

# THE WALL STREET JOURNAL.

This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers visit <http://www.djreprints.com>.

<http://www.wsj.com/articles/volkswagen-seeks-to-rebuild-trust-with-u-s-initiative-1446995472>

## BUSINESS

# Volkswagen Seeks to Rebuild Trust With U.S. Initiative

German auto maker looks to appeal to customers, dealers following emissions scandal



A Volkswagen production line in Wolfsburg, Germany. *PHOTO: REUTERS*

By **WILLIAM BOSTON**

Updated Nov. 8, 2015 7:49 p.m. ET

BERLIN—Volkswagen AG, struggling to get out in front of its emissions-cheating scandal, is trying to overcome missteps in its crisis-fighting strategy and plans to announce a new sales initiative in the U.S. this week as a small step to start winning back the trust of its disappointed customers and dealers.

The move comes nearly two months into a crisis that has battered faith in the Volkswagen brand, sparked a sweeping restructuring of management at the Wolfsburg, Germany-based company, and left the car maker's leadership on the defensive, reacting to a string of disclosures and events.

Volkswagen is now working to get back in control of its message. The company's field representatives, who are the first line of contact with U.S. dealers, swarmed out over the past few days and held a series of briefings about a plan to show U.S. customers some goodwill.

A U.S. car dealer who was briefed by Volkswagen last Wednesday said the company plans as early as Monday to announce that it will issue two debit cards to owners of diesel-powered cars affected by the emissions crisis. One card will be a simple cash gift that VW customers will be able to use at their discretion. The second debit card would be linked to purchases at a VW dealership.

A Volkswagen spokesman confirmed that a sales initiative is planned, but declined to provide any details. He said the company informed U.S. dealers about the plan last week and that the company's U.S. unit would "publish the details about this in the coming week."

The new sales initiative is an example of the small steps that Michael Horn, chief executive of Volkswagen of America Inc., has promised in the company's efforts to rebuild consumers' faith in Europe's largest auto maker.

Some of those steps have been spelled out in letters, seen by The Wall Street Journal, that Mr. Horn and other VW of America executives have sent to U.S. dealers since the emissions-cheating details became public in September.

"This is a good first step that breaks the silence," said Steve Kalafer, who co-owns Flemington Car & Truck Country, a New Jersey-based dealership that operates 18 franchises at eight locations, that was one of the dealerships briefed last week.

"The question is whether customers will be required to release VW of liability," Mr. Kalafer said. "It's a nice first step, if it's a no-strings-attached goodwill gift from the manufacturer."

U.S. environmental authorities disclosed the emissions cheating on Sept. 18, saying that Volkswagen installed software on nearly 500,000 diesel-powered cars in the U.S. that enabled the cars to produce fewer nitrogen-oxide emissions in lab tests than during normal driving conditions.

Volkswagen later admitted that the software was installed on up to 11 million vehicles using the four-cylinder EA 189 engine at its VW, Audi, Skoda and SEAT brands.

In November, the U.S. Environmental Protection Agency disclosed that the software also affected about 10,000 larger vehicles with six-cylinder engines including those used in upscale sport-utility vehicles built by VW, Audi and Porsche.

---

**RELATED**

---

**VW at  
first**

- Volkswagen to Cover Additional Taxes For Owners of Some of Its Cars (<http://www.wsj.com/articles/volkswagen-to-cover-additional-taxes-on-owners-of-some-of-its-cars-1446848159>) (Nov. 6)
- EU Asks Member States to Investigate VW 'Irregularities' on Emissions (<http://www.wsj.com/articles/eu-asks-member-states-to-investigate-vw-irregularities-on-emissions-1446755656>) (Nov. 5)
- Volkswagen Shares Dive on New Emissions Woes (<http://www.wsj.com/articles/volkswagens-shares-take-tumble-after-epas-fresh-allegations-1446559388>) (Nov. 4)

denied the charge, appearing to start a fight with the EPA, but two days later the company did an about-face, acknowledging the EPA's findings and vowing to work together closely with U.S. officials to resolve the crisis.

Last week, Volkswagen acknowledged that its emissions cheating wasn't limited to nitrogen-oxide emissions of diesel engines, but that the company also understated greenhouse-gas emissions and fuel consumption of up to 800,000 cars, mostly in Europe, including nearly 100,000 gasoline-powered vehicles.

Volkswagen has been under intense pressure in the U.S. and Europe to provide some form of compensation for customers who have seen the values of their cars fall sharply in the wake of the company's scandal.

Kelly Blue Book, a research group that tracks car values, said resale values of Volkswagen models affected by the scandal have fallen 16% on average since their pre-crisis levels. Dealers say the collapse of residual values is as much as 30% on some models.

Over the past couple of weeks, Volkswagen has begun to step up efforts to salvage its reputation and prevent an erosion of its business, especially in the U.S. where public anger over the emissions-cheating is more pronounced than in Europe.

Last week, Volkswagen said it would cover any additional taxes owed by customers if adjusting CO2 emissions and fuel consumption result in higher tax bills.

Soon after the scandal became public, Volkswagen began heavily discounting car sales in the U.S. and assuring dealers of financial support.

In a letter to dealers on Sept. 21, which was seen by the Journal, Mr. Horn, VW's U.S. chief, assured dealers of cash payouts of \$300 to \$600 for each car sold and guaranteed dealers' bonuses for the third and fourth quarters of 2015.

In the wake of an order to stop selling affected cars, Volkswagen offered to pay dealers \$70 per month for each new car on their lot affected by the stop-sale order, and \$50 for certified pre-owned vehicles.

"In light of recent events, we are committed to taking actions which will stabilize your profitability in the near-term," Mr. Horn said in the letter.

On Oct. 15, Volkswagen took another step, announcing in a letter to U.S. dealers that they could offer a \$2,000 bonus for the purchase or lease of a new gasoline, hybrid or electric vehicle to customers who had ordered a TDI diesel that couldn't be delivered because of the sales stop.

Mark McNabb, VW of America's chief operating officer, said in the letter that he hoped this would give U.S. dealers the "necessary tools to retain these individuals within the Volkswagen brand."

**Write to William Boston at [william.boston@wsj.com](mailto:william.boston@wsj.com)**

Copyright 2014 Dow Jones & Company, Inc. All Rights Reserved

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit [www.djreprints.com](http://www.djreprints.com).