Supply And Demand For The Porsche Boxter Essay, Research Paper

The Porsche Boxter

Unveiled in February 1996 at a low-profile motor show in Hamburg, the Porsche Boxter was not born on a computer screen or in a focus group, but in the hearts, minds and imaginations of a small band of engineers with a passion for driving.

Many were surprised when Porsche unveiled its new sports car, but later they realised that this was no ordinary car, it was special. Ever since the first display of the prototype, the Boxter received massive hype from the press, many reporters saying it could be the greatest car in Porsches entire production history.

Upon its first display in Britain, the Boxter caught the imaginations of many. A relatively cheap sports car when in comparison with the Italian models, Lamborghini and Ferrari, yet still powerful, beautiful, and phenomenally safe.

When the Boxter was first released, it was clear who would provide the market competitors. BMW s Z3 Roadster had also received much newspaper coverage, and had a flash advertising scam. The Lotus Elise was already established as a great sports car, and the MGF, with a true tradition in sports car making, much like Porsche. And also the Honda NSX. The basic Boxter model did amazingly well on the market; at first having a waiting list, mainly due to the fully customisable interior and exterior. 78 different metallic paints and 48 different leathers brought about the main available choices to customers. The Porsche Boxter S, at $6000 greater expense, still has a 2-year waiting list.

Despite the great profile the Boxter was building, Porsche decided not to invest into international advertising, and instead adopted a direct mail system in each of its countries of sale. Thus the only people really targeted, were those who had purchased a Porsche automobile previously. Thus they created a hungry target market; also giving away free test-drives throughout Europe.

The Boxter s price was its main advantage. It was said that by pricing the car exactly right Porsche executives had cornerstoned the market. The Boxter S was cunningly underpriced, so that when it was actually purchased, it would rise in value. Thus the demand for these cars was massive, and due to the waiting list, people tried to buy second hand, from Porsches own recently established second-hand dealers.

To outline basically the influences on demand for the Boxter:

1) Features of the car, i.e. Safety, Power, Speed etc

2) Reputation of the Porsche group in both the manufacture of race-cars and road-cars

3) Perceived future value of the Boxter S

4) Available customer choice

5) Lack of competition in this field

6) Rarity of the good

And to outline the influences on supply:

1) Limited available production due to there only being one Porsche production plant

2) Personal customisation of the vehicles

3) Purposeful creation of rarity

In 1997/98, Porsche was able to expand its business because of the strong demand for the 911 and Boxster models. The Group’s sales rose by 13 percent to 36,686 vehicles, its turnover by 20 percent to 4.9 billion DM. This was thanks to a high volume of orders in hand and a cautious medium-term hedging policy against possible exchange-rate fluctuations in the most important currencies, earnings and turnover prospects for the current year are also encouraging. Due to continuing strong demand for both model lines, Porsche were almost certain to increase the previous year’s high production and sales levels still further in 1998/99. Since Porsche is engaged in optimising processes throughout the Group, further strengthening of the company’s internal earning power is anticipated. Looking into the future, Porsche has also hedged against possible fluctuations and weaknesses of the most important currencies in the medium to long term.

In Frankfurt, Porsche, the sportscar maker, announced on Tuesday that group sales for the fiscal year ended July 31 were up 24 per cent to DM6.1bn ($3.2bn), against DM4.9bn one year earlier.

Unit sales were 20 per cent higher at 43,980 from 36,686 last year. The company described pre-tax profit in 1999 as “reasonable” but declined to provide exact figures.

Despite expenses associated with the development of a new four-wheel drive vehicle, Porsche said it aimed to match last year’s earnings in the current business year.