

Northern Michigan University

CASE: PORSCHE VERSUS TESLA

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Marketing Seminar MKT 435
Dr. Brunswick
September 15th, 2022

BACKGROUND MARKET POSITIONING

Market Share by Market (2021)		
Market	Porsche	Tesla
U.S.	0.463%	2.02%
E.U.	0.6%	1.4%
China	0.445%	2.2%

Figure 1.1 shows the Market Share by Market (United States, European Union, and China) for Porsche and Tesla (Demandt, Porsche, Statista, and Tulumba)

Brand Equity in 2022 (In US\$ Millions)	
Porsche	Tesla
\$ 33,700	\$ 46,010

Figure 1.2 shows the Brand Equity for Porsche and Tesla according to BrandDirectory.com.

Porsche		
Year	Units Sold	Sales Revenue (In Millions of Euros)
2021	297,000	€ 30,289.00
2020	265,000	€ 26,086.00
2019	277,000	€ 26,060.00
2018	253,000	€ 23,668.00
2017	248,000	€ 21,674.00
2016	239,000	€ 20,710.00
2015	219,000	€ 21,533.00
2014	187,000	€ 17,205.00
2013	155,000	€ 14,326.00
2012	62,000	€ 5,879.00

Tesla		
Year	Units Delivered (Less Leases)	Auto Sales Revenue (In Millions of Dollars)
2021	875,310	\$ 45,767.00
2020	465,177	\$ 25,656.00
2019	342,217	\$ 20,227.00
2018	234,472	\$ 18,096.00
2017	79,931	\$ 9,282.00
2016	57,173	\$ 6,049.00
2015	48,060	\$ 3,600.97
2014	30,503	\$ 3,001.72
2013	22,442	\$ 1,853.79
2012	2,650	\$ 385.70

Figures 1.3 (Porsche) and 1.4 (Tesla) show the Units Sold* and Sales Revenue* over the past 10 years for Porsche and Tesla (Tesla,).

DISCLAIMERS: For Figure 1.1, the Chinese Market Share was determined by finding the units sold in the Chinese Market from each company and dividing that by the total amount of cars sold in China for the year 2021 (21.48 million).

For Figure 1.4, Tesla doesn't publish their units sold on their investor relations reports. Instead the closest number published is the Units Delivered for that year/quarter. The leases are then subtracted from Units Delivered to further improve accuracy. Furthermore, Auto Sales Revenue for Tesla includes Regulatory Credits received through various programs including ZEV Credits.

MARKETING STRATEGY STATEMENTS

Porsche

To create a premium vehicle experience. High quality products alongside impeccable customer service. The customer is at the center of all business decisions.

Tesla

To create consumer-oriented electric vehicles that are economically feasible for the masses while implementing novel technologies. Sustainability Technology has always been and continues to be the main goal.

KEY COMPETITIVE ADVANTAGES

Porsche's Key Competitive Advantages

1. Reputation for Quality

Significance: Porsche has a high-level reputation for quality. According to JD Powers, Porsche's 911 ranked 1st for Vehicle Dependency. This makes Porsche the most dependable car segment three years in a row (Cline). Porsche also sources expensive, high-quality materials for their vehicles. In addition to reputation and awards, Porsche is known for their attractive compact design, high-performance, and smooth driving.

Sustainability: Out of the three Key Competitive Advantages for Porsche, Reputation for Quality is the least sustainable. As technology advances, it becomes less and less expensive to create high-quality vehicles. Brands with high quality (but not luxury) reputations could break into the luxury car market.

2. Brand Image/High Profile

Significance: Within the luxury car market, brand image is of the utmost importance. Porsche is known for being a high-quality vehicle and status symbol.

Sustainability: Brand value is very difficult to replicate and takes a long time to gain. Although there are a couple competitors with similar brand status, its few and far-between. In addition, the barriers to entry for the luxury car market are very high.

3. Segmentation Focus and Customer Service

Significance: Porsche serves a niche market and segments their marketing efforts to reflect. Porsche focuses on serving customers who desire exceptional vehicle performance during the entire product life. Impeccable customer service is at the heart of Porsche and is why they are able to demand a premium price.

Sustainability: The focus of Porsche on their niche market would be difficult to replicate. For a competitor, it would have to be within their brand image to provide not only a luxury vehicle, but also a customer service system to boot. Porsche's focus on a high-need customer is their best Sustainable Competitive Advantage.

Tesla's Key Competitive Advantages

1. Technological Superiority

Significance: In 2021, Tesla invested just under \$2.6 Billion on Research and Development. With the advent of self-driving cars, mass autonomy of vehicles isn't far off. In addition to autonomy, Tesla is researching and creating electric vehicle capabilities for industries such as mass transportation and shipping.

Sustainability: Somewhat sustainable. With consumer focus shifting towards sustainability, many other large automotive conglomerates are beginning to pour resources into research and development. Currently, Tesla has all around technical superiority with their product and product support, but other firms are beginning to out-fund Tesla. For example, Reuters reports Ford to invest \$50 Billion into EV R&D through 2026 (Nair). Per year that's much more than Tesla invested in 2021, but with a head start and enormous growth, Tesla may be able to sustain their advantage.

2. Pioneer/Early Entrant

Significance: Tesla was founded in 2003 and is the first company to mass market electric vehicles. In 2008, Tesla released its first car (Roadster), which had an impressive battery life of 245 miles (Schreiber).

Sustainability: For many people, when they hear Electric Vehicle, they think Tesla. It's no surprise that Kantar's Brandz Most Valuable Brands ranks Tesla 29th with a brand value change of +73% (Kantar). For sustainability, Tesla's market perception as being a pioneer will never be uprooted.

3. High-Value Offering (Affordability)

Significance: Affordability is a huge component in switching from combustion engines to electric. One of Tesla's main goals are to optimize manufacturing to lower the price of their electric vehicles without sacrificing quality.

Sustainability: Price is usually not a very sustainable competitive advantage. When researching electric vehicles, Nissan offers the least expensive model (2022 Nissan Leaf) (Romans). But when comparing quality as well Tesla has competitors beat. Tesla has great safety ratings, fantastic interior features, and offer excellent driving performance (Ali).

4. Product Support

Significance: Product Support comes in many forms including Charging Stations, Roadside Assistance, Warranties, Leasing, Lending, and more. Notably, Tesla has 1,469 Supercharging Stations across the U.S. with a handful of sites having more than 5 chargers (ScrapeHero).

Sustainability: Most car companies have product support in the forms of warranties, leasing, and lending. But when it comes to charging stations, Tesla has a serious advantage. With each station costing between \$100,000 and \$175,000, Tesla's invested more than \$150 Million into their charging stations to date.

5. Financial Resources

Significance: Until 2021, Tesla had negative retained earnings on their balance sheet. With immense profitability, Tesla has been able to reinvest their profits into growth and R&D. Alongside profitability, Tesla's main shareholder, Elon Musk, has multiple other ventures (SpaceX, Neuralink, The Boring Company) that could help support Tesla financially and technologically.

Sustainability: Most car companies belong to conglomerates that have similar, if not greater, financial support (Volkswagen owns Porsche). But the potential synergy between companies may prove to be a significant competitive advantage. SpaceX, Neuralink, and The Boring Company can synergize with Tesla to share proprietary research and technology.

MISSIONS, VISIONS, GOALS, & KEY DEVELOPMENT STRATEGIES

Mission Statements

Tesla: To accelerate the advent of sustainable transport by bringing compelling mass market electric cars to market as soon as possible (Musk, Elon. "The Mission of Tesla.").

Porsche: Commitment to providing an impeccable service to demanding clientele of premium cars. Pay our customers with the greatest possible attention and care in all aspects of the business (Comparably).

Vision Statements

Tesla: To create the most compelling car company of the 21st century by driving the world's transition to electric vehicles (Tesla. "Tesla Mission and Vision Statement Analysis.").

Porsche: To generate innovative solutions and concepts for the future, advance new ideas and in this way we shape the mobility of the future ().

Goals

Porsche's Goals (Porsche. "Vision and Strategy – Porsche Engineering."):

- 1) Impeccable Service Provision
- 2) Value-Creating Growth via The Four Stakeholder Dimensions (Customer, Society, Employees, and Investors)
- 3) Environmental Sustainability through a Carbon Neutral Value-Chain and EVs.

Tesla's Goals (Tesla. "About | Tesla."):

- 1) Create Environmentally Sustainable Transportation
- 2) Mass-Manufacturing for Affordability Through Efficiency and Vertical Integration
- 3) Onboarding the Best Talent for Development Team
- 4) Creating "Fun" Features for a New Driving Experience

Key Strategic Developments

Tesla (Musk. "Master Plan, Part Deux."):

- ❖ Integrate Energy Generation and Storage (Solar Energy & Battery Development)
- ❖ Create lower cost vehicles by turning the factory into a product. Optimization of the factories.
- ❖ Industrial vehicle production (i.e. Semi-Trucks and Buses)
- ❖ Self-driving vehicles (Autonomy)
 - Eventually includes sharing capabilities. Allows Tesla to become Uber while Tesla customers get paid for renting out their vehicle.

Subjective 10-15 year expectation: I see Tesla continuing its unbelievable growth as their multi-year innovation developments begin to become accessible to most consumers. With the advent of self-driving cars and complete autonomy, the automotive industry will be completely disrupted. The synergistic potential between Tesla, Neuralink, and SpaceX are unfathomable today, but world-changing tomorrow.

Porsche (Porsche. "Porsche Strategy 2030.):

- ❖ CO2 Neutral Across Value-Chain
 - High Environmental, Social, and Governance (ESG) Ratings are a priority
- ❖ 15% Return on Sales and 21% Return on Investment
- ❖ Six Cross-Cutting Strategies:
 - *Customer*
 - Premium Customer Experience, Boost Customer Loyalty, and attract New Audiences
 - *Products*
 - Digital, connected and innovative products and services. In addition, individual mobility solutions and financial support will help core business.
 - *Sustainability*
 - Pursues holistic approach by optimizing environmental and social aspects, as well as upholding responsible corporate governance.
 - *Digitalization*
 - Implementation of Artificial Intelligence and Data-Driven Technologies. Employee Digital Skill training will be utilized to support Digitalization.
 - *Organization*
 - Optimize and align company processes for future requirements and new Strategic Value Creation Fields (Internally or from External Suppliers).
 - *Transformation*
 - Focuses on people. New ways and methods of working.
 - Leadership will be essential to onboarding employees.

Subjective 10-15 year expectation: Porsche will continue to be a dominating luxury sports car manufacturer with steady to nearly stagnant growth. The reason I don't think Porsche will have substantial growth is because they're not very innovative. Compared to Tesla, they seemed to be tailcoat riders rather than innovators and their growth will reflect that.

Strategic Recommendations

Tesla Recommendation: Contract third-party vehicle service repair companies.

One of the main complaints of Tesla owners is that there aren't enough Tesla Repair Service Centers. Appointments can be booked out weeks in advance and third-party companies don't have the know-how or Tesla parts to fix these vehicles. By contracting out third-party companies, Tesla can provide repair services to their customers in a timelier manner.

Porsche Recommendation: Invest in Product Support; Specifically charging stations.

Porsche's Taycan has an impressive charge life, but that doesn't matter if there aren't many charging stations for Porsche drivers to recharge. According to Porsche, the Taycan can be charged at some Tesla Superchargers, but not all. In addition, once many consumers have switched over to electric, charging stations will take place of gas stations and offer an enormous potential revenue stream. Porsche should either invest in their own charging stations, or contract out specific chargers compatible with Porsche from Tesla.

WHICH FIRM DO I LIKE BEST?

Both Tesla and Porsche are extremely successful companies with their own focuses that make them great. For Porsche, they focus on luxury and customer service, while Tesla focuses on advancing the Transportation Industry into the future.

When I think about which firm I would rather own or work for I focus on their visions for the future.

Porsche's and Tesla's vision statement don't differ much in messaging, but through their actions they tell a different story. Tesla has pioneered in the development of electric vehicles for nearly two decades with unbelievable innovations in the works; specifically, self-driving vehicles. Tesla's revenue underperformed Porsche's in 2020, but in 2021 Tesla's revenue was nearly 150% of Porsche's. Given time, I think Tesla could be as big as Volkswagen itself.

I would much rather own Tesla over Porsche.

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