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Volvo: Finding True Value in the Electric Bus Market

ElectriCity,ⁱ Volvo's pilot project in Sweden, was a success. Implementing electric buses using KPMG's True Value methodology appeared promising. Birgit Skarsgard,ⁱⁱ head of sustainability and public affairs at Volvo Group, felt confident as she sat in her office at Volvo's headquarters in Gothenburg, Sweden. Volvo wanted to show leadership in the urban transportation sector and global sustainable development movement by quantifying environmental and social values created by electric buses otherwise not accounted for through KPMG's True Value methodology. This unconventional approach was what Skarsgard felt provided Volvo Group an upper hand in the electric bus market in Europe. Seeking to take the True Value methodology further and open up new market opportunities for Volvo, Skarsgard had her eyes set on the burgeoning Chinese electric bus market.

Skarsgard was charged with deciding Volvo's next steps as she prepared to meet with Volvo executives to discuss the integration of Volvo electric buses into the Chinese market. She wondered: How will the True Value method provide Volvo a competitive advantage? If Volvo was unsuccessful in its attempt to market its buses to Chinese municipalities, it would miss out on a major new market opportunity. Further, Chinese municipalities might opt for polluting transportation options. Will the True Value methodology really provide the competitive edge that Volvo is looking for in entering the Chinese bus market? As Skarsgard prepared for her upcoming meeting, she wondered what the executives' reactions would be to the strategy.

Bus Industry Background

The first bus services date to the first half of the 19th century in England and France, where they were little more than large horse-drawn carriages running along predetermined routes.² Buses with internal combustion engines first appeared before the turn of the 20th century in Europe.³ Diesel buses remained a staple of public transport, and their ability to share road infrastructure with automobiles made bus transit networks significantly less expensive to implement compared with "hard" public transportation infrastructure such as subways and light rail.

i ElectriCity, based in the city of Gothenburg, was a cooperative venture that brought together industry, academia and society to develop and test solutions for next-generation sustainable public transport. Volvo Group — a key partner in the ElectriCity project — provided fully electric buses, powered by electricity from renewable sources, for testing on a pilot bus-route in Volvo Group's home town of Gothenburg, Sweden.

ii Birgit Skarsgard is a pseudonym.

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