Communication and PR in crisis situations

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Abstract. Nowadays, more than ever, society is a genuine environment for conducting organizational identity and image. Organizational identity proves to be a central element of the activities and organizational strategies. However, organizations can not hide behind images and brands of its own portfolio. If the organization would be wrong, surely this will be felt strongly at the image and at the organizational identity and also at the level of publics, including here consumers, suppliers, shareholders, employees and the community generally. Therefore, it is important to understand that, in times of crisis, communications and PR programs must be thought and targeted both externally, by organizational branding, and internal, through a program of vision. But these are two directions intertwining, so that organizational branding will be felt internal, inspired by the internal values and the organizational culture, and the vision will be the one who is going to transmit the corporate identity to external publics. This article aims to analyze, from this perspective, one of the latest image crisis, in the auto market, the one of the German producer Volkswagen.

Keywords: communication, public relations, organizational branding, image crisis, competitiveness.

JEL Classification: D00; M14; M21; M31.
Introduction

The communication and PR programs are designed and implemented from an internal and external perspective. The programs that are aiming the external environment have, as main coordinate, the achievement of an organizational branding. The organizational branding consists in familiarising the customers with the product or analyzed organization. Without a well planned and implemented branding, the product and the organization would fail to establish themselves on the market and would not be able to position themselves in the minds and in the consumers options. It becomes more important to understand this because the buying habits of customers have become more sophisticated. Today, customers take into account the appropriate life-cycle costs, not just the purchase price. Quality was replaced by perceived value. Today customers are much more evolved than 20 years ago, because they have information that was difficult to obtain in the past (so that there are more easier ways to obtain it today) (Harrington apud Hristache, 2004). In this approach is necessary to define also some related terms (Balaban, 2009); it is about the brand name that can include a word, more letters or numbers separated or in different combinations; brand personality, which refers to the association of the brand with certain personality features in order to achieve a differentiation; brand identity, which translates into its name, logo, shapes and chosen colors; brand awareness, which refers to the recognition of the brand, but do not involve the purchase or sympathy for the brand and involves the brand recognition, the ability of consumers to confirm that they were previously exposed to that brand and remember that brand (brand recall) and involvement or commitment to the brand (brand commitment), referring to the involvement of consumers to the brand. Synthesizing the information, we might conclude, arguing that the brand deals with creating and sustaining trust; it means keeping promises made to consumers (Olins, 2010). Once created the organizational branding, it should be associated spontaneously by the target audience with a set of quality values, since it is the brand personality, and at the same time it assures its transmission and the shaping of the development of the organizational image, based on quality and credibility. The quality set of values is, in fact, a internal approach of communication strategies, felt thru the vision of the organization and the organizational culture in which employees are integrated. To achieve its objectives of becoming a brand, a company must communicate with the external and internal environment. It’s a strategy that ensures a greater efficiency to the employees and at the same time to the sales, because employees, in turn, may be potential customers (Popescu, 2010). Moreover, in sales, as organizations increasingly show a strong market orientation, their sales forces should increasingly focus on meeting market needs and thus the client. The classic vision, in which the employees (sales agents) should only deal with the sales and the marketing department assuming the task to handle profitability and marketing strategy is no longer valid. The new vision requires that the sales agents have to know, in equal proportion, how to ensure customer satisfaction and also generate profit for the company. Sales agents must know and realize an analysis on the sales figures, measure market potential, gather information regarding the market and develop strategies and marketing plans. Sales agents must have the ability to perform marketing analysis to strengthen the organization’s vision (Kotler apud Zaharia, 2001). In this context, a bigger importance
should be given to the internal environment of the organization, because employees, through their activities, represent an integrated part into the organization's image.

This approach, both external and internal, acquires more importance in the context in which the organization is facing an image crisis. To meet the consumer's needs, to influence and thus to boost sales, organizations should adopt a cautious PR policy. Public relations have a not very easy role, the one to achieve and maintain socializing relationships with both the internal and the external environment, which is a product of evolution in society, that became a necessary tool to identify an organization, person or society. In addition, the fate of Romanian democracy and also our market economy depends largely on the evolution of public relations. The public relations activity can help to modernize companies, public institutions and political parties, to transform them into intelligent organizations, able to keep up with the socio-cultural changing environment, to communicate with their audiences and to serve the public interest (Bortun, 2005). Today, PR policy plays a crucial role on the market, and sales forces have a direct relationship with the evolution of the turnover of the organization. The sale role obtained through PR politics at the contemporary market economy level is high; thus, the objectives that the sales force have to fulfill are multiple: the sale as itself; identifying potential markets, defining the profile of customers and their geographical location, collect information about customers and about competition, negotiating and concluding contracts, doing business merchandising and advertising at the point of sale, providing technical and commercial advice to industrial users and intermediaries and the provision of marketing services related to product use (Zaharia, 2001).

The analysis of the automobile market. The Volkswagen crisis

The automobile market from Romania is one of the basic components of the local economy. Over time, the automobile market has become a mature market, which can be gratifying for all players on this market: state, producers, importers, dealers. Among the factors that play an important role influencing automobile market we note a number of economic and social factors: the number and the economic strength of the economic agents participating in transactions on the market; the evolution of the audience and of their preferences; the degree of the goods differentiation that satisfy consumer needs; the diversification of the ways of getting the information and the expanding volume of the information received; the facilities or restrictions when entering a market; the transparency degree of the market; the ratio of demand and supply of goods; the existence of a direct sales system; domestic and international political situation; the complexity and functionality of markets network; strong communication and PR campaigns; low purchasing power at a fairly large number of consumers, a visible effect due to the economic crisis. Areas that attract most sales are usually major cities, on the first place is the capital (Bucharest). Of course, there are not excluded the regional markets; the regional performance of each player depends heavily on the strategies used to address to market and on the territorial expansion strategies. The Automobile market is an oligopolistic market, consisting of approximately 43 major brands (compared to the '90s, when there were only three producers: Dacia, Olteit and ARO). Currently, the highest
ranked player in the audience options is the producer Dacia, and the main importers on the Romanian market are AutoItalia, Țiriac Auto, Porsche Romania, General Motors Romania and Trust Motors.

AutoItalia company started its activity in Romania in 1993 as the sole importer of Fiat and Alfa Romeo brands. It is the first company that introduced in 1998 the Operational Leasing System. In 2002 Maserati, SsangYong and Honda Bikes are included in the portfolio, followed by the import of Lancia and Segwai. AutoItalia Group receives in the year 2007 the award from Fiat Professional "Sales Best Performer", making it the most successful commercial vehicle dealer from the entire Fiat international network. In the year 1994, with the Țiriac Holdings name, the Țiriac Group debuted on the automobile market from Romania, with Mercedes-Benz. In 2004 with the acquisition of four new brands (Mitsubishi, Smart, Jaguar and Land Rover), Țiriac Holdings became ȚiriacAuto, a generic name under which coordinates the activity of five of the largest importers of cars in Romania: Auto Rom, MCar Trading, Romcar, Premium Auto and Hyundai Auto Romania. For Țiriac Auto, the city of Bucharest offers a rate of 45% from the volume of sold import vehicles. Other significant markets are in Iași, Brașov, Cluj, Timișoara, Constanța and also Dolj and Argeș. The majority of clients is represented by legal entities, this being due to the preferred mode of acquisition: leasing (Dragan et al., 2006). Also in 2004, it was founded in Brașov Automobile Bavaria Group. It had the largest BMW dealer network in the region, with offices in 10 cities. Since 2000, the group also promotes Rover vehicle brands.

In the year 1997 it was established in Romania the first representative office of Opel Hungary Distribution LTD. In 1998 the name was changed to Opel Southeast Europe LTD. The representative office coordinated the activities of sales, marketing and aftersales of Opel in Romania. Since 2004, with the launch of the Chevrolet brand in Romania, the representative office is called General Motors Southeast Europe LTD. Romania was the first country in Europe to launch new GM DAT models under the brand name Chevrolet. GM dealer network has 35 locations (Cristea, 2013) At General Motors, for the Opel brand, the largest sales are in the capital, with 45%, followed by the county of Iași, Timiș and Bihor. Customers are natural and legal entities, the percentage is close between them, and as payment, the leasing is preferred by 35% and the payment in cash or rates by 65% (Dragan et al., 2006).

The company Porsche Romania began its operations in November 1997 with only 8 employees, as importer of Volkswagen and Audi brands. Since 1998, Porsche Romania is the general importer in Romania for Volkswagen, Volkswagen Autovehicule Comerciale, Audi, SEAT and Skoda, belonging to Holding Porsche Austria, and in short time they come to be considered one of the most successful operations in the automobile market. Since 2008, it imports Bentley and Lamborghini. The company currently has a network of 90 dealers across the country, with a total investment of over 135 million euro (Source: www.porscheromania.ro/prezentare.php). For Porsche Romania, Bucharest is the main generator of revenue through the four major dealers: Porsche București Pipera, Porsche București Nord, Porsche București Vest 1 and Porsche București Vest 2. Adjacent area also contribute to the volume of sales, closely followed by the county of Constanța,
Brașov and west region of the country. As a payment method, according to data provided by APIA on Porsche customers, the situation is balanced: 49% of payments are made through leasing and 51% of customers prefer payment in cash or in bank rates (Dragan et al., 2006). Porsche Romania has been since 1998 the number one importer in Romania. The year 2006 was a dynamic one for Porsche Romania, which has succeeded to deliver a total of 43,451 cars to customers from our country. On January 10, 2008, the number was over 200,000 sold vehicles since Porsche Romania entered the market in Romania, and the number of employees from the entire dealer network was exceeding 3500 persons. The largest contribution to sales growth for Porsche Romania had Volkswagen, Skoda and Seat (Cristea, 2013). The year 2010 brings changes as a result of experiencing the economic crisis effects. At the market level, in general, there is a decrease of 18% compared to the year 2009, but the group Porsche Romania has an increasing market share by 2%, reaching to over 20% of the total market in terms of all major brands. Regarding trademarks analysis, Volkswagen recorded a total of 8,650 sold units, solidifying its position among the top import brands from Romania, with a market share of almost 9%. This result is the natural consequence of a PR strategy designed on an externally and internally plan, which was supposed to have long-term effects: launching new models, characterizes through innovative and economic technologies that are equipping every Volkswagen, improving the quality of the network distributors and of the sales agents, increasing the service quality. Audi has managed in 2010 to be one of the favorite automobile brands by buyers from premium category, with a share of almost 32% of this market. Among the models that have enjoyed the most success, it is noted: Audi A4 with 432 sold cars, Audi A3 with 214 units and Audi Q5 with 304 units. The communication strategy was focused on emotional bond. Regarding Skoda, in 2010, through the distribution network of Skoda brand in Romania, there were delivered to customers 8100 new vehicles thus the brand recording a market share of over 8% and placing it in the top three brands on the automobile market. The results of the SEAT brand in Romania in 2010 can be certainly considered efficient, with 1,662 units delivered to customers (same volume as in 2009). SEAT recorded a share of the total market of 1.58%, thus returning to the level from 2007, the best year in the brand history in Romania. Seat brand communication strategy focused on internal environment, in this sense there were some motivation and coordination strategies, there is also a pricing strategy designed and adapted for the market in Romania. Regarding Volkswagen Autovehicule Comerciale in 2010 it became the market leader on the import of light commercial vehicles, delivering 1388 vans. Volkswagen Transporter, best-selling model of the range, retains in 2010 the status of "best in class" in terms of deliveries, with a market share of over 45% in its segment. The Crafter model has had a positive evolution in 2010, the market share surpassed 10%, an additional of over 3 percentage points compared to 2009 (Source: http://www.promotor.ro/masini-noi/news/rezultatele-vanzarilor-in-2010-pentru-porsche-romania-7906883).

In the year 2014 global sales have recorded different trends. Thus, sales in Western Europe rose in 2014 by 5.7% to 811,800 vehicles, while in Central and Eastern Europe was a decline of 7.1% to 263,300 units. In Russia, deliveries decreased by 18% to 156,300 vehicles. The highest growth was recorded in China, the biggest market of the
Volkswagen group, where sales rose 10% to 2.51 million units. In North America deliveries decreased by 5.7% to 622,300 vehicles, while in South America there was a decline of 17.6% to 804,300 units (Source: http://www.capital.ro/volkswagen-a-inregistrat-vanzari-record-in-2014.html). The brands analysis shows that Audi brand has maintained second place in the premium car market in 2014, after recording a rise in sales of 10.5%. It sold 1.7 million cars and Czech Skoda brand deliveries, for the first time, exceeded one million cars in this year. In the ranking models, Volkswagen dominate, occupying the first rank and the fourth rank. The most sold model in 2014 on the European continent is Volkswagen Golf with 520,958 sold units, an increase of over 11% compared to 2013. Undisputed leader, the Golf is followed at a great distance by two small class models: Ford Fiesta and Renault Clio. The second model from Volkswagen currently in the top 10 is Polo, in fourth place, ahead of another small class model "made in Germany": Opel Corsa. On the 10th position there is a "new entry", represented by Audi A3, which benefited from an increase in sales by almost 20% compared to 2013 (Source: http://www.romaniatv.net/volkswagen-golf-liderul-vanzarilor-pe-continentul-european-in-2014_197531.html#n).

The recently scandal that Volkswagen is facing is the biggest crisis of the group, the effects being felt at global level, and regional on the Romanian automobile market. This crisis comes at a very favorable context, characterized by a sustained pace of development of the producer. Target of this huge crisis are the brands Audi, Seat, Skoda and Volkswagen. The German car group Volkswagen recognized that has equipped 11 million vehicles sold worldwide (of which 2.8 million in Germany) with a software that falsify the emission test results on diesel engines. The producer Volkswagen has 5 million vehicles affected by this scandal. The Czech car producer Skoda, a unit of Volkswagen, announced that 1.2 million of its vehicles were equipped with the software that allows falsifying emission test, while about 1.42 million Audi vehicles equipped with engines that meet standards EU5 emission are affected in Western Europe, 577,000 in Germany and almost 13,000 in the US. About 700,000 of the 11 million diesel engines involved in the emission scandal from Volkswagen were manufactured by Seat, the Spanish subsidiary of Volkswagen. The Division of Volkswagen AG commercial vehicles, confirmed that 1.8 million vans and light trucks have diesel engines equipped with software that allows emission tests manipulation (Source: http://stirileprotv.ro/stiri/auto/solutiile-volkswagen-pentru-criza-dieselgate-cc-ii-asteapta-pe-clientii-care-detin-masini-cu-probleme.html).

As models, the following brands, which have already been marketed and sold, are targeted:
- Volkswagen Jetta, having the motorization 2.0L TDI, commercialized during 2009-2015.
- Volkswagen Golf, having the motorization 2.0L TDI, commercialized during 2010-2015.
- Audi A3, having the motorization 2.0L TDI, commercialized during 2010-2015.
- Volkswagen Beetle, having the motorization 2.0L TDI, commercialized during 2012-2015.
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- Volkswagen Passat, having the motorization 2.0L TDI, commercialized during 2012-2015.
- Volkswagen Touareg, having the motorization 3.0L V-6 TDI, commercialized in 2014.
- Porsche Cayenne Diesel, having the motorization 3.0L V-6, commercialized in 2015.
- Audi A6, having the motorization 3.0L V-6 TDI, commercialized in 2016.
- Audi A7, having the motorization 3.0L V-6 TDI, commercialized in 2016.
- Audi A8L, having the motorization 3.0L V-6 TDI, commercialized in 2016.
- Audi Q5, having the motorization 3.0L V-6 TDI, commercialized in 2016.

(Source: http://blog.caranddriver.com/everything-you-need-to-know-about-the-vw-diesel-emissions-scandal/)

There is also a list of models that are prohibited to be traded, list that comes directly from the producer. The following models are targeted:

- Audi Q7 TDI, produced between 2013–2015.
- Audi A8 and A8L TDI, produced between 2014–2016.
- Audi Q5 TDI, produced between 2014–2015.
- Volkswagen Jetta TDI, produced in 2015.
- Volkswagen Golf TDI, produced in 2015.
- Audi A3 TDI, produced in 2015.
- Volkswagen Beetle TDI, produced in 2015.
- Volkswagen Passat TDI, produced in 2015.

Volkswagen sales fell in Romania by 30.6% in September, when the scandal regarding the car equipment with manipulating emissions devices began, compared to August, the German brand fell down in third place from the second position in the top of car deliveries. Thus, in Romania there were sold 716 Volkswagen units in September and 6,939 from the beginning of the year. The other brand of the Volkswagen group, present in the top ten on the Romanian market (Skoda), had higher sales in September by 25.7%, and they delivered 762 units, which ensured second place in the manufacturer standings brands, after Dacia and Volkswagen, according to APIA (Source: http://www.mediafax.ro/economic/vanzarile-de-masini-volkswagen-in-romania-au-scazut-cu-30-6-in-septembrie-14845692). The damage estimated by the Romanian state in the Volkswagen case for 105,303 cars with problems amounts to over 30 million euros (123,616,827 lei). The calculation took into consideration that the car tax was paid by the purchaser for Euro 5 engine and the car in reality have Euro 4 engines. Moreover, Romania could sue the Volkswagen company, announced Environment Minister Gratiela Gavrilescu; she offers as an argument the fact that the environmental tax must be recovered and Romanians should not be prejudiced. She considers that consumer confidence was deceived and the strong brand image was actually used without honoring the values that have made the brand known in the first instance (Source: http://www.ziare.com/volkswagen/scandal/vanzarile-volkswagen-in-romania-in-
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cadere-libera-radiografia-pietei-auto-1387153), Therefore there is a violation of the ethical, moral and deontological norms and principles of the producer (Rogojanu and Badea, 2011). Otherwise, it would not be the only country to consider this possibility of suing the producer. In the UK many owners of Volkswagen cars have contacted the law firm to find out how they can sue the company because they sold polluting vehicles. It will be one of the biggest collective processes in the history of the United Kingdom, writes The Guardian (Source: http://stirileprotv.ro/stiri/international/romania-cere-clarificari-germaniei-in-cazul-masinilor-modificate-de-volkswagen-proces-colectiv-urias-pregatit-in-uk.html). Also in the United States, Hagens Berman, a large firm, which received 1.1 billion dollars from Toyota and plans to sue General Motors for 10 billion dollars, has a trial prepared and awaits to start actions in the court of law against the German producer (Source: http://www.hbsslaw.com/General%20Pages/Volkswagen-Audi-Lawsuit-Sign-Up-for-the-Case).

In contrast, Volkswagen considers the crisis as an existential one that can be overcome. First, the Group is thinking an internal approach; the mission and the vision of the group must be strong, the addressed policy is one of solidarity; therefore, they asked the employees and management group to be united to overcome the biggest crisis in history crossed by Volkswagen in 78 years. Especially since the German manufacturer could abolish jobs (only in its main German factory the producer has 60,000 employees). Also there will be a change of the employees motivation system, being targeted all sales agents, so that the scandal will affect the automobile division profit and bonuses paid to employees. Also the management bonuses will be analyzed (Source: http://www.ziare.com/volkswagen/scandal/noul-director-anunta-schimbari-dureroase-in-grup-1386105). Also as external policy, the group announced plans to fix up to 11 million diesel vehicles equipped with the inappropriate software and the costs are estimated by analysts at over 6.5 billion dollars. Add to this, there will be also the compensation for dealers and customers, which will be established through civil lawsuits. The Volkswagen Group announced that it has prepared 8 billion dollars for compensation. It is also taken into account the fine that they have to pay and according to overseas media, it would be in the amount of 18 billion dollars (Source: http://www.dcnews.ro/criza-volkswagen-lovitura-in-romania-costuri-pentru-fiecare-roman_485542.html). In economic terms, the Czech Republic and Hungary are the most affected by this crisis, crisis that could void between 1 and 1.5 percentage points of economic growth in Czech Republic and Hungary, according to experts. The Hungarian economy advance could shrink by 0.3% to 0.6%, as stated by the Hungarian Minister of Economy, Mihaly Varga (Source: http://stirileprotv.ro/stiri/auto/solutiile-volkswagen-pentru-criza-dieselgate-ce-ii-asteapta-pe-clientii-care-detin-masini-cu-probleme.html).

Conclusions

What can be seen is that Volkswagen has presented many excuses, recognizing and assuming their blame. But the solution part is not supported by any concrete plan. Analysing the situation at this stage, a solution would be given by the recalling and solving cars problem involved in this scandal, but there is not a concrete schedule of
activities specified by Volkswagen. To these recalls we can put the fines, and to all of them there will be added the costs of paying the environment stamp that becomes more expensive due to pollution levels that are above the law. In the United States, the place where it started the crisis, owners of the affected cars will receive 1,000 dollars (are targeted the owners who were announced in the first Report, those concerned after 8 November does not fall within this policy), 500 dollars being transferred to Visa cards, which can be used for any purchases, and 500 dollars being only used in Volkswagen network to purchase a new car or for service. Besides this amount of money, Volkswagen will provide free roadside assistance for 3 years. All Volkswagen owners can get a 2,000 dollars discount on the purchase of a new model. The car dealers also have the acceptance for promoting policies, consisting in price reductions for those interested in buying a new car (Source: http://blog.caranddriver.com/everything-you-need-to-know-about-the-vw-diesel-emissions-scandal/).

In addition to those previously mentioned, we should also discuss about losing the credibility and the image, effects that are difficult to quantify. Those effects will be felt most likely in the immediate future, in the recorded sales volume. Also as a result of this crisis, the company's investments will be lower by one billion euros per year, situation that will influence negatively the competitiveness of the group on the market. Therefore it becomes clear that Volkswagen will not be able to achieve the goal of becoming, by 2018, the largest automobile producer in the world. The part that is seeking for a strong interest is given by the manner in which the Volkswagen slogan will be adapted and rethought, given the policy of "Clean Diesel" which was adopted for a long time, the solution that was proposed as an alternative to hybrid cars or electrical cars.

One thing is certain, Volkswagen has implemented over time a very good communication and PR strategy, making an efficient organizational branding, which was associated spontaneously by the target audience, with a set of quality values, as he represented the very personality of the brand based on quality and credibility. The set of quality values was actually represented by the internal communication strategies approach, felt through the organization's vision and cultural organization. With this crisis, Volkswagen is in a position to deceive the trust and the expectations of the consumer public, this being one of the most difficult effect to manage.

References


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