

Porsche cayenne

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JOHN DEIGHTON JILL AVERY JEFFREY FEAR op yo Porsche: The Cayenne Launch In March 2003 the Porsche brand faced a challenge without precedent in 55 years. Since the e launch of the Porsche 356 in 1948, the brand had stood for expensive, high-performance sports cars. Its designs, varying little over the decades, formed and then came to reflect the notion of a classic n sports car. It was a connoisseur's racing vehicle, engineered for speed and maneuverability. But it was also a rebel's car; the car James Dean died in and that Tom Cruise ditched in the motion picture Risky Business.

Always and everywhere, Porsches were sports cars. tC 2003 marked the end of this single-minded focus. In March of that year, it launched a sports utility vehicle (SUV), the Porsche Cayenne. The extension of the brand to a new product category posed many challenges. Looking ahead, the company had to think about how to position the Cayenne while protecting the Porsche parent brand. How much and in what ways would the Cayenne change Porsche's image and brand identity? The company also had to decide what to do about the on oing consumer-to-consumer ng conversations in online Porsche brand communities.

Some argued that online brand communities were an important source of consumer research. Others argued that the consumers who participated in the online conversations held views more extreme than the average consumer. Were they of any value in deciphering the market's renegotiation of Porsche's brand meaning? n No The Legacya Do Ferdinand Porsche was born on September 3, 1875 in Bohemia, part of the former AustroHungarian Empire. After a brief stint as Daimler-Benz's technical director, he left the company, which did not want to build small, fast cars for the public.

Unemployed at 55, Porsche started his own design firm. The staff grew to include some of the luminaries of German automotive engineering, Porsche's son, Ferdinand Anton Ernst " Ferry" Porsche, his son-in-law, Anton Piech, whose son became chairman of Volkswagen, and a handful of key engineers. Ferry became head of engineering research and development. This section draws from Jeffrey R. Fear and Carin-Isabel Knoop, " Dr. Ing. h. c. F. Porsche AG" (A) and (B), HBS Nos. 706-018 and 706-019 (Harvard Business School Publishing, 2006).

_____ HBS Professor John Deighton, Jill Avery (Simmons School of Management), and Jeffrey Fear (University of Redlands) prepared this case. This case was developed from published sources. HBS cases are developed solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary data, or illustrations of effective or ineffective management. Copyright © 2011 President and Fellows of Harvard College.

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In 1934, Adolf Hitler asked Porsche to develop a family car that was both cheap and reliable—thus the “people’s car” or Volkswagen, was born. Its design was intended to evoke the German infantry helmet and honor National Socialist ideals. During wartime, Porsche focused on tank design, including the formidable “Tiger.” In June 1948, the company launched the 356, the first automobile to carry the Porsche brand mark. A Volkswagen factory manufactured the 356b, with its tubular spaceframe chassis, aluminum body, and rear-mounted four-cylinder engine, until Porsche opened its own production facility in Stuttgart-Zuffenhausen in 1950. See Exhibit 1 for company milestones. In 1953, Porsche produced its first racing car, the 550. In 1964 came the iconic 911, also a racing car. Designed by Ferry’s eldest son, the rear-engine vehicle became a twentieth-century design landmark. In the 1970s, Porsche and Volkswagen collaborated on launching the 914. In 1972, Porsche became a joint stock company (Porsche AG) with the Porsche and Piech families on the board. Porsche AG was nearly derailed by the U. S. stock market crash in 1987.

Sales volume collapsed from a peak of 50,000 cars in 1986 to 14,000 in 1993. ² At the time Ferry Porsche commented: “I certainly have not given away my family name to sell off and cash out the company to the highest offer. This philosophy might hold true for Americans, but not for us.” ³ In 1991, Porsche launched the first of several cars at price points lower than traditionally associated with the Porsche brand. The 911 RS America was a no-frills version of the long-running rear-engine 911 model; priced at \$54,000, it ran about \$10,000 under traditional Porsche prices.

This was followed by the entry-level 968 at about \$40,000, close to the \$37,000 Nissan 300ZX Turbo or the \$33,000 Mazda RX-7. 4 Design and production changes continued in 1992 with the introduction of a revamped, water-cooled 911, the 996. The decision to break with the past and replace the traditional air-cooled engine with a water-cooled engine was seen as a sacrilege to many Porsche purists. No Wendelin Wiedeking became Porsche's executive director (CEO) in 1992. In the mid-1990s he steered Porsche through one of its most noteworthy turnarounds.

He staved off bankruptcy by cutting costs, paring the product line to two models, bringing Japanese manufacturing processes to Porsche's plants, and expanding into 70 global markets—30 more than in 1993. 5 Do In 1996, Porsche launched the \$40,000 Boxster, a zippy two-seater with an “entry-level” price. In departures from tradition, the Boxster shared 40% of its parts with the 996 and was assembled by a third party contract manufacturer, Valmet Automotive, in Finland, rather than at b Porsche 356 Photograph Courtesy of Stephen Hanafin, <http://www.flickr.com/photos/shanafin/432562761/>, Porsche Racing Photograph Courtesy of James Emery, <http://www.flickr.com/photos/emeryjl/4620731098/>, Porsche 911 Photograph Courtesy of Collector Car Ads, [http://www.flickr.com/photos/\[email protected\]/4586382193/](http://www.flickr.com/photos//4586382193/), Porsche 996 Photograph Courtesy of lacomj, [http://www.flickr.com/photos/\[email protected\]/3813925902/](http://www.flickr.com/photos//3813925902/), Porsche Boxster Photograph Courtesy of The Car Spy, <http://www.flickr.com/photos/thecarspy/2641636681/>, Porsche Cayenne Photograph Courtesy of The Car Spy, <http://www.flickr.com/photos/thecarspy/47216338591/>. This

document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright. harvard.edu or 617. 783. 7860. 511-068 rP os t Porsche: The Cayenne Launch Porsche's legendary Zuffenhausen plant. " We had no choice," said Wiedeking, stressing that on-site German assemblers and engineers ensured that the Boxsters assembled in Finland were " 100% Porsche" 7 and just as good as those made in Germany. 8 The SUV Betc op yo In 1998, Porsche announced its plans to develop an SUV.

By then, the 50year old firm was back on solid financial footing and its stock price was outrunning the national DAX index by 180% (see Exhibits 2 and 3 for stock and financial information). The Porsche Cayenne SUV would be the company's third model series, joining the 911 and Boxster sports cars, and the first developed and launched entirely under Wiedeking's watch. He wanted the vehicle to combine traditional Porsche styling and performance with off-road driving capability and a spacious interior, placing more emphasis on " sport" than " utility. The new car had to retain the brand's style and panache while accommodating family, outdoor, and transport activities. Wiedeking felt that SUVs were " nearer to the sports car business than sedans. We also looked at minivans, but we do not want an eighth ' me-too' product. It has to be a real Porsche in terms of chassis, performance, and design"—Porsche's core strengths. 9 The average Porsche customer already owned three cars: an SUV, a sedan, and a Porsche sports car. 10 Wiedeking saw an opportunity: " We know from our surveys that a lot of our customers are waiting for a Porsche SUV.

Then there will be no doubt that customers can proudly park their SUV next to a Mercedes S-Class and other cars like that. " 11 tC Porsche wanted to leverage its premium brand to enter a hot, new market to capture incremental growth and to diversify the business to hedge against potential declines in the sports car segment due to economic fluctuations. The company observed other car manufacturers like BMW and MercedesBenz successfully leveraging their brands across a wide range of product categories and wanted to do the same.

SUV optimists argued that Porsche had creatively found a way to diversify its aging model range in an oversaturated market. They estimated a breakeven number of 10, 000 units priced between DM 100, 000 and DM 120, 000. By building 20, 000 SUVs a year, Porsche could boost its total sales by 50%. 12 The SUV Market Do No In the late 1980s, the Ford Explorer legitimized the SUV as the quintessential American family vehicle. The SUV's popularity with U. S. drivers was attributed to the nation's historic affinity for larger cars and trucks that could serve for both work and personal use.

This new breed of vehicle was viewed as innately " American. " Its rugged and powerful appearance, and the promise to combine the carrying capacity of station wagons with the off-road capability of pick-ups, offered an alternative to old fashioned family suburban and rural utility vehicles. The sporty and aggressive design appealed even to those who would never dream of taking a car into rough terrain, namely preppy, youthful professionals, including working women and stay-at-home mothers (colloquially known as " soccermoms") who preferred not to be associated with station wagons and minivans.

After Ford's successful launch of the Explorer, other leading manufacturers both in the U. S. and abroad (Japan, Germany) followed with their own models. By the late 1990s, the SUV market was deemed intensely competitive, as many manufacturers strove to offer SUVs with car-like agility, the space of a mini-van, and the utility options of a sport vehicle. Fortunately for owners of such large c This section draws from Jeffrey R. Fear and Carin-Isabel Knoop, " Dr. Ing. h. c. F. Porsche AG" (A) and (B). 3 This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013.

Copying or posting is an infringement of copyright.harvard.edu or 617. 783. 7860. Porsche: The Cayenne Launch rP os t 511-068 cars (SUVs weighed 4, 000 to 6, 000 pounds; cars 2, 000 to 4, 000 pounds), gasoline prices in the U. S. remained very low by global standards. In 1998, light trucks, including SUVs, captured 51% of the new U. S. vehicle market, double the share they had 20 years before, propelled by a strong economy, demand for roominess (some even had 10 cupholders) and the perception of enhanced driver visibility and safety. op yo

Porsche's SUV would join an already crowded market, estimated at about two million units in early 1998. Still, the category ranged from pick-ups, light trucks, and small jeeps to high-end entries such as the Range Rover—the only SUV with a base price over DM 100, 000. 14 A successful high-end, high-performance Porsche SUV could trigger me-too followers within two to three years, thanks to the compression of development intervals within the automobile industry. Already, Mercedes Benz was considering an M-Class

SUV vehicle with a 300-plus horsepower engine. BMW was also rumored to be interested in developing what would later become the X5.

Other European, Japanese, and American brands were looking into developing luxury SUVs, including Lexus, Infiniti, Audi, Lincoln and Cadillac. The potential for such new entrants threatened the sustainability of Porsche's sales forecasts of 20, 000 SUVs each year. 15 By 1996, the premium SUV market was proving its success. Sales of the 1996 Mercedes off-roader M-Class demonstrated a demand for luxury SUVs (see Exhibit 4 for SUV market information). Luxury/crossover SUVs targeted the high-end market with top quality interior amenities such as stylish materials (wood and leather) and lowered suspensions.

Sales of high-end SUVs—those costing between \$43, 000 and \$49, 000—were expected to reach 300, 000 in 1998 (up from 75, 000 in 1995)16. Exhibit 5 shows SUV sales forecasts by region. Cadillac was expected to launch an SUV in 1999, and Ford was testing a 19-foot “ crew wagon” with a V10 engine. tC Competition in luxury SUVs was intensified by major Asian players. Lexus, Toyota's luxury auto division, saw its small LX 450 SUV grow to nearly 30% of all U. S. Lexus sales in just a few years. Acura (Honda), Infiniti (Nissan), and Mitsubishi already had luxury offerings in the U. S. arket. Nissan's Xterra SUV was planned for 2000. 17 Launching a luxury SUV was an expensive bet for Porsche. R&D alone amounted to €300 million, and capital expenditures for new plant and equipment tripled between 2000 and 2002. 18 No Wiedeking was confident in his SUV strategy: “ Our new sport utility vehicle will not only correspond in full with Porsche's high technical and visual standards, but will also pave the way for future growth potential in

the sales, turnover, and earnings areas” he promised. 19 An SUV would give Porsche “ a new dimension in both profit and revenues. 20 Fred Schwab, President of Porsche Cars North America explained, “ What is going to distinguish us from them [Porsche’s competitors] is that they are making practical vehicles that are good off-road, but are essentially there to get your groceries and take a ride on Sundays. Porsche is in the business of making fun cars. The Cayenne will go faster, handle better and you will be more comfortable in it. It won’t swing and sway... It will go from zero-to-sixty in 5.4 seconds. This SUV will be fun to drive. It will be an SUV sports-car lovers will love. ” 21 Do By 2002, SUVs were under attack in the U.

S. by cultural critics. Starting in 1997, Keith Bradsher, a prominent reporter for the New York Times, spent four years writing scathing critiques of SUVs that culminated in a book launched in 2002 entitled “ High and Mighty: The Dangerous Rise of the SUV. ” In his articles and book, Bradsher debunked the widely held notion that SUVs were safer than cars and held up SUVs as a prime example of how American consumerism was contributing to global warming. Some began to question the long-term attractiveness of the SUV segment, predicting a move towards smaller, more fuel-efficient cars. 2 4

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harvard. edu or 617. 783. 7860. 511-068 rP os t Porsche: The Cayenne Launch Bradsher also painted an unflattering portrait of SUV buyers, “ Who has been buying SUVs since automakers turned them into family vehicles? They tend to be people who are insecure and vain. They are

frequently nervous about their marriages and uncomfortable about parenthood. They often lack confidence in their driving skills.

Above all, they are apt to be self-centered and self-absorbed, with little interest in their neighbors or communities. ” 23 Bradsher criticized SUV owners for buying SUVs with functionality that they didn't need, citing auto-industry surveys that showed that less than one in 100 SUV owners took their SUVs off-road. Bradsher connected the SUV to “ soccer moms” who were rejecting minivans and opting into SUVs as their vehicle of choice. Exhibit 6 shows consumers' perceptions of SUV drivers and Porsche drivers. Listening to Consumers in Online Communities The Rennlist Community op o Web communities provided an opportunity to observe how Porsche owners reacted to the announcements and actions of the company in the months leading up to and following the Cayenne launch. The launch lit up the numerous and diverse online brand communities devoted to Porsche, as enthusiasts around the world came together to talk about this cataclysmic event in the life of their brand in chat rooms, web discussion forums, and blogs. One such community was Rennlist. tC Rennlist, [www. Rennlist. com](http://www.Rennlist.com), was an international online community of Porsche enthusiasts founded in 1998.

At the time of the Cayenne launch it had 36, 000 active posters of comments and a lurker population of 200, 000, a silent audience who read but did not participate in the discussions. Rennlist provided a virtual communal gathering place for Porsche enthusiasts, as highlighted in the site's mission statement: “[Our members] look to Rennlist as their community, their international club—and their ‘ daily dose’ of what we are all bonded by—an

uncommon sense of loyalty to the Porsche marque as well as to other Rennlist members throughout the world. Rennlist was independently owned and run by Porsche enthusiasts and was not affiliated with Porsche, although some local Porsche dealerships enjoyed commercial sponsorship through advertising banners on the site. No One of the most used features of Rennlist was its web forums, online discussion boards where members engaged in ongoing dialogues with each other by first initiating topics of conversation with a seed post, and then listening and responding to others' comments in asynchronous conversations. All posts were public and were archived on the website for posterity.

In the words of a Rennlist member, the web forums simulated a virtual fraternity: " I haven't had as much fun talking about cars in many years, than I've had on these forums. Many times it's like sitting around a big roundtable with everyone having beers and telling war stories & giving each other help. It's fraternity; and I appreciate it. " While anyone who joined could post to Rennlist's discussion forums, the majority of posters claimed to own at least one Porsche vehicle. Most posters used a virtual signature which contained a list of their Porsche cars.

The Porsche Brand as an Identity Marker Do Rennlist posts painted a picture of Porsche as an ego-expressive brand. While postings seldom addressed the issue directly, a sense of Porsche as a masculine identity marker was palpable in the kinds of topics discussed: the focus on performance metrics, engineering standards, and admiration for Porsche's manufacturing and racing prowess. Occasionally, however, posts like this appeared: There's super hot women everywhere, ignoring us...tons of hotties, no love (and in

some cases a bit of attitude and contempt) from any of them... until we walk outside and head to my 996. When it is apparent as to which car we are going to, I hear, ' Mr. bald guy' (I have 5 This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright.harvard. edu or 617. 783. 7860. Porsche: The Cayenne Launch rP os t 511-068 no hair) ' Where are you going? Come back' from a group of about 10 absolutely drop dead beautiful, tightly clothed, amazingly sexy women on the patio. (Rennlist post)

Porsche as a socio-economic status marker was seldom expressed directly, and often expressly denied: I'd like people to see me in my Porsches and think ' there goes a person who really appreciates his sports cars,' not ' there goes another yuppie with more money than brains. ' (Rennlist post)

Initial Response of Porsche Enthusiasts to the Prospect of the Cayenne Launch op yo Hostility to the launch of the SUV was intense. A scan of Rennlist showed conversations about the Cayenne reaching a fever pitch as the launch approached.

Exhibit 7 shows the number and valence of posts over time. In the New York Times, the founder of Porsche Pete's Boxster Board (another Porsche online brand community), claimed " No other Porsche - past, present, or future - comes close to generating the kind of [on-line conversation] response that the Cayenne has. " 24 Some posts suggested that a source of pride was about to become a source of shame. It makes me embarrassed of owning a Porsche...kinda like that relative you don't want to admit sharing the same bloodline.

Ugh! (Rennlist post) I am actually ashamed of Porsche stopping to be a pure sports car company...A SUV (SlowUgly-Vehicle)!! The ANTI-SPORT CAR, a heavy, slow, clumsy, and roll-over happy SUV will share the same emblem on its hood than our sportscars. Sad times for Porsche. (Rennlist post) tC Some Porsche owners posted that they were leaving the brand for rivals Ferrari, Aston Martin, or Maserati, after claiming that Porsche had “ sold out. ” Others collectively mourned the loss of the brand they knew and loved.

As key design, engineering, manufacturing, and marketing decisions were released by Porsche, consumers used Rennlist as a place to vent displeasure. There just aint nothing Porsche in a SUV. (Rennlist post) No I have been exposed to Porsches since the age of 10. I have seen all the models come and go, but the Cayenne is the first non-sports car to come up and I really don't like this direction at all. Porsche has always been synonymous with ‘ sports car’ and now somebody can say ‘ I have a Porsche...’ and mean a Cayenne! I could not imagine a Ferrari SUV for example! (Rennlist post)

Do Just as they had done with earlier models, enthusiasts criticized design and engineering attributes of the SUV. The Cayenne's front-mounted, water-cooled engine offended “ real Porsche” purists. Early photographs of the Cayenne were met with ridicule in the online community, and sparked many conversations about how ugly the Cayenne was and how it resembled the Hyundai Santa Fe. Some argued that the Cayenne's design was feminine and lacked the manly stance of competitors like the Hummer and the Jeep. Porsche enthusiasts were also dismayed that the Cayenne included unnecessary” amenities such as cupholders and a tiptronic automatic transmission, which suggested that the Cayenne was designed for drivers

who valued luxury over driving performance. These features confirmed that the Cayenne was not designed as a driver's car, but rather, that it was designed to appeal to what Porsche owners called "suburban, yuppie, soccer moms." In online conversations, Porsche owners repeatedly called the Cayenne a car for "poseurs," people who did not understand the history, 6 This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013.

Copying or posting is an infringement of copyright.harvard.edu or 617. 783. 7860. 511-068 rP os t Porsche: The Cayenne Launch heritage, and performance of a Porsche, but who bought the brand merely for its status or image appeal. 20 years ago, when you said you had a Porsche, people looked at you with envy. 10 years ago, when you said you had a Porsche, people looked at you with envy. Today, when you say you have a Porsche, people will reply: oh, those trucks? I got one of those too. (Rennlist post) I just felt really sad.

Now 'soccer moms' can drive their kids around in a Porsche. Pretty sad. Look at the level that Porsche has been brought down to. BIG MISTAKE (Rennlist post) op yo And the people who will use it!!! Suzy-Housewife, as well as Dorky Dick who's been beaten up through high school finally bought his first - ahem, PORSCHE got the A-OK from the wife - 'so long it's practical dear'!!!!!!! (Rennlist post) The Cayenne will be bought as a car for the poser wife to take the kids to school, the only time it will go off road will be when it goes up on the curb.

Come on how many real rear engined Porsche enthusiasts will buy one. (Rennlist post) Product Development and Manufacturing Criticism No tC <https://assignbuster.com/porsche-cayenne/>

Porsche's product development and manufacturing decisions figured prominently in the "real Porsche" debate and became fodder for arguments against the Cayenne. By spring 1998, Porsche was negotiating with Volkswagen to jointly develop and manufacture SUVs. Under the proposed arrangement, Porsche would undertake the research and development of the SUV and Volkswagen would invest about \$657 million in the project. 5 The new SUVs would share close to 65% of their parts and modules—the same chassis and some technologies—but showcase different exterior styling, engines, and chassis tuning. Porsche would develop the two models as well as the common platform. VW would be responsible for major aspects of production, with final Cayenne assembly to be conducted by Porsche. 26 Partnering with VW was "an ingenious coup," an observer noted: "Half of Porsche's profits come from the Cayenne. That model was developed in collaboration with VW and was built in VW plants. The car is 90 percent VW and 10 percent Porsche. 27 Skeptics worried about paying Porsche prices for a VW, but were assured that the R&D of the new model was purely Porsche's domain, while its partner would oversee only the production of some major components, excluding the engine. 28 But as one financial analyst opined, the Cayenne would "push Porsche's brand credibility to the absolute limit. " 29 Porsche's partnership with Volkswagen caused consternation among Porsche enthusiasts. Earlier Porsche cars produced with Volkswagen, such as the 914 and 924, had been criticized by enthusiasts as "faux" Porsche vehicles. Many claimed that the Cayenne was a "Porsche-ized VW" built with too much

Volkswagen content. When Porsche launched a V6 model of the Cayenne which contained a Volkswagen engine, instead of the Porsche engines featured in the V8 and Turbo models initially launched, Porsche consumers cried heresy. When some independent testers chose the Volkswagen Touareg over the Porsche Cayenne in performance tests, consumers cemented their skepticism and claimed that, suddenly, “there was a substitute” for a Porsche, and it was a Volkswagen Touareg. Do Porsche and VW do not seem to be in bed on this project, they are in bed on this project. They are both exactly the same basic vehicle.

VW gave Porsche the chassis and said go and design a SUV if you want to be our partner on this...So the VW Toureg and Porsche Cayenne are both Porsche designed on a VW chassis and when they are pulled off the line to go up to Leipzig you will not be able to tell the difference. Only when the Cayenne leaves Leipzig will it look any different. When it has been Porscherised with engine and cosmetics. (Rennlist post) 7 This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright.harvard.edu or 617. 783. 7860. Porsche: The Cayenne Launch P o s t 511-068 Sorry, the Cayenne is a Porsche... While some of the design is shared with VW and some components built @ VW factories, Quality Control was still supervised by Porsche... A good analogy to your argument would be having Emeril Lagasse prepare you a dish at his restaurant and then prepare the same dish at your home. Still the same dish, just produced elsewhere... (Rennlist post) Enthusiasts were distressed to find that the Cayenne had a Japanese transmission. They saw this as a further decline in build quality that came

when Porsche switched to Japanese manufacturing processes and away from its handcrafted heritage.

In their online conversations, enthusiasts yearned for the days when their Porsche cars were Porsche designed, constructed from German-made parts, and manually assembled in Germany by racing engineers. op yo I was reading in Panorama last night that the Cayenne has a 6 speed tip tranny which is produced in Japan. Is this true? Seems like Porsche is just outsourcing as much as possible to keep profits high. Both my cars have Japanese parts (A/C), but nothing so substantial as a transmission. What's next, engines from the Far East? I'm less and less impressed every day I read more. Rennlist post) IMHO a German car with German Ing should have German parts, especially for something as major as the tranny. Isn't that part of the identity of the brand? oops.. forgot, Porsche doesn't value the brand identity that was built over the last 50 years anymore. The old professor [Ferry Porsche] dies and look what happens... an SUV. (Rennlist post) No tC Personally the thought of purchasing a Porsche with some of its major components outsourced to the Far East is analogous to buying what you think is a fine Swiss time piece that turns out to have a cheap(er) Japanese movement inside.

To me that would be unacceptable. Yes, both work, and work well, but the reason you bought the Swiss one in the first place was to get the hand crafted Swiss quality and workmanship that dates back hundreds of years...I certainly hope this will not be the future for Porsche cars. Those who know the real definition of build quality know exactly what I am talking about. Most Japanese stuff isn't even worth rebuilding, because it is designed to be

replaced when it is done. The old German design and build philosophy was much different than the modern Japanese design (if there is such a thing) and build philosophy.

Porsche cars used to be about hand crafted high quality performance, but all that seems to have gone out the window these days just to make more profits. (Rennlist post) Wiedeking defended his design and manufacturing decisions, claiming that Porsche focused on its core competencies: engine manufacturing, R; D, body shell work, assembly, quality control, and “ highly professional” distribution, while relying on “ extended work benches” at Valmet, VW, and its network of suppliers. It reduced its in-house production depth to one of the lowest in the industry, shared some components with VW such as electronics, and split R; D costs with VW. 0 Do Finally, Porsche’s decision to build the Cayenne in Leipzig, in the former East Germany, put into question whether the Cayenne could be a “ real Porsche. ” Rennlist members who visited the Leipzig plant brought back bad news. The Leipzig plant was little more than a final assembler, with most of the assembly work being done by automated machines. To enthusiasts, the Cayenne’s assembly in Leipzig put into question its “ Made in Germany” moniker. Leipzig did not carry the German manufacturing heritage of Zuffenhausen; its location in East Germany was associated with the Communist era.

Nice try, but aren't our Cs actually built out in some Skoda plant in Eastern Europe and then final assembled in Leipzig? This may explain some of the initial build quality problems. 8 This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright.harvard. edu or 617. 783. 7860.

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511-068 rP os t Porsche: The Cayenne Launch I've read that the Eastern European manufacturing workforce has some of the attitudinal and work ethic habits of 1970s era Detroit car builders. God forbid. (Rennlist post)

Here is a firsthand report of someone who visited the Leipzig factory on March 19, 2004: What amazed me most was how small it was. They really were just integrators and assemblers there. Much of the car (the upper shell and interior) comes in from Bratislava, and the power plant from Zuffenhausen. The tranny from Asia and it is all put together and "married" with 18 BOLTS! That's it! Funny. After it is put together, they test drive EACH ONE on the track. I found that to be very interesting quality control, and also a testament to the difference between a VW and a Porsche. Clearly, the Cayenne is not built in Leipzig.

Leipzig is where the final assembly and final QC are done. I'm sure that the quality control of Porsche is much better than that of VW. But it is not a car manufacturing plant. (Rennlist post) op yo Having toured the factory in Leipzig two weeks ago, I can assure you that the Cayenne final assembly is mostly by machine, NOT by hand. The level of automation is amazing. It takes 170 production workers per day to produce 130 Cayennes per day. It takes 80 production workers per day to produce 2 Carrera GT's per day! (Rennlist post) And on their website they are boasting about how it's Made in Germany and what that means.

Maybe the thing should say kinda-put-together in Germany. (Rennlist post) tC Wiedeking defended his decision to assemble in East Germany: " The Leipzig location brings our firm advantages, otherwise we would have never built the plant there. But we also create jobs in an economically weak region.

<https://assignbuster.com/porsche-cayenne/>

" 31 However, a Porsche spokesperson confirmed the importance of manufacturing location to Porsche enthusiasts, "[Location] is not an uncritical issue. People think that as a car comes off the line at Zuffenhausen, Ferdinand Porsche comes by and caresses the car with his hand, and that makes it an official Porsche.

Of course, Ferdinand Porsche hasn't been doing that for some time. " 32 Hostility Toward Cayenne Buyers In December 2002, European dealers began to sell the Cayenne, and in March 2003 it was on sale in the United States. Postings by some Porsche owners took on a threatening tone. Try owning a Cayenne and see how you're treated by other Porsche owners. (Rennlist post) No Oh and just so you guys know...you are the laughing stock of all other Porsche owners. (Rennlist post) One thing is for sure: the SUV is NOT my brother! I always accepted the other models in the family - the 928s, 924s, Boxsters, etc.

They were all sports cars. But the SUV: never! (Rennlist post) Others echoed the earlier concern that the new car would shame them. Do People will buy these Porsche S. U. V. 's because they're a fad, and they'll embarrass the real Porsche crowd. They're not going to know how to drive and they'll do stupid things. It's scary to think about. (Rennlist post) There was a wish to purify the community by exclusion or ostracism. On the road, Porsche owners refused to extend their fraternal greeting to Cayenne owners, limiting it to sports car owners only.

They tried to block Cayenne owners from joining local Porsche clubs and refused to allow them to race alongside sports cars in club-sponsored racing event. 9 This document is authorized for use only by Uma Jaidev at VIT <https://assignbuster.com/porsche-cayenne/>

UNIVERSITY until August 2013. Copying or posting is an infringement of copyright.harvard.edu or 617. 783. 7860. Porsche: The Cayenne Launch rP os t 511-068 So how about the Cayenne? Seems kinda funny flashing lights at an SUV even if it has a Porsche badge...Don't think I can... (Rennlist post) I'm with you guys on the Cayennes. I don't wave to drivers of re-badged VW Touregs either. Rennlist post) Please don't flash your lights or honk your horns at me. You will only see my longest finger back at you. (Rennlist post) My point it that all SUV owners should take their toys and play in their playground. NOT in mine. Find other SUV's go to the track and have fun together. (Rennlist post) op yo There's still one problem: A Cayenne, driven by the owner of other Porsche cars may be able to perform miracles that would embarrass all competitors in an autocross situation but the scary thought is that PCNA [Porsche Cars North America] are betting that many Cayenne owners will not be previous Porsche drivers.

Having these people who could be unaccustomed to a vehicle of such power, may very well overstep their abilities in trying to keep up (or prove themselves) to the rest of us and cause some real damage. Yes, I'm biased against the Cayenne. Yes, I think the whole idea of a Porsche SUV is a mistake. (Rennlist post) The newcomers would not understand the values of the community they sought to join. They have little of no feeling of belonging, no understanding of the lineage of Porsches and where their cars were derived from. They don't care about that, most are probably just poseurs. Rennlist post) tC It'll be piloted by folks who woulda bought the Mercedes Benz/Range Rover if there weren't five of them in the subdivision already, who wouldn't consider a Lexus because it's ' jap crap' and who think

BMW/VW is beneath them. They're not enthusiasts, they're consumers. They won't know or care that old time P-snobs will shun them. (Rennlist post) Cayenne Buyers Respond Some Cayenne buyers sought to broaden the Porsche community to include themselves as members of good standing, or at least to appeal to the better natures of the old guard.

No This sense of kinship is getting lost due to lines being drawn between one group to another. (Rennlist post) I thought being a Porsche owner was like joining some sort of fraternity of something... but it's more like [Boxster, Cayenne] owners are the red-headed step child of some dysfunctional Porsche family. Did all entry level Porsche owner's get this much crap when they bought their new Porsches? (Rennlist post) Do So am I to understand that you are allowed to rail against and hurl invective and others are not? Look. You like your car, I like mine.

I'm not going to bash yours, and I go out of my way to salute yours. Why do you continue to bash my choices? (Rennlist post) Please start being nicer to each other. This is not the correct time to start having a go at each others throats. (Rennlist post from a site moderator) Sadly, the ranks of Porsche owners seems to be populated by those into model specific devisiveness and comparison pissing matches. Where once a camaraderie of enthusiasm existed, now lies a state of SUV owners looking for the next status symbol and those remaining 10

This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright. harvard. edu or 617. 783. 7860. 511-068 rP os t Porsche: The Cayenne Launch few who love the maker of their dream cars fight with <https://assignbuster.com/porsche-cayenne/>

one another over which model is best and how effeminate or inadequate another model is compared to theirs. (Rennlist post) Spillover into the Offline World While the “ real Porsche” debates raged on Rennlist, Porsche enthusiasts began to take their criticisms into the offline world.

Consumer-generated-advertising spoofing the Cayenne made its way around the Internet (see www.flickr.com/photos/alecmcint/447172 for a sample). Consumers circulated bumper stickers, license plate frames, and t-shirts for the Cayenne with slogans like “ My other car is a REAL Porsche. ” Cayenne’s advertising featuring headlines such as “ Only one sport utility vehicle has bloodlines like these” and “ Another twisted branch on the family tree” set off online rants. An article in Internet magazine Autoextremist captured the mood: op yo

Porsche’s advertising campaign for the new Porsche Cayenne is the latest attempt to link its ungainly SUV to its greatest sports car and traditions, and in doing so it achieves a new low for the once-bulletproof brand by at once dismissing its own legacy and insulting the intelligence of every auto enthusiast—Porsche, or otherwise—in the process...A stretch that only delusional Porsche marketers could possibly attempt—and a flat-out insult to every great Porsche sports car that has come before it...To link it [the Cayenne] in any way to some of motordom’s most historic and legendary machines is an outrage. 3 tC What was said and done on Rennlist traveled beyond the online community. Compelling posts were often copied and pasted to other online communities and to personal and professional blogs. Press reporters used online brand communities like Rennlist to find consumers who were willing to talk about the brand in the press. Porsche

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owners quoted in news stories about the launch were longstanding, active online brand community members. The mainstream press began to reflect the online zeitgeist of the Porsche enthusiasts.

Autoextremist warned that “[The SUV] threatens to destroy the very soul of the company,”³⁴ while the Los Angeles Times announced that “ Snowballs are rolling uphill in Hades. Porsche—shudder—will build an SUV. ”³⁵ Porsche probably has the purest DNA of any sportscar maker. I don’t care how good an allwheel-drive wagon is, it’s not a sportscar. If you add a car that does not fit with your brand’s image, you must reduce the power of that image. (Porsche consumer quoted in Herald-Sun)³⁶ No Everything about the Cayenne is completely the opposite of what Porsche is and does.

It will be the death of a tradition. (Porsche consumer quoted in the New York Times)³⁷ It’s blasphemy...I’m not hot on the idea at all. I’ve lived with Porsches all my life and the marquee has always been Porsche sports cars. To bring out an SUV doesn’t sit well with me. (Porsche consumer quoted in the Los Angeles Times)³⁸ Any truck made by Porsche deserves to be a failure. It’s a disgrace to the Porsche name. (Porsche consumer quoted in Autoweek)³⁹ Do Cayenne Owners Become Assertive Cayenne owners began to speak in support of their vehicles.

They deflected soccer mom, yuppie, and poseur stereotypes, claiming to be fellow Porsche enthusiasts. They told stories about how they would take their SUVs off-road, or use them to tow their Porsche race cars or boats, or to access adventure sports like skiing, hiking, hunting, and fishing. They bragged about the performance of their Cayennes and wrote of beating other sports cars, including the Porsche Boxster, off of the line at traffic

lights. They described positive reactions they received from others. They referred to their 11

This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright. harvard. edu or 617. 783. 7860. Porsche: The Cayenne Launch rP os t 511-068 SUVs as “ sports cars” and circulated a revisionist history of Porsche in which the Cayenne is a logical descendant of Porsche classics. They reminded readers that Ferry Porsche was the driving force behind the Cayenne: By now, I gotta say the C [Cayenne] is a winner. It’s not really even an SUV in the traditional sense.

It’s primary focus, like all porsches is performance, and with a straight face, I can tell you it’s pretty much a sports car with some suv traits. (Rennlist post) op yo You may not need a vehicle that can carry kids, go to the snow, haul a few things and is fun to drive, but that doesn’t mean no one does. The Cayenne may not match the 996 (almost nothing else does) but if it outhandles and outbrakes 90% of the vehicles out there, has great power, is fun to drive, offeres good utility, and has room for more of your stuff (including the dog) if that is required, why on earth wouldn’t you want one if you were ooking for that type of vehicle. Why wouldn’t ANYONE want one who can afford the price of admission? (Rennlist post) The Sports Car Owners Respond Not all sports car owners were hostile to the Cayenne. Indeed 18% of the first wave of buyers owned Porsche sports cars. As time passed, postings began to appear on Rennlist embracing the Cayenne. The posters noted that, unlike many SUVs built for the road, it handled like a sports car with sports car acceleration and nimbleness, yet had the ability to perform

like a true off-roader and had impressive towing capacity. C All this over an SUV : rolleyes: And all this talk about how the newer porsches aren't true to their sportscar heritage, seems to me all new cars are going this way, in the end a car company has to worry about selling new cars a lot more than selling old cars and new car buyers for the most part want all those luxuries...If Porsche thinks it needs a SUV to remain strong in the marketplace let them build it. Mercedes has an SUV for chrissakes are they any less of a luxury car company because of it? (Rennlist post) No

If you're really a Porsche enthusiast, you recognize that they're first and foremost the world's best automotive engineering firm, and the Cayenne looks to be more proof of that. Conceptually, I don't see it as being that far away from the 928. I can't imagine a reason in the world why anybody would care that it has four doors. (Rennlist post) Pity you feel that way. Do you wave to 914 owners? How about 924 owners? Who decides which Porsche are worthy and which are not? I know plenty of enthusiasts that have Cayennes as second vehicles. While the Cayenne is not my cup of tea I've driven a few and they are pretty impressive for an SUV.

Do you really want to be one of those drivers that wave to some Porsche's and not others? No flame intended..... just something to consider. After all there are some out there that don't think a 986 or a 928 are real Porsche's either! (Rennlist post) Do I have to say that negative opinions (regarding what is and is not a real Porsche) DO, in fact, piss me off. Who the hell is ANYONE, other than Porsche, to say what is and is not? I, personally, would NEVER buy a 924. I don't like them. I don't like how they look. I think they

are underpowered and somewhat boring. Is it a real Porsche? Of course it is!!!! You know why?

Because PORSCHE built it and SAYS it is!!! Some shmuck who owns a 911 decides that a 944 isn't real. Show me how he is qualified to make that assesment. Does it have a Porsche badge placed there, at the factory, by PORSCHE???? Then it is!!!! (Rennlist post) 12 This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright.harvard. edu or 617. 783. 7860. 511-068 rP os t Porsche: The Cayenne Launch However, the majority of the community continued to attack the Cayenne, relegating it to the bottom rung of the group's status hierarchy.

Feeling the pressure, Cayenne owners posted their feelings. So SICK OF THIS, like the Cayenne, and plan to buy one. I come to this forum to get updated info, whats new. What I find is the same people making post after post of the same thing, Its ugly, I don't like the name, why isn't Porsche racing Bla Bla Bla. Do these same people go to the 914 forum and tell them their cars have VW motors, or the 924 forum and harp about Audi truck motors? (Rennlist post) op yo I have the V8 Porsche [Cayenne] and guess I get a little defensive when people call it a VW and I paid close to 69K for a quote unquote VW.

I know deep down in my heart that I have a Porsche (Rennlist post) ...well, maybe the ' bashing' was mild this time...but its being going on day in day out for the past year...Yeah, I shouldn't let it bother me...but after a while anything starts to wear thin...trust me. (Rennlist post) Any of you guy's ever hear the expression ' if you don't have anything good to say don't say it. '

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Almost every time someone is excited about purchasing this vehicle some of you guys have to post something negative. Please next time post what you drive so I can use every opportunity to tell you what junk you drive. Rennlist post) Looking Ahead No tC Porsche's senior management shrugged off the negative buzz from consumers. Despite the withering criticism from consumers, shareholders, and the press, Wiedeking claimed he was not concerned, though he admitted that the decision to build the Cayenne " was certainly not selfevident. " He said that Porsche was " richly scolded" for moving away from its " brand core" so it knew that it had to be a success. Wiedeking argued that launching the Cayenne took the same courage that Porsche's founder had demonstrated when he founded Porsche in 1931 during theGreat Depression. 0 Schwab, Porsche's North American President, labeled consumers' response naive, " Those in the Porsche Clubs of America will castigate us for the SUV decision, but they just don't know business. For them to keep having their beloved 911s, we have to find a niche elsewhere. That is modern business. " 41 Do Wiedeking and Schwab were already looking ahead to their next big launch, the Porsche Panamera, the company's first ever four-door sedan. Envisioned as a rival to Maserati, BMW, Audi, and Jaguar sedans, Panamera would further diversify Porsche's product portfolio and customer base. The Panamera is a perfect fit for Porsche," Wiedeking professed, " It has all the typical DNA characteristics of a genuine sports car. In terms of performance, design, and driving dynamics, it meets Porsche's high standards in everyrespect. " 42 13 This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright.harvard.

edu or 617. 783. 7860. Porsche: The Cayenne Launch Exhibit 1 Porsche Milestones rP os t 511-068 Ferdinand Porsche born Sept. 3 in Maffersdorf, Austria-Hungary. 1909 Ferdinand Anton Ernst (“ Ferry”) Porsche born Sept. 9, in Wiener Neustadt, Austria. 1950 Porsche begins 356 production in Stuttgart-Zuffenhausen. 1951 The senior Ferdinand Porsche dies at age 70. 1953 Porsche introduces the 550, its first racing-specific car, which meets immediate success. 1964 Porsche introduces the 911. The company had produced 78, 000 Type 356s in 14 years. 1972 Porsche KG becomes a joint stock company (AG). Ferry Porsche, chairman of the supervisory board, precludes all family members, including himself, from direct management roles. 1978 Launch of the front-engined 928 touring car. 1982 Launch of the 944 sports car. 1984

A third of Porsche AG’s capital is offered to the public in the form of nonvoting preference shares on April 25. On Sept. 19, his 75th birthday, Porsche receives the honorary title of “ Professor. ” 1990 Butzi Porsche (Ferdinand A.) succeeds Ferry Porsche as chairman of Porsche AG’s supervisory board. Butzi began his own firm, Porsche Design, in 1972. 1992 Wendelin Wiedeking becomes CEO of Porsche. 1996 Launch of the Boxster two-seater sports car. 1997 Porsche introduces its all-new, water-cooled 911 (the 996) at the Frankfurt Motor Show. 1998 The company prepares to celebrate 50 years of building sports cars with the Porsche name.

Ferry Porsche, honorary president of the Porsche AG supervisory board since 1990, dies March 27 at the age of 88. 2001 Porsche releases its plans to build an SUV. 2002 European launch of the Cayenne in December. 2003 U. S. launch of the Cayenne in March. No tC op yo 1875 Do Source: “ Porsche

Timeline," AutoWeek, April 6, 1998, and casewriters. 14 This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright.harvard.edu or 617. 783. 7860. Exhibit 2 511-068 Porsche Relative Stock Price Performance 600 500 rP s t Porsche: The Cayenne Launch January 1998 US\$168 300 200 100 January 1997 US\$87 Ja nM 90 ay -9 Se 0 p9 Ja 0 nM 91 ay -9 Se 1 p9 Ja 1 nM 92 ay Se 9 2 p9 Ja 2 nM 93 ay Se 9 3 p9 Ja 3 nM 94 ay Se 9 4 p9 Ja 4 n9 M5 ay -9 Se 5 p9 Ja 5 nM 96 ay -9 Se 6 p9 Ja 6 nM 97 ay -9 Se 7 p9 Ja 7 n98 0 op yo 400 DAX 30 tC PORSCHE DATASTREAM GERMAN AUTOMOBILE INDEX Do No Source: Thomson Financial Datastream, accessed February 13, 1998. 15 This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright.harvard.edu or 617. 83. 7860. Porsche: The Cayenne Launch Exhibit 3 Porsche Group Highlights 1995-2002 rP os t 511-068 1995-1996 1996-1997 1997-1998 1998-1999 1999-2000 2000-2001 2001-2002 2002-2003 € million € million € million 1, 437. 7 527. 7 910. 0 2, 093. 3 671. 9 1, 421. 4 2, 519. 4 735. 5 1, 783. 9 3, 161. 30 955. 6 2, 205. 70 3, 647. 70 893. 2 2, 754. 50 4, 441. 50 1, 001. 30 3, 440. 20 4, 857. 30 1, 121. 00 3, 736. 30 5, 582. 00 1, 482. 50 4, 099. 50 Vehicle Sales Domestic Porsche Export Porsche Other Models Vehicle Sales Porsche 911 928 944/968 Boxster Cayenne Units Units Units Units Units Units Units Units Units Units 19, 262 , 873 13, 346 43 19, 219 19, 096 104 — 19 — 32, 383 9, 670 22, 713 — 32, 383 16, 507 — — 15, 876 — 36, 686 9, 174 27, 512 — 36, 686 17, 869 — — 18, 817 — 43, 982 10, 607 33, 375 — 43, 982 23, 090 — — 20, 892 — 48, 797 11, 754 37, 043 54, 586 12, 401 42, 185 54, 234 12, 825

41, 409 66, 803 13, 896 52, 907 48, 797 23, 050 54, 586 26, 721 54, 234 32, 337 66, 803 27, 789 25, 747 27, 865 21, 897 18, 411 20, 603 Production Porsche total 911 Carrera GT 928 944/968 Boxster Cayenne Other Models Units Units Units Units Units Units Units Units Units Units 20, 242 20, 242 20, 132 — 28 — 82 — — 32, 390 32, 390 16, 488 — — — 15, 902 — — 38, 007 38, 007 19, 120 — — — 18, 887 — — 5, 119 45, 119 23, 056 — — — 22, 063 — — 48, 815 48, 815 22, 950 55, 782 55, 782 27, 325 55, 050 55, 050 33, 061 73, 284 73, 284 29, 564 7 25, 865 28, 457 21, 989 18, 788 24, 925 Employees Personnel expenses At year-end € million 7, 107 392. 1 7, 959 464. 4 8, 151 528. 2 8, 712 574. 9 9, 320 631. 3 9, 752 709. 9 10, 143 799. 4 10, 699 849. 5 Balance Sheet Total Assets Shareholders' Equity Fixed Assets Capital Expenditures Depreciation Extended Cash Flow Net income before taxes Net income after taxes Dividends € million € million € million € million € million € million 951. 4 239. 1 482. 5 213. 6 67. 7 , 249. 7 298. 1 565. 3 234. 8 107. 6 27. 9 24. 6 1. 8 84. 5 71. 3 13. 0 1, 490. 9 415. 8 579. 6 175. 8 157. 1 413. 1 165. 9 141. 6 21. 9 1, 916. 10 587. 4 525. 6 155 183. 7 592. 5 357 190. 9 21. 9 2, 205. 40 782 577. 7 243. 7 196. 6 506. 5 433. 8 210 26. 4 2, 891. 60 1, 053. 30 731. 8 293. 8 132. 7 764. 4 592. 4 270. 5 45 5, 408. 70 1466. 80 2, 207. 70 1, 119. 50 278. 80 1, 067. 30 828. 90 462. 00 297. 00 6, 315 1, 754. 50 2, 663. 30 1, 295. 20 392. 20 1, 389. 60 933. 00 565. 00 59. 00 Do No tC op yo Sales Domestic Export Source: Casewriters, compiled from data listed in Porsche Annual Reports, 1995-2002, <http://www.porsche-se.com/pho/en/investorrelations/mandatorypublications/>, accessed December 2005. Note: HGB and IFRS denote accounting standards. In 2003 Porsche adopted IFRS,

or International Financial Reporting Standards. 16 This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright.harvard.edu or 617. 783. 7860. 511-068 rP os t Porsche: The Cayenne Launch Premium SUV Market Information (1996-1998 forecast) (in units) Exhibit 4

Year	1996	1997	1998
Luxury	400,000	350,000	300,000
Upper middle class	250,000	200,000	150,000
Middle class	100,000	0	0

0 1996 tC Luxury 1997 Upper middle class 1998 Middle class Do No Source: Casewriters, compiled from data contained in IHS Global Insight Report, " World Light Truck Industry Forecast", 1999. 17 This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright.harvard.edu or 617. 783. 7860. This document is authorized for use only by Uma Jaidev at VIT UNIVERSITY until August 2013. Copying or posting is an infringement of copyright.harvard.edu or 617. 783. 7860. -

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