getting the bugs out
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The rise, fall, and comeback of Volkswagen in America

D A V I D K I L E Y

John Wiley & Sons, Inc.
This book is dedicated to the memory of my father, Charles Kiley, who inspired me to appreciate a good story. And to my mother, Billee, who still inspires me to love life and the things that are worth writing about.
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Volkswagen of America has experienced huge success and bitter failure. From just two deliveries in 1949, the brand rose to capture 5 percent of the auto market in 1970. It then plummeted to less than 1 percent in 1990. In 1975 Volkswagen lost its position as the leading import brand in the United States to Toyota. The Japanese combination of value for the money and high quality could not be matched by either the Germans or the Big Three. Though Volkswagen was the first import to build a U.S. assembly plant when it began building Rabbits in Pennsylvania in 1978, just a decade later the plant was shuttered. Beset by its own arrogance throughout the 1980s, Volkswagen was with an inattentive mother company in Germany, had currency disadvantages, and an unwillingness to recognize the special needs of the U.S. market apart from its home market of Western Europe and the developing markets like Brazil and Eastern Europe.

Volkswagen reached its nadir in 1993 when it held less than a 0.5 percent market share. Unable to supply its dealers with product from its Mexican plant, which was experiencing severe quality
problems, Volkswagen actually paid dealers to stay in business. By 1996, though, sales had trended upward; a decision to bring back the legendary Beetle was made, and fears that VW would leave the U.S. market evaporated. The result is a remarkable story of how a company blazed a path, lost its way, and then found itself again.

It is difficult to pinpoint when the idea for this book first arose. I wrote my first Volkswagen piece in 1989 for a magazine called Adweek's Marketing Week, later renamed Brandweek. Entitled “Can VW Survive?”, it prompted me to think of a book that might be called Bugged: The Fall of Volkswagen in America. I was intrigued by the brand that had played such an amazing role to a generation of Americans. This brand, an icon, had been loved and had meaning. Volkswagen was a leading player in a cultural revolution in the United States. It had brand equity that companies spend hundreds of millions of dollars to craft and nurture. Disney made the Beetle a movie star! Yet, in 1988 the company was caving in. It was on its knees. The U.S. management, who was all I had access to at the time, seemed extraordinarily patient for a company that had gone from selling over one-half million cars in 1970 to less than 200,000 in 1988.

I recall asking then Volkswagen of America Executive Vice President Bill Young about the possibility of bringing the Beetle back to juice things up again. His response: “That’s not going to happen, and for a lot of very good reasons.” Young, a long-time respected Volkswagen executive, who had recently returned to the company after a six-year hiatus, spoke of an outmoded design that the company had discontinued for good reason. In fact, Young was right. Volkswagen had stopped making the Beetle for sound business reasons. The company had made so many mistakes regarding the U.S. market in the mid-1970s and 1980s that the lack of a Beetle was hardly the biggest problem.

When the last Beetle Cabrio was delivered to a U.S. dealership for sale in 1980, sales of the Bug were less than 5,000. It was not quite the great value that it once had been, compared with the Japanese cars
that were arriving in the United States at the time. In addition, it cer-
tainly did not meet Washington’s toughening safety standards. Volks-
swagen AG in Germany, full of proud and talented designers and
engineers, had every reason to believe that the Golf, to be sold in the
United States as the Rabbit when it was introduced in 1975, would do
just fine in maintaining the brand’s sales volume and market share. In
fact, the company was sure that business would grow. It built a factory
in Pennsylvania to crank out cars and was planning a second plant in
Michigan by 1980.

What took Volkswagen a decade to understand, from 1980 to 1990,
was how vital the Beetle was to the Volkswagen brand in the United
States. It was the soul of the brand in North America, a fact lost on
the Germans. They were all too ready to move on to the next big
thing. In fact, the company that had done so much to revolutionize
advertising through the 1960s and 1970s (and not just car advertising)
appeared to have lost its brand management skills entirely. It’s unimag-
initive, dishwater advertising reflected what the public at large had
come to view as the bland, pedestrian products—the Golf, Scirocco,
Quantum, and Jetta. They were as successful in Europe as the Beetle
had been. In the United States, however, these cars had neither the
quality nor the personality that VW lovers had come to cherish in the
1960s and 1970s with the Beetle, Karmann Ghia, Microbus, and
Squareback wagon. And the spotty quality of the newer products, as
contrasted with the Japanese companies’ exacting standards, became a
bigger issue in the United States than Germany was willing to com-
prehend.

At bottom, though, the company underestimated how critical an
ingredient the Beetle was to its recipe for success in the United States.
Other companies, like Honda and Toyota, had scooped up Volks-
wagen customers with cars that were dependable, fuel-efficient, and
peppy. A generation of advertising copywriters had gone to school on
the work Doyle Dane Bernbach did for Volkswagen, and they injected
personality into the advertising of Honda, Subaru, and later, Saturn.
Japanese quality surpassed Volkswagen’s, as well as the U.S. Big Three, by a wide margin. From a personality standpoint, Honda, Subaru, and Saturn became the spiritual successors to Volkswagen. They married quality with that essential, quirky lovability.

Like many others, I have a personal relationship to the Beetle. I’m not sure that I would have latched on to the VW story in the way that I did if it were not for a purchase that I made in the spring of 1982, when I took a year off from college halfway through my freshman year to “find myself.” I began the journey by buying a 1964 white Volkswagen Beetle from my neighbor. Margaret Wolf, a friend of our family, lived across the street and was the widow of a craggy, cigar-chewing German, Karl, who bought the Beetle new and maintained it himself. The car cost me $250 to drive across the street to my driveway, and this included the book, Fix Your Volkswagen, by Jud Purvis, which still had Karl’s oily fingerprints on the pages. Even with 100,000 miles on it, the car seemed like a deal for the price. It would eventually cost me (and my father) another $1,500 in repairs over the next 18 months before it gave up the ghost after too many trips on the New Jersey Turnpike between Westfield, New Jersey, and Fordham University in the Bronx where I finished my schooling. That year of finding myself took me to a frigid dock on the west side of Manhattan where I loaded and unloaded trucks of copier paper, and to the broiling loading bay of Channel Home Center in Springfield, New Jersey, where I unloaded trucks of two-by-fours and fiberglass insulation. Those experiences were enough to lead me back to the classroom. My Bug saw me through it all.

After taking possession of my Beetle’s keys, I immediately discovered something that is shared by almost everyone who owns one of the original Beetles: The car is not so much a mode of transportation; rather, it is a medium—a canvas. The car’s simplicity and its lightweight and eggish shape made it more an extension of its owner than any car I