**Automotive Industry Segmentation**

The automotive industry has approximately 23 different segments according to J.D. Power and Associates. J.D. Power and Associates do not include segments for vehicles from brands, such as Maserati, Ferrari, Lamborghini, Bentley, Rolls-Royce, Fisker, McLaren, and others. Most of these brands compete with Porsche in varying degrees along with more traditional luxury brands, such as BMW, Mercedes, Lexus, Audi, Infiniti, Land Rover plus others.

J.D. Power and Associates classifies Porsche, BMW, Mercedes, Lexus, Audi, Infiniti, Land Rover plus others as part of the premium segment. The automotive industry segments consumers based on demographic data, geographic information, and a psychographic profile of consumer behaviors with marketing messages targeted to these groups.

**Porsche’s** **Market Segment Strategy**

The product lineup for Porsche includes:

1. ***911****in the midsize premium sporty car segment*
2. ***Boxster****in the compact premium sporty car segment*
3. ***Cayman****in the premium sport coupe segment*
4. ***Cayenne****in the midsize crossover utility vehicle (CUV) segment*
5. ***Macan (latest addition)****in the compact CUV segment*
6. ***918 Spyder******(latest addition)****in the open-top super sport car segment*



Macan Photo by Motorblog

The price of a Porsche ranges from approximately $50,000 to $845,000 with segmented price points based on the model selected.

The basis of market segmentation for Porsche involves dividing a market according to defined smaller easily defined group of consumers with the same wants and needs.

Porsche identifies segments to target using two variables including, descriptive elements and behavioral elements.

**Descriptive elements** include demographic, psychographic, and geographic.

**Behavioral elements** include individual responses to brands, usage, and benefits.

Porsche segments markets based on five critical elements required to evaluate a segment. These elements include ensuring a market segment is measurable, accessible, substantial, differentiable, and actionable.

**Demographic**

Demographic segmentation is a form of market segmentation involving dividing a market on the basis of descriptive elements. Demographic data provides Porsche with a distinguishable way to measure variables of a market estimating the market size and the media to use to reach the market segment. Demographic segmentation is based primarily on income, age, gender, education, occupation, and social class.

The demographic of the Porsche owner, includes a college graduate, household income over $100,000, 85% male, and 15% female. The typical Porsche owner is 40 years old and up with Porsche targeting the 25-54 age demographic seeking a slightly younger audience with the “Engineered for magic, every day” campaign.

**Targeting a Younger Audience and Females**



Photo by Martin de Witte

The age demographic rose from an average age of 48 in 2007 to an average age of 51 in 2012. Porsche’s targeted marketing efforts focus on reducing the average age of the Porsche owner and increasing the number of female owners.

Porsche provides an example of an automotive icon focusing on demographics using age and gender. The “Engineered for magic, every day” campaign, in part, targets women with an image of a mother in a Porsche 911 in front of a school with the text reading school bus.

Additionally, Porsche uses tennis star Maria Sharapova as a spokesperson to engage a younger female audience. The results in the last two years indicate a growth from 8% to 15% in female purchasing the Cayenne CUV and Panamera four-door sport sedan primarily.

**Psychographic**

Psychographic segmentation uses psychology to increase understanding of consumers’ wants and needs. Porsche uses a psychographic segmentation approach dividing the segment based on behavioral elements, such as psychology, lifestyle, personality traits, and values to gain deeper insight of the consumer. The same demographic can possess different behavioral elements.

**Customizing Messages to Specific Psychographic Profiles**

Psychographic profiling provides Porsche with the ability to customize the messaging to target the specific psychographic profiles developed by Porsche.

* **The top gun** profile consists of an ambitious and driven individual who cares about power and control expecting to be noticed.
* **The elitist** profile, includes an individual from old money (blue blood), has the attitude a car is just a vehicle and not an expression of a person’s personality.
* **The proud patrons** owner profile sees a Porsche as a trophy considering it a reward for hard work with ownership as the main goal not being noticed.
* **The bon vivants** profile consists of thrill seekers and jet setters with the Porsche as a means of excitement.
* **The fantasist** profile sees the Porsche as a form of escape and does not care about impressing others.

Porsche has added another profile consisting of individuals enjoying a sporty vehicle for daily use by women and younger drivers with the latest marketing campaign, “Engineered for magic, every day”.

**Geographic**

Porsche uses a traditional geographic segmentation approach grouping markets based on countries, continents, regions, states similar to other worldwide automotive brands. Porsche is a global brand with dealerships located on every continent in major cities.

In the United States dealerships are located in major cities with the manufacturer dividing the market into four regions (north, south, southwest, northwest).

Porsche varies the product mix offered by dealerships within each region. As an example, the dealers in the warmer south and southwest regions offer a higher percentage of convertibles in the product mix versus the north and northwest regions in the United States with marketing following suit.

**Creating New Segments**



Photo by Alexandre Prévot

In 2003, Porsche launched the Cayenne creating the first sport utility vehicle with luxury and high performance. Porsche’s introduction of the Cayenne created a new market segment in an attempt to expand the brand. The introduction of the Cayenne has resulted in a vehicle that accounts for half of Porsche’s profits.

In 2009, Porsche launched the 2010 Panamera a four-door sport coupe based on the market research department identifying a need for a sporty four-door that drives like a sport car. The Panamera is the first of its kind creating a new segment of the four-door luxury sport car.

Porsche’s effort to move outside of the sport car niche with the Cayenne and Panamera product launches have stimulated demand resulting in increased sales for the brand. The Panamera and Cayenne have proved to be effective brand extensions appealing to a wider audience by offering unique product offerings.

**Market Targeting**

Market targeting involves Porsche evaluating the viability of each market segment and deciding which segment or segments to pursue (target). Porsche uses a hybrid market targeting strategy focused on a large share of the premium sport car and sport CUV segment using a finely tuned marketing mix based on marketing messages tailored to Porsche’s psychographic segmentation.

Porsche with the “Engineered for magic, every day” campaign uses a niche concentrated marketing approach tailored to change position slightly. Porsche is trying to change the perception that a Porsche is an everyday vehicle appealing to a larger audience to increase sales. Porsche targets consumers at differing performance and price levels in the premium sport car and CUV market segment.