not sufficient and many businesses are applying various quality techniques to enhance their quality management.

This highlights the role of **quality assurance** which is primarily focused on prevention of deviations. According to Belu (2012) quality assurance activities are aimed to make sure that development and sustenance of processes is sufficient to ensure that system meets its objectives.

One of the most popular tools used in quality assurance is Shewhart cycle, developed by Edward Deming. It is also known as PDCA (**P**lan, **D**o, **C**heck, **A**ct) cycle and includes four principles. Planning assumes establishing goals and processes necessary to achieve desired result. Plans must be S.M.A.R.T. (specific, measurable, achievable, relevant, time-bound). Do – means implementing process development. Check – immediately evaluating results of implemented process by comparing results against objectives that were set earlier. Act – if results of checking require changes, it is necessary to implement them to the next plan.

Once all that was planned in current cycle is accomplished, organization should standardize achievements and as demonstrated on **figure 2**, move to the next improvement cycle.



Source: Warner, 2013. Continual improvement [online]. March 2013. [Accessed 06 May 2016]. Available at: <http://blog.readytomanage.com/continual-improvement/>

Fig. 2. The wheel of continuous improvement

Thus, **figure 2** illustrates both quality assurance and quality improvement processes.

Quality improvement (also associated with continuous quality improvement) is defined by Nenadal (2008) as an effort aimed to increase the efficiency of activities and procedures in order to attain additional benefits for organization and its stakeholders. Charantimath (2011) distinguishes such techniques as: the Pareto chart, cause-and-effect diagram, check sheet, histogram, Scatter diagram, control charts, graphs, Seven quality control tools and Seven new management and planning tools. For instance, the VW Group is cultivating continuous improvement via implementation of so-called “Konzern Verbesserungsprozess Strategie” which can be translated from German as “Group Improvement Process”. This strategy includes a bundle of measures, rules and techniques (such as measures sheets and root-cause analysis) according to which internal processes of the whole group of companies must be organized in order to ensure continual quality improvement.

The way in which the aforementioned four elements are combined together within one organization determines its quality management system.

One of the broad definitions of a **Quality Management System (QMS)** is given by International Organization for Standardization: “it is a set of interrelated or interacting elements that organizations use to formulate quality policies and quality objectives and to establish the processes that are needed to ensure that policies are followed and objectives are achieved. These elements include structures, programs, practices, procedures, plans, rules, roles, responsibilities, relationships, contracts, agreements, documents, records, methods, tools techniques, technologies, and resources” (Praxiom Research Group 2016). The most widely used quality management systems are: ISO 9001, Six Sigma, Total QM (TQM). All of them are applied by companies to ensure the quality of their processes and products. Each of the above provides a framework that organizations may use to design their own system. While at every organization’s QMS is unique, there are some general principles according to which an effective QMS can be built.

1.1.1 Quality Management principles

Quality Management principles are primarily designated for top-management to guide organizations to improve performance. Using Knowles (2011) classification, those principles can be split into: customer focus, leadership, involvement of people, process approach, systems thinking, continual improvement, factual approach to decision making and mutually beneficial supplier relationships. On these eight principles is also based the ISO 9001 QMS, that will be covered more deeply in **section 1.1.2**.

First principle is **customer focus**. This principle presumes the activities of organization oriented on: understanding customer expectations about the product or service quality; understanding needs and interests of stakeholders (owners, employees, suppliers, government, society etc.); ensuring that goals, objectives and policy of the company are corresponding the needs and expectations of customers; introduction of mechanisms of interaction with customer; development of corrective measures aimed to raise customer satisfaction (ISO 2015a). To achieve the aforementioned organizations shall use customer complaints analyses, marketing researches, revaluation of supplier contracts and other

actions. Moreover, all employees of a business entity must be aware of and understand customer needs and be motivated to fulfill them. Employees' involvement is hardest to achieve because it strongly depends on company's management. Whereas management role challenges are explained in second principle formulation.

Lack of customer focus can be demonstrated on the example of Nokia dramatically losing the market share on the market of smart phones since Apple has introduced its iPhone. While using the "Market-In" approach which means focusing on the customer and customer engagement had allowed Apple to catch the coming trends and stick to up-to-date specifications requirements. (Hill and Johnes 2013).

The second principle is **leadership**. Leaders are responsible for the unity of objectives and coordination of organization. They create and maintain the environment where employees are fully encouraged to involve into achieving goals of a company. Applying leadership principle means: direction activities empowering higher inner productivity and maximum customer satisfaction; demonstrating commitment to QMS principles on personal example; understanding and responding to external changes; considering interests of all stakeholders; setting perspective strategic goals and objectives; establishing and maintaining shared values and corporate ethics on all organizational levels; providing employees with necessary resources, responsibility, accountability and decision-making freedom; encouraging and recognition of the employees' contribution; training and promotion of employees; supporting fair open relationship. As soon as company senior management takes over leadership role and demonstrates commitment to quality, the unity of company's targets and strategy for their further realization will be ensured. Managerial task is also to determine the process for achieving targets and follow-up their fulfillment. It is important that quality is treated as a strategic factor of company's development and is included into long-term company development plans. Knowles (2011) underlines that lack of leadership is a crucial topic in this context because in practice organizations are often emphasizing control and organization over vision and motivation that leads to focusing on ensuring management instructions are

carried out. As result, they perform poor responding to changing environments and developing situations which are part of the modern business environment.

The third principle is **involvement of people**. Involvement of personnel on all levels has a vital role for QM. Application of this principle means: ensuring that employees understand the importance of their role and contribution to organization; defining roles and responsibilities of employees and involving them into problem-solving process; determination of responsibility level for the results of each person's activity including the problem-solving activity; motivating personnel to actively seek for possibilities for improvement and create additional value for customers; prompting employees to measure their performance against their own goals and objectives; attracting personnel to actively seek for possibilities to enhance the level of their own competence, knowledge and experience; creating favorable environment for free knowledge and experience exchange. Important requirement is that all personnel is involved into QM process – from top management to regular workers. Moreover, all workers should be informed about company activities and results on a regular basis – this shall be done to achieve common understanding of company goals and objectives. By using material and moral incentives company management can encourage workers for showing initiative in finding opportunities to create added value for customers. Frequent obstacle for applying people focus is power distance which is strongly present in some cultures - for instance in Asian countries, where all decisions are made exceptionally by a strong leader (Rutledge 2011).

Next principle is **process approach**. According to this principle desired results can be achieved more efficiently when used resources and actions are managed same way as processes. The essence of process focus principle is that execution of each operation is regarded as a process and performance of all organization – as a chain of interrelated processes that are necessary to create output (ISO 2015a). Application of process focus principle involves: defining the processes that are necessary to produce goods or services; determination of business processes sequence and interaction; setting clear responsibilities and authorities for having control over processes; specifying process inputs and outputs; prescribing the criteria for process measuring and analyzing; identifying internal and external

process suppliers and consumers; defining methods that will ensure effectiveness and efficiency of processes execution; linking every process to business functions; planning and providing resources, methods and materials required for process targets accomplishment; evaluating risks and impacts on customers, suppliers and other stakeholders.

When applying this principle steering of process results transforms into steering of the process itself. On the other hand processes are often hardly measurable as most of them are inseparable from other numerous processes or have no physical characteristics. From this prospective it is managerial task to make them clear, well-structured and define accurate measurement criteria. As all processes in organization are interconnected, an output of one process may later become an input for another process. This is why it is mandatory to apply controls in form of procedures, inspections and trainings to ensure consistency.

The fifth principle is **systems thinking** or system approach to management. Application of systems thinking in quality management includes activities focused at: development and implementation of structured system of processes, that will guarantee meeting company goals and objectives; this system shall assure that given goals and objectives are attained in the most efficient way; prescribing how specific parts of systems have to interact to achieve the given objectives; continual improvement of above mentioned system through measurement and revaluation; primary evaluation of opportunities and available resources and only then taking decisions for actions. System thinking approach to management is closely related to process focus described earlier: creating, maintaining and steering the system of interrelated processes increases effectiveness and efficiency of organization significantly. Simultaneously it serves as a guarantee for fulfilling the requirements of customers. Moreover, it enables using customer feedback for strategic and quality planning of an enterprise taking into account every part and process of the system.

The sixth principle is **continual improvement**. As stated earlier improvement activities must be regarded as continuous process. Otherwise stop in improvement will put a company under risk of falling behind competition. Application of this principle means: making measuring and continual improvement management a

constituent part of company strategic goals; providing employees opportunities to learn methods and tools of continual improvement including statistical methods or Deming cycle (**figure 2**) for instance: creating for every employee need and motivation for continuous improvement of product or service, process and overall system; transforming need for improvement into personal targets for employees; periodic evaluation of compliance with established criteria to determine further areas for potential improvement; standardizing positive achievements and converting them into processes and afterwards setting new objectives. It is important not only to monitor and resolve issues that have already arose, but also implement corrective measures for deviations from defined processes and apply preventive actions to minimize problems in the future. To stimulate continual improvement company management has to participate in this process, set concrete challenges that shall be resolved within continual improvement process, allocate necessary resources to achieve these challenges and to acknowledge and encourage achieved improvements.

The seventh principle is **factual approach to decision making**. This principle states that effective decisions must be necessarily based on analysis of data and information. Application of this principle includes such activities as: organizing collection, measuring and monitoring of data and information; ensuring reliability and accuracy of data and information; making data available to those who need it; using approved methods for data analysis; understanding information value and using correct statistical methods for analysis; taking decisions and actions based on recorded facts. Naturally decision making in real life is far more complex and is based on combination of facts and intuition, past experience, assumptions and so on. Never the less the established procedure of gathering, processing and storing of information as well as its structure and content quality will determine the effectiveness of management to a certain extent.

The eighth QM principle is **mutually beneficial supplier relationships**. This principle acknowledges that interdependence of organization and its suppliers increases the ability to create value for both of them. The value is created through combining knowledge and resources of both parties and other sorts of collaboration. This principle implies the activities within organization directed at:

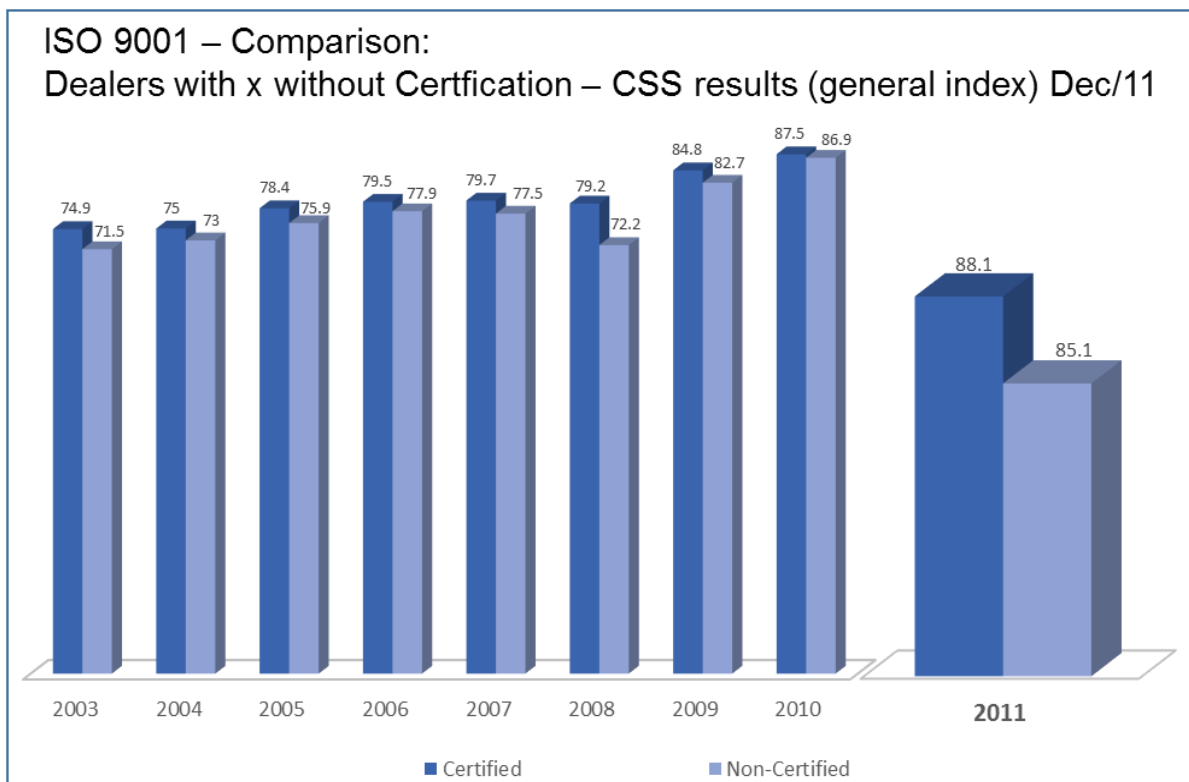
identification and selection of major suppliers; establishing relationship that will keep balanced short-term gains within long-term goals of organization and society; establishing clear and open communication including exchanging information and plans for future; initiation, encouragement and recognition of improvements achieved by suppliers; initiation of joint development and improvement of products and processes; cooperation to achieve common and clear understanding of customer needs and expectations; achieving coordinated and unified reaction of both parties to changing environment either customer requirements. The aim of this principle is inclusion of supplier relationship aspects into company's strategy. Because only mutually beneficial relationship can provide both parties best opportunities and maximum advantage. Joint effort to achieve continuous improvement should become a norm for both sides. For that QMS must necessarily include preconditions for establishment of such interaction.

In practice application of the above principles across an enterprise always depends on the nature of organization and on the challenges it is facing at current stage of its development. This will in many ways determine how company's QMS will look like. Even though these principles are comprehensive and fit all business and cultural environments, they have to be fine-tuned for every specific business needs. In particular, the requirements of Wholesaler business to QMS will be analysed deeper in **section 1.1.3** of the current chapter. While in the following will be considered the ISO 9001 QMS that integrates all of the eight mentioned principles and provides framework to all kinds of business entities.

1.1.2 ISO 9001 Quality Management System

ISO 9001 are series of standards affecting different aspects of QM. These standards are published by the International Organization for Standardization. They include guidance and description of tools that can be used by organizations to keep their products and services corresponding to customer needs and their quality constantly improving (ISO 2015b). Companies can build their reputation for quality by attaining accreditation from ISO. The example of Volkswagen do Brazil (reflected on the **figure 3**) demonstrates that certified retail partners with ISO 9001 certification have reached 3% higher customer satisfaction compared to those

without certification during the years 2003 – 2011. In this case it should be noted that a 3%-difference may bring a retail partner to the low-performer category.



Source: VW Internal documentation, 2013

Fig. 3. VW do Brazil customer satisfaction results (certified vs. non-certified partners)

ISO 9001 is applicable to all businesses, not depending on the size or sphere of entrepreneurial activity. It can help any organization to reach quality standards, recognizable worldwide. ISO standards have been implemented by more than one million organizations in over 170 countries of the world (ISO 2015b). Until now it is the only existing standard according to which certification can be carried out (although in many countries this is not a requirement). It is also used by purchasers as evaluation criteria to measure already existing quality management systems of suppliers: this is done to make sure that suppliers can fulfil the required quality level of supplied goods or services. Hence many export organizations tend to incorporate recommended standards into their operations. While ISO 9001 is the most current version that enforces the requirements to QMS, ISO 9000 contains basic QM concepts and vocabulary of terms; ISO 9004 is focused on

making QMS more efficient and effective; ISO 19011 is a guidance for conduction of internal and external audits of QMS (Kachalov 2013).

European Union, tending to create a single economic area was the first to implement ISO standards and introduce mandatory certification for compliance with them. Thus application of ISO standards has been recognized as Block Exemption Regulation (BER) measure (WTO 2016). Today's ISO worldwide presence is reflected in the **appendix 1**.

The benefits organization can adopt with implementing ISO QMS are as follows:

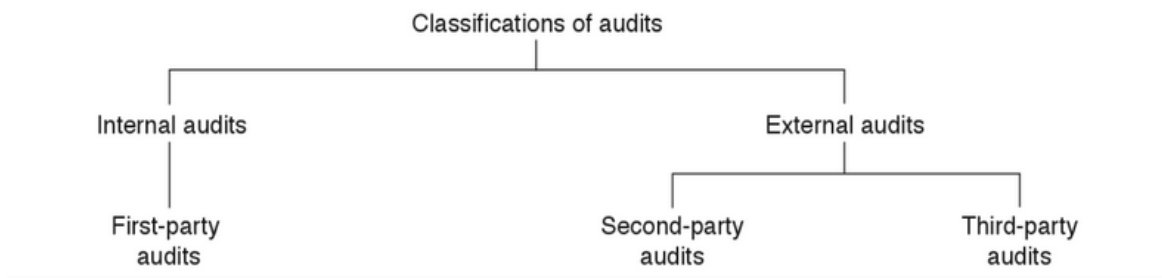
- Competitive advantage and extended business opportunities on the market as ISO certificate guarantees quality of goods and services
- Satisfaction of clients' needs
- Effective methods of work allowing to save time and resources, reduce costs
- Higher productivity, elimination of faults and as a sequence – increase in profits (quality of goods or services)
- Access to the new markets by averting trade barriers
- Continuous assessment and improvement

ISO standards serve as tool that ensures efficiency of business operations, higher productivity and barrier-free entry to the new markets (ISO 2015c). Moreover, verification of the system is a mandatory part of ISO 9001:2008 standard. It can be done via quality audit which is a part of ISO QMS.

1.1.2.1 Quality check via audit

According to ISO 9001 standards, quality audit (QA) is a mandatory part of QMS. Its purpose is to investigate QMS processes for conformance with quality standards. A well-conducted audit shall detect problems and show the opportunities to resolve them. QA can be performed either internally – with own

means and effort of an organization, or externally – by independent certification body. Russell (2013) offers a classification of QA, illustrated at **figure 4**:



Source: Russell 2013, page 5

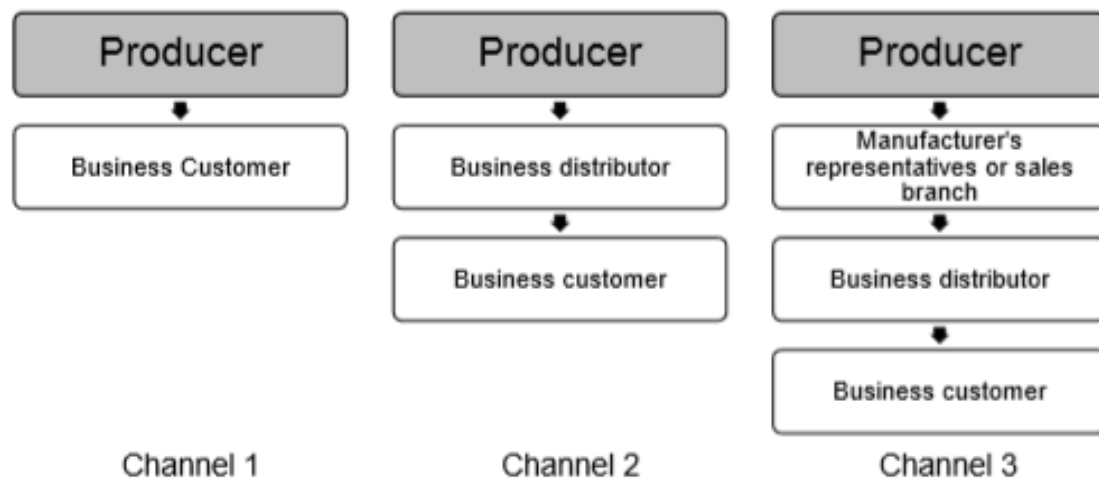
Fig. 4. Classification of audits

Depicted split is provided as a guide for audit classifications, but there is no strict rule. For instance, in VW Group practices 1% of Retail and 100% of Wholesale network inspections are conducted mutually – by third-party (certification body – TUV SUD) and second-party (customer – VW Group Network Quality Steering) auditors. This is done to have a better control over the sales network and the certification body at the same time (VW AG internal documentation 2015).

Quality audits represent a crucial tool for authenticating evidence of progress, estimating the success of implementation of processes, evaluating achievement of defined objectives, checking whether problems are eliminated, detecting areas for potential improvement and accumulation of good practices that can be shared later between other business departments or units. On the basis of QA results company management takes important strategic decisions, that's why it requires increased attention.

1.1.3 Quality in Wholesaler business

Some businesses are organized on direct supplying of product from manufacturers to customers; others require an intermediary that may have various organizational forms. Kotler and Armstrong (2012) describe three types of distribution channels, which can be seen at the **figure 5**.



Source: Kottler, Armstrong 2012, page 343

Fig. 5. Business distribution channels

Wholesale is a form of distribution channel that assumes buying high amounts of goods from one or more manufacturers and reselling them to retailers. In automotive industry this business relationship can be represented by car Manufacturer-NSC or Importer-Dealer or Manufacturer-Dealer relationship chains. The last is the case of small-sized markets, with low sales volumes, where establishment of an Importer entity is not feasible.

From commercial point of view such relationship between manufacturer and importer will be called “Business to Business” or shortly B2B.

Wholesale business is subject to numerous risks: political, territorial, commercial and others. And those risks are shared by the product manufacturers. This brings both to the need for QM that can secure the transactions and guarantee for both parties a long-term business relationship.

Manufacturer is interested at having control over its importers and conducting its strategy at all target markets. This means strong interference into importer business. While Wholesalers tend to be independent and implement their own strategy based on market requirements (as they know their home-market better). Besides increase in efficiency and saving resources, Wholesaler management needs an effective steering process that will enable identifying problems and provide tools to resolve them. There is a common misconception from

Wholesalers' side that quality is very costly, but practices show that effective work is much more economically feasible and in some cases even costs nothing. This point of view is supported by Knowles (2011) within the „cost of poor quality“ concept. Its' logic is that „a relatively small increase in spending on prevention activities will deliver a more than compensating reduction in appraisal failure costs“ (Knowles 2011, page 24), as illustrated on **figure 6**.



Source: Knowles 2011, page 24

Fig. 6. Quality costs during improvement

ICMCIC and Gurau (2015) conclude that a QMS with its tools becomes management system for business itself. Consequently Wholesalers can effectively use it for their own business steering. **Section 1.1.4** of the current chapter will summarize thereon the benefits that Wholesalers can gain from maintaining a QMS.

1.1.4 Wholesaler advantages of maintaining a Quality Management System

Advantageous QMS is the one that corresponds to QM principles described in **section 1.1.1** of the current chapter. While the advantages for Wholesaler can be reflected through the “House of Quality” - a conceptual map that is used for detecting the relation between customer wants and product capabilities (Hauser, Clausing 2015). VW Group Network Quality Steering has used this tool to analyze to which areas of VW vehicles Importers does Group QMS adds value. The results

reflected in the **appendix 2** shows that most directly it contributes into three pillars: customer satisfaction, loyalty and network quality.

Contribution into the first pillar is created by focus of the Group QMS on customer satisfaction, reduction of repeat repair and professional customer complaint management. This leads to prevention of customer loss; gaining new customers, higher market share and incomes through positive recommendation and cost reduction by more efficient work in after sales. Contribution into Loyalty pillar is done through increasing brand image, raising employee satisfaction and assuring loyalty. That results in added repeat purchases and higher incomes and from the employee's side – higher quality of work, long-term retention of know-how and consequently lower costs. In the network quality pillar QMS makes processes more transparent, detects and solves weaknesses and assures continuous improvement. These contributions have an effect in optimization and mastering of the processes, minimization of the lead time; detection and elimination of double work; optimal use of knowledge; definition of responsibilities; definition of targets and making them measurable which assures improved efficiency and long-term growth of Wholesaler business. Altogether those three pillars are generating higher profit for a company.

However even when an efficiently-built QMS corresponds to the needs of Wholesaler (as a customer), there is still no guarantee for its acceptance. This may happen due to lack of understanding of the benefits by Wholesaler or unwillingness to invest time and resources. Under conditions when an advantageous Quality Management System lacks acceptance, appears a need to apply Marketing Communications means and tools in order to persuade the customer. Thereon in the continuation of this chapter will be outlined the specificness of business-to-business Marketing Communications and explained what should Marketing Comuniations strategy concider in order to be effective on Wholesale level.

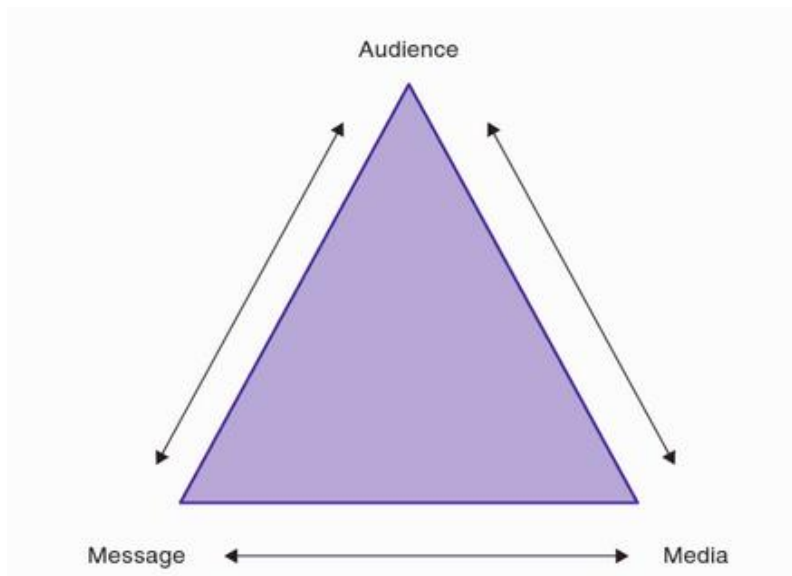
1.2 Marketing Communications

Marketing communications are defined by Egan (2015, page 4) as "means by which a supplier of goods, services, values and / or ideas represents itself to its

target audience with the goal of stimulating dialogue, leading to better commercial or other relationship”.

Přikrylová and Jahodová (2010) classify MC objectives into: providing information; creation and stimulation of demand; product differentiation (from competitor products); emphasizing product use and value; stabilizing turnover; building a strong brand; strengthening corporate image.

Good MC by Dahlen et al. (2010) have 3 cornerstones: target audience, message and media (as demonstrated on **figure 7**). At the top corner is target audience or in other words the customer that must be engaged with appropriate communication messages via selected media channels.



Source: Dahlen et al., 2010, page 5

Fig. 7. The cornerstones of good marketing communications

To achieve that, various MC tools may be used – those are also referred as MC mix. Ferrell and Hartline (2011), for instance categorise them into: advertising, sales promotion, personal selling and public relations. Belch and Belch (2003) in addition to that distinguish direct marketing and interactive / internet marketing, as depicted on the **figure 8**:



Source: Belch and Belch, 2003, page 24

Fig. 8. Marketing Communications tools

Application of these tools has to be determined by and incorporated into the Marketing Communications Strategy. Building-up a MC Strategy according to Kayode (2014) requires several steps to be taken.

Firstly it is necessary to **set the objective**: it is indispensable to clearly know why MC is initiated and what must be achieved with it. The objective must be reflected in the key messages that will address target customers.

Secondly – **understanding the market background**. International business environment puts organization under necessity to count with legislation regulations, economical, socio-cultural and technological factors of every market. For that purpose can be used so-called PESTEL analysis (its methodology involves evaluation of Political, Economic, Social, Technological, Environmental and Legal factors). Those factors may have both negative and positive effects. For example, European legislation obliges all car manufacturers to comply with ISO norms. In this way, for VW Group it means less effort to convince its European NSCs for implementation and maintenance of VW Group QMS and obtaining a quality certificate (which is based on the ISO norms).

Thirdly, **understanding customer needs**. According to Egan (2015) understanding customer needs for an enterprise comes down to detecting the factors that are affecting the buying behaviour: such as age, sex, origin, social status, income, occupation, attitude and values, perceptual peculiarities and so on. Analysis of customer behaviour can be done through marketing researches, observations, customer satisfaction surveys, CRM data analyses, behaviour modelling schemes and less popular tools. These customer analysis tools allow

companies to create customer profiles that shall help to predict which good or service will fit best their needs and what are the best ways to make customers know about it. CRM systems nowadays become more and more widely used for that purpose. This is due to their ability to collect the information about customer contacts, purchase or service history, buying preferences, complaints, MC channel preferences, - in this way helping to capture the patterns between customer data and purchase decisions.

The next step is **focusing on the benefits or added value of the product** and showing how exactly it will meet customer needs. This step logically outflows from the previous one and results in formulating a **marketing message**, which shall inform not as much about the product itself, but rather about what it can do for a concrete customer.

Further, **investigating what competitors are doing**. It can be done through a comparison of main rivals against chosen criteria. For example, such as the choice of communication channels, media content analysis, allocation of marketing budgets into media channels, or a professional benchmarking analysis.

Then, deciding for appropriate communication tools or in other words **marketing communications mix**. Kotler and Keller (2012) affirm that MC channels can be divided into personal and non-personal. The authors acknowledge that personal selling and direct marketing tools belong to the personal communications. This MC channel assumes using such communication means as one-to-one and one-to-many phone conversations, e-mailing, post, SMS, video-conferences, online chats and some other forms. The main advantage of personal communication tools is that they create a two-way communication flow with customer, in this way giving an opportunity to adapt communication message to customer needs: to provide more details about the product if some features or aspects are not clear and to use emotional element in communication to establish feel of trust and partnership. Many authors in connection to the above are using the term “relationship marketing” (Bejou et. Palmer, 2012, page 14). Relationship marketing concept can be explained on example of IBM strategy. The company allows its sales personnel to advise customers buying products of competitors in case if those products provide a faster and more feasible solution for customer’s compelling needs. This

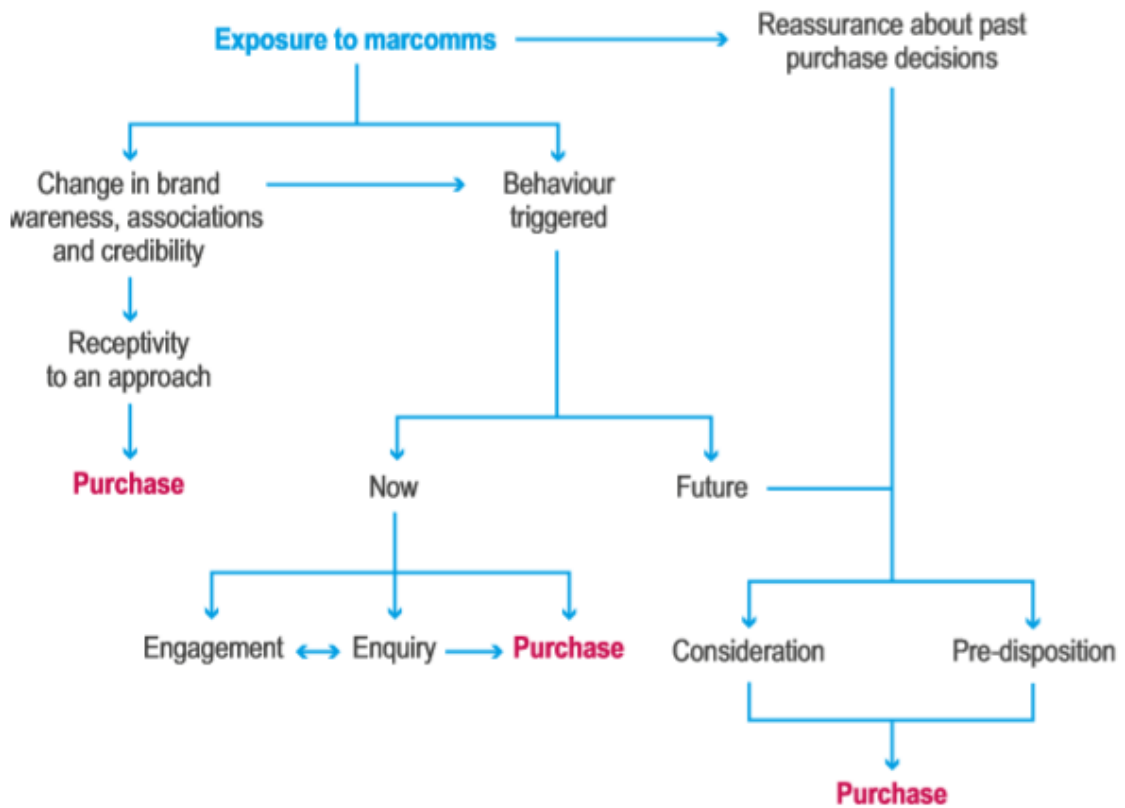
underlines that for IBM building fair and trustful relationship with its customers is far more important, then immediate profits.

Correspondingly, to non-personal MC channel are attributed advertising, sales promotion, public relations and direct marketing. To non-personal MC means can be referred: newspapers, posters, announcement boards, printed editions, TV and radio, audio- and video records, internet, samples, give-outs, special offers, events, conferences, sponsorships and many others. Decision for right communication channel as well as selection of right combination of communication tools is a crucial part of MC success.

Next is **developing a workplan** which is also referred as MC plan. Creating a MC plan assumes at first selection of key communication tools form the MC mix. Then, it must be specified how each of the chosen marketing tools will correlate to each other with regards to the communication message content and the time. Roadmaps are quite useful in this case to visualize those connections and interdependencies. They can be generalized for a long-term period and more detailed and precise for short-term planning of the MC activities. In practice, for example, an e-mail advertising campaign can have an effect on promotion of an exhibition, only under condition of strict coordination of time schedules: untimely e-mail distribution will not bring a desired effect. Upon the establishment of timelines, it is necessary to allocate budget and other resources, such as materials, amount of personnel involved, personnel qualification, services of external agencies (if applicable). Lastly, the MC plan has to include a mechanism for evaluation of communication success to create opportunity for adjustments.

And finally, **evaluating success**. The effectiveness of digital MC tools could be measured through the information about the amount of website clicks, webpage views, email responds, content downloads, online media coverage surveys. In case if collected information is detailed enough, it could be also possible to calculate the ROI. While evaluation of non-digital (or in other words, traditional) MC tools' effectiveness is more complex. It can be realized through questionnaires, focus-group interviews, brand awareness surveys, CRM data analyses, impact on sales and more.

Circle Research (2013) suggest considering the MC impact cycle (as depicted on the **figure 9**) to define where the impact of communication can be expected.



Source: Circle Research, 2013. B2B Marketing Channel and Messaging Research [online]. February 2013. [Accessed 20 November 2016]. Available at: <https://www.circle-research.com/report/b2b-marketing-channel-messaging-research/>

Fig. 9. Exposure to marketing communications

The above illustration underlines that apart from the final goal – the impact on purchase, - it is crucial to monitor the “mid-way” communication targets. Whether it is better understanding of the sales offer or increase in brand awareness, or change in customer’s perception or behavior, or customer engagement either raise in customer loyalty.

From the above it is possible to conclude that MC strategies may have various forms, which are always predetermined by customer needs and business environment. Kayode (2014) distinguishes customer retention and customer acquisition strategies. Customer retention communications have higher significance for B2B markets as they are characterized by orientation for long-term

relationship and longer buying cycle. This has been proved by the research of Harvard Business School which reveals that increasing retention of old customers even by 5 % may raise profits between 25-95 % (Harvard Business Review, 2000). Furthermore customer retention communications strategies are characterized by communication mechanisms that are built around the cost saving opportunities, lifetime value or the integrity of products and services which shall support the long-time business relationship. This type of strategies is characterized by proactive and facilitating communication to the companies. Customer acquisition strategies' communications share the same principles, but before all they have to convince customer to receive communication, because the communication link between seller and buyer is not yet established. To discover the distinctiveness of MC strategy elements on Wholesale level, the B2B MC will be considered in more detail in the following section of the current chapter.

1.2.1 B2B Marketing Communications

As B2B business relations differ from B2C, respectively B2B marketing is also distinct. In the **table 1** Lillen and Grewal (2012) are capturing some major differences between B2B and B2C marketing:

Tab. 1. Some key differences between B2B and B2C marketing

Business-to-Consumer	Business-to-Business
Marketing culture	Manufacturing/Tech culture
Market to end of chain	Market to value chain
Perceptual proposition	Technical proposition
Value in brand relationship	Value in use, quantifiable
Large customer segments	Small number of customers
Smaller-unit transactions	Large-unit transactions
Transaction linkage	Process linkage
More direct purchase	Complex buying sequence
Consumer decides	Web of decision participants

Source: (Lillen, Grewal 2012), page 4

Every company on B2B market is initially oriented for the long-term partner relationship. As partly described in **section 1.1.3** and **1.1.4** of this master's thesis, the B2B customers represent a smaller group (compared to B2C) of decision-makers with higher expertise, driven primarily by the interests of the company, rather than personal preferences. To analyze their behavior as a **target audience**

of B2B MC, it is necessary to understand, where the clients are located, what is their business surrounding, which business events or trade shows they attend, how they participate on them, which printed media they read, which social media they use, how much time they spend on it, how they handle received marketing materials, what is their past experience encountering with supplier brand, how they react on various forms of media – whether it makes them indifferent, discontented or involved.

Together with target audience, the characteristics of **MC messages** on the B2B market also differ. Special requirements to the content and form of MC message are imposed due to the specifics of client organizations and the complexity of the decision-making process procurement. Key attribute of a B2B MC message is a purely rational character of used argumentation. While B2C vendors attempt to trigger certain emotional states of potential customers through their communication message to encourage purchase, on the B2B market such approach is particularly inefficient. This is happening because in the purchase decisions of a buyer-company is involved a larger amount of employees who are assessing the MC information from technical, commercial and other points (depending on the business needs) and are guided by the interests of the company as a whole. Consequently, marketing messages must be designated to demonstrate all outstanding features and benefits of the offered product or service. Apart from the rational character of argumentation, marketing messages should also contain maximally detailed description of product features. Marketing messages in B2B are designated for professionals therefore the absence of significant details about the product properties may result negatively on the final purchase decision. The content of marketing messages should maximally fit the needs of each individual client.

In MC practice exists so-called “case approach” for composing B2B marketing messages. This approach assumes consideration of specific needs and requirements of potential client and peculiarities of its business environment while composing the message. The MC message then illustrates a concrete situation of use of the offered goods or services. The illustration includes evaluation of gained benefits either provides the data form tests or studies demonstrating the results in

quantitative terms. In this case, the potential buyer gets a better idea of the benefits that his organization can get, also in terms of quantity, which is especially important for B2B market organizations, where every marketing action should have a financial substantiation of efficiency. As result, the consumer may take purchasing decision regardless the price or previous procurement experience.

An important peculiarity of the MC messages on the B2B market is compliance with certain formal requirements. As already noted, the procurement process is accompanied by a significantly large amount of formalities, which leave an imprint on the character of marketing messages. In this case it is essential to comply with such attributes like style of the content which is transmitted to a client – usually a business style and rather conservative – and take into account the significance of job position of the contact person in the hierarchy of the client company.

Hence, it is possible to conclude that the character of MC on B2B level presumes different MC schemes and approaches in the development of the product promotional plans: this applies to all stages of development and implementation of marketing communications programs, starting from goal setting, to implementation of the planned activities and up to the feedback evaluation stage. Significantly changes the effectiveness of the separate tools of marketing communications.

The third cornerstone of MC that has to be reconsidered from the point of view of the B2B prospective is the **MC mix**. Kotler and Armstrong (2012) state that unlike B2C market players - which give preference to advertising and PR to address mass communications, - B2B companies are commonly prioritizing MC tools in the following order: personal selling, sales promotion, advertising, PR. The above is also acknowledged by Coe (2004), which underlines the importance for B2B companies to make emphasis on the use of direct marketing, supported by advertising, PR-actions, exhibitions etc. when planning MC campaigns.

Personal selling is considered to be one of the most effective instruments of B2B MC. Personal selling communication can flow through personal meetings, digital media like phone, video, e-mail, blogs and not least fairs and trade shows. As soon as personal selling aims to create and cultivate personal relationship with the customer, the trade shows provide great opportunity to generate high quality sales

leads. One drawback of the trade shows is its expensiveness. According to MarketingProfs' researcher Holman (2015), 66% of examined companies find phone calls one of the most effective and affordable source of communication (more details can be found in **appendix 3**). Overall, personal selling has a number of characteristics that are crucial for attracting client companies: personified character of communications; taking into account the specificity of each particular client; possibility to have a direct dialogue with client; opportunity for clarifying client's questions; possibility to work with objections; obtaining prompt feedback; capability of correcting the interaction with existing or potential customers.

Sales promotion on B2B market can be represented by special offers, product trials, demo versions, samples, promotions, discounts, incentives that are aimed to attract customer's attention, represent the product and naturally, boost sales. Automotive vendors quite often use low-interest financing for vehicle supplies as promotion tool to support the export to various markets.

Direct MC are built to deliver personified messages to the customers via newsletters, mails and e-mails, catalogues, internet, telephone, fax and so on. Marketers acknowledge that nowadays e-mail campaigns have become one of the most successful direct MC tools. This happens due to their capability to make communication maximally personified, inexpensiveness, flexibility and relative simplicity. This is proved by the MarketingPfors' research (Nanji 2015) that assures that, among other digital MC channels, e-mails have the highest impact on profit.

Advertising in the field of B2B does not play a determining role. This is primarily due to the non-personal character of messages, aimed at one-way direction (Dahlen et al., 2010). In that way advertising involves non-personalized effect on target market using the means of mass communication. Apart from that, interest and trust to advertising on B2B markets is relatively small. The use of advertising tools presumes thorough selection of exposure channels. Commonly these are industry-specific publications targeting professionals of certain profile and comprising detailed content materials about the company and its product. In some cases non-core editions can be used, for example - the financial press.

Publications of this kind usually allow increasing awareness of the company while the vendor does not create a direct impact on demand.

PR events, being properly used, provide great opportunities to improve the effectiveness of MC campaigns in the B2B field. On one hand, they allow informing target audience about the company and its product, creating a positive brand image, and on the other hand, PR-events and PR-publishing can generate word of mouth: for example, when companies operating in a particular sector start disseminating information about a specific supplier, thereby strengthening its fame. Exhibitions and tradeshows as part of this communication channel, are significant in terms of providing a number of possibilities with regards to making the client aware: get together of all more or less significant industry representatives at a certain time in a certain place creates great opportunity for making contacts with potential clients, obtaining detailed and comprehensive information about potential customers and competitors and also informing the target market about the company and proposed product.

Another important channel of MC in B2B sphere becomes **Internet**. It allows placing unlimited amounts of detailed product information. However this toughens the requirements to the content of the MC message: the information about the product or service has to be full and comprehensive, on the top of that, the potential customers must be provided with arguments, justifying the choice of the company's products. Despite, communication within last decades is becoming more digitalized many enterprises refuse having website pages. Sauldie (2010) explains this phenomenon by low ROI.

To meet their communication objectives and reach cost effectivity organizations are using various combinations of the MC channels and tools which are described above. The use of MC mix elements in an integrated way is entitled by authors (Chitty et al. 2011, Copley 2014, Belch and Belch, 2003) as "Integrated Marketing Communications" or IMC. Copley (2014, page 10) describes IMC as "a process that involves various forms of communications that attempt to achieve tasks such as to persuade, inform, remind, educate or retain customers and prospects, i.e. affecting and influencing the behavior of target audiences". In other words it means making best use of all available communication elements by arranging

them into a unified synergic message that will address specific target customer groups. Ang (2014) reveals several ways of how IMC can be established: for instance, by creating an empowered managerial role (in vendor organization), that shall insure the implementation of IMC; as alternative, it is suggested restructuring the vendor organization itself in that way that it generates more integrated MC. Which particular MC tools and in which proportion have to be included into the IMC to make it successful on B2B level, will be determined in the **part 1.2.2** of the current chapter.

1.2.2 Key elements of successful Marketing Communications on Wholesale level

Based on the conducted theoretical research, it is possible to conclude that communication related to QMS (as a product) from Manufacturer is generally addressed to the quality managers and top-management of Wholesalers. Since B2B **target audience** is smaller, it will consist from those who will take decision about QMS implementation and who will be later responsible for its operation. To analyze their behavior, can be used the “buyer persona” concept, developed by marketers and described by such authors like Revella (2015) and Scott, (2013). This approach assumes creating an “ideal customer” profile, which may consider various sorts of information about the key product users and the organization itself. For example information about: Wholesaler employees’ job positions, their knowledge about the product, decision-making roles of key users in organization; industry, size, goals and challenges of the organization; how key users search for job-related information, what media they use, how much time they spend on it; what is organization’s previous experience with QMS vendors and so on, and so forth. As B2B products are generally more complex, the buyers, according to the research of Coveillo and Brodie (2001) are expected to be more rational, more sophisticated and innovation-driven, then individual customers. Once comprehensive understanding of who is the target audience is reached, it is possible then to decide for how the communication message should look like and what shall be its content.

From the requirements to B2B MC **message** (discussed in the **section 1.2.1**), it is possible to conclude that to become most effective in reflection of QMS benefits

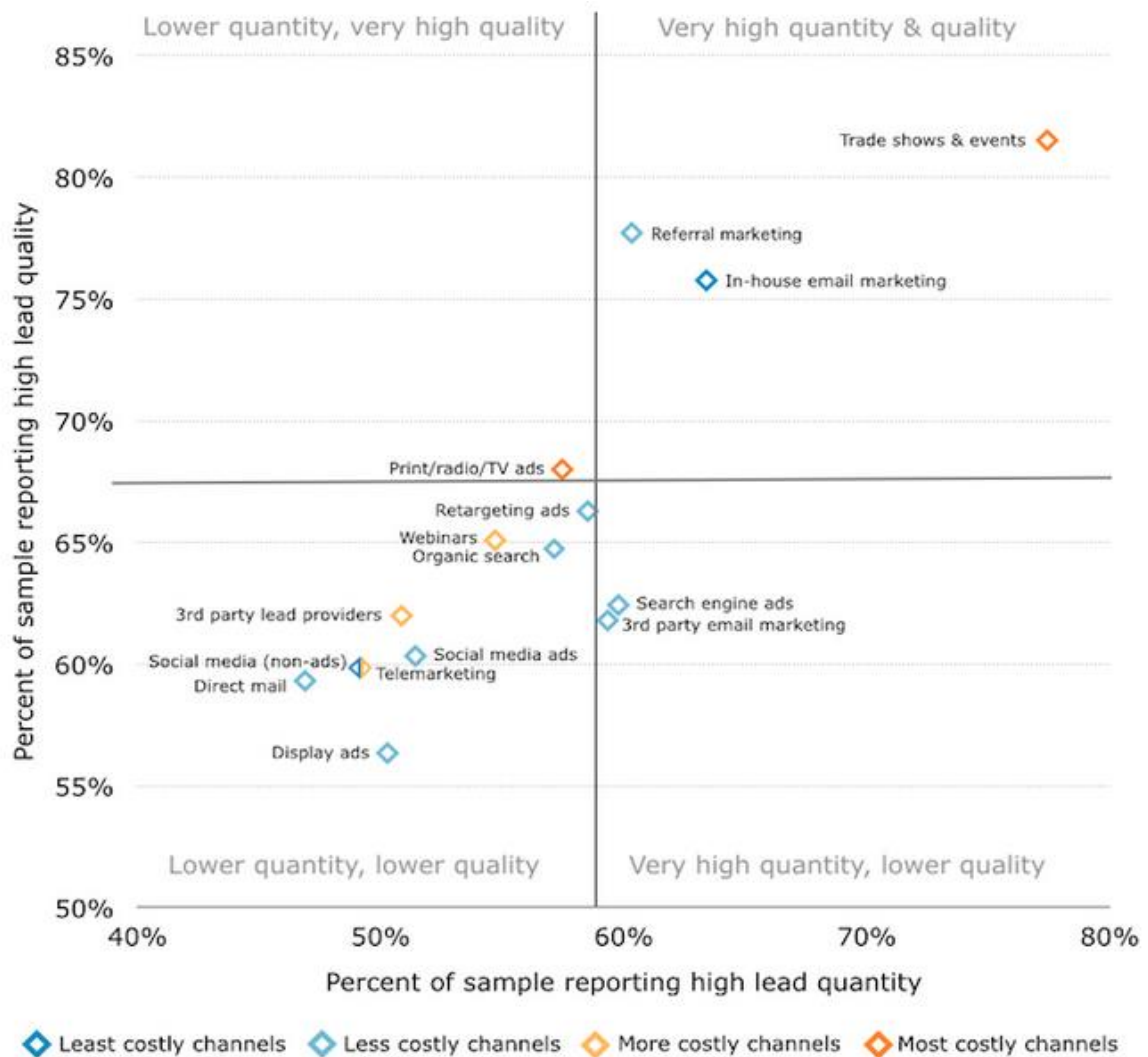
the MC message has to be: rational, clear, specific and resonant; it has to be differentiated, depending on the needs of particular market, business sector or client; has to show the added value of the offered good or service; has to grab the attention of the target audience, call for action and finally, reflect the opportunity to steer the quality of company's processes and as result, provide sustainability for Wholesaler business and ensure the end-customer satisfaction. MC message may convey: case studies; good practices revealing success of QMS implementation on other markets; illustrative examples, showing to which areas of Wholesaler business the QMS product will directly contribute and to which extent (in case the contribution can be expressed in quantitatively); convincing surveys, competitor analyses or benchmark studies, showing the comparison of impacts on performance. The quality of the MC information will become one of decisive factors in convincing Wholesaler management and high-profile specialists.

Selection of **MC tools** for that purpose is not least important. As soon as the subject of B2B relationship is a Quality Management System, MC will have to be predominantly oriented on personal communication channels. Never the less, while selecting the MC channels in the field of B2B it is important to follow two key principles. First, employ the maximum amount of communication tools to provide potential customer an opportunity to choose optimal way of receiving information about the vendor company and its product. Second, work-out and comply with a unified approach to elaboration of MC messages and distributing them via MC channels to avoid communication discrepancies and provide clients the possibility to adequately interpret the given information.

The Software Advice's (2013) "B2B Demand Generation Benchmark IndustryView | 2013" report reveals that B2B marketers rank as most efficient in terms of quality of sales lead generation are such MC tools like: e-mail marketing, search engine optimization, telemarketing or cold calling, trade shows and events, third party webinars, third party lead organizations, social media, search engine advertising; and far least effective: direct mailing, retargeting advertising, social media ads, third party e-mail marketing, print, TV, radio, display advertising. As for the content and offers, same research shows that highest quality of leads is attracted by live

demos, price quotes, free trials, webinars, video demos, case studies, white papers, videos and surveys.

To select the right MC tools Software Advice (2014) specialists suggest using the “B2B Channel Effectiveness Quadrant” (depicted on **figure 10**) that summarizes effectivity of MC tools with regards to three criteria: quantity of generated leads, quality of generated leads and cost.

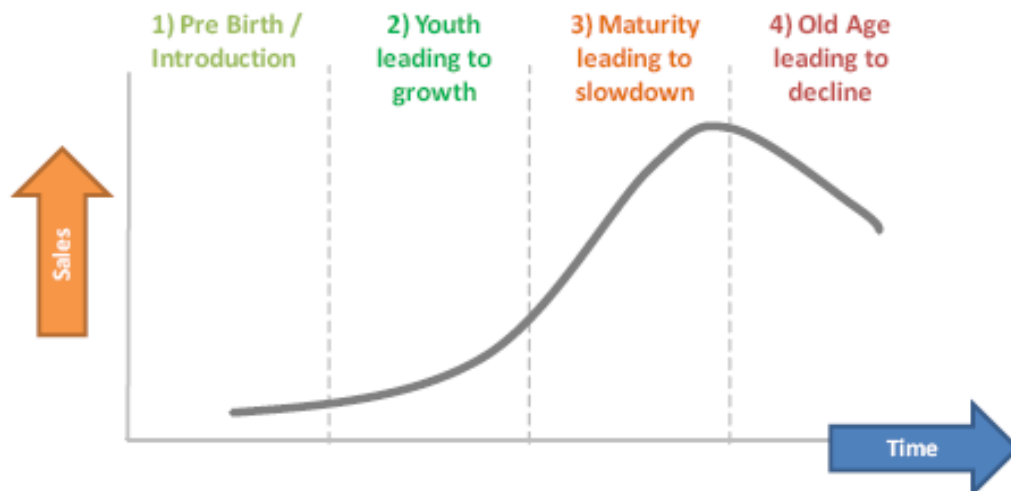


Source: Software Advice, 2014. *B2B Demand Generation Benchmark – 2014*, [online]. 2014. [Accessed on 1 November 2016]. Available at: <http://www.softwareadvice.com/resources/demand-generation-benchmark-report-2014/>

Fig. 10. B2B Channel Effectiveness Quadrant

This instrument can be helpful to prioritize MC tools; never the less, the selection of concrete MC tools will depend on the customer company's business environment, its strategic goals, needs and other factors, described earlier.

The recent decade's trend has become growing significance of **digital** MC channels. Miller (2012) names the important channels for B2B: websites, search engines, online advertising, emails, blogs, social media, audio, video and interactive tools, online PR, mobile marketing. Another research by MarketingProfs and Junta 42 (2010) reflects the necessity to use both – digital and traditional MC channels. This research (available in **appendix 4**) names social media, articles, events, newsletters, case studies and blogs among the top-used MC tools on B2B level. However, it does not mean that this particular MC mix would necessarily fit every vendor. From the vendor point of view, the selection has to be guided by MC objectives and consider the product life cycle as depicted below (**figure 11**):



Marketing Objectives	Gain trial by early adoption	Establish market share	Strengthen market share	Use product as cash cow
	Minimise learning requirements	Establish distribution	Build dealer and customer loyalty	Consider product extensions
Communications Objectives	Create wide awareness	Strengthen brand preferences	Promote frequency of use	Minimum promotion
	Generate interest amongst innovators	Stimulate wider trials	Suggest new uses for product	Maintain brand Create classic niches
Communications Strategy	Personal sales	Media advertising	Media advertising	Reduce media expenditure
	Media advertising	Personal sales	Dealer promotions	
	Opening offers	Sales Promotions	Sales promotions	

Source: Hauge, *Business Promotions & B2B Advertising: Ad Testing Research*. White paper research [online]. [Accessed 30 November 2016]. Available at: <https://www.b2binternational.com/publications/ad-testing-b2b-advertising/>

Fig. 11. The Role Of Communications In The Product Life Cycle

Naturally, availability of resources is also crucial for vendors: organizing events, for example can be not affordable for small and mid-sized entities. This brings us to conclusion that optimal set of MC tools for QMS suppliers on Wholesale level has to be elaborated separately for each particular customer on a particular market.

These theoretical findings shall be applied in the following research and practical part of current master's thesis to analyze the MC of the VW Group on Wholesale level and to build-up a MC concept for raising the Group's QMS acceptance within its distribution network of Wholesalers.

2 Effectiveness of Volkswagen Group Quality Management System Communication on Wholesale level

This chapter will give an overview of the Quality Management System of the world's second largest automotive manufacturer group. Thereon it will focus on analysis of MC of the Volkswagen Group addressed to its Wholesalers regarding the QMS. The target of this research therefore will be to identify the key factors of the VW Group QMS communication success on Wholesale level. To achieve the defined target, several research methods shall be applied. Firstly, analysis of secondary data, obtained from the VW Group division, responsible for QM: organizational documentation; annual, quarterly and monthly reports; protocols form team meetings; training materials; presentations about the offered product and services; announcements, guidelines, checklists and messages exchanged with Importers; information from meetings with Importer- and VW Group Brands' representatives and other divisions of the VW Group. In addition to that for analysis shall be used structured individual interviews with VW Group QMS management team. For those one-to-one conversations, "QMS communication to Wholesalers" questionnaire has been developed. It contains 10 questions and is available in the **appendix 5**. Each interview took forty-five minutes. The questions have been designated to capture main characteristics of MC messages and their content, the target audience groups and MC channels that are currently used. Also the questions aimed to map the inefficiencies of the existing communication and collect the expert ideas and suggestions for its improvement.

The information and facts collected though the primary and secondary research will be summarized then in SWOT table, which will present strengths, weak sides, opportunities and threats of the analyzed communication activities. SWOT results will serve for verification of the main assumption of the thesis research: that current communication of the VW Group QMS has potential for optimization and primarily in the part of Quality Audit results presentation.

2.1 Company introduction

The Volkswagen Group (in the following also referred as "the Group") is divided into the business areas: Automotive and Financial Services. Development and

production as well as sale of vehicles and engines are the core activities in the Automotive area. Dealer and customer financing, leasing, banking and insurance business as well as fleet management are combined in the Financial Services sector (Volkswagen AG, 2016a).

The VW Group comprises 12 brands from seven European countries: Volkswagen PC, Audi, SEAT, ŠKODA, Bentley, Bugatti, Lamborghini, Porsche, Ducati, Volkswagen CV, Scania and MAN. Each brand operates independently on the markets and has its own independent character. The product range extends from low-consumption small cars to vehicles of the upper class, pick-up vehicles, buses and heavy trucks form the portfolio for commercial vehicles.

With about 9,9 million cars sold in 2015, 121 production locations, 610,076 employees and a world market share of 12,3%, the Volkswagen Group is one of the world's leading car manufacturers and the largest automotive producer in Europe. Compared to the previous year, the Group has recorded an increase in sales of 4,2% to EUR 213 billion. Because of the diesel crisis and associated provisions the operating result was EUR -4,1 billion (Volkswagen AG, 2016b). The diesel crisis has enforced the importance of maintaining high Quality Standards in the company and its subsidiaries to ensure customer retention and high satisfaction level. For that reason the VW Group is continuously entrenching the QMS not only on Manufacturer level, but also within its distribution network.

2.2 General overview of Volkswagen Group QMS

By VW Group QMS is understood a set of ISO 9001:2008 and VDA 6.1 Quality Standards adopted by all VW Group Brands. Through this set of standards the quality of produced goods and internal processes is ensured. The high quality of goods thereon becomes one of the main factors that guarantee customer satisfaction. The other reason for maintaining QMS within the Group is legal: to be able to introduce products on the global markets, so-called “type-approval” or “homologation” of vehicles is necessary. Homologation requirements vary from country-to-country. But everywhere their aim is to guarantee that minimum safety and technical requirements are followed by car manufacturers. Another reason for sustentation of QMS is Block Exemption Regulation (BER). According to the BER,

the VW Group is able to select retail business partners based on qualitative basis. This means it selects applicants for partnership depending on the level of fulfillment of quality requirements. Thus, to confirm the fulfillment of those requirements, the Retailers are also obliged to maintain a QMS.

This makes QM Systems essential for all organizational levels of the company: Group, Manufacturer, Wholesale and Retail. It is also mandatory for all external suppliers and partners of the Group. As soon as the subject of current master's thesis analysis is the communication process between VW Group and its Wholesalers, in the following we shall focus exclusively on the QMS on the Wholesale level (or in other words Importer level). In this connection it should be also noted that VDA standards are applied to Manufacturers therefore in the following they are of no interest for our research.

The above can be summarized by the fact, that all Wholesalers of the VW Group vehicles worldwide – whether those are National Sales Companies (NSCs) or private import entities – have a contractual obligation to establish and maintain a QMS.

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2.3 Group Connective certification

[Fragment removed according to confidentiality conditions of the VW Group]

2.4 Analysis of the Volkswagen Group Network Quality Steering Communication to Wholesalers

Analysis of the VW Group documentation and information gained during personal interviews with GSM Team members shall reveal, in the first instance, the three cornerstones of good MC defined by Dahlen et al. (2010) and described in the **chapter 1.2** of the theoretical research. Those are: target audience, communication message and media (respectively - communication channels).

2.4.1 Communication roles and target audience

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2.4.2 Communication message

The next cornerstone of the MC is communication message. For better overview, the communication messages addressed by GSM Team shall be aligned in the following with the target audience groups, which have been defined in **section 2.4.1** of this chapter.

[Fragment removed according to confidentiality conditions of the VW Group]

2.4.3 Communication channels

The last cornerstone of the MC is media. An illustration below (**figure 14**) depicts the communication channels that are used by VW GSM Team to deliver the MC messages to the target audience groups of potential and existing Wholesale customers:

[Fragment removed according to confidentiality conditions of the VW Group]

Determination of strong and weak sides of current MC as well as threats and opportunities it may encounter shall be realized in the **section 2.4.4** via SWOT analysis.

2.4.4 SWOT analysis of communication

SWOT analysis of MC of a company assumes that the company will achieve success by developing its Strengths and Opportunities and by minimizing its Weaknesses and Threats. The analysis findings are listed at **table 2** below and are described in more detail in the following:

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3 Marketing Communication Concept for Volkswagen Group Quality Management System on Wholesale Level

In this chapter gained theoretical knowledge about MC on Wholesale level will be applied to provide recommendations for improvement of communication from the VW GSM Team towards Wholesalers of VW Group Brands, which has been examined in the analytical part of current master's thesis. After that the MC concept for QA results presentation shall be developed and further MC tools that may be used to address the Wholesalers will be defined.

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As a sequence of the above recommendations, it has been decided to work out a detailed MC concept, which shall serve GSM Team in achieving one of their main communication objectives – raising success of the VW group QMS on Wholesale level.

3.1 Customer-oriented presentation of the Quality Audit results

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Introduced MC concept is recommended to be included by VW GSM Team as a part of their MC Strategy. Further communication tools, which may have positive effect on the MC towards Wholesalers, are listed in the **section 3.2** of this thesis.

3.2 Other Marketing Communication tools

In this part of the master's thesis are listed further selected tools of the MC Mix that can be used by GSM Team to address the communication to existing and potential customers.

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Conclusion and critical appraisal

The main objective of this master's thesis was to elaborate a Marketing Communication concept which shall raise the acceptance of Volkswagen Group Quality Management System on Wholesale level. To accomplish this objective the key cornerstones of MC from the VW Group Network Quality Steering function (represented by the Group Standard Management Team) towards Wholesalers of the VW Group Brands have been analyzed. The research methods applied included: analysis of internal VW Group documentation, personal structured interviews with GSM Team members and finally, the SWOT analysis of the communication.

The research findings revealed the target audience groups of existing as well as potential Wholesale customers, main characteristics of communication messages shared by GSM Team and the channels of MC mix, used by GSM team to target the defined audience groups.

Thereby, the identified elements and factors affecting the communication have served as basis for elaboration of general recommendations for improvement of GSM Team communication towards Wholesalers. In addition to that, a Marketing Communication concept for Quality Audit results presentation - as one of the most effective communication channels towards Wholesalers of VW Group Brands - has been developed. The MC concept comprised proposal for integration of a KPI system for the Quality Audit evaluation that has been used in the following for development of a customized four-level QA results reporting. In this way, the proposed MC concept has ensured the delivery of specific and at the same time understandable communication messages to all target audience groups of Wholesalers.

With respect to the provided recommendations and the MC concept, there are certain limitations which apply.

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These notwithstanding the provided recommendations have been accepted by the VW Group Network Quality Steering for implementation. In the first instance they

shall serve the needs of the GSM Team in addressing the existing Wholesale customers and are supposed to indirectly affect the potential customers through the positive word-of-mouth thus raising the acceptance of the VW Group QMS worldwide.

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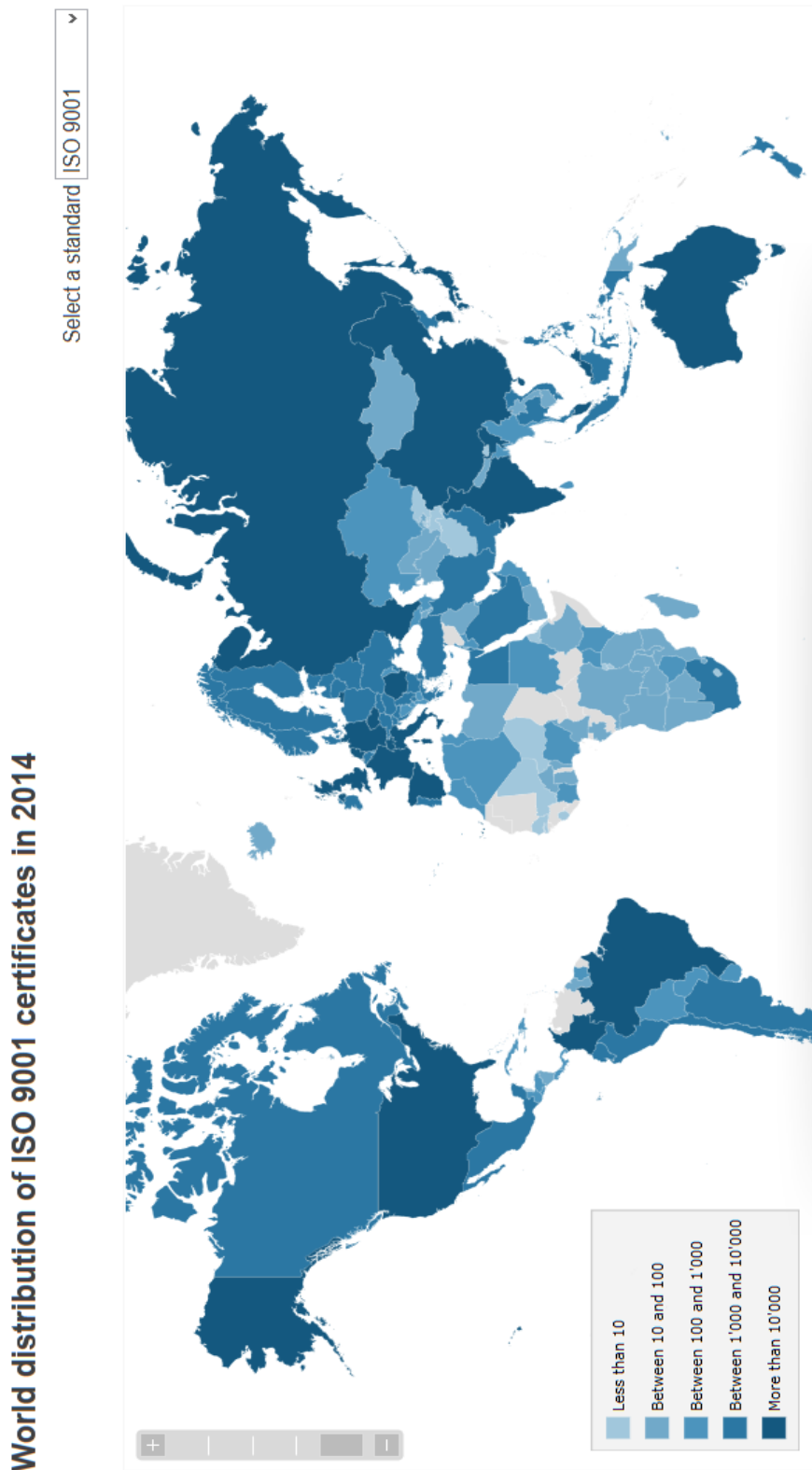
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APPENDIX NO. 1 - ISO WORLDWIDE COVERAGE



Source: ISO 2014, ISO | Standards | Certification | The ISO Survey, [online]. [Accessed 11 March 2016]. Available at: <http://www.iso.org/iso/home/standards/certification/iso-survey.htm?certificate=ISO%209001&countrycode=CN#countrypick>

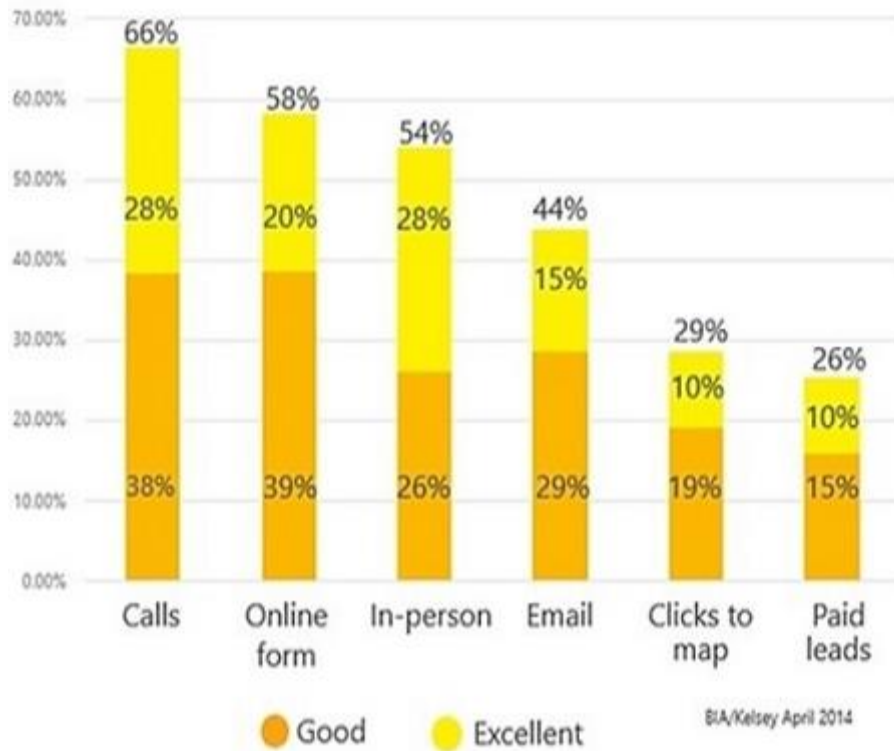
APPENDIX NO. 2 - HOUSE OF QUALITY. QMS BENEFITS

[Fragment removed according to confidentiality conditions of the VW Group]

Source: Volkswagen AG 2015a, internal documentation

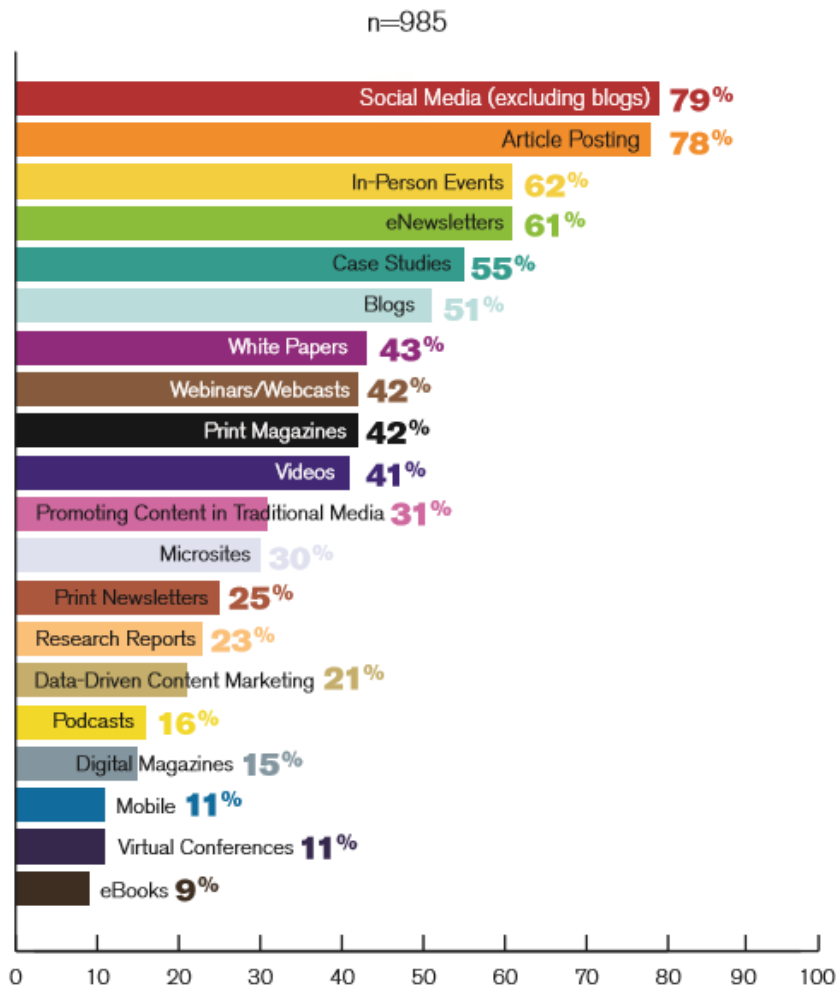
APPENDIX NO. 3 - QUALITY OF COMMUNICATION CHANNELS

QUALITY ASSESSMENT OF SELECTED LEAD SOURCES



Source: Holmen, 2015, *Listen Up, B2B Marketers: 12 Steps to More Sales From Inbound Calls* for MarketingProfs. [online]. March 2015. [Accessed on 5 September 2016]. Available at: <http://www.marketingprofs.com/articles/2015/27204/listen-up-B2B-marketers-12steps-to-more-sales-from-inbound-calls#ixzz3Ue3S6VZS>

APPENDIX NO. 4 - CONTENT MARKETING USAGE (BY TACTICS)



Source: MarketingProfs and Junta 42, 2010. *B2B Content Marketing: 2010 Benchmarks, Budgets and Trends research*. [online]. May 2010. [Accessed on 20 October, 2016]. Available at: <http://contentmarketingtoday.com/2010/09/15/90-of-b2b-marketers-count-on-content-marketing-in-2010/>

APPENDIX NO. 5 - QMS COMMUNICATION TO WHLESALERS.

QUESTIONNAIRE

Thesis topic: Development of a Marketing Communication Concept for Volkswagen Group Quality Management System on Wholesale level

Questionnaire

Project title: KPI system as a Marketing tool for Wholesale Audit evaluation

Project holder: Waldemar Renz, Market Manager at Group Network Quality Steering

Contact department: K-VO-Y/1

Project Team members: K-VO-Y/1 Team

Stakeholders: VW Group, Manufacturers (5 Group Brands), Importers, Wholesalers, TÜV Süd

QMS Communication:

1. How can GSM team make Importer / Importer management more involved into QM topic?
2. Why might Group QMS lack acceptance at some markets?
3. What should be done to make our potential customer interested at our services?
4. What are the constrains for Group QMS communication to be most efficient at existing markets?
5. How can Group QMS be promoted at the markets, where certification is not mandatory?
6. What are the biggest challenges you personally face while communicating with Wholesalers?
7. What is the best way to show/communicate the value we bring to our customer?

What question (related to improvement of QMS communication on Wholesale level) would you ask to the other team members?

Wholesale Audit evaluation results presentation:

1. How can we improve current audit results communication?
2. What is the best way to attract attention to QMS topic?
3. How can we improve audit results presentation?

Thank you for sharing your opinion!

Source: Author's invention

APPENDIX NO. 6 - GSM TASKS AND VALUES

[Fragment removed according to confidentiality conditions of the VW Group]

Source: Volkswagen AG 2016c, internal documentation

APPENDIX NO. 7 – GCC LEVELS

[Fragment removed according to confidentiality conditions of the VW Group]

Source: Volkswagen AG 2016c, internal documentation

APPENDIX NO. 8 - GCC IMPLEMENTATION EUROPE

[Fragment removed according to confidentiality conditions of the VW Group]

Source: Volkswagen AG 2016c, internal documentation

APPENDIX NO. 9 - GCC IMPLEMENTATION - REST OF THE WORLD

[Fragment removed according to confidentiality conditions of the VW Group]

Source: Volkswagen AG 2016c, internal documentation

APPENDIX NO. 10 – MEASURES SHEET

[Fragment removed according to confidentiality conditions of the VW Group]

Source: Volkswagen AG 2016c, internal documentation reworked by the author

APPENDIX NO. 11 – FRAGMENT OF THE WHOLESALE CHECKLIST. PART I

[Fragment removed according to confidentiality conditions of the VW Group]

Source: Volkswagen AG 2016c, internal documentation

**APPENDIX NO. 12 – FRAGMENT OF THE WHOLESALE CHECKLIST
(CONTINUED). PART II**

[Fragment removed according to confidentiality conditions of the VW Group]

Source: Volkswagen AG 2016c, internal documentation

APPENDIX NO. 13 – 1ST LEVEL REPORTING. COMPANY OVERVIEW

[Fragment removed according to confidentiality conditions of the VW Group]

Source: Author's invention

**APPENDIX NO. 14 – FRAGMENT OF THE REVISED WHOLESALE
CHECKLIST WITH KPI SYSTEM. PART I**

[Fragment removed according to confidentiality conditions of the VW Group]

Source: Volkswagen AG 2015a, Internal documentation reworked by the author

**APPENDIX NO. 15 – FRAGMENT OF THE REVISED WHOLESALE
CHECKLIST WITH KPI SYSTEM (CONTINUED). PART II**

[Fragment removed according to confidentiality conditions of the VW Group]

Source: Volkswagen AG 2015a, Internal documentation reworked by the author

APPENDIX NO. 16 – 2ND LEVEL REPORTING. DIVISION OVERVIEW

[Fragment removed according to confidentiality conditions of the VW Group]

Source: Author's invention

ANOTAČNÍ ZÁZNAM

AUTOR	Karina Kurilo		
STUDIJNÍ OBOR	6208T139 Globální podnikání a marketing		
NÁZEV PRÁCE	Vývoj koncepce Marketingové Komunikace Systému Managementu Kvality Koncernu Volkswagen na Velkoobchodní úrovni		
VEDOUCÍ PRÁCE	doc. Ing. Jana Přikrylová, Ph.D.		
KATEDRA	KMM - Katedra managementu a marketingu	ROK ODEVZDÁNÍ	2017
POČET STRAN	95		
POČET OBRÁZKŮ	19		
POČET TABULEK	3		
POČET PŘÍLOH	16		
STRUČNÝ POPIS	<p>Cílem dané diplomové práce je vypracování koncepce Marketingové Komunikace, která musí zvýšit akceptaci Systému Managementu Kvality Koncernu Volkswagen na Velkoobchodní úrovni.</p> <p>K identifikaci klíčových faktorů, které ovlivňují úspěšnost Marketingové Komunikace Systému Managementu Kvality Koncernu Volkswagen, bylo použito několik výzkumných metod. Za prvé, analýza vnitřní dokumentace Koncernu VW, pak osobní rozhovory s členy GSM týmu a konečně analýza SWOT. Výsledky výzkumu byly použity v praktické části této práce pro vypracování návrhů na zlepšení. Kromě toho, koncepce Marketingové Komunikace byla vyvinuta pro prezentaci výsledků Auditů Kvality, jako jeden z nejučinnějších komunikačních kanálů zaměřených na Velkoobchodní prodejce Značek koncernu VW.</p> <p>Koncept Marketingové Komunikace byl přijat GSM týmem Koncernu VW pro implementaci a předpokládá zvýšení úspěšnosti Systému Managementu Kvality Koncernu v rámci stávajících i, nepřímo, v rámci potenciálních Velkoobchodníků.</p>		
KLÍČOVÁ SLOVA	Marketingová Komunikace, Systém Managementu Kvality, B2B, Velkoobchod, Volkswagen AG, Automobilový průmysl		
PRÁCE OBSAHUJE UTAJENÉ ČÁSTI: Ano			

ANNOTATION

AUTHOR	Karina Kurilo		
FIELD	6208T139 Marketing Management in the Global Environment		
THESIS TITLE	Development of a Marketing Communication Concept for Volkswagen Group Quality Management System on Wholesale level		
SUPERVISOR	doc. Ing. Jana Přikrylová, Ph.D		
DEPARTMENT	KMM - Department of Management and Marketing	YEAR	2017
NUMBER OF PAGES			
	95		
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	19		
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	3		
NUMBER OF APPENDICES			
	16		
SUMMARY	<p>The aim of current master's thesis is to elaborate a Marketing Communication concept that shall raise the acceptance of Volkswagen Group Quality Management System on Wholesale level.</p> <p>To identify the key factors, affecting success of MC of the VW Group QMS several research methods have been applied. Firstly, analysis of internal VW Group documentation, then personal interviews with GSM Team and finally, the SWOT analysis. The research results have been used in the practical part for elaboration of practical recommendations. In addition to that a MC concept has been developed for the Quality Audit results presentation, as one of the most effective communication channels towards Wholesalers of VW Group Brands.</p> <p>The MC concept has been accepted by the VW Group GSM Team for implementation and is expected to raise the VW Group QMS success within existing and indirectly within potential Wholesale customers.</p>		
KEY WORDS	Marketing Communications, Quality Management System, B2B, Wholesale, Volkswagen AG, Automotive		
THESIS INCLUDES UNDISCLOSED PARTS: Yes			