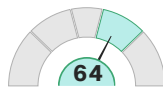


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# Volkswagen says its core VW brand is 'no longer competitive' financially

Reuters and Peter Valdes-Dapena for CNN

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**Berlin** — Volkswagen’s original brand is “no longer competitive,” the company’s brand chief warned Monday, owing to high costs and low productivity.

“With many of our pre-existing structures, processes and high costs, we are no longer competitive as the Volkswagen brand,” Thomas Schaefer told staff during a meeting at the German carmaker’s headquarters in Wolfsburg, Germany, according to a post on the company’s intranet site seen by Reuters.’

The company has been working to improve the financial performance its globally popular namesake car brand, a company spokesperson said. The process is especially important as the VW Group, the parent company, shifts to production of more electric cars.

Volkswagen Group owns several brands including Porsche, Audi and its original brand Volkswagen, founded in 1937.

Among VW Group’s mass-market brands, including Škoda, based in the Czech Republic and Seat, based in Spain, the VW brand had the highest sales volumes, by far, but the lowest operating profit margins during the first three months of this year, according to a corporate presentation.

VW Group hopes to increase the VW brand’s return on sales from 3.6% last year to 6.5% by 2026, according to an investor presentation.

In public presentations, VW has said it is trying to improve the performance of all its mainstream brands with, among other things, better differentiation among them as well as cutting wasteful spending.

“We need to finally be brave and honest enough to throw things overboard that are being duplicated within the company or are simply ballast we don’t need for good results,” Kilian said.

The company, one of the world’s biggest carmakers, is in the midst of negotiations with its works council over a cost-cutting scheme at the VW brand, the first step in a group-wide drive to boost efficiency in the transition to electric cars.

Its €10 billion (\$10.9 billion) savings program will include staff reductions, managers told staff Monday.

The company had previously said it planned to take advantage of the “demographic curve” to reduce its workforce.

In Monday’s meeting, human resources board member Gunnar Kilian said this would be achieved through agreements on partial or early retirement.

However, the bulk of the €10 billion savings goal would be achieved through measures other than staff reductions, Kilian added, with the full details to be defined by the end of the year.

*This story has been updated with additional reporting.*