



PORSCHE

Presented by

Team Hursepurs



Joravar Anandpuri, Maxwell Chou, Wei Lau,
Cameron Kemske, Kristie Lee, Joey Nieto, Brandon Tejada

Agenda



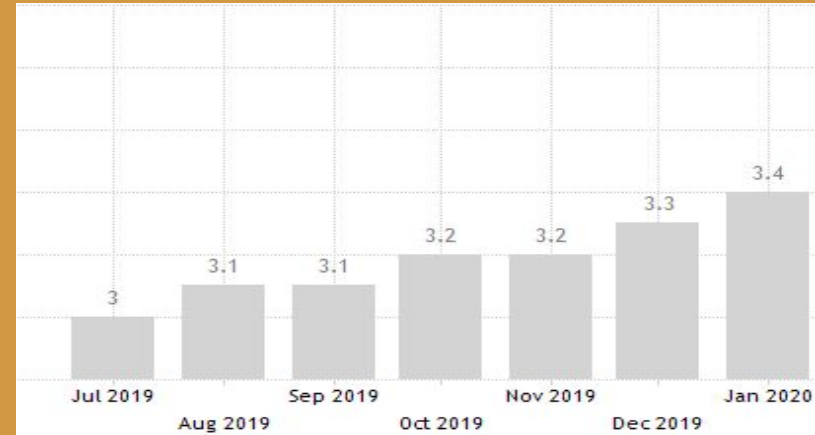
- Agenda
 - Germany Overview
 - Porsche Background
 - Leaders
 - Objectives
 - External Analysis
 - Opportunities
 - Threats
 - Competitive Profile Matrix
 - Internal Analysis
 - Strengths
 - Weaknesses
 - Financial Ratios
-

Germany Overview

- Government Style: Federal Parliamentary Republic
- Population: 83,795,631
- Language: German
- Currency: Euro (€)
- Capital: Berlin

German Economy

- Strongest Economy in Europe
- GDP: \$3.8 Trillion
 - Ranked #4
- Unemployment Rate: 3.4%
 - Lowest in the EU



COMPANY BACKGROUND

Porsche is founded in 1931

1931

Porsche AG goes public

1984

Merge with Volkswagen

2008

Officially begin production

Most profitable car company

1948

2007

Company Leaders



Chairman of the Executive Board

Company Leaders



Finance & IT



Sales & Marketing

Company Objectives



Vision

“Look towards the future with the knowledge of our past.”



Mission

“We are committed to provide an impeccable service to our demanding clientele of our premium cars.”



Goals

Achieve value-generating growth



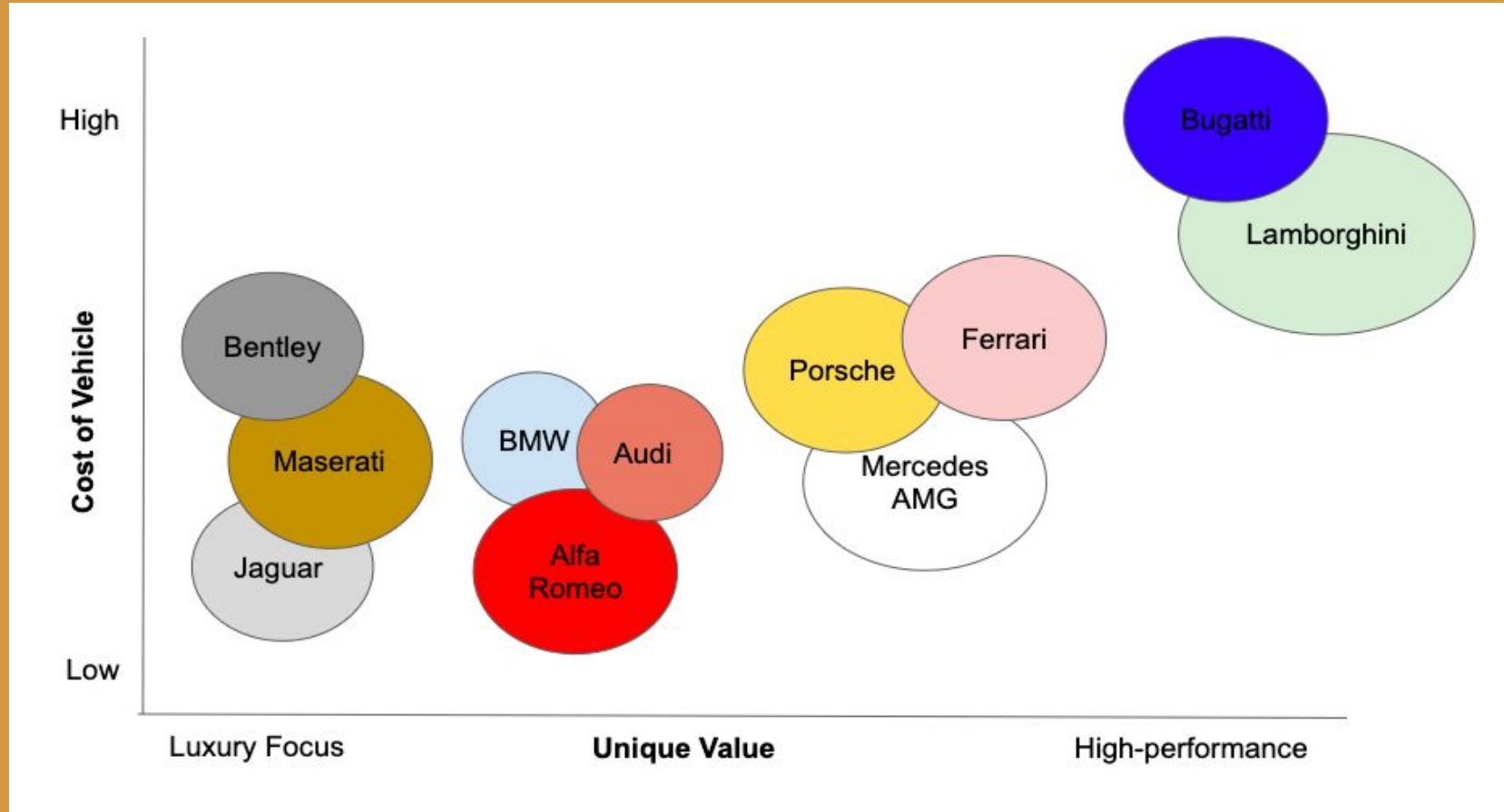
External Analysis: Germany



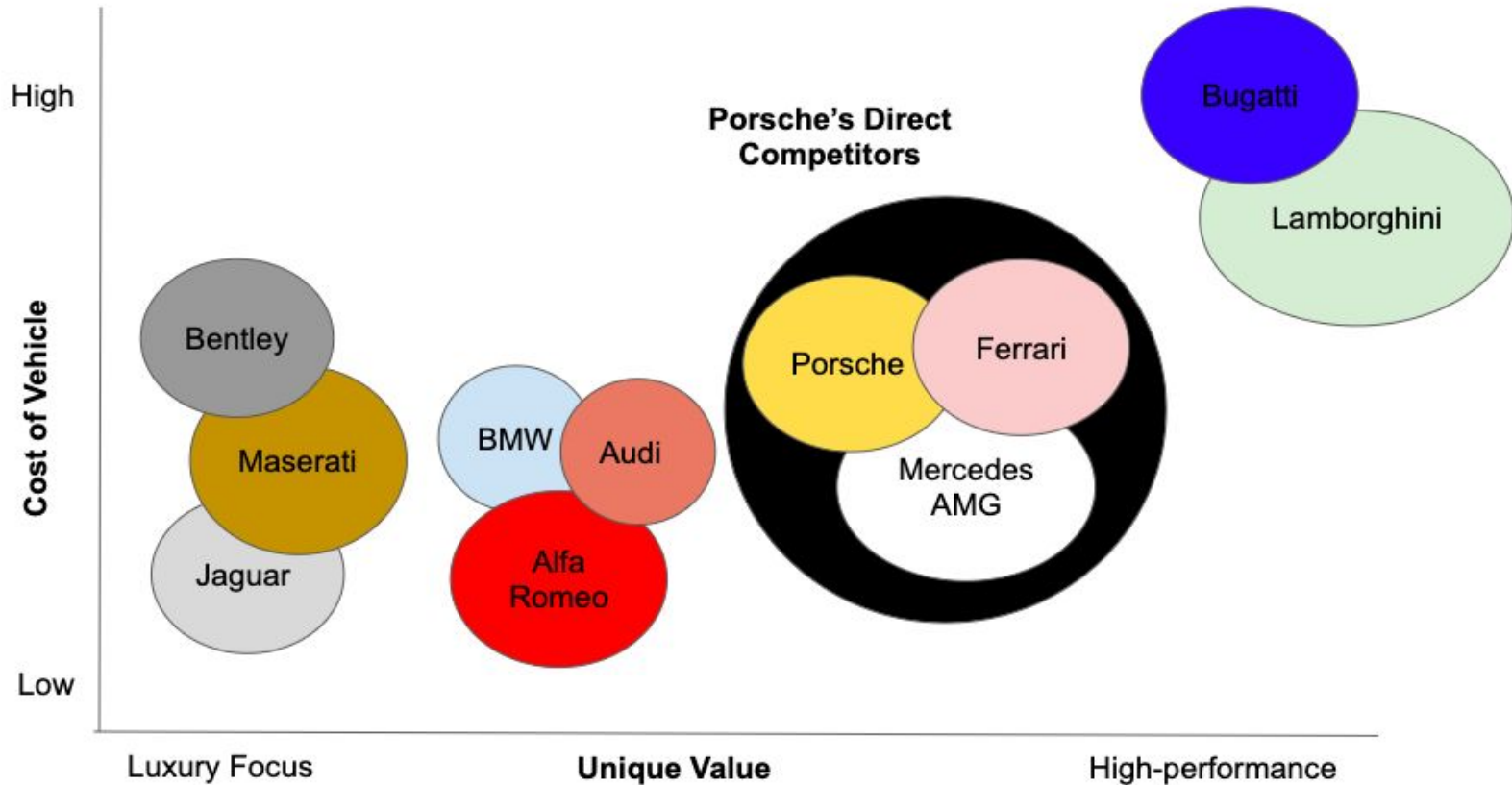
Overview of Key Factors

- Strategic Map
- Strategy Canvas
- PESTEL Framework
- Market Opportunities
- Market Threats
- External Analysis Matrix

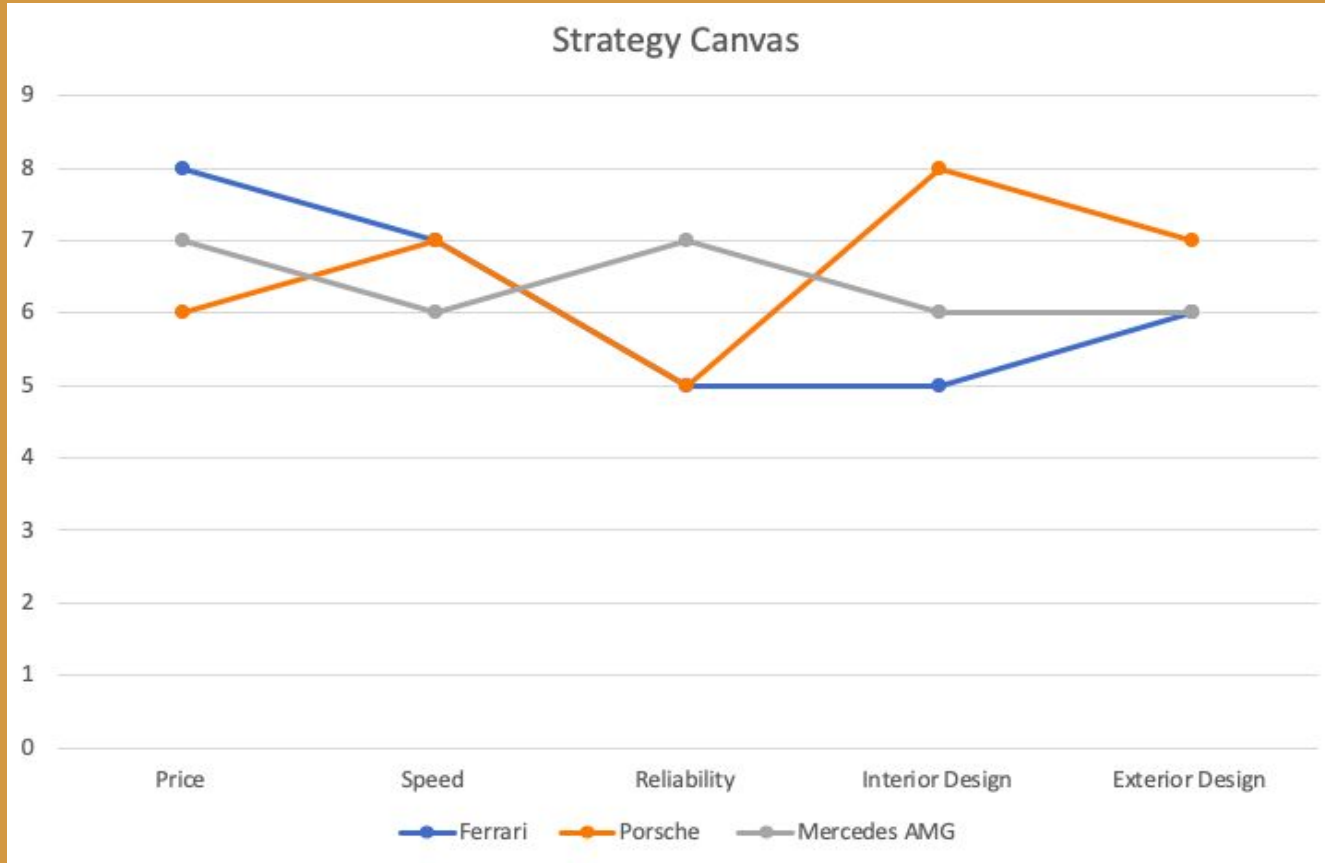
Strategic Map



Strategic Map



Strategy Canvas

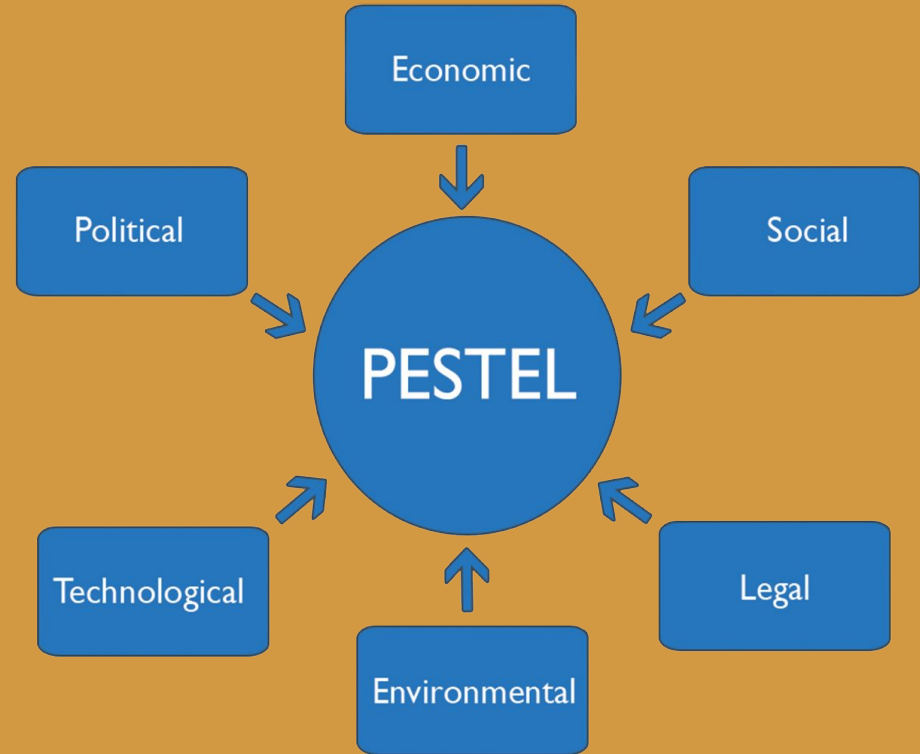


- Mercedes AMG is the closest competitor for Porsche.

PESTEL Framework

Why use the PESTEL Framework?

- Important for an organization's marketing team.
- Identifies the conditions of the macro-environment of a target country.
- Allows you to conduct the external analysis of a SWOT analysis.



Germany's PESTEL Framework

P

- Germany is seeing an increase in far-right extremism leading to violence and unrest.

Germany's PESTEL Framework

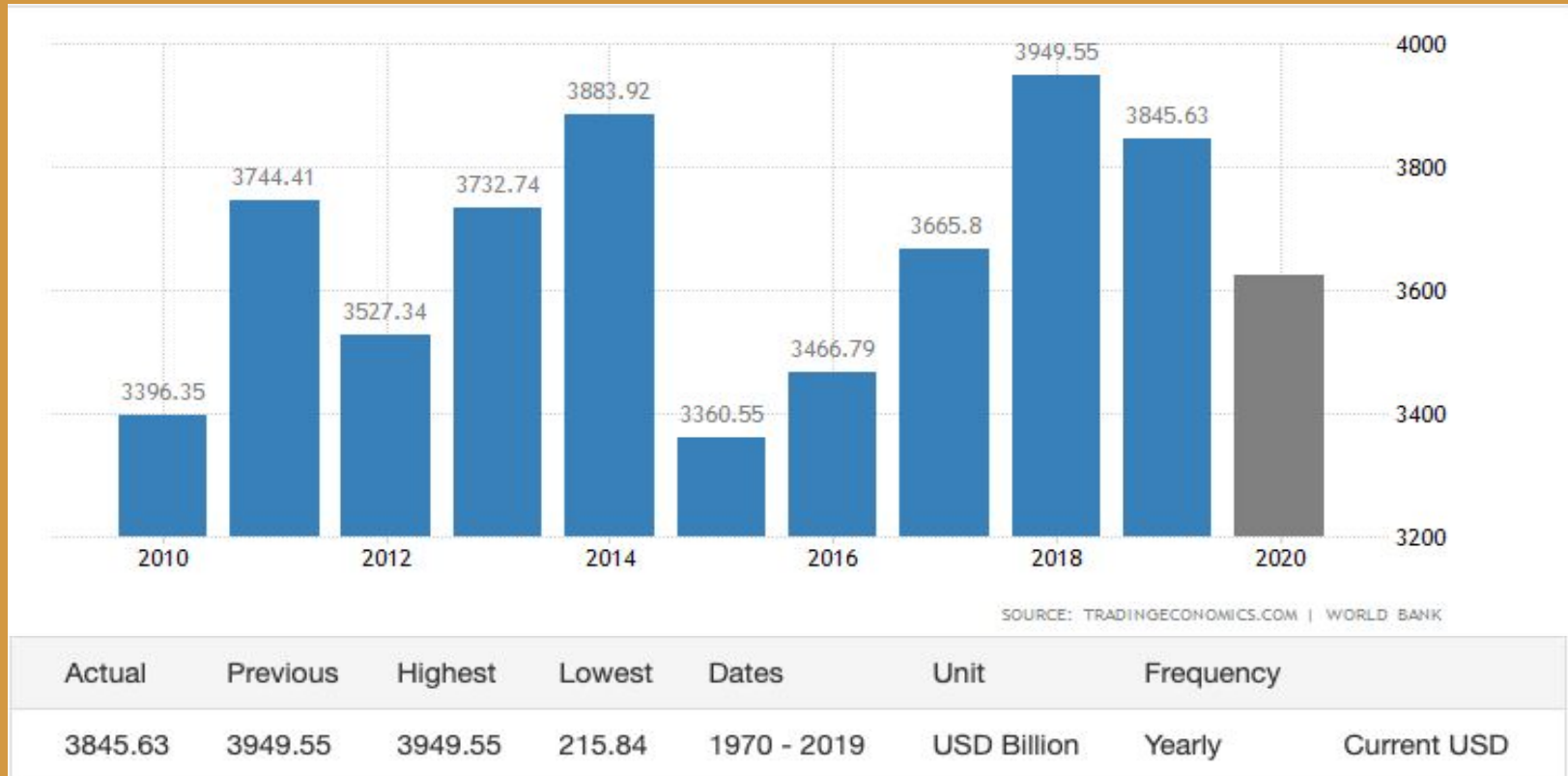
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- Germany is seeing an increase in far-right extremism leading to violence and unrest.

E

- 2019 GDP: 3845.63 USD in billions
- 2019 GDP per capita: 47,628 USD
- Average Inflation Rate (5 Years): 1.14%
- Germany's economy is made up of a large amount of small and medium enterprises. Allow for vertical integration of Porsche's value chain and related diversification.

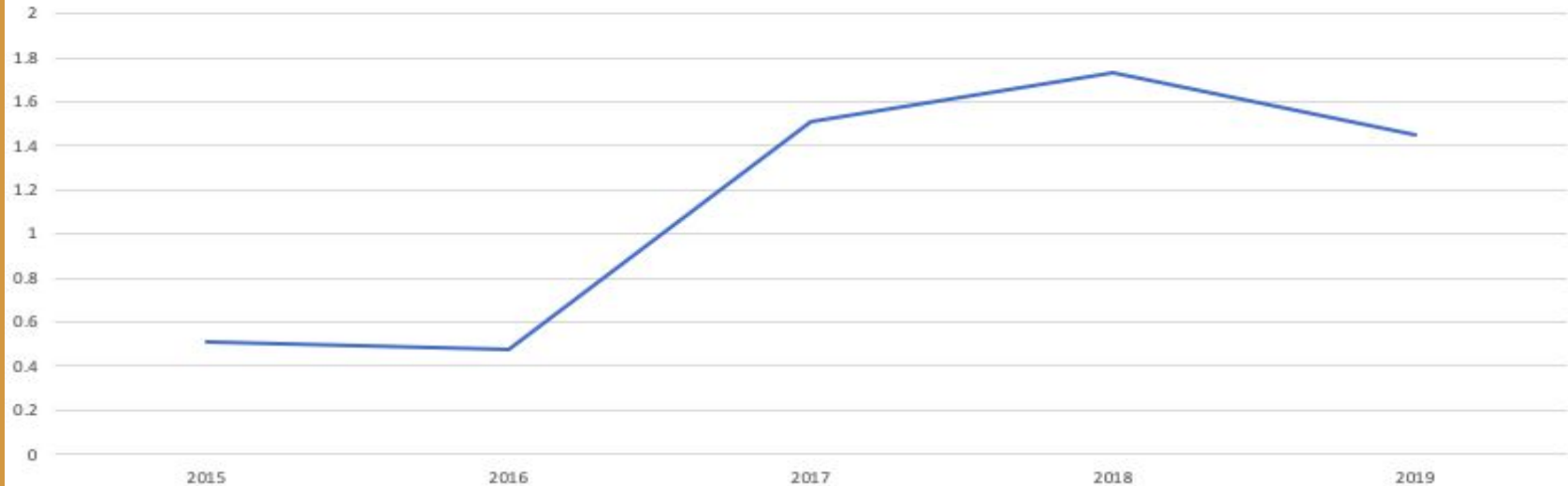
Economic Factors - GDP (2010 - 2019)



Source: <https://tradingeconomics.com/germany/gdp>

Economic Factors - Average CPI

Germany's Average Annual Inflation



<u>CPI Germany 2019</u>	1.45 %
<u>CPI Germany 2018</u>	1.73 %
<u>CPI Germany 2017</u>	1.51 %
<u>CPI Germany 2016</u>	0.49 %
<u>CPI Germany 2015</u>	0.51 %

Inflation was extremely low in mid-2010s and rose sharply at the end of 2017. It is now seen to be going down entering 2020.

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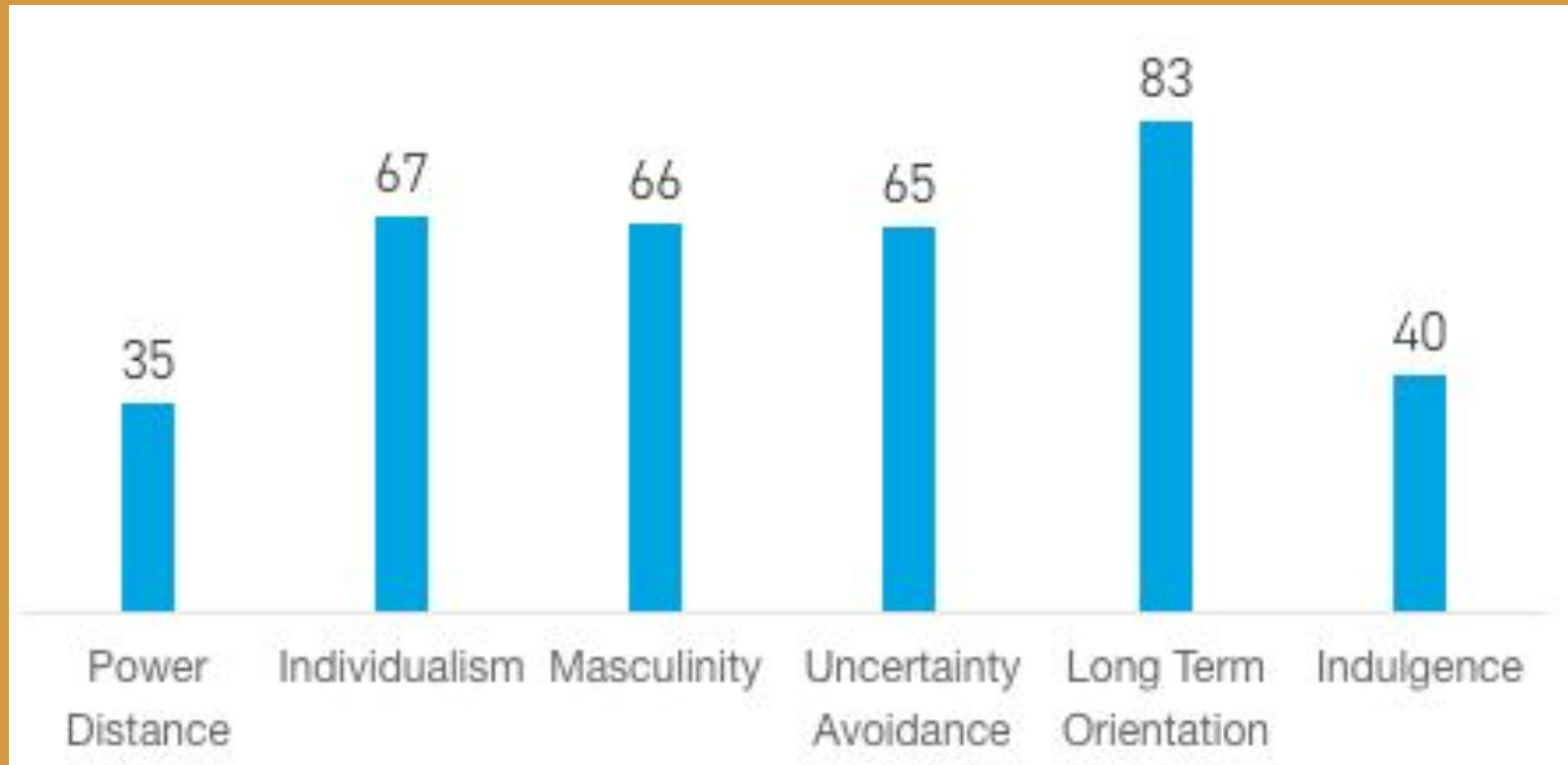
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S

- Hofstede Insights categorizes Germany as a nation that favors achievement and success but doesn't display this with luxury and material possessions.
- Germany is seeing a slow down in the wealth gap of its citizens which indicates more potential buyers for Porsche's automobiles.

Hofstede's Insights



Germany's PESTEL Framework (Cont.)

T

- Germany has superior engineering and manufacturing capabilities.
- The German government has reduced its transportation infrastructure investments and thus logistical and delivery operations have been strained.

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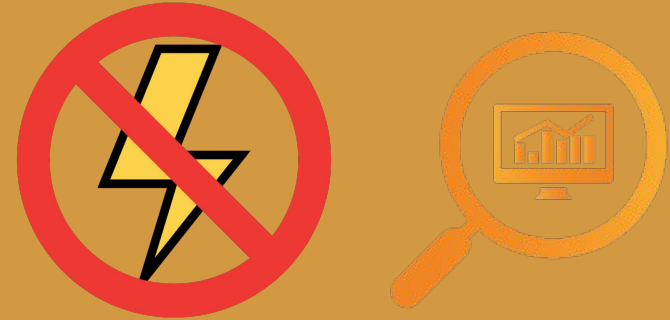
- German legislatures have created a plethora of intellectual property rights through many different pieces of legislation.

Opportunities vs Threats

Benefits of the German Domestic Market



Difficulties of the German Domestic Market



External Analysis Matrix

Opportunities:	Weight	Rate	Score
Germany has a vast amount of intellectual property rights legislation	0.1	1	0.1
Germany's economy is a perfect environment for vertical intergration	0.15	3	0.45
Income distribution is beginning to spread more evenly throughout the country	0.2	3	0.6
Total:	0.45		
Threats:			
German transportation infrastructure is lacking government investment	0.15	2	0.3
Porsche has stated it intends to electricify many of their models yet German citizens tend to favor standard combustion engine vehicles	0.3	2	0.6
German culture doesn't favor material luxury as many other countries do	0.1	3	0.3
Total:	0.55		
Overall Total:	1		2.35

Main Competitor Profiles



Mercedes-Benz



1st Direct Competitor



Mercedes-Benz

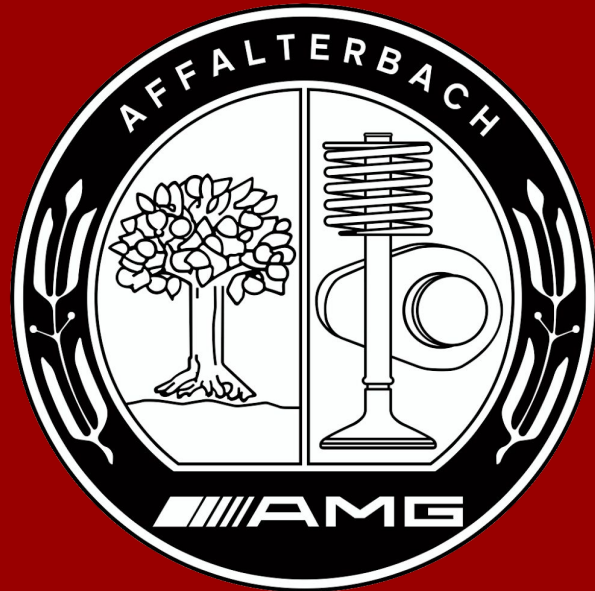
MERCEDES AMG

- June 1, 1967
- Founded by: Hans Werner Aufrecht and Erhard Melcher
- All AMG engines are hand built and located in their plant in Affalterbach, Germany (headquarters is in Stuttgart, Germany)
- Aggressive looks, improved stability, and high amounts of carbon fiber in the vehicle
- 30 AMG models and is still continuing to grow.



Top AMG Models

- **AMG S 63**
 - MSRP: \$151,600
 - HP: 603
 - Acceleration: 3.5 sec (0-60)
- **AMG GT Black Series**
 - 4.0 liter V8
 - 700 HP
 - Sticker price set at \$250,000
- **AMG GT 63**
 - Acceleration: 3.3 sec
 - HP: 577
 - MSRP: \$140,250



AMG PRODUCT LINE



AMG CLA 45 S: PERFORMANCE COUPE (382 HP)



AMG C63: PERFORMANCE COUPE (469 hp)



AMG S 63: LUXURY PERFORMANCE



AMG GT BLACK SERIES: SPORTS CAR

2nd Direct Competitor

FERRARI

- Founded: 1947
- Founder: Enzo Ferrari
 - joined Alfa Romeo
 - Scuderia Ferrari racing team
 - Auto Avio Costruzioni
- Survived the war - 125 sport
- 1950s Race- and Road-Ready
- Updated Ferrari's list of racing plaudits: 15 F1 Drivers' World titles, 16 F1 Constructors' World titles, 14 Sports Car Manufacturers' World titles



Top Ferrari Models

- Enzo Ferrari
 - MSRP: \$2,399,583
 - 6HP: 60
- LaFerrari
 - MSRP: \$1,416,362
 - 6.3-liter V-12 engine
 - first hybrid drive system
- Ferrari F40
 - MSRP: \$900,000
 - 2.9-liter twin-turbo V-8 engine
 - HP: 691



Ferrari Product Line

Road
Cars



Concept
Cars



Hyper
Cars



Race
Cars



Internal Analysis:

- Strengths
 - Reputation & Brand Image
 - Brand Extension
 - Motorsports Base
 - Loyalty
- Weaknesses
 - High Priced Maintenance
 - Price Point
 - Production Cost
 - Bad Stigma

Internal Factor Evaluation (Strengths)

Reputation & Brand Image -

- Known for its heritage sports and luxury cars
- Preferred by high-end customers
 - Price range
 - Machine power
- Has a successful track record of integrating complementary firms through mergers and acquisitions
- Consistency in quality to Porsche products



IFE (Strengths)

Brand Extension -

- Successful in developing new innovative products
- Stands out with the highest extension opportunities
- Two different SUV, one luxury sedan, and three types of sports cars
 - 718
 - 911
 - Taycan
 - Panamera
 - Macan
 - Cayenne

Macan

Panamera

911



Cayenne

718

Taycan

IFE (Strengths)

Motorsport Base -

- Reputation in the motorsport world is the strongest out of all other brands due to the quality of the products they use.
- Dedicated line of cars for motorsports
- The 911 is a world known Porsche sports car that has been in the market for the longest time because of its reliable and consistent engine.



IFE (Strengths)

Loyalty -

- Strong fan base
- Build a culture among distributors & dealers where they promote the company's products
- Invest in training their sales team to explain to customers how to achieve maximum benefits out of the products.
- High level of customer satisfaction
- Good brand equity

IFE (Weakness) - High Priced Maintenance

- High price maintenance is required to smoothly run porsches. As high performance cars require more attention than usual
- Higher Quality Parts and limited supplier for parts and materials
- More attention needed for specific models, for both performance and luxury.



IFE (Weakness) - Price Point

- Main target market is high income countries.
 - Meaning less markets due to price point of the vehicles.
Lower and Middle class income countries will be unable to purchase vehicles new, but may look into the used market
- Higher performance vehicles will be harder to come by.



IFE (Weakness) - Production Cost

- Main factory is located in Stuttgart, Germany
- A rough estimate shared by mtvehicles.com, said that:
 - “Most Porsche cars sell for between \$50,000 and \$150,000. For every car, the auto manufacturer makes an estimated \$17,000 from each produced vehicle”
- Small Profit Margin



IFE (Weakness) - Bad Stigma

- Previous recalls called by Porsche HQ has left some reputation that hurt their brand image as a Performance brand.
 - 2016 - Porsche Cayenne Sport SUV received a recall regarding the brake pedal.
 - Problem occurred with the Brake pedal dislodging itself from its mechanical counterpart.
 - Over 400,000 Porsche Cayenne were affected during this recall investigation.



Porsche's Financial Ratios

Financial Ratios Overview

	PORSCHE	MERCEDES AMG	FERRARI
Net Profit Margin	3.8%	19.85%	18.22%
Gross Margin	-13.79%	16.88%	52.07%
Return on Assets	12.7%	7.8%	12.77%
Return on Equity	12.46%	19.43%	46.94%
Total Asset Turnover	3.25	0.571	0.689
Return on Invested Capital	12.82	1.51	20.33
Debt Ratio	.12	.79	.72

Net Profit Margin

	Porsche	Mercedes AMG	Ferrari
Net Income	\$4.4B	\$2.7B	\$779.3M
Sales Revenue	\$116B	\$172.5B	\$4.22B
Profit Margin	3.8%	19.85%	18.22%

What does this mean for Porsche?

- Porsche has a relatively low Net Profit Margin especially compared to the competitors.
- Not efficiently maximizing money made on sales

**Net profit Margin indicates the health and efficiency the company is able to turn Sales into Profits*

***Net Profit Margin = Net Income / Sales Revenue*

Gross Margin

	Porsche	Mercedes AMG	Ferrari
Sales Revenue	\$116B	\$172.5B	\$4.22B
COGS	\$132B	\$160.8B	\$2.021B
Gross Profit	-13.79%	16.88%	52.07%

What does this mean for Porsche?:

- The COGS outweighs the amount of Sales Revenue
- Cause them to have a low amount of profit in the time being

**Gross margin shows the amount of each dollar of revenue which Porsche retains as profit.*

- *The higher the gross margin, the more capital the company retains on each dollar of sales*

****Gross Margin = (Revenue - COGS)/Revenue**

Return on Assets

	Porsche	Mercedes AMG	Ferrari
Net Income	\$4.4B	\$2.7B	\$779.3M
Total Assets	\$35.7B	\$338.7B	\$6.1B
Return on Assets (ROA)	12.7%	7.8%	12.77%

What does this mean for Porsche?:

- At 12.7% Porsche excels in converting its invested capital into earnings

**ROA percentage shows how profitable a company is parallel to its Total Assets*

- ROA gives insight as to how management is able to use invested assets to produce earnings

***Return on Assets = Net Income / Total Assets*

Return on Equity

	Porsche	Mercedes AMG	Ferrari
Net Income	\$4.4B	\$2.7B	\$779.316M
Stockholder Equity	\$35.3B	\$70.3B	\$1.6B
Return on Equity (ROE)	12.46%	19.43%	46.94%

What does this mean for Porsche?:

- Porsche is slightly below the average amount of ROE percentage
- Still manages to return on investment it receives from shareholders

**Return on Equity (ROE) is a measure of profitability that measures how many dollars in profit a company generates with each dollar of Shareholder Equity*

***Return on Equity= Net Income/ Stockholder Equity*

Total Asset Turnover

	Porsche	Mercedes AMG	Ferrari
Total Sales	\$116B	\$172.5B	\$4.22B
Total Assets	\$35.7B	\$338.7B	\$6.1B
Total Asset Turnover	3.25	0.571	0.689

What does this mean for Porsche?:

-Porsche acquires 3.25 asset turnover ratio meaning it generates \$3.25 of sales for every dollar of assets Porsche has. The higher the ratio, the higher the sales.

**Measurement of how effectively these company's use their assets to develop sales.*

***Total Asset Turnover = Total Sales / Total Assets*

Return on Invested Capital

	Porsche	Mercedes AMG	Ferrari
Net Income	\$4.4B	\$2.7B	\$779.3M
Dividend	\$676K	\$963M	\$1.153M
Stockholder Equity	\$35.3B	\$70.3B	\$1.6B
Debt	\$5.6M	\$111.08B	\$2.3B
ROIC	12.82	1.51	20.33

What does this mean for Porsche?:

- Stronger at creating value for Investors
- Effective at allocating capital investments

**Return on Invested Capital (ROIC) is a ratio that measures the efficiency of allocating capital to profitable investments*

***ROIC = (Net Income - Dividend) / Stockholder Equity + Debt)*

Debt Ratio

	Porsche	Mercedes AMG	Ferrari
Total Liabilities	\$425M	\$268.3B	\$4.4B
Total Assets	\$35.7B	\$338.7B	\$6.1B
Debt Ratio	.12	.79	.72

What does this mean for Porsche?:

- Very little debt on its books
- Suggests greater creditworthiness & reliability

**Debt Ratio measures the proportion of assets that are financed by debt*

***Debt Ratio = Total Liabilities/Total Assets*

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