



Picture by AUDI

Arthur D. Little AUDI manages to achieve new sales records every year and is driving towards the 2 million mark for global car sales. What do you think are the reasons for this success – particularly given the intense competition in the premium car segment?

Stadler We have grown so quickly because, thanks to our strong products and relevant innovation, we have consistently developed our brand image. Today, we deliver twice as many cars worldwide as we did ten years ago. And four times as many as we did twenty years ago. Between now and 2020, we will be moving forward and increasing our range to 60 models. An important building block in this are our SUV models. We have announced a new starter model for 2016 with the Q1. I can imagine that one or two more versions will be added to that.

Arthur D. Little To what extent is significant growth in the automotive sector actually possible over the next 10 years? How must the manufacturers react to this?

Stadler The world market will grow by a fifth by the year 2020, from 70 million new registrations today to more than 83 million per year. At the same time, the premium sector will grow proportionally faster than the mass market. We are preparing ourselves by making our production global. New plants in China and Mexico and the expansion of existing manufacturing facilities in Győr and Ingolstadt are the most significant examples. We see growth potential, for example, in the USA, where we will reach our planned target of 200,000 deliveries for 2020 faster than we planned and, of course, continuing in China. There we are clearly leading the premium segment and have expanded our advantage even more in recent years. In 2014, as the leading brand, we will sell more than half a million cars in China, setting a new benchmark. Our courageous decision to invest in China a quarter of a century ago is paying off.

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“We live in a culture of permanent transformation.”

How German premium car manufacturer AUDI is accelerating into the future.

An interview with Rupert Stadler, CEO of AUDI.

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Arthur D. Little What are the three biggest challenges which AUDI will have to face as a brand over the coming years?

Stadler The three most important tasks are alternative drive systems, connectivity and the trend that more and more people are living in megacities. Cars with electric engines bring the idea of CO₂-free driving closer to us. We include the whole value chain and also ask ourselves how the electricity which we use to charge electric cars is produced. And we develop alternatives. We are already involved with CO₂-neutral technology by using gas from renewable sources in the AUDI A3 g-tron. The second big topic is the networked automobile. People in the 21st century are digitally connected to one another, at work and in their free time. They want to always be online. We are meeting this need with the innovative AUDI connect system. Challenge number three is around mobility in the city of the future. More and more people want to live and work in the city. For this reason, an intelligent structure and new forms of mobility are needed. From 2015 onwards, cars will use standardized interfaces to exchange relevant safety information with each other. Today, cars, pedestrians, cyclists and buses are often in competition over the limited

space in the city. Maybe they will be able to live side by side in harmony in the future. Traffic lights could become unnecessary; public areas would get a new lease of life. We are working on these kinds of visions, for example with our AUDI Urban Future Initiative. Ideas come out of this, which require a lot of courage when it comes to town planning as well as technical knowledge from all disciplines.

Arthur D. Little What do you think of the fact that owning a car is no longer so important for younger generations? Is this shift in the market really taking place?

Stadler Is that really the case? Personal mobility ranks much higher among young people than many would like to believe. The number of young people who are getting their driving license is increasing considerably. We are seeing that generations Y and Z are incredibly interested in having more mobility to play with – even if stricter criteria in terms of the connectivity and eco-efficiency of cars are emerging. Above all, sustainability matters a lot to younger generations. However, this change of culture is different from region to region; just look at Asia where prestige is still one of the most important reasons for purchases.

About AUDI

With Audi, Lamborghini and Italdesign Giugiaro, the Audi Group has long been one of the most successful car manufacturers in the premium and supercar segment. Since 2012, motorcycles of the traditional Italian brand Ducati have complemented the product range of the Audi Group.

In 2013 Audi increased its total number of units delivered by 8.3 % to 1,575,480 (2012: 1,455,123) vehicles – a new all-time record for the company. The brand with the four rings is especially noted for its unmistakable design, innovative technologies and high quality standards. This is expressed by the brand essence

“Vorsprung durch Technik,” which comprises the brand values of sportiness, progressiveness and sophistication.

Audi manufactures “Vorsprung durch Technik” at ten sites with lengthy traditions of car manufacturing. Cutting-edge logistical processes, the synchronized Audi Production System and a highly qualified workforce of more than 70,000 guarantee uniform Audi standards worldwide. Every Audi production site achieves very high standards of quality, efficiency and environmental acceptability.



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Arthur D. Little Where are the main innovation areas for the future? What can we expect from AUDI?

Stadler Today, a car has a product life cycle of around seven years. We are therefore already thinking a decade in advance and working intensively with trend scouts all over the world. The car as the largest mobile device must, on the one hand, be planned for the long term and, on the other, must be in a position to integrate innovative developments in hard and software at short notice. An important field for the future are assistance systems which unburden the driver. Think of the stop-and-go traffic on the motorway. An electronic helper can take over the steering in traffic jams or slow queues. Piloted driving will be a breakthrough technology in a few years time.

Arthur D. Little How is the development at AUDI organized? What is the company doing in order to live up to its slogan "Vorsprung durch Technik"?

Stadler The third generation TT, which has just been launched, proves that we are in a fantastic position with our key strengths of lightweight construction, four wheel drive, design, quality and sportiness. The TT brings a pioneering display and operating system with it and has become another 50 kilograms lighter. We have also set the

benchmark for the market with our lighting technology, such as the laser light which AUDI is the first manufacturer in the world to introduce to a wide range of vehicles.

Today, highly efficient drive systems, safety, driver assistance and piloted driving are huge trends. AUDI uses numerous trend scouts and development centers in hot spots across the world. In particular, we are constantly discovering more creative potential in Silicon Valley and in Asia. In addition, we are working with globally renowned universities.

Arthur D. Little Mr Stadler, you were quoted in the press as saying: "The electric car is coming. There is no question of it." What strategy is AUDI following in comparison to its competitor BMW?

Stadler Even a company which is driven by technology must always focus on customers and their needs. We are therefore relying on the plug-in hybrids in particular in the first phase of electro-mobility. Our A3 e-tron enables CO₂-free mobility over short distances without having to worry about range. In terms of production, hybrid technology can be integrated into all of our factories. By doing this, we can always produce exactly as many plug-ins as are required according to demand. The purely electric drive system will come, but during the transition phase highly efficient com-

bustion engines play a large role, particularly if they can be powered with fuels which are produced in a way which is CO₂-neutral. Today, the AUDI e-gas which we produce with excess wind energy is already available to buy. We are also working with two companies who are developing AUDI e-diesel with the help of microorganisms and AUDI e-ethanol with plant waste. Our future strategy is comprehensive.

Arthur D. Little Growth and innovation require considerable financial resources and effort. Over the next five years, AUDI will invest 20 billion euro in the production and development of new models. How will AUDI master this transformation?

Stadler We have recently increased the amount to 22 billion euro. For years, we have been bringing in one record profit after another, and achieving returns which actually lie above our strategic target range of 8-10 %. Thanks to this, we can make these enormous investments using our own resources. They cover the expansion of our production capacity as much as our model and technology campaign. Parallel to this, our company has grown to more than 73,500 employees. Currently, a four figure amount of employees are being added for our new locations in Mexico and Brazil. We live in a culture of permanent transformation.

Arthur D. Little With regard to this, is the fact that the AUDI brand belongs to the Volkswagen Group structure a blessing or a curse?

The most important thing for us is our identity which, as lateral thinkers, we look for and give enough space. In short, people who think outside of the box.

Stadler The trick is to position AUDI as a strong and confident premium brand. At the same time, we want to benefit from the synergies within the VW Group. I am convinced that we can concentrate much more strongly on our own program thanks to the benefits which the group brings us. The intelligent building block and modular philosophy allows us to be quicker and more efficient than anyone else in the market.

Arthur D. Little In comparison to other car manufacturers, AUDI is seen as having a particularly strong corporate and management culture. Which kind of leadership culture is important to you?

Stadler We at AUDI really do have a completely different corporate culture. From the outside, it is often seen as casual. The flat hierarchies also stand out immediately in comparison to the rest of the industry. The most important thing for us is our identity which, as lateral thinkers, we look for and give enough space. In short, people who think outside of the box. People who do not settle for the first solution. People who find

We are constantly discovering more creative potential in Silicon Valley and in Asia.



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the smartest way instead of the most complex one. Innovation does not happen at the press of a button. This is why we have developed innovative ways of working which suit individual styles. The basis for this is a distinctive culture of trust. The result and the success are all that count.

Arthur D. Little What is the significance of financial incentives in this context?

Stadler Our profit-sharing schemes reward the best performance within our workforce. However, our employees do not just show this commitment because of the financial incentives, but also because they are proud to be a part of AUDI and to work for the

company with four rings. We know very well that money alone could never provide this powerful, consistent boost to motivation.

Arthur D. Little AUDI is one of the most attractive employers to graduates. What do you do as an organization to maintain this image?

Stadler In order to gain new skilled workers, we consciously rely on our employees recommending AUDI as an employer. We also seek contact with young skilled workers in lectures and partnerships with universities, through internships and positions for doctoral candidates. The German news magazine Focus recently asked 19,000 staff

AUDI is a diamond in the rough which we want to polish to make it truly shine.

who their most popular employer is. We achieved first place, not only in the Automotive/large company category, but also in the overall ranking. We are proud of this. We took first place from 2,000 companies in 22 sectors.

Arthur D. Little How have you organized your global HR processes and talent management systems, i.e., which mixture of centralization and regional autonomy are you aiming for?

Stadler There is only one kind of AUDI employee for me, regardless of where in the world they work for the company with four rings. Our training measures are of course designed according to regional conditions, but the high expectations of our employees are the same worldwide. For our new plant in Mexico we give out scholarships to young academics, therefore tying them to our company. The budding Mexican engineers spend part of their time during their studies in Germany and get to know AUDI in depth while they are there.

Arthur D. Little The car industry acts as a pioneer for other sectors in areas such as globalization, innovation and efficiency. What are the patterns for success in other sectors which the car industry can learn and benefit from?

Stadler Our industry can certainly learn from the speed of the IT sector. Within the space of a few months, the chip industry presents processors which are faster and even more high-performance. Small companies can become large overnight. Anticipating what their customers want, being there for them 24 hours a day, constantly questioning themselves, and, if necessary, reinventing everything all over again and backing one strategy: these are

the patterns of success demonstrated by young industries which the established ones can learn from.

Arthur D. Little You were voted CEO of the Year, are an honorary professor for business studies at the University of St. Gallen, an author, and an avid supporter of FC Bayern Munich. What are your plans for the future?

Stadler First and foremost, I am passionate about being a part of AUDI. I want this to stay this way and I want to set a few more things in motion using all of the power of myself and my team. AUDI is a diamond in the rough which we want to polish to make it truly shine.

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Rupert Stadler

Chairman of the Board of Management of AUDI AG

Rupert Stadler was born on 17 March 1963 in Titting (Bavaria).

Stadler studied Business Management, majoring in Corporate Planning/Controllershship and Finance, Banking and Investment, at Augsburg University of Applied Sciences.

After graduating in Business Management, Stadler started his career at Philips Kommunikation Industrie AG in Nuremberg.

In 1990 Stadler joined AUDI AG, Ingolstadt, where he assumed various controlling tasks in the Sales and Marketing area.

Stadler switched to Volkswagen/Audi España SA, Barcelona, as Commercial Director in 1994. In that capacity, he was responsible for Controllershship, Accounts, Personnel and Organization.

From 1997 Stadler was Head of the Board of Management's Office for the Volkswagen Group, and additionally Head of Group Product Planning from January 2002.

He became AUDI AG Board Member with effect from 1 January 2003. From 1 April 2003 to 31 August 2007 Stadler was responsible for the Finance and Organization Division.

He became Chairman of the Board of Management of AUDI AG on 1 January 2007.

He joined the Board of Management of Volkswagen on 1 January 2010 in his capacity as Chairman of the Board of Management of AUDI AG.

Thomas Becker

is an Associate Director at Arthur D. Little's Munich office and is member of the Global Automotive Practice.