



Strategic direction 2013-2015

**Volvo Group Trucks  
Sales & Marketing and JVs APAC**

Joachim Rosenberg – Executive Vice President

# APAC – strong foothold for future growth



## APAC today...

- 16,000 employees
- Organized in regions with varying brand emphasis
- 80,000 new trucks and buses
- 1,000+ workshops
- ~3 million service hours sold annually in owned network
- Running population ~ 600,000 units

## ... growth opportunities

- Underlying GDP growth
- Untapped markets
- Product/market/segment/brand combinations
- Operational excellence
- Retail excellence

# Delivering our full potential

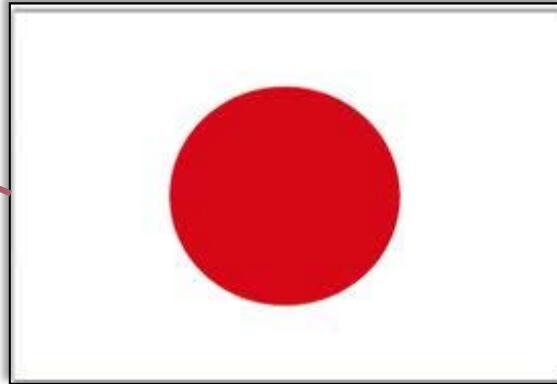
## 1. Secure number 1 or 2 in profitability

- 1.1 Increase vehicle gross profit margin per region by 3% points
- 1.2 Reduce actual standard cost of sales on total cost for current offer by 10%
- 1.3 Decrease wholesale selling expenses to 5% of sales
- 1.4 Increase own dealer soft offer absorption rate by 10 % points
- 1.5 Reduce R&D cost (spending pace) to 11,5 BSEK
- 1.6 IT cost on 2% of Volvo Group total cost by 2015

## 4. Innovate energy-efficient transport and infrastructure solutions

- 4.1 Fuel efficiency to be improved by 2% per annum through vehicle optimization, diesel efficiency and electromobility
- 4.2 Commercialize alternative fuel technology by launching concepts or products in all regions

## 2. Strengthen customer business partnership



## 5. Build high performing global teams

- 5.1 Become an attractive employer measured by reaching the employee engagement level (EEI) of high performing companies
- 5.2 Drive high performance measured by reaching performance excellence level (PEI) of high performing companies
- 5.3 Secure leadership and strategic competencies, primary focus is the implementation of Volvo Group University
- 5.4 Build an efficient and inclusive organization by implementing common global level 1 and 2 processes

## 3. Capture profitable growth opportunities

- 3.1 By optimizing the brand assets become number 1 or 2 in combined Group Trucks HD market share
- 3.2 Establish required commercial presence to support revenue growth by 50% in APAC and 25% in Africa
- 3.3 Establish required OtD footprint and supply chain in APAC & Africa achieving lead time reduction by 15% and capital tied up reduction by 15%
- 3.4 Increase Aftermarket sales per unit in operation by 12%, including total commercial solution offer for second owner
- 3.5 Build 1 BSEK new businesses complementary to existing offering



Japan

# Right-size and increase performance

## Right-size...

- Voluntary leave program launched August 27 with completion in Q4
- 10% cost-base reduction targeted
- Restructuring charge in Q3 with payback ~1 year

## ... and increase performance

- Regionalize – closer to customers
- Implement Group practices
  - Vehicle processes and systems
  - AM processes and systems
  - HR/performance systems
  - Group IS/IT architecture
  - Retail purchasing process
- Drive customer satisfaction/loyalty and market share



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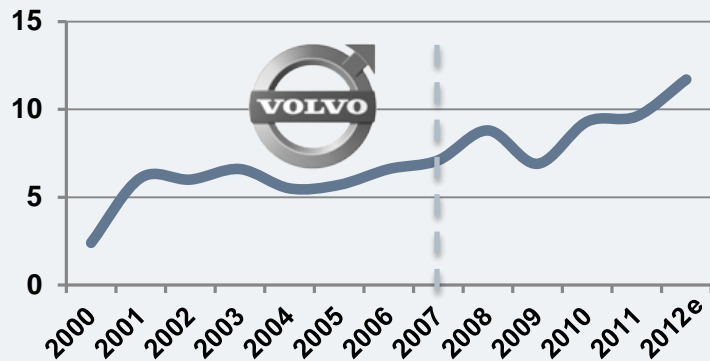
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Korea

# Strengthen Volvo and launch UD

## Continue HD share improvement



- Secure #1 in brand image and customer satisfaction
- Continue share journey - accelerated after Asian division created (~40% amongst non-Koreans YTD)
- Broaden product range
- Strengthen network density and competence

## UD HD launched in Q3 2012



- Launched first Japanese HD truck in South Korea in decades
- Target wing body, tanker and general cargo segments to drive market share
- Group approach on network



**~18-20% HD market share needed for #2 position**

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- 2.1 We will achieve 99% product availability contributing to 'strengthen customer business partnership'
- 2.2 Drive retail excellence by implementation of an integrated customer interface tool
- 2.3 Each brand to rank number 1 on decided brand attributes in competitive set



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Australia

# Invest in the aftermarket to drive customer loyalty and profitability



- Invest in network density – next in line is Sydney West
- Improve competence and customer service across Group-owned and privately-owned dealerships
- Further increase parts availability – drives penetration (~65% for Volvo Trucks)
- Broaden the offer to allow for uptime increase and enable further growth, e.g. new service agreements
- Leverage learnings across APAC



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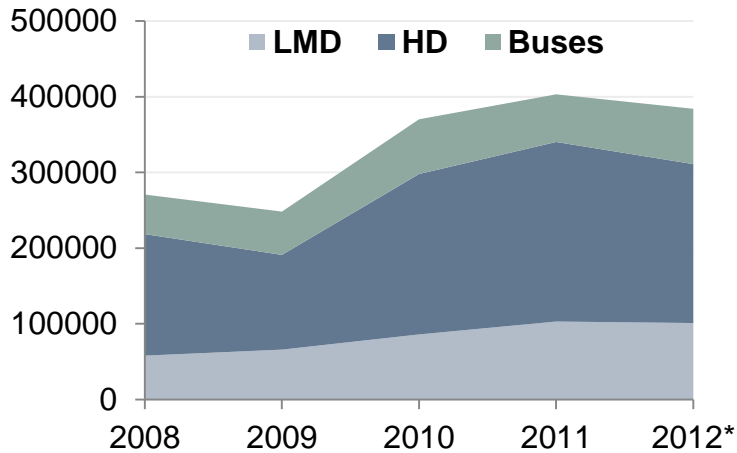
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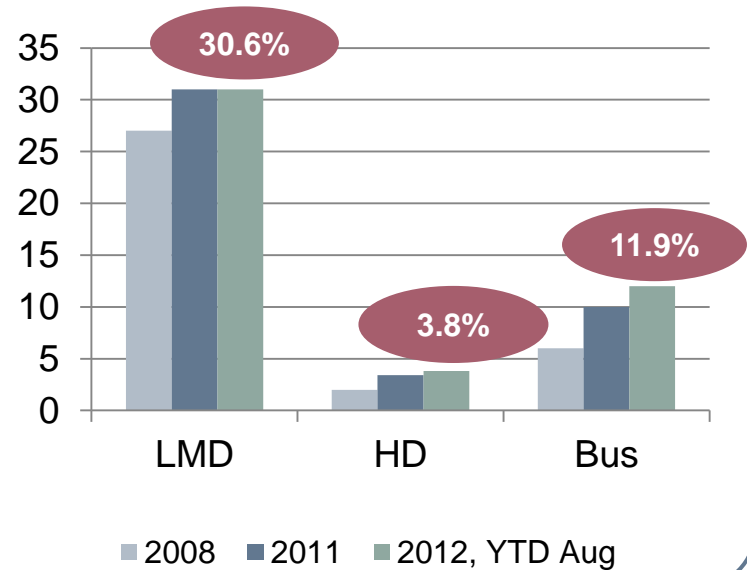
# Increasing volumes despite market drop...

Indian truck and bus market



\* 2012 YTD Aug, annualized

Eicher market shares, %



14.2% market share for buses in India during August 2012



# ... and modules in place for further growth

**New MD engine plant**  
Start of production Q4 2012



**Strong product renewal pipeline**



**New bus plant**  
Start of production Q2 2013



**Processes and competence**



**Continued aggressive growth targeted – for India and beyond**

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# Premium – driving image and margins

## Continue successful journey

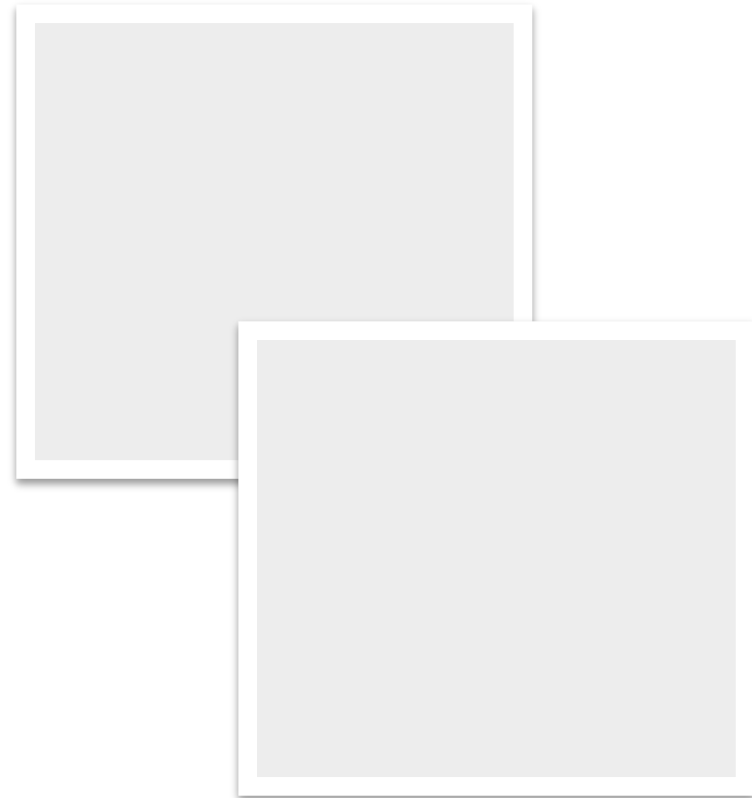
- Icon to the next level – building image
- Launch start 2013
- Main markets include Australia and Korea
- Increasing volumes and margins targeted



# Value – significant growth potential with new, global HD truck platform

## Game changing offering

- Balance features and product cost
- Broaden product range, e.g.
  - Haulage
  - Construction
  - Mining
- Developed and sourced in Asia
- Market across APAC (and beyond)
  - South Asia
  - South East Asia
  - Higher-emission markets over time



# Value – competitive cost through localized production

## Asia manufacturing plan

### Thailand

- Bangkok, Group plant
- For ASEAN and export markets

### India

- Bangalore, Group plant
- For the Indian market

### China

- Hangzhou, DND JV  
(discussions to be finalized)
- For the Chinese market

Bangkok, Thailand



Bangalore, India



Hangzhou, China



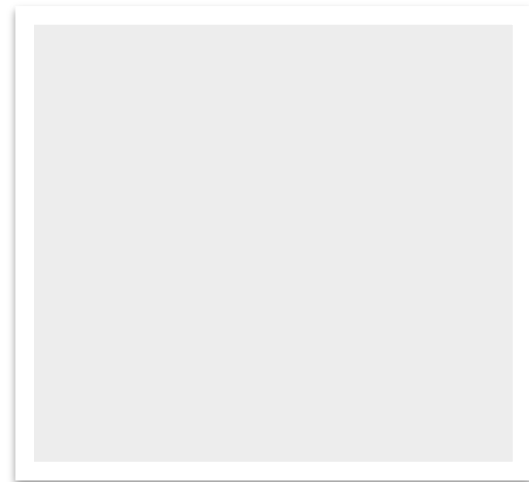
# Basic – Eicher product renewal underway

## Combining the best of two worlds

- Volvo - technology and processes
- Eicher - frugal engineering and expertise in basic products/services

## Product features

- Sustained fuel efficiency edge
- Enhanced reliability, durability and comfort
- Contemporary design
- Value-adding options at additional cost





**VOLVO**