Volkswagen Dieselgate:

How Unethical Advertising Affected Millions

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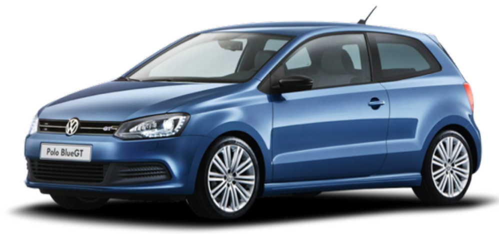

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Introduction

Founded in 1937, Volkswagen (VW) has become a worldwide symbol of automotive innovation and engineering prowess. However, in 2015 the company faced a monumental crisis due to scandal. The VW diesel controversy emphasizes the intricate balance between corporate interests, environmental considerations, and ethical principles in advertising and marketing. This case study explores the complex layers of the scandal, uncovering its impact on advertising ethics and corporate responsibility.

The diesel emissions scandal erupted in September 2015 when the Environmental Protection Agency (EPA) accused Volkswagen, one of the world's leading automotive manufacturers, of intentionally manipulating emissions tests for their diesel vehicles. It was revealed that VW had installed sophisticated software, known as "defeat devices," in approximately 11 million diesel cars worldwide. These devices detected when the cars underwent emissions testing and then altered performance to meet regulatory standards. However, during regular driving conditions when these devices were not in use, the emissions released by the vehicles exceeded the legal limit.

The scandal had far-reaching implications for the automotive industry and beyond, tarnishing Volkswagen's reputation, leading to massive financial losses, and causing legal conflicts and regulatory scrutiny worldwide. The fallout from the scandal was widespread, raising questions about the broader culture of corporate ethics and the adequacy of regulatory supervision in the automotive industry.

Importance of Advertising Ethics

Ethical decision making plays a quintessential role in the success of a brand. Advertising ethics are crucial to maintaining consumer trust, fostering fair competition, and upholding societal values. Companies are ethically responsible to be transparent, truthful, and socially responsible in their marketing communications. At its core, advertising serves as a bridge between companies and consumers, simply conveying information about products or services. When advertisers adhere to ethical principles, they ensure that all information presented is truthful and not misleading. This transparency is what fosters trust between consumers and brands, which then allows consumers to make informed decisions and build lasting relationships. In withholding information about the devices in their diesel vehicles, Volkswagen exhibited a glaring violation of these principles. VW not only betrayed the trust of millions of customers with this deception but also violated the principles of fair competition.

Purpose and Scope of Case Study

The primary purpose of this case study is to analyze the Volkswagen diesel scandal through the lens of advertising ethics, shedding light on the ethical lapses that led to the crisis and examining its broader implications for the advertising industry. Specifically, we plan to examine the regulatory and legal ramifications of the scandal, including fines, settlements, and changes to industry regulations. Our goal is to draw conclusions from the Volkswagen's Dieselgate to inform best practices in advertising ethics and corporate responsibility, with the goal of preventing similar ethical breaches in the future.

By delving into these aspects, this case study seeks to provide valuable insights into the complex interplay between advertising, ethics, and corporate behavior, offering a compelling narrative of the Dieselgate and its enduring impact on the advertising landscape.

Historical Perspective of Ethics in Advertising

The historical evolution of advertising ethics is complex; it spans through years of changing societal norms, technological advancements, and regulatory frameworks. Throughout the centuries, advertising has been a fundamental tool for businesses. Advertising allows businesses to communicate with consumers, promote their products, and shape public perceptions. However, the ethical considerations surrounding advertising have evolved significantly over time, reflecting changing cultural values and growing awareness of consumer rights.

In the early stages of advertising, ethical standards were lenient, in fact, before the late nineteenth century, “laws concerning advertising content were nearly non-existent" (Richards, McAlister, Susman, & Snyder, 2023). This leniency allowed exaggerated claims, misleading information, and even false endorsements to become common practices aimed at capturing consumers' attention and driving sales. The pervasive nature of advertising prompted a growing awareness of its ethical implications.

The late 19th and early 20th centuries witnessed the beginning of consumer protection movements and regulatory efforts aimed at curbing deceptive advertising practices. In the United States, landmark legislation such as the Federal Trade Commission Act of 1914 empowered the Federal Trade Commission (FTC) to regulate unfair and deceptive advertising, laying the groundwork for modern advertising ethics standards. Similarly, professional organizations like the American Association of Advertising Agencies (4A's) and the American Advertising Federation (AAF) established codes of ethics to guide industry practitioners and uphold standards of honesty, integrity, and social responsibility.

The mid-20th century marked a pivotal period in advertising ethics, embodied by increased scrutiny of advertising claims and greater emphasis on consumer rights. Advertising agencies and brands found themselves facing an all-new pressure to adhere to ethical guidelines, with public backlash against deceptive practices leading to reputational damage for their brand.

The emergence of digital media and the internet in the late 20th and early 21st centuries introduced a new era of challenges and opportunities in advertising ethics. Digital platforms offered unprecedented reach and targeting capabilities, but in turn introduced new ethical dilemmas such as online privacy concerns, native advertising, and influencer marketing transparency. Regulatory bodies like the FTC have adapted to these changes, issuing guidelines and enforcement actions to address emerging ethical issues in digital advertising.

Today, advertising ethics continue to evolve in response to technological innovations, shifting consumer expectations, and societal values. Brands are increasingly held accountable for their advertising practices, with consumers demanding authenticity, transparency, and social responsibility. As advertising ethics enter a new era of scrutiny and accountability, industry stakeholders must remain vigilant in upholding ethical standards to foster trust, maintain integrity, and promote a fair and ethical marketplace.

Key Ethical Principles in Advertising

The Institute of Advertising Ethics (IAE) framework provides a fundamental roadmap for ethical conduct within the advertising landscape; it details core principles aimed at fostering responsible and ethical advertising practices. This section outlines the key ethical principles of the IAE framework that will guide the analysis of VW’s Dieselgate scandal.

Central to the IAE framework is principle one, which states that “advertising, public relations, marketing communications, news, and editorial all share a common objective of truth and high ethical standards in serving the public" (Institute for Advertising Ethics). Advertisers are responsible for conveying information honestly and transparently, ensuring that their marketing communications are factually accurate. Deceptive tactics, misleading claims, or false representations are deemed unethical. Advertising practices like this undermine consumer trust and integrity within the marketplace. Upholding truthfulness and accuracy fosters credibility and reliability, enabling consumers to make informed choices based on genuine information.

Principle four from the IAE, which states that advertisers should clearly disclose all material conditions, such as payment or receipt of a free product, affecting endorsements in social and traditional channels, as well as the identity of endorsers, all in the interest of full disclosure and transparency" (Institute of Advertising Ethics), is also essential to ethical advertising practices. Maintaining transparency and full disclosure in advertising allows consumers to understand the context surrounding endorsements or promotional content, and then to make informed choices. To protect consumer autonomy and preserve trust between advertisers and consumers, advertisers must be clear and transparent in their communications and respect the privacy of their consumers. Additionally, consumers have the right to know when they are being advertised and when endorsements are influenced by commercial interests. Full disclosure ensures that consumers' rights to accurate and transparent information are upheld.

The IAE's seventh principle states that, "Advertisers should follow federal, state and local advertising laws, and cooperate with industry self-regulatory programs for the resolution of advertising practices" (Institute of Advertising Ethics). Advertisers are responsible for operating within the boundaries set by legislation to avoid legal consequences and maintain trust with consumers and regulatory authorities. Compliance fosters fair competition, protects consumer rights, and enhances industry integrity, bolstering trust and reputation. Participation in self-regulatory programs further promotes accountability and ethical behavior, contributing to a culture of integrity within the advertising community.

Throughout the analysis of the Volkswagen diesel scandal, these key principles will serve as a guiding compass. By focusing on the principles of truthfulness and accuracy, full disclosure, and legal compliance, this paper aims to critically evaluate the ethical dimensions of the scandal and draw insights to inform ethical advertising practices in the future. Through this analysis, this paper endeavors to contribute to the ongoing discourse on advertising ethics and advance ethical standards within the advertising industry.

Part II

Case Study Selection

The Volkswagen Dieselgate case study has been a huge scandal throughout the automotive industry. Not only has this scandal shifted Volkswagen's economy by losing over $30 billion in financial charges, but it has also shifted the way advertisers have had to take further steps to ensure trust in consumers. While searching for different case studies to analyze, the group found that the Volkswagen Dieselgate Case Study has robust analytical research and is a key example of violating advertising ethics. Volkswagen, a German made manufacturer was founded in 1937 to produce an affordably priced car. As the years went on, the company started to shift into a more modern approach as their competitors started doing the same. They also produced vans and commercial vehicles. This made the company attractive to everyone. Volkswagen gained the reputation of being a reputable car brand and became the third largest importer among foreign competitors.

Before the big scandal with Volkswagen, the company proudly flaunted their environmental-friendly engine that complied with the U.S. pollution standards. In September 2015, The Environmental Protection Agency issued a Notice of Violation of the Clean Air Act to Volkswagen. The vehicles made from 2009-2015 emitted 40 times more pollution than the emission standards allowed. Later in 2015, there was another violation against Volkswagen for continuously making and selling cars that violate this act again. Oliver Schmidt, a general manager in charge of the Engineering and Environmental office, had denied any wrongdoing that Volkswagen was accused of. Volkswagen took almost seven months to even respond to the allegations against them. According to the Volkswagen Emissions Scandal article, "Volkswagen Management had eventually admitted that a cheat software was in fact installed in 11 million cars, worldwide with type EA189 engine vehicles." This further proves that the selection of this case study is critical to the advertising world.

Overall, this case study was a prime example of ethical breaches in marketing claims. Not only did it clearly violate issues of trust and ethics, but the case was also highly publicized and impactful. It garnered immense media attention and had significant repercussions for the automotive industry, the advertising industry, and the Volkswagen Group. This makes it a relevant and engaging case study that explores ethical considerations on advertising. Due to the scandal, Volkswagen's brand reputation was damaged severely, and consumer trust was eroded. Examining this case from an advertising ethics perspective allows us to gain a deeper understanding of the impact of ethical lapses on brand credibility and consumer perceptions. Additionally, analyzing how Volkswagen and its advertising agencies navigated ethical dilemmas and legal obligations provides valuable insights into industry standards and ethical decision-making frameworks. As a case study, Dieselgate provides rich material for discussion in, ethical dilemma analysis, corporate social responsibility, stakeholder management, and crisis communication strategies.

2015 Volkswagen Dieselgate Ad Campaign

Ethical Issues

Volkswagen made several unethical decisions throughout their Dieselgate scandal. The ethical issues that were clear by the scandal highlight Volkswagen's lack of moral values. Some of the issues discussed regarding the Volkswagen Dieselgate Case Study are false advertising, deceptive advertising, and social responsibility. These issues made it extremely difficult for Volkswagen to continue to build their brand as consumers felt a lack of trust in the company.

False Advertising

According to the Cornell Law School article about false advertising, false advertising is "an actionable civil claim under section 43 (a) of the Lanham Act. False advertising is when the defendant made a false or misleading statement about their own product." This is relatable to the VW Dieselgate scandal because the company constantly promoted their "Clean Diesel" vehicles advertising that they could reduce nitrogen oxides emissions by 90% to attract more customers. As previously stated in the paper, VW installed an illegal software called Defeat Devices in their diesel vehicles and were programmed to detect when vehicles were undergoing emissions testing and therefore adjust the performance of engines to meet the allowed requirements. This is a key example of false advertising. The Federal Trade Commission stated that "they emitted 4,000% more than the legal limit of NOx." From an advertising standpoint, the promotion of "clean diesel" cars emphasized that they were an eco-friendly car for anybody to use and led consumers to believe that they were purchasing a car that was fuel-efficient and worth their money which ultimately led to the downfall of their company After pleading guilty on these charges of false advertising in the U.S., there is still ongoing investigations for the crime in the EU.

Deceptive Advertising

By Volkswagen promoting its diesel vehicles as high performing and fuel efficient, it compromised their future economy. The installation of the defeat devices was placed without consumers' knowledge which ultimately deprived people from being able to make informed decisions. Volkswagen failed to disclose the presence of the defeat devices and withheld crucial information that would have impacted consumers' purchases. This fully contradicts their advertising claims. By knowingly deceiving consumers and misleading regulators about the environmental issues of their vehicles, Volkswagen participated in deceptive advertising practices that violate ethical and legal standards. The deceptive advertising tactics used by

Volkswagen resulted in harm to their consumers, environment, and their reputation. Furthermore, Volkswagen's deceptive advertising gave an unfair competitive advantage in the market. VW gained market share and attracted new customers looking for a fuel-efficient vehicle.

Social Responsibility

As stated previously in the paper, VW violated their social responsibility. The lack of care for consumers and their reputation showed that VW simply only cared about the money being brought in. According to Management Weekly's article on "Volkswagen Corporate Social Responsibility", there are some key points of VW's annual sustainability report. The first point that the article stated was that the company informed the public that they were committed to the Paris climate agreement goal. Additionally, VW planned to reduce greenhouse gas emissions. The second point made in the annual report was that VW planned to move into a circular economy. This would make sure that resources from nature were reused without being dumped, which would eliminate toxic waste. Lastly, VW had a commitment to environmental compliance. This annual report of VW was not transparent, so their company suffered. Based on their original advertising VW received many compliments and awards for "best company for corporate sustainability practices." Meanwhile, behind the scenes, they had indulged in unethical practices and did not immediately face the consequences of their actions and social responsibility. The first solution to solving a problem is owning up to the mistake which took almost seven months for VW to do.

Relevance to Industry Standards and Regulation

The Volkswagen Dieselgate Case served as an important example of the importance of companies following the standards and regulations to prevent unethical practices. Among the "Defeat Devices," not owning up to mistakes until seven months later, false advertising, and deceptive advertising, the scandal showed the need for corporate accountability to protect the consumers and more importantly, the environment. Dieselgate managed to find a loophole through their defeat devices, and it allowed them to avoid automotive standards. This case emphasizes the importance of protocols and compliance with standards. Additionally, VW has reassessed their emissions testing to prevent future abuse of the company. The regulations that were violated in this case exposed the need for more rigorous enforcement. This case serves as a lesson for companies to follow standards and regulations to ensure public trust and positive brand reputation.

Part III

Stakeholders and Their Interests

As it stands, Volkswagen is the second-biggest automotive manufacturer in the world. Moreover, any scandal or event that VW faced would gain much more stakeholder interest than almost any other manufacturer. Therefore, when the emissions scandal reached the public in 2015, VW was under fire and ridiculed about how they could blatantly deceive the public and its shareholders. This put Volkswagen's brand and reputation at stake, as well as any “made in Germany” brands worldwide; the impact was huge. The stakeholders in this analysis are defined as anyone who has a stake in VW and whose interests might be affected by the consequences of the companies' actions. There are internal and external stakeholders.

In Volkswagens case, their internal stakeholders are:

- Automotive services
- Financial services

- Company owners and managers

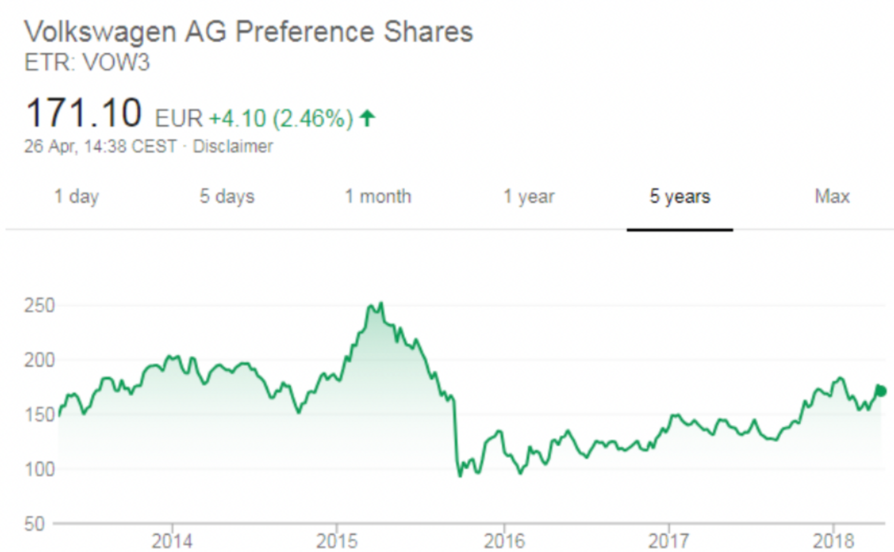
While their External stakeholders are:

- Capital markets (shareholders, banking institutions, financial analysts, investors)
- Customers (consumers, dealers, fleet operators)
- Partners (employees, work counsel, trade partners, suppliers)
- Society (legislators, public authorities, NGOs, academia)

Regarding the external stakeholders' interests, customers and society were greatly affected by this scandal. According to a study by Harvard and MIT, VW sold around 480,000 diesel vehicles in the U.S. with the “cheat” software. The study concluded that this could directly contribute to premature deaths in around 60 Americans nationwide. In the same study, it was concluded that European nations (Germany, France, Poland, and the Czech Republic) were impacted the most from 2008–2015 by the excess emissions. “Of the total 1,200 premature deaths, 500 will likely occur in Germany, while the other premature mortalities will hit many neighboring countries.” Moreover, stakeholders in society weren’t only concerned with the fact that VW broke environmental protection legislation, but that they put lives at risk for the profit of their company. Additionally, when the report came out in 2015, VW recalled 8.5 million vehicles across the European region. They repaired the vehicles to comply with the law, but it took them a long time, and consumers reported decreased performance and fuel efficiency. So, these stakeholders had immense interest in Dieselgate not only because of the broken law and the health risk they created, but also because they had their vehicle taken and returned in a worse condition.

Dealers were also greatly affected by this controversy, and their interest in the case is clear. Specifically, Volkswagen dealers were greatly affected as people stopped buying VW vehicles. As a result, businesses were tanking, and sales were dwindling. VW did provide monetary help for these dealers; however, it wasn't enough to help everyone. Dealers across the country were barely breaking even or even losing money. They needed sales to meet their dealership's operating costs and to spend extra money on marketing. The VW incentives program may have helped in terms of strike sales, but it did not help build new clientele and foot traffic, which is essential for a dealership.

After the scandal came out, VW Group stock value plummeted, and this greatly impacted all shareholders.



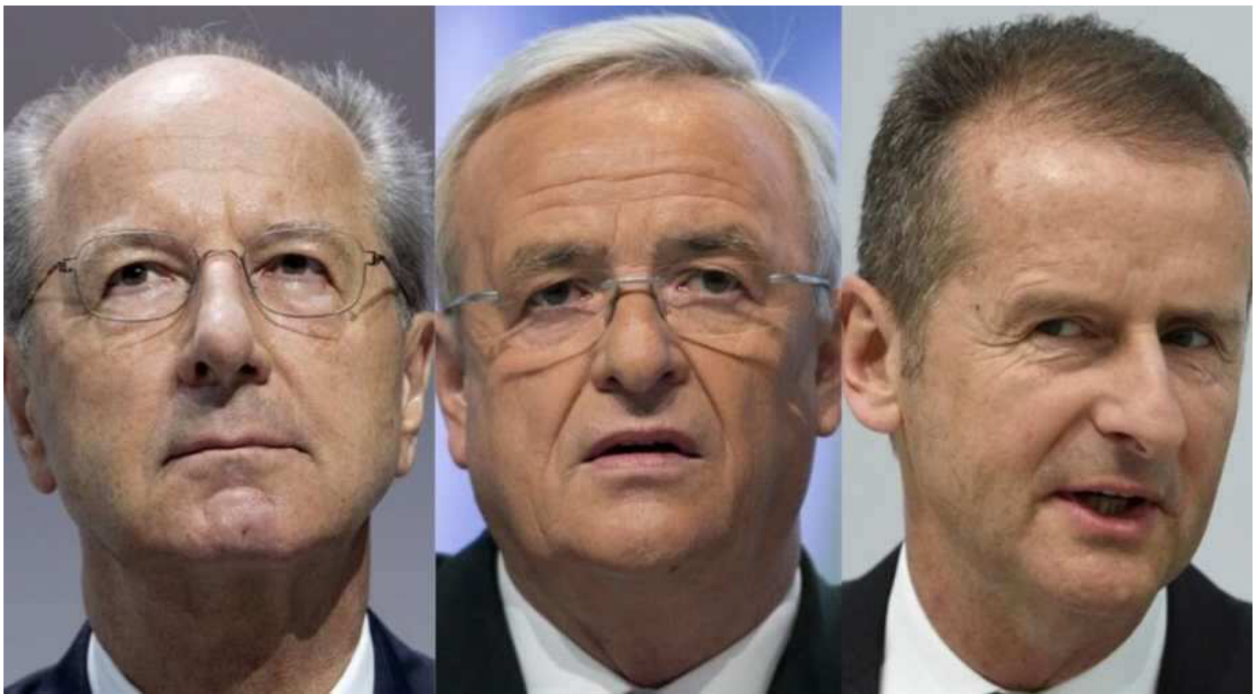
Volkswagen AG Share Value History from 2013-2018. Image by Google Finance.

This sent shocks to investors and shareholder portfolios and resulted in the destruction of VW's pristine reputational status. Shareholders took great interest in this, as many were hurt financially because of it. About a year after the news went public, Volkswagen's market value had gone down by 30 percent. This cost "the automaker and, by default, its institutional and private shareholders almost $30 billion." 1 By March of 2016, about 280 institutional shareholders and investors had filed lawsuits against VW. Some of these plaintiffs included Allianz and CalPers. They demanded 3.3 billion in reparations for damages. Moreover, their interest in Dieselgate was because of the money they put into the company and the immense amount that they lost.

The Environmental Protection Agency (EPA) had a huge interest in this scandal. Their agency is there to enforce emissions regulations and prevent environmental harm. Because VW found a way around their regulations, the EPA now had to find ways to address and prevent this from happening again. The EPA imposed fines and penalties on Volkswagen Group, conducted investigations, and worked with other regulatory bodies to address emissions cheating in the automotive industry. Other government authorities took an interest as well. They wanted to protect consumer rights, enforce legal standards, and maintain public trust. VW had cheated on emissions tests that they had put in place. Therefore, governments had to act and begin investigations. They were the ones responsible for addressing and punishing VW. Moreover, several government agencies and investigators spent lots of time and resources trying to address this scandal.

Competitors were also affected by this scandal. They saw how VW did not create fair competition; instead, they cheated their way to sales. Their sales were inevitably affected by the increase in VW sales that were advertised as fuel-efficient. Now, these competitors also must maintain their consumers' trust since one of the biggest automotive manufacturers has been lying to their customers. However, competitors like Toyota, Stellantis, and Mercedes were able to leverage the scandal to gain market share and improve their own image. They could highlight their own compliance with emissions standards and gain previously loyal Volkswagen customers. Their interest in this scandal was both good and bad, as they initially suffered from VW's leading sales but were able to build their own brand once the news came out.

One of the biggest stakeholders in this case is the internal stakeholders, the Volkswagen Group. Although they created the problem, they now must deal with the consequences. Shareholders quickly began suing the company.



German car maker Volkswagen (VW) supervisory board chairman Hans Dieter Poetsch, then VW CEO Martin Winterkorn and VW CEO Herbert Diess

Image by: Wionews

On September 24, present VW Chief Herbert Diess, supervisory board chairman Hans Dieter Poetsch, and Winterkorn were charged with market manipulation. Additionally, VW had to compensate for their decrease in sales while giving money to its shareholders, dealerships, consumers who purchased the car, and any other reparations. Their interest is in mitigating financial losses and repairing the brand's reputation. They had to issue recalls, offer compensation to affected customers, invest in electric vehicle technology, and implement stricter compliance measures. Their brand image and reputation were negatively affected and would prove hard to rebuild.

All in all, the Volkswagen emissions scandal had thousands of stakeholders involved. Since this manufacturer is so huge and its impact is so vast, there are several more stakeholders not mentioned but equally affected by the scandal. VW's most important stakeholders, like the public, shareholders, dealers, suppliers, and VW Group itself, are most notable. Dieselgate's impact was huge, and almost all stakeholders were negatively affected by it. Volkswagen had a lot of work to do to gain trust and amend the damage caused by their actions.

Part IV

In a case study of this complexity, advertisers, and consumers are closely watching as a company responds to the backlash of its unethical behaviors. This brings in a need for understanding ethical frameworks that can be used to not only analyze but apply to cases of unethical advertising. In this overview, we can use this framework to more accurately understand the situation and more carefully consider what the most ethical course of action will be.

Individuals can use these core ethical framework approaches throughout navigating unethical advertising; utilitarianism, rights-based ethics, duty-based ethics, and virtue ethics. Utilitarianism is the first approach to ethical frameworks. This approach suggests that the decision that maximizes overall happiness for the greatest number of people is the most ethical advertising decision. The second approach is Rights-Based ethics. This perspective argues that consequences do not play into its ethicality but that it is based on whether an advertisement respects fundamental human rights like privacy and truthfulness. Duty-based ethics, the next ethical theory states that certain duties, principles, or guidelines should lead an advertiser's ethical decisions, leaving it more set-in stone. The fourth ethical framework approach would be virtue ethics. This approach is rooted in Aristotle's philosophy focusing more on the individual emphasizing their character, honesty, and integrity. By employing these different ethical lenses individuals can more clearly view and ensure their actions within advertising align with ethical principles and values.

Using the utilitarianism approach individuals can question whether these decisions produced more benefit than harm for the overall society. Using this approach people can see that the intention of Volkswagen was not in the best interest of society but instead, their company had negative effects on the health and environment of consumers. Volkswagen consumers may have seen the idea of the new "environmentally friendly" engine and seen Volkswagen as an ethical company with actions towards positively affecting society. But the deception of the effects they were having on the environment points to the idea that throughout this advertisement they truthfully did not have the benefit of overall society in mind.

Taking off the lens of utilitarianism and using a rights-based ethical lens; were Volkswagen's actions respectful of consumer's human rights? Volkswagen was dishonest and used false and deceptive advertising by providing false claims to cover up the fact that they were breaking emission standards. This displays that they had a lack of respect for consumer rights and valued the profit and growth over their consumers.

Analyzing Volkswagen's decisions using duty-based ethics points to the question: did Volkswagen adhere to its duties and principles? Individuals can see that Volkswagen over the years has promoted itself as a brand that limits its environmental impacts, more specifically consumers see that they have a commitment to "sustainability and community" within their brand. Seeing that the brand has been dishonest about how they have been committed to these values shows a dissonance in Volkswagen's actions with their brand duties and principles.

The last approach to ethical frameworks that can be used to analyze Volkswagen's scandal is Virtue ethics. Did Volkswagen demonstrate character within the company through honesty and integrity? Volkswagen's initial decisions along with their delay of being honest and transparent about the scandal display their lack of integrity within the company in their advertising efforts. In conclusion, using these ethical framework approaches to view Volkswagen's scandal consumers can see the inconsistency in the brand's image and actions which leaves consumers with a clearer understanding of their unethical decisions.

Part V

Now that we have used various ethical lenses and frameworks to understand the depth of their unethical actions, we can now analyze Volkswagen's diesel emissions scandals ethical dilemmas. Through this scandal, consumers can see the dilemmas of consumer sovereignty, social responsibility, and environmental impacts.

The principle of consumer sovereignty addresses consumers' right to make their own choices without manipulation and with clear truthful information from advertisers to make an informed decision. Volkswagen misinformed its consumers by cheating them of their sales and putting them in a position of manipulation. Volkswagen emphasized their environmental care with their advertisements leading large target markets to not only not make an environmentally friendly decision but do the opposite. The brand also has a social responsibility that it is to uphold, making these ethical decisions about more than just their company but about their duty and impact on society at large. This brings in corporate profits and the tension brands have to not allow the growth of their company to outweigh their social responsibility. This tension has led Volkswagen to unintentionally create mistrust within their consumers that will follow and affect the brand long term. Not only do these actions reveal that Volkswagen cares more about their profit than their consumers but the environmental impacts go even deeper to reveal to consumers that they cannot trust Volkswagen.

In analyzing the Volkswagen scandal the ethical decision-making process takes place. This leads advertisers to analyze and identify these ethical issues and come up with solutions that protect and positively impact consumer sovereignty, social responsibility, and environmental impacts using the different ethical approaches discussed previously. The brand should also align with its brand commitments and allow these standards to guide them in considering and making ethically guided decisions in response to scandals like this. This could leave Volkswagen with the risk of potential consequences within their ethical choices. Their transparency could lead to legal disputes, monetary setbacks, loss of brand allegiance, and so much more. Their ethical choices as a brand will continue to affect society, the environment, and the industry.

Using various ethical frameworks to analyze the ethical choices of Volkswagen not only sheds light on the weight of an advertisement's influence on society but also its brand. Brands have more to uphold than consumers realize, and this is why we as advertisers must understand the way ethical frameworks play a role in making ethical decisions. Transparency and brand integrity within Volkswagen stir up discussion on how advertisers can go about making ethical decisions and what their response to backlash can be like.

Part VI

Recommendations

Following the backlash from the public, Volkswagen must now find ways to mitigate the damage it has caused. As mentioned previously, because of the negative reviews after the public discovered Dieselgate, consumers, shareholders, dealers, and more were financially in trouble. Moreover, one solution that Volkswagen could carry out is by financially compensating all affected parties. By doing this, they are acknowledging their fault and displaying empathy for those affected. It is also the least they could do, as they cheated their way into sales without anyone but themselves knowing.

Volkswagen should also consider investing in environmental remediation. Allocating resources toward environmental remediation efforts, such as replacing or retrofitting affected vehicles, supporting research on sustainable transportation technologies, and funding clean air initiatives, demonstrates a commitment to addressing the environmental impact of the scandal. Based on the research previously stated, “Of the total 1,200 premature deaths, 500 will likely occur in Germany, while the other premature mortalities will hit many neighboring countries." Their impact on the environment was detrimental for the automobile industry. They need to address the harm they have caused and allocate funds to organizations whose mission is to help the environment. Similarly, Volkswagen should work with stakeholders and regulatory bodies. Engaging in open dialogue and collaboration with environmental organizations, regulatory agencies, industry peers, and affected communities fosters transparency, encourages shared responsibility, and facilitates the development of sustainable solutions.

Additionally, Volkswagen needs to have transparency and accountability measures in place. Implementing transparent reporting mechanisms, whistleblower protection programs, and independent audits promotes accountability, ethical conduct, and integrity within the company's operations and decision-making processes. Volkswagen needs to display that they are taking this very seriously and build programs to ensure that this will never happen again. They also need to hold ethical leadership training and culture-building workshops. Providing ethical leadership training for executives and employees, fostering a culture of integrity and responsibility, and establishing clear ethical guidelines and codes of conduct can help prevent future ethical lapses and rebuild trust with stakeholders. This will hold employees and executives accountable, because if they were to violate a law or carry out unethical actions, they are also going against the culture of their company.

Like investing in environmental agencies, Volkswagen must also invest in clean technologies and compliance systems. Through investing in clean energy technologies, emissions reduction strategies, and robust compliance systems, Volkswagen ensures future compliance with environmental regulations, reduces the company's carbon footprint, and promotes responsible business practices. In the long run, to ensure continuous sustainability, Volkswagen should set emissions reduction targets and truthfully adhere to emission regulations while supporting environmental conservation initiatives. Most importantly, Volkswagen must issue a public apology, accept responsibility for their actions, and demonstrate a commitment to change and genuine remorse. This will go a long way in repairing the relationships damaged by this controversy and illustrates a step in the right direction. Overall, these proposed ethical solutions aim to address the consequences of Dieselgate, promote accountability, uphold ethical principles, and promote sustainability within the automotive industry, especially the Volkswagen Group.

Part VI

Conclusion:

In conclusion, VW's Dieselgate serves as a distinct reminder of the critical importance of advertising ethics in maintaining consumer trust, fostering fair competition, and upholding societal values. VW violated ethical principles of transparency, truthfulness, and social responsibility by deliberately deceiving regulators and consumers via their defeat devices. This deception eroded trust in the VW brand, while also underscoring the need for robust regulatory oversight and adherence to ethical standards within the advertising industry. Moving forward, it is imperative for advertisers to embrace the key ethical principles outlined by the IAE. Only through a commitment to ethical conduct can advertisers rebuild trust, promote integrity, and contribute to a fair and ethical marketplace for consumers.

Moreover, the Volkswagen diesel scandal highlights the ongoing evolution of advertising ethics in response to technological advancements, changing consumer expectations, and evolving regulatory frameworks. As advertising practices continue to advance, it is essential for industry stakeholders to remain diligent in upholding ethical standards and adapting to emerging ethical challenges. VW's Dieselgate taught a valuable lesson about embracing ethical principles in advertising; by heeding this lesson, companies can not only mitigate the risk of reputational damage and legal consequences but also contribute to a more transparent, trustworthy, and ethical advertising landscape for the benefit of consumers and society as a whole.

Volkswagen's scandal shifted the way that the company had to figure out ways to build their reputation back up again. As a result of the scandal, Volkswagen ultimately lost a lot of brand equity and is still trying to make a comeback. The ethical issues that Volkswagen participated in led to lack of trust in the company and consumers felt disappointed that such a well-known brand would deceive them. This case left the company in a panic and made the advertising industry more aware of how crucial it is to give the right information to consumers and make ethical decisions. It is important for companies to be able to hold themselves accountable and address necessary allegations which Volkswagen fell victim to. Volkswagen wanted to deny and hide the allegations for as long as possible because the brand had been reputable for so many years. When you think of Volkswagen, you think of “high-quality German made car,” so this scandal really made the company fall.

Since Volkswagen is one of the top automobile manufacturers in the world, the repercussions of this scandal were vast. Their internal stakeholders—automotive services, financial services, and company owners and managers—were directly affected. Volkswagen’s present chief Herbert Diess, supervisory board chairman Hans Dieter Poetsch, and Winterkorn were charged with market manipulation. The Volkswagen Group spent around 30 billion dollars in reparations to dealerships, shareholders, consumers, and more. Because VW Group stock value plummeted, shareholders lost money, and VW Group faced several lawsuits. The scandal forced users of the car to return their vehicle and deal with the loss in performance once it was returned. VW dealerships suffered from a loss in sales and were unable to gain new customers. The EPA and relevant government agencies were forced to spend lots of time and resources trying to address this scandal and the clear violation of emissions regulations. Competitors initially suffered before the scandal, but some were able to leverage the aftermath. Dieselgate negatively affected almost every shareholder. The impact was huge, and Volkswagen had a lot of work to do to build back their loyal customers and prove themselves to shareholders.

Although consumers can recognize the unethical practices of the Volkswagen diesel emissions scandal, it reveals and raises more understanding about corporate responsibility, consumer sovereignty, and environmental impacts. Viewing Volkswagen's actions through different lenses of ethical frameworks such as utilitarianism, rights-based ethics, duty-based ethics, and virtue ethics leave advertisers as well as consumers able to navigate ethical choices and dilemmas. Volkswagen's unethical actions that misaligned with their brand commitments led to large impacts on the brand like legal disputes, monetary setbacks, and loss of brand allegiance. These impacts show why it is imperative that advertisers must prioritize transparency and integrity and ultimately reflect the necessity of analyzing advertising decisions using ethical frameworks.

As a result of Dieselgate, Volkswagen had to find ways to amend the damage they had caused. They must financially compensate all affected parties, especially the stakeholders who lost millions from the scandal. To demonstrate a step in the right direction, they must invest in environmental remediation efforts and fund clean air initiatives. Similarly, they should invest in clean technologies and compliance systems as a way to mitigate the extra greenhouse gases they emitted. Throughout this process, VW must display open communication and acknowledgement of their role in this scandal. Additionally, they must have transparent and accountable measures as well as provide ethical leadership training to ensure this doesn't happen again. Overall, VW had a lot to do to mitigate the damage they caused; these recommendations aim to address such issues.

This case study serves as a prime example of the ethical complexities and consequences inherent in corporate decision-making, marketing practices, and regulatory compliance. It underscores the critical significance of upholding ethical values such as transparency, honesty, accountability, and following environmental regulations. This case emphasizes the need for robust ethical frameworks, regulatory oversight, and corporate governance mechanisms to prevent ethical lapses, protect consumer rights, promote fairness and justice, and safeguard environmental sustainability. By internalizing the lessons of dieselgate and cultivating a culture rooted in ethical leadership and responsible corporate conduct, organizations can strive to rebuild trust, foster integrity, and contribute positively to society while navigating the challenges of a globalized and interconnected business environment.

Citations

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