

Porsche case study examples

[Business](#), [Customers](#)



1. 0 Background and introduction.

Porsche Automobile Holding SE, also known as Porsche, is a Germany company with numerous investments in the automotive sector. The headquarters of Porsche SE is based in Zuffenhausen and is mainly owned by the Pieche family and Porsche family. During June 2013, Qatar holdings ended up selling their 10% ownership giving the founding family 100% control. Porsche currently owns about 50. 72% of voting rights in Volkswagen AG and also 50. 1% in Porsche Zwischen holding GmbH, the main manufacturer of sports cars. In July 2012, Volkswagen AG ended up taking over Porsche completely, which is one of the main subsidiaries in Porsche SE. The brand name of Porsche is established as being a quality symbol with excellent performance and outstanding technical skills. The company has managed to preserve their image as being one of the best sports cars manufacturers for half a decade now and they are consistently expanding in various countries all over the world, such as India. During the period from 2006 to 2007 were about \$7367 and it was announced that the company is planning to expand their subsidiary, Porsche Cars India Private Limited's, in the luxurious segment of car. However, there were doubts that Porsche was about to lose exclusivity when it comes to expansion plans. Porsche had to make sure that their exclusivity is maintained as well in the India economy which is constantly changing and emerging (Ludvigsen, 2003).

2. PEST analysis and Porter's 5 Forces.

2. 1 PEST analysis

PEST analysis is the political, economic, social, and technological analysis forms of the organization's macro-environment. It is an essential decision

making tool used by businesses' in order to assess their external environment and create strategies keeping them in mind.

- Political factors

Political factors are the probable laws or regulations by the government, measures of security, and restrictions that are applied to industries. Political factors affecting Porsche are:-

- Laws and government regulations have been affecting Porsche and the automobile industry. These regulations are mainly revolved around environmental norms that are fulfilled the car industry.
- The India government has launched AUTO policy for its sustainable growth.
- Formulation of the fuel policy in India.
- Foreign equity investment is allowed up to 100%.

- Economic factors

Economic factors are related to the different exchange rates, growth of the economy, and the prevailing setting of the business in the industry.

- The buying power along with the surplus capital in India and their emergence in international marketplaces is a benefit to Porsche.
- The tax deduction is about 150% for research and design activities and in-house research.
- The government has granted several concessions, like decreased interest rates for activities like export financing. This is going to decrease costs for Porsche.
- The economy of India has grown by 8.5% per year.

- The manufacturing sector grew by 8% to 10% per year.

- Social factors

Social factors are the culture changes and shift in demographics that affect buying patterns and other consumer capacities.

- In India, the average size of families is about four members and this is why there is a very high possibility that they would purchase SUVs by Porsche.

- Urbanization growth. According to the PPP index, India has the fourth largest economy.

- Upward migration in the income levels of households.

- Customers in India are well-informed and a lot of them are highly educated.

This means that they place a lot of emphasis on the value they receive for their money.

- Technological factors

Technological factors include various technological aspects like research and design activities, automation, incentives in technology, and technological change rates. Technological factors can impact price, innovation leads, or quality.

- More emphasis is being placed on research and design activities to be carried out in India.

- Tax deduction by 150% for research and design activities and research that takes place in-house.

- India government is constantly promoting automotive testing and infrastructure for research and design.

- The internet makes it very easy to analyse feedback from customers and collect it.
- India is known for having the best information technology infrastructures in the world which would help Porsche in collecting information(Xiaomei, Zhaofang, &Ershi, 2009)..

2. 2 Porter's five forces

Source:(Porter, 2008).

- Threats of new entrants:

The threats of new entrants depend on challenges that Porsche is going to face when entering the automotive industry in India. In the situations, the three of new entrants is very low as large capital is needed to set manufacturing plants or assembly liners. It takes a lot of time for most new entrants to gain positive reputation in the consumers' mind. However, there have been reports that Maserati, is going to enter the automobile sector in India. Keep in mind that Maserati has a brand image that is very close to Porsche when it comes to manufacturing sports cars.

- Threats of substitutes:

Porsche has a reputation and brand image for being a powerful, fast, and luxurious car. This is the main reason why it is positioned in exclusive car ranges where there are also other substitutes such as BMW, Mercedes, and Toyota. Therefore, the threat of substitutes for Porsche is very high in this situation.

- Bargaining power of buyers:

As mentioned previously, Porsche is categorized in the exclusive range of products. This is why the bargaining buyers' power is going to be very high

and this is due to the fact that consumers can choose the product based on prices and purchase the products based on it. Also, the environmental issues that are constantly hovering over the automobile industry don't have an influence when sample substitutes are available.

- Bargaining power of suppliers:

Porsche has an excellent system for supply chain management along with long last relationship with various suppliers. In this situation, the suppliers' bargaining power is going to be high especially that suppliers dedicate price tags for raw materials. Even though long last relationship with suppliers can be fruitful, it is more than obvious that the final say is based on suppliers. This is even more apparent here because Porsche isn't vertically integrated. For example, large suppliers like VW provide numerous core components and this is why they have a lot of power. However, smaller input suppliers or sub-contracts don't have a lot of bargaining power and are mainly dependent on Porsche.

- Competitive rivalry

Competitive rivalry in this situation is very high especially that Porsche is considered to be even more expensive than other car models such as BMW (Porter, 2008).

.

3.0 Country origin effect

The country origin effect is a psychological effect that takes place when customers haven't heard about the product or aren't aware of it and the product's origin country images is what ends up shaping their evaluation. In this situation, Porsche is manufactured in Germany, which is known for being

one of the best countries when it comes to manufacturing and engineering. Germany industries also have home market that constantly demands quality, a workforce that is high skilled, a population that has pride of their work, and high quality apprenticeship and education programs. The demand for high quality services and products is what provided the main impetus for some of the leading industries in Germany, including Porsche. Home markets that constantly demand quality from their domestic manufacturers will create an expectation atmosphere for high quality imports and exports to other countries in the world, which in this situation is going to be India. A workforce that is high motivated will provide the human capital that is necessary for manufacturing products that are demanded by global markets. Costs that are associated with the process of assuring quality are usually decreased when production workforces are raised in atmospheres that take pride in their work. Also, Germany has a powerful country of origin effect due to political and economic conditions. Some of them include powerful anti-trust legislations, low entry business barriers, and common standards development which end up in promoting exports. The process of investment commitment is what led to Germany having an extremely high position in the automotive industry, engineering, mechanical, and electronics sectors. Also, the commitment of Germany when it comes to capital investments for machinery has resulted in the country having one of the strongest automobile industries in the world, which Porsche is an integral part from. Also, the infrastructure of Germany has traditionally provided excellent support for capital intensive growth and industrial expansion. Consumers are fully aware of all these factors and high quality products and services that

are provided by Germany. This is why they end up automatically assuming that since Porsche was created in Germany, it's going to be very high quality (Elliott & Cameron, 1994).

4, Market segmentation: geography (city); psychology; behaviour; demography.

Market segmentation is the process of dividing markets into homogeneous consumer groups which enables businesses to match their products better to the needs of customers. There are four segmentation bases and they are geographical, demographic, psychographics, behavioural, and the benefits that are sought from the product.

Geographic segmentation

India has one of the largest populations in the world. According to research conducted, most sales and the pattern of consumption that are made in India depend on the region. For example, customers in India who live in urban areas are most likely going to purchase Porsche. Also, customers in North India and cities such as Bombay and New Delhi are most likely going to purchase Porsche in oppose to those in South India as most citizens in the South suffer from poverty along with these being mainly farming areas.

Demographic segmentation

Consumers purchasing Porsche are most likely going to be between 30 years old and above as these are the individuals who already have stable jobs and can afford a luxurious car like Porsche. Men are most likely going to purchase the sports car than women in India and families are going to purchase the sedans. Keep in mind that most families are four members in India. When it

comes to class, middle class with a higher emphasis on upper class will be able to buy one of the Porsche cars.

Psychographic segmentation

Consumers buying a Porsche car either have a sporty, luxurious, or family lifestyle. When it comes to class, middle class with a higher emphasis on upper class will be able to buy one of the Porsche cars. Therefore, their main segmentation seems to be the upper class of customers.

Benefits sought

There are two main reasons why Indian consumers might purchase a Porsche and this is due to convenience and increasing their self-esteem. Purchasing a luxurious car like a Porsche can enhance the self-esteem of the consumer especially in a country like India where many people can't afford an expensive vehicle like this one.

Behavioural segmentation

The involvement level and loyalty status of Porsche consumers is very high. It is unlikely that the consumer is going to switch to another type of vehicle after using Porsche. The usage rate is also very high especially when it comes to consumers who purchase the car for their family. When it comes to the buying stage, most consumers will gather information first and then purchase the vehicle especially that this is a big investment for many people. Brand knowledge is high due to professional and effective advertising campaigns implemented by Porsche in India and the world(Wedel, 2000).

5. 4Ps of Porsche in India

Product: Porsche is a high performance and luxurious sports car. The

products provided by Porsche are completely different and range from sports cars to sedans for families. However, they are providing a luxury product which differentiates them from the mass producers of cars.

Price: Porsche is placed in the high price automobiles category. The price range is \$48, 000 to \$136, 000 which gives the vehicle the automobile maker an elite status and is considered to be more costly than other types of models. In India, there are also payment instalment plans if the consumer isn't able to pay full price for the car completely. This is something exclusive to the Indian market, which they have started providing keeping the buying preferences of their consumers in their mind. This strategy has also helped them reach out to a wider base of customers.

Place: Porsche vehicles are sold exclusively through Porsche dealers that are spread across the country in India. Cities where consumers can find local Porsche retailer in are Mumbai, Kolkata, Hyderabad, Gurgaon, Chandigarh, Bengaluru, and Ahmedabad. There is also a team in India known as “ Porsche Flying Doctors who travel through the country if any support or assistance is needed. They can even go to cities where retailers aren't available and this is considered to be an extremely high quality service compared to the ones in India. A specialized online website for India was also created where potential customers can view all the different car models available.

Promotion: One of the main slogans of Porsche is “engineered for magic every day.” Lately, Porsche shifted their focus to advertising that is consumer focused and the promotion campaigns include advertisements on TV, print, and direct mail (Constantinides, 2006).

References:-

Ludvigsen, K. (2003). Porsche: Excellence Was Expected. *Triumph*, 28, 29.

Xiaomei, L., Zhaofang, M., & Ershi, Q. (2009). Study on Global Logistics Integrative System and Key Technologies of Chinese Automobile Industry. In *Management and Service Science, 2009. MASS'09. International Conference on* (pp. 1-4). IEEE.

Porter, M. E. (2008). The five competitive forces that shape strategy. If you read nothing else on strategy, read these best-selling articles., 25.

Elliott, G. R., & Cameron, R. C. (1994). Consumer perception of product quality and the country-of-origin effect. *Journal of International Marketing*, 49-62.

Wedel, M. (2000). *Market segmentation: Conceptual and methodological foundations*. Kluwer Academic Pub.

Constantinides, E. (2006). The marketing mix revisited: towards the 21st century marketing. *Journal of Marketing Management*, 22(3-4), 407-438.