

VOLKSWAGEN'S MAINSTREAM CARS ARE PRICED FOR A EUROPE THAT DOES NOT EXIST

The product moved away from the market.

The problem is not why Chinese cars are so cheap.

The more serious question is why European cars are so expensive.

USABLE OCTAVIA

~EUR 41.4K

CHINESE RANGE

EUR 30.2-34.9K

PURCHASE GAP

EUR 11.2-11.6K

MATEUSZ CHRZANOWSKI

SYSTEM OF SYSTEMS ARCHITECT

PRICE / AFFORDABILITY / COMPLEXITY / INDUSTRIAL DRIFT





VOLKSWAGEN

The headline is **not** the crisis.

JOB

100,000reported restructuring
scale

FACTORIES

4

possible German closures

OCTAVIA

€41.4K

usable Combi example

CHINESE RANGE

€30.2–34.9K

typical alternative range

Reuters has reported that Volkswagen is considering one of the largest restructurings in the history of the automotive industry: up to 100,000 job cuts and the possible closure of four German factories.

That is the headline.

But the headline is not the crisis.

The headline is the moment when the crisis becomes visible enough that it can no longer be absorbed by internal compromises, temporary discounts, political language, dealer pressure, financial products, fleet sales or another round of explanations about a difficult market.

A commentator sees Volkswagen in trouble.

An architect sees a system that has been producing this outcome for years.

This is not only a story about China. It is not only a story about electric vehicles. It is not only a story about weak demand, expensive energy, tariffs, unions, factories, software, batteries, overengineering or pricing. All of those layers matter, but none of them is enough on its own.

Volkswagen's crisis is architectural because several structural failures are now meeting in the same place.

The most visible one is brutally simple: Volkswagen Group has priced mainstream cars above the real purchasing power of a huge part of the European market that those cars were historically designed to serve.

Volkswagen was supposed to be a car for the people.

Skoda was supposed to be the rational choice.

Today, a large part of the natural target group for Volkswagen and Skoda can no longer realistically afford Volkswagen and Skoda cars.

That sentence sounds harsh, but the numbers are even harsher.



Three prices **decide** the market.

ADVERTISED PRICE

the entrance ticket to the configurator

~€26.0K

USABLE PRICE

what a real Octavia Combi actually costs

~€41.4K

COMPETITIVE PRICE

where Chinese alternatives typically sit

~€30.2–34.9K

A well-equipped Skoda Octavia Combi with a sensible engine — not the 1.0 TSI, because in a car of this size that is not a serious reference point — with a 1.5 TSI engine, DSG and reasonable equipment currently costs around 41,400 EUR in dealer offers.

This is not a luxury product. This is not a Porsche. This is not an executive limousine. This is an Octavia.

Historically, the Octavia was one of the clearest rational choices in Europe: practical, spacious, familiar, fleet-friendly, family-friendly and financially defensible. It was not supposed to be emotionally spectacular. It was supposed to make sense.

At nearly 41,900 EUR, that role starts to collapse.

The problem is not that the Octavia is suddenly a bad car. That would be too easy and too shallow. The problem is that the Octavia is becoming a bad financial decision for too many people who should have been its natural customers.

And once a value brand loses the value part, it has a much deeper problem than a slow sales quarter.



The customer does **not** buy the headline.

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There is the advertised price. There is the usable price. And then there is the competitive price.

Skoda can still advertise the Octavia as starting from around 26,000 EUR. Technically, that may be true. Strategically, it is much less meaningful.

The "from" price is not the real car. It is the entrance ticket to the configurator.

The real customer does not buy an abstract entry-level number from a price list. A family does not buy a marketing claim. A fleet manager does not buy a theoretical base model designed to make the offer look accessible. People buy an actual car with an actual engine, actual transmission, actual body type, actual equipment and an actual monthly payment.

That is where the gap opens.

There is the advertised price.

There is the usable price.

And then there is the competitive price.

In this case, the advertised Octavia may begin around 26,000 EUR, but a usable Octavia Combi with a 1.5 TSI engine, DSG and sensible equipment is around 41,400 EUR. At the same time, Chinese alternatives that can sit inside the same family decision are often positioned between roughly 130,000 and 34,900 EUR.

This is not just a pricing issue. It is a perception architecture issue.

The configurator is not only a tool for customer choice. It is a tool for controlling price perception.



Complexity travels **backwards** through the system.



European carmakers have spent years presenting complexity as choice. Engines, trims, packages, sub-packages, equipment dependencies, optional systems, model lines, special editions, RS versions, mild hybrids, diesels, petrol engines, different outputs, different gearboxes and endless combinations. On paper, it looks like flexibility. Architecturally, it creates cost, production complexity, logistical drag, service complexity, software variants, homologation work, documentation, training requirements and decision fatigue for the customer.

The customer enters the system seeing a car “from” a reasonable price, then starts making the car usable and suddenly arrives at a number that no longer has the emotional or financial logic of a mainstream vehicle.

And even then, the configuration can still feel absurd.

You choose a high version, you expect it to be complete, and then discover that ACC or another obvious modern feature still requires an extra package or another configuration step. At a certain price level, this stops feeling like choice. It starts feeling like a trap.

This is where Chinese brands are attacking Volkswagen Group on more than price.

They are attacking simplicity.

Look at the contrast. Jaecoo 7 has a much simpler engine structure. Octavia has a whole library of engine options, versions and derivatives. European manufacturers may call that product depth. From an architectural perspective, a lot of it looks like accumulated complexity that now has to be paid for by the customer.

The Chinese approach is not perfect, and I am not romanticising it. But it is much easier to understand: fewer versions, stronger equipment packaging, aggressive pricing, clear financing, strong visual positioning and a customer experience that does not require reading a book of options before deciding what should already be included.



The dangerous question is whether the Octavia is worth the **gap**.

MG HS

~€30.2K

family-car reference

OCTAVIA

~€41.4K

usable Combi example

DIFFERENCE

~€11.2–11.6K

purchase-price gap

Volkswagen Group made the car expensive and then made the decision complicated. Chinese brands are attacking both layers at once.

Take MG HS as a basic comparison. I am not saying that MG HS is better built than an Octavia, more refined than an Octavia or technically superior to an Octavia. That is not the point.

The point is that MG HS 1.5T DCT can sit in the same real-world family decision as a new, practical, automatic, reasonably powerful car. And if the MG costs around 30,200 EUR while the well-equipped Octavia Combi costs around 41,400 EUR, the difference is roughly 11,200–11,600 EUR.

That is not a small difference.

The customer does not need to believe that MG is the better car. The customer only needs to ask whether the Octavia is worth around 11,600 EUR more.

That is a much more dangerous question for Skoda.

Because the answer does not need to be ideological. It can be monthly, domestic and painfully ordinary.



Volkswagen is being squeezed from multiple directions.

OMODA 5 EV ~€27.9K fully electric author-supplied purchase	MG HS ~€30.2K family-car affordability	OCTAVIA ~€41.4K usable Combi reference	JAECOO 7 ~€34.9K hybrid SUV value	JAECOO 8 ~€46.0–48.4K +€4.7–7.0K vs Octavia
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REAL-WORLD PURCHASE EXAMPLE — AUTHOR-SUPPLIED

There is another detail from dealer listings that shows the problem very clearly. After applying a filter for an electrically adjustable seat, only 2 out of 378 Octavia listings remained. In the MG HS listings, 32 out of 84 remained.

This is not about worshipping an electric seat. It is not a Rolls-Royce feature. It is a normal comfort feature in an expensive modern car.

But at nearly 41,900 EUR, the Octavia almost never had it in the searched dealer stock, while the cheaper MG HS had it in a much larger share of available cars.

Again, this does not prove that MG is a better car. It proves something more uncomfortable for Skoda: the cheaper competitor may more often look like the better-equipped product in the actual dealer reality seen by the customer.

That matters.

Customers do not buy brand strategy. They compare what is available, what it costs, what the monthly payment is and what they feel they are getting for the money.

The Jaecoo 7 makes this even more uncomfortable.

A Jaecoo 7 Super Hybrid / plug-in hybrid offer around 34,900 EUR places a visually more aspirational Chinese SUV, with hybrid positioning and aggressive financing language, almost 7,000 EUR below a well-equipped Octavia.

That should make every European mainstream manufacturer uncomfortable.

The Jaecoo 8 adds pressure from the other side. For roughly 4,700–7,000 EUR more than that Octavia, a customer begins to look at a large, luxury-positioned Chinese SUV marketed with a celebrity-level European football face and a completely different aspirational message.

So the Octavia is squeezed from multiple directions.



VOLKSWAGEN

The real test is the **monthly payment.**

EU MEDIAN NET

€1,798

monthly income reference

WORKING ESTIMATE

~175M

people at ~€1,750 net or less

PRICE GAP

>6 MONTHS

of median full income

MG HS

€639 / month

OCTAVIA

€875 / month

Δ

€236

MG HS says: you can buy a family car much cheaper.

Jaecoo 7 says: you can buy a more visually premium-looking hybrid SUV cheaper.

Jaecoo 8 says: for not much more, you can move into a larger, more aspirational Chinese SUV.

This is where the Octavia starts to lose not only on price, but on market position.

It is no longer cheap. It is not premium. It is not technologically dominant. It is not obviously better equipped. It is not simpler to buy. It still has reputation, familiarity, fleet history and brand trust, but those arguments become weaker when the monthly payment starts eating the household budget.

The next layer is income.

The median net monthly income in the European Union is around 1,798 EUR. Around 28% of the EU population earns 1,250 EUR net per month or less, and in some cases much less than that. A reasonable working estimate is that people earning around 1,750 EUR net per month or less represent about 175 million people in Europe.

That is not a niche.

That is not a marginal group outside the car market.

That is a huge part of the natural historical market for mainstream European brands.

Now put an Octavia at 41,400 EUR into that reality.

The Octavia at around 41,400 EUR sits against an MG HS at about 30,200 EUR. The difference alone is around 11,200 EUR.



Affordability is a **system condition**, not a sticker price.

FAMILY OF FOUR

€2,500 / month

MG heavy; Octavia often unrealistic

MIDDLE HOUSEHOLD

€3,800 / month

Octavia possible on paper, risky in reality

For someone earning the EU median net income, the price difference between those two cars is more than six months of full income before food, rent, energy, children, insurance, fuel, school, debt, clothes, medical costs or life.

But price is still an abstract number. The real test is the monthly payment.

Assume a consumer leasing model with no down payment over 48 months. Using the same financing assumptions for both cars, the MG HS comes out at roughly 639 EUR per month. The Octavia comes out at roughly 875 EUR per month.

The difference is around 236 EUR per month.

That is 2,832 EUR per year.

That is 11,328 EUR over 48 months in monthly payments alone.

For a comfortable upper-middle-class household, 236 EUR may look like an annoyance. For a European family with children, rent, food, energy, clothing, insurance and no large financial buffer, 236 EUR can be the difference between a budget that breathes and a budget that breaks.

Now take a family of four.

Two adults, two children, 2,200 EUR from work and 300 EUR in state support. Total monthly income: 2,500 EUR.

From that, they still need to pay for housing or a mortgage, utilities, food, phones, internet, clothes, school expenses, hygiene, medicine, small unexpected costs and at least a symbolic 50 EUR of savings. There is no luxury in that budget. There is no private school, no premium holidays, no financial fantasy.

Put the MG HS payment into that budget and the car is heavy. Put the Octavia payment into that budget and the car often becomes unrealistic.

The difference between 639 EUR and 875 EUR is not a preference. It is a structural budget event.

Now move to the middle of the market.

A couple with two children earns 3,500 EUR from work and receives 300 EUR from the state. Total monthly income: 3,800 EUR.

Here the problem changes. The Octavia is not always impossible. It becomes something more dangerous for Volkswagen Group: formally possible, but financially irrational or risky.



The product moved away from the market.

At 3,800 EUR per month, an MG HS payment of 639 EUR takes about 17% of household income. An Octavia payment of 875 EUR takes about 23%. Before fuel, insurance, service, tyres, parking and all the normal costs of actually using the car.

Then housing enters the equation.

In countries with higher incomes, housing is often more expensive. A household in a richer country does not simply have "more money for a car." It often has a higher rent, higher mortgage payment, higher energy costs, higher service costs and higher general cost of life.

If housing with utilities is around 1,000 EUR in one country and 1,200 EUR or 1,400 EUR in another, the difference may not look dramatic in isolation. But when the car payment is already 639–875 EUR, it becomes decisive.

This is why the usual argument that "Western Europeans earn more" is too flat. Higher income does not automatically mean higher car affordability when the full cost structure of life rises with it.

For the lower income group, the Octavia is often financially impossible.

For the middle group, the Octavia can become a machine for destroying the household's safety buffer.

And that is the brutal market conclusion: a large part of the natural target group for Skoda and Volkswagen can no longer realistically afford Skoda and Volkswagen cars.

Not because these people stopped being the market.

Because the product moved away from the market.

Fleet sales can hide this for a while, but they cannot solve it.

A mainstream brand cannot build its entire existence on fleets. Fleets negotiate harder, often generate lower margins and do not replace healthy, broad demand from private middle-class customers. They also calculate very coldly. Monthly cost, availability, service, warranty, operational risk, financing structure. Sentiment has a very limited role there.

For now, Chinese cars are still not dominant in European fleets. But that can change quickly.

If Chinese brands scale rental without buyout, full-service leasing or subscription-style offers, one of the largest fleet objections becomes weaker: residual value risk. Once that risk is transferred to the financing operator, the fleet does not need to philosophise about what the car will be worth after four years. It will look at the monthly cost, service network, warranty, availability and employee acceptance.

Give that market two or three years and the picture can look very different.

Volkswagen may first lose private customers because the cars are too expensive. Then it may lose middle-class families because the monthly payment destroys the buffer. Then it may begin losing fleets once Chinese brands copy the European financing tools and use them with a lower monthly cost.

This is why the argument about long-term quality also needs to be placed in the right context.

A common reaction to Chinese cars is: we do not know whether MG, Jaecoo or another Chinese brand will last like a Skoda.



VOLKSWAGEN

The first owner does not need a 400,000-kilometre legend.

OWNERSHIP

5-8 YEARS

typical first-owner horizon

DISTANCE

75-120K KM

approximate first-owner usage

MONTHLY GAP

€236

the decision happens now

But for the first owner, that is often not the correct question.

A typical European user often keeps a car for around five to eight years and drives roughly 15,000 kilometres per year. That gives a first-owner usage range of about 75,000 to 120,000 kilometres.

In that scenario, MG does not need to prove that it will be legendary at 300,000 or 400,000 kilometres. It needs to be good enough for the first ownership cycle.

That does not mean quality does not matter. Of course it matters. But its weight changes.

The question is not whether MG will be better than Skoda after 250,000 kilometres. The question is whether MG will be good enough up to 120,000 kilometres while being around 236 EUR cheaper per month.

For many customers, that may be enough.

This becomes even more relevant when we look honestly at Volkswagen Group's own product logic. European manufacturers also build under the dictatorship of Excel. They optimise for emissions, fleet averages, leasing cycles, margins, procurement, platform sharing and financial products.

How else should we interpret a 1.0 TSI in an Octavia or a 1.5 TSI in a Superb?

Those engines may make sense inside a spreadsheet. They may help create a lower entry price, meet a target, fit a policy, reduce a number or support a configuration strategy. But they are also symbols of a market where the product is increasingly shaped by financial and regulatory architecture rather than by the best long-term user experience.

If Volkswagen Group also builds cars around the first leasing cycle, then it cannot rely forever on the old emotional memory of indestructible European engineering.



In which exact layer is Volkswagen stronger?

PRICE	weak
BATTERY INTEGRATION	unclear / exposed
SPEED OF ITERATION	weak
SIMPLICITY OF OFFER	weak
EQUIPMENT-TO-PRICE RATIO	weak
ENERGY COST	weak

The myth and the product architecture are no longer the same thing.

Now add electric vehicles.

Volkswagen's electric cars are expensive, and they still struggle against what the strongest Chinese players, especially BYD, can now offer in technology, battery integration, pricing and speed of development. The battery is not just another component in an electric car. It is one of the central layers of value: cost, range, mass, safety, lifecycle, software integration and competitive advantage.

If Volkswagen has to buy batteries, battery technology, components or industrial know-how from Chinese companies while competing against Chinese carmakers, the strategic question becomes brutal:

In which exact layer is Volkswagen supposed to be stronger?

Not in price.

Not clearly in batteries, if a key part of the electric vehicle value chain is dependent on Chinese suppliers or Chinese expertise.

Not in speed of iteration.

Not in simplicity of offer.

Not in the relation between price and equipment.



The more serious question is **why** European cars are so expensive.

CHINA REFERENCE

~€23.3K

car cost before transport, tariffs, taxes, homologation, distribution and local-market layers



The problem does not stop at labour cost. It sits in the architecture of energy, scale, supply chains, technology, product complexity, procurement, financing, regulation and industrial strategy.

Not in energy cost.

Not in industrial scale.

This is not only a cost problem. It is a sovereignty problem.

If a European producer competes with Chinese cars while depending on Chinese batteries, Chinese components, Chinese materials, Chinese processing capacity or Chinese industrial knowledge, it is not fighting from a position of full strength. It is competing with a system that controls part of its own future.

In the most uncomfortable scenario, Chinese companies would not even need to win every sales battle in European showrooms. They could pressure European producers through contracts, component prices, delivery terms, access to technology, battery supply and industrial dependencies.

Europe should not build a strategic industry in a way that gives its competitor that kind of leverage.

This also exposes how weak the “cheap Chinese labour” explanation is.

Yes, China has cost advantages. Yes, the Chinese state has used industrial policy aggressively. Yes, labour costs, scale, financing and subsidies matter.

But the explanation cannot stop there.

If a car costs around 23,300 EUR in China and arrives in Europe after transport, tariffs, taxes, homologation, distribution, regulatory adaptation, local market costs and margin, and it can still be sold at a price that threatens European producers, then the problem is not only cheap labour.

The more serious question is not why Chinese cars are so cheap.

The more serious question is why European cars are so expensive.



Tariffs can buy time. They cannot build competitiveness.

- ✗ do not make the Octavia more affordable
- ✗ do not simplify the configurator
- ✗ do not make European energy cheaper
- ✗ do not reduce the monthly payment
- ✗ do not give Volkswagen better batteries
- ✗ do not create industrial architecture

And if Chinese companies that produce cars partly in Europe can still offer vehicles cheaper than European brands, then the problem clearly sits deeper than labour cost. It sits in the architecture of energy, scale, supply chains, technology, product complexity, procurement, financing, regulation and industrial strategy.

This is why tariffs cannot be the answer.

Tariffs can be a defensive instrument. They can buy time. But tariffs are not an industrial strategy.

Europe cannot tariff its way out of a structural industrial crisis.

If Europe becomes too aggressive in a direct trade war with Chinese industry, China does not have to respond only with cars. It can respond where it has leverage: batteries, components, materials, processing, contracts, access, delivery terms, prices, technology and other industrial layers where Europe is already exposed.

Then the question becomes very simple: who is more resilient in an escalation?

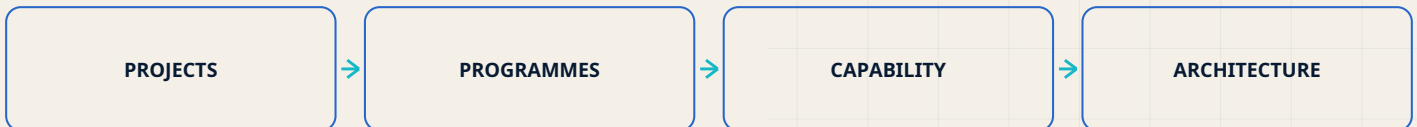
China has scale, domestic industrial depth, state coordination, battery strength, supply chain control and a huge internal market.

Europe has expensive energy, fragmented projects, complex regulation, ageing industrial structures, slow innovation mechanisms and producers that are already struggling to price mainstream products for their own customers.

A tariff can buy time only if that time is used to build real capability. If not, it becomes a tax on the absence of strategy.



Europe has been managing projects, not **building architecture**.



Higher tariffs do not make the Octavia more affordable for a European family.

They do not make European energy cheaper.

They do not give Volkswagen better batteries.

They do not simplify the configurator.

They do not reduce the monthly payment.

They do not rebuild Skoda's value proposition.

They do not create European industrial architecture.

They only try to make the alternative more expensive.

That is not the same thing as becoming competitive.

Energy is another foundational layer. Europe cannot have expensive energy and pretend it will compete with China in large-scale industry as if nothing changed. A car is not produced in a marketing presentation. It is produced in factories, component plants, logistics networks, supplier ecosystems and energy-intensive processes.

If the industrial energy base is structurally expensive, the final product will carry that burden somewhere.

This connects directly with the wider European problem. In energy, Europe has hundreds of projects, including many cross-border grid connection projects. But projects are not architecture. A pile of projects is not a system. It is hope with paperwork.

Europe needs an integrated energy architecture, not just separate initiatives that look active on paper.

The same logic applies to automotive.



The crisis was **visible** before it became public.

€5M / 5 YEARS • HARD MILESTONES • OWNERSHIP REMAINS YOURS

Europe has regulations, programmes, funds, announcements, targets, tariffs, subsidies, partnerships and political declarations. What it does not have is a clear industrial architecture strong enough to rebuild cost competitiveness, technological sovereignty and product relevance at the same time.

China has been building industrial architecture.

Europe has been managing projects.

That difference is now visible in Volkswagen.

None of this was unpredictable.

I have been saying for around ten years that Chinese automotive brands would become dominant enough to seriously threaten European manufacturers. The idea that China would remain a producer of cheap copies forever was always strategically naive. China was building batteries, platforms, scale, software, supply chains, manufacturing discipline, export capacity, financing tools and state-supported industrial depth.

Europe had time to see it.

Europe did not lack signals.

Europe lacked the will to redesign the system before the crisis became public.

Now Volkswagen is the headline, but Volkswagen is not the whole story. It is the place where many failures become visible at the same time: mainstream cars priced above mainstream purchasing power, electric vehicles too expensive against Chinese competitors, dependence on Chinese battery layers, expensive European energy, product complexity, overengineering, a configurator architecture built around perception, a shrinking private customer base, fleet exposure, weak industrial response and political reflexes that still confuse regulation with strategy.

Europe keeps trying to regulate the fire instead of extinguishing it.

The answer cannot be another soft innovation slogan, another symbolic grant, another platform, another committee, another document or another small programme that looks good in a press release.

Europe needs hard investment mechanisms for people and teams capable of building real technologies, products and companies.

A serious programme would not give someone 80,000 EUR and ask for a miracle. It would put 5 million EUR on the table for five years, define hard milestones and say: if you reach them, you do not repay it and the company remains yours.

That is not charity.

That is industrial survival.



VOLKSWAGEN

VOLKSWAGEN IS THE HEADLINE. EUROPE IS THE STORY.

Europe has to stop selling its minds and the effects of their work abroad. If someone in Europe can build a missing product, technology, infrastructure layer or company, the European system should be able to recognise that early and fund it seriously before the output is acquired, absorbed or outscaled by another empire.

Volkswagen's crisis is not only about Volkswagen.

It is about a continent that forgot that industry is not protected by nostalgia.

It is protected by architecture.

Volkswagen is not losing because Chinese cars entered Europe. Volkswagen is losing because Chinese cars exposed how far European automotive pricing, product complexity and industrial strategy drifted away from European reality.

The crisis became public now.

Structurally, it started much earlier.

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