

THE SPICY NEW PORSCHE SUV

Cayenne Promises To Add Zest To Dealership Sales

By Jim Koscs

The new Cayenne sport utility vehicle signals a new phase of manufacturing and marketing for sports car maker Porsche. North American dealers eagerly await the new model's arrival late this year, and anticipate a 30 to 50 percent boost in their Porsche sales. Customers are no less excited about the prospect of owning a Porsche with room for five, and all-year, all-road driving capability and performance worthy of the Porsche crest.

Although Porsche historians like to point out an obscure "hunting car" that Porsche produced in very small numbers in the 1950s, the Cayenne marks the brand's first real departure from the sports cars-only strategy it has followed since its inception. Porsche will offer two Cayenne models, the 340-horsepower Cayenne S at \$55,900 and the 450-horsepower Cayenne Turbo at \$88,900. The Cayenne's primary competitors include the V8-powered versions of the BMW X5 and Mercedes-Benz M-Class and, to a somewhat lesser extent, other luxury-brand SUVs in the same price range. The Cayenne Turbo will be the most powerful and quickest SUV in the market.

Porsche expects to build at least 25,000 Cayenne SUVs a year. About half will come to the United States, the brand's largest and most important market. Porsche sold approximately 24,000 sports cars in the U.S. in 2001 and is on target to sell about the same number this year.

U.S. Porsche dealers have no doubts about the Cayenne's prospects for success. By the end of 2003, they will have invested about \$300 million in facility construction and upgrades to support the new business the Cayenne will bring. "That investment represents the ultimate vote of confidence in the Cayenne," says Fred Schwab, CEO of Porsche Cars North America.

R. Jerry Nelson of Schneider + Nelson Porsche in West Long Branch, N.J., says a 50 percent increase in Porsche sales for his dealership "might be conservative." The dealership, which also has Audi and Land Rover franchises, expects to sell 180 or so Porsche cars this year and 300 or more Porsches in 2003. The dealership was one of the first three in the U.S. to build an exclusive showroom to Porsche's new design specs.

Intensive sales and service training for Porsche dealer personnel begins in January 2003.

An Expanded Strategy

Although Porsche can claim to be the most profitable automobile manufacturer in the world today, offering only sports cars has always made the company more sensitive to swings in the economy than mass marketers. After achieving record sales in the mid-1980s, Porsche watched volume plummet as world economies fell into deep recession in the early 1990s. At one point, Porsche sales in North America had fallen to fewer than 4,000 units.

Under the leadership of Dr. Wendelin Weideking, who became CEO of Porsche AG in 1992, the company refocused on the 911 series and then introduced the mid-engine Boxster in 1997. The 911 series now sells better than at any time in its 38-year history, and, despite a general slowing in the European roadster segment, the Boxster was still leading its closest competitors through August 2002.

When consolidation and mergers swept the auto industry in the 1990s, Porsche recognized that to continue to survive as an independent, it would need to expand the brand. Its plan: Develop a vehicle that offers broader appeal while remaining true to the brand's heritage and creating a profitable buffer against market conditions that can soften sports car sales.

For more than 15 years, the strongest growth in the auto sector has been the sport utility category. The high-profit luxury SUV sub-segment, in particular, has realized explosive growth. Both BMW and Mercedes-Benz were enjoying immense success selling SUVs that reflected their respective brand core values, so why not Porsche?

Porsche executives and product planners say a high-performance SUV is a logical extension of the Porsche brand. "For many customers, a Porsche is the second, third or even fourth vehicle. Many were already buying luxury SUVs," says Schwab. "We asked, 'What would they think of an SUV that performed like a Porsche?'"

A high-performance SUV also seemed to make sense for people who have aspired to owning a Porsche but need more practicality. For that reason, the Cayenne is expected to attract many new customers to the Porsche brand.

Nevertheless, Porsche raised a few eyebrows when it announced it would augment its revered line of sports cars with an SUV. "An SUV might not have been the first thing that some enthusiasts would have expected from Porsche," says Schwab. "And we heard a few skeptical voices from the automotive press at first." But Porsche had built a solid business case for the Cayenne and resolved that even an SUV would have to live up to the brand's performance heritage. "The response from Porsche dealers and customers has been overwhelmingly positive," Schwab says.

What Porsche Dealers Say

Porsche dealers have been watching their customers drive up to their showrooms in SUVs for years. Tom Claridge of Claridge's Ltd. in Fremont, Calif., who also owns BMW and Mercedes-Benz franchises, didn't need to be sold on the Cayenne. "I was very excited when I learned Porsche was going to build an SUV," he says. "We have quite a few orders, with a high percentage from current Porsche owners. We've had people who were looking at the Mercedes ML or BMW X5 but put a deposit on a Cayenne because it offers more of what they're looking for."

According to Nelson of Schneider + Nelson, what Porsche customers are looking for is performance. The dealership had taken about 40 deposits for the Cayenne through August, with "the majority" from current Porsche owners and enthusiasts. "The Porsche enthusiasts were the first ones to get dialed into the Cayenne," says Nelson. "They were the first ones to make deposits. And that's even before the general public has really learned about the Cayenne. When they do, that's really going to boost sales."

Schneider + Nelson also has a Land Rover franchise—and a waiting list for the new \$72,000 Range Rover. "We've seen very little cross-shopping between the two vehicles," says Nelson. "The Porsche customers want high performance."

Roger Jobs of Roger Jobs Porsche in Bellingham, Wash., concurs. "About 60 percent of our deposits for Cayenne are from Porsche customers and enthusiasts," he says. Despite being in a smaller market, Jobs says the Cayenne was the "determining factor" in his decision to build a new dealership facility. He says the Cayenne's capabilities have been a strong selling point for his customers. "This is a strong market for SUVs, due to the weather and outdoor activities," he says,

adding that customers have been inquiring about towing capacity and the optional navigation system.

Pricing for the Cayenne, dealers say, is “right on.” Nelson believes the strategy of pricing the Cayenne S between the two V8-powered BMW X5 models will pay big dividends. “At \$56,000, the Cayenne S is more comparable to the \$66,000 BMW [X5 4.6is], and it’s got more room,” says Nelson. I think we can send a lot of our Cayennes out the door for under \$60,000.”

Porsche Heritage for an SUV

Since announcing that it would build an SUV, Porsche has emphasized that the new model would embody the high-performance spirit built into its sports cars while adding off-highway capability and utility.

Long before some carmakers began playing the “heritage card,” Porsche’s unmatched racing history was helping it to win the hearts—and business—of enthusiasts worldwide. The company has long banked on its racing success to support sales. At first glance, an SUV might not seem to fit into that strategy. Yet, the automaker that has won the 24 Hours of Le Mans sports car race more times than even Ferrari includes in its family tree some impressive off-highway victories, as well.

What Porsche enthusiasts know, but what the general public is likely unaware of, is that Porsche sports cars have won some of the world’s toughest rallies, which encompass off-highway driving on paved and unpaved roads and through snow, mud and gravel. Porsche took first, second and sixth places in the 6,000-mile Paris-Dakar Rally in 1986 in a Porsche 959, a precursor to today’s all-wheel drive 911 Turbo and Carrera 4S models.

The Cayenne clearly incorporates Porsche DNA but does not use parts from any current Porsche models. Porsche expects this design strategy to help distance the Cayenne from so-called “crossover” vehicles that are based on existing passenger car platforms. An all-new facility in Leipzig, Germany, will manufacture the Cayenne.

Integrated Marketing Builds Demand

A comprehensive integrated marketing campaign for the Cayenne has helped build demand. The campaign included print, direct mail, online advertising and a dedicated microsite (porschecayenne.com) within the main PCNA web site.

The microsite generated 65 percent of the marketing program responses, with 70 percent of responders scored as “hot prospects.” Porsche is supplying dealers with lists of the hot prospects for their own marketing efforts.

The full “Cayenne Story” unfolded in three phases: “Heritage,” “Development” and “Launch.” Print ads in the early phases showed, for example, the Paris-Dakar winning 959 sports car in a grueling off-highway racing environment and the extreme testing the Cayenne had undergone over three years. The objective was to show how the Cayenne has been engineered and tested as thoroughly as any Porsche. The “Launch” phase ads began appearing in August.

Ads ran in the major auto magazines as well as the activity and lifestyle publications Golf, Tennis, Yachting and Flying. Ads also ran in The Wall Street Journal and USA Today and several business and financial magazines.

Mindful that some customers will make use of the Cayenne's off-highway capability, PCNA crafted a public relations campaign to show its support for ethical land use. The company became an active member of the industry-supported Tread Lightly! group. Then, at the 2002 Chicago Auto Show, PCNA announced "Cayenne Crossing," a three-year program designed to reclaim paved and unpaved roads in the United States. With actor and outdoorsman James Brolin as its chairman and spokesman, Cayenne Crossing will support a variety of road restoration, maintenance and preservation projects, including many remaining portions of historic U.S. Route 66.

"With the Cayenne launch, Porsche and Porsche Cars North America are entering the most exciting and challenging period in their history," says Schwab. "Life will never be the same at Porsche. It will simply be better than before."

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Two Flavors of Porsche Cayenne: "Hot" and "Scorching"

The Porsche Cayenne will come in two versions, the Cayenne S, powered by a 335-bhp 4.5-liter V8 and the Cayenne Turbo powered by a twin-turbo version of this engine that produces 444 bhp and 459 lb.-ft. of peak torque. Porsche projects 0-62 mph (0-100 km/h) performance of 7.2 seconds for the Cayenne S and just 5.6 seconds for the Cayenne Turbo.

Despite the high performance levels, the Cayenne can work hard, too. The 7,700-lb. towing capacity for both models exceeds that of many competitors.

Both the Cayenne S and the Cayenne Turbo will come equipped with a Tiptronic S 6-speed automatic transmission coupled to the new Porsche Traction Management (PTM) full-time 4-wheel drive system. A center differential divides engine power 38 percent to the front and 62 percent to the rear under most conditions, giving the Cayenne a sporty driving character. The electronically controlled PTM system can send as much as 100 percent of the power to either the front or rear wheels as needed, such as in slippery conditions.

A locking center differential and a selectable low-range gear ratio allow the Cayenne to traverse off-highway terrain, and Porsche Stability Management (PSM) works in conjunction with PTM to help maintain vehicle stability in all conditions. The Cayenne S provides 8.54 inches of ground clearance. The pneumatic suspension that's standard on the Cayenne Turbo and optional on Cayenne S offers six ride height settings, the highest allowing 10.75 inches of ground clearance.

Cayenne customers who intend to take their vehicles into extreme off-highway driving conditions can order the Advanced Offroad Technology Package that adds protective steel-plate panels under the vehicle and a lockable rear differential. The option also includes a system that can hydraulically disconnect the anti-roll bars to give the Cayenne additional freedom of movement on its suspension for driving over obstacles.

Wheelbase: 112.4 in.

Length: 188.3 in. (188.4 in. for Turbo)

Width: 75.9 in.

Height: 66.9 in.

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