# **Summative Exam Essay**

**PS456 – Consumer Psychology** 

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**Candidate # 76544** 

London School of Economics and Political Science
Institute of Social Psychology
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Memorandum: 1016 Words Theoretical Evaluation: 2053 Words

#### **Case Presentation**

In this essay, I will recommend strategies aimed at fostering more environmentally sustainable models of consumption to the chairman of the executive board of Dr. Ing. h.c F. Porsche AG

Porsche is a world-leading manufacturer of luxury sports cars with headquarters in Stuttgart, Germany. In 2012, Porsche had a global workforce of 17.500 employees, manufactured 152.000 cars, and generated an EBIT of € 2,44 billion from the group's total revenues of € 13,87 billion (Porsche AG, 2013).

At present, Porsche's model line consists of the two-seated sports roadster "*Boxster*" and its coupé counterpart "*Cayman*", the all-terrain SUV "*Cayenne*", the four-seated sports sedan "*Panamera*", and the iconic sports car archetype "911", celebrating its 50<sup>th</sup> birthday in 2013.

Despite having earned a reputation for its uncompromising dedication to technologically and emotionally appealing top of the range products, Porsche, as other car manufacturing companies, is facing challenges from both, institutional authorities, and consumers demanding higher levels of sustainability and fuel efficiency, along with upcoming technological challenges in the industry's fight over alternative propulsion technologies.

Since 2010, Porsche has introduced hybrid versions of its Cayenne and Panamera series (cutting fuel consumption by up to 50%, cf. Porsche AG, 2013, p. 104), will be releasing its hybrid-powered sports car "918 Spyder" by the end of 2013 (p. 86), and is in its final development stage for a plug-in-hybrid version of the Panamera, combining all-electric emission-free urban cruising capability, paired with a NEDC¹ fuel consumption of 3.5l/100km, and 416 hp combined power output from its electric and combustion engines. So while Porsche is on a promising way addressing challenges by means of technological advancement, little has been done about changing consumer behaviour towards more sustainability.

I want to take this opportunity to extend the company's existing efforts with a set of recommendations for short-, mid-, and long-term strategies featuring both, low and high levels of consumer involvement, which are designed to help Porsche and its consumers to be more sustainable, while keeping the unique Porsche spirit alive.

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<sup>&</sup>lt;sup>1</sup> New European Driving Cycle.

#### I - MEMORANDUM

TO: Mr Matthias Mueller,

Chairman of the Executive Board, Dr. Ing. h.c. F. Porsche AG

FROM: John Doe at Consumer Psychology Consultants, LLC

**DATE:** 23/04/2013

Dear Mr Mueller,

Thank you for the opportunity of offering support and guidance as a partner in Porsche's corporate strategy towards higher levels of sustainability in its products and services.

Today, I am happy to submit to you an outline of six recommendations, which will help Porsche on its way towards higher sustainability by combining technological innovations with active consumer involvement in a short-, mid- and long-term timeframe.

Moreover, you will find supporting scientific evidence in a second section attached hereto.

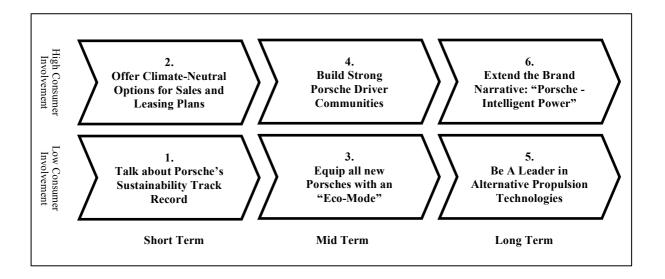
We consider it crucial to acknowledge Porsche's unique heritage and market position, in order to identify and implement sustainable solutions that resonate with the Porsche brand narrative, consumer demands, and corporate culture. The recommendations presented below are designed to find full endorsement among Porsche's stakeholders.

We understand that Porsche is a market leader with customers all around the world. While Porsche drivers' individual and culturally shaped attitudes towards sustainability and environmental protection may vary, it is of paramount importance to pair technological innovations towards higher sustainability with consumer involvement, education, and empowerment. This will not only lead to higher levels of cooperation between Porsche and its customers in their joint endeavour for environmental protection, but also create value in form of sociability and social inclusion by means of community programs and eye-level communication. Eventually, this will strengthen consumers' relationships with the Porsche brand, and is likely to evoke high levels of brand loyalty and brand identification. Strong brand relationships are a key success factor in times of shifting consumer demand towards sustainability – specifically in the high-end segment.

Our recommendations incorporate these considerations on various levels.

### **Recommendations Overview**

#	Description	T-F <sup>2</sup>	C-I <sup>3</sup>
1	Talk about Porsche's Sustainability Track Record	Short	Low
2	Offer Climate-Neutral Options for Sales and Leasing Plans	Short	High
3	Equip all new Porsches with an "Eco-Mode"	Mid	Low
4	Build Strong Porsche Driver Communities	Mid	High
5	Be A Leader in Alternative Propulsion Technologies	Long	Low
6	Extend the Brand Narrative: "Porsche - Intelligent Power"	Long	High



# 1. Talk about Porsche's Sustainability Track Record

50 years of Porsche's 911 since it was introduced in 1963 tell a story of evolution in design and technology rather than one of planed obsolescence: 70% of the more than 1 million Porsches ever built are still on the road today! Porsche is a synonym for timeless classics and sets the benchmark for best-in-class efficiency: The all new Boxster and 911 come with more power, but consume 15% less fuel than their predecessors.

### 2. Offer Climate-Neutral Options for Sales and Leasing Plans

Driving a Porsche is a one-of-a-kind experience. Its environmental impact and carbon footprint, however, should be kept to a minimum. As an immediate measure, we recommend

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<sup>&</sup>lt;sup>2</sup> Time-Frame.

<sup>&</sup>lt;sup>3</sup> Consumer Involvement.

partnerships with renown CO<sub>2</sub>-offsetting agencies such as Prima Klima Weltweit e.V.<sup>4</sup>, or MyClimate<sup>5</sup> to allow for optional climate-neutral sales and leasing contracts based on an agreed-upon annual mileage. This will strengthen Porsche's credibility in its sustainability efforts, and raise consumers' environmental awareness at the same time.

### 3. Equip all new Porsches with an "Eco-Mode"

Integrate an "eco-mode" option in all new Porsche vehicles. This eco-mode combines already available technologies such as, for instance, an automatic start/stop mechanism, along with intelligent cylinder deactivation in urban traffic, stop-and-go traffic and when in cruise control mode. Data from these eco-mode systems shall be gathered by, and be accessible via the car's on-board systems, and display the overall and trip-based savings of fuel, carbon emissions or money equivalent. This enables drivers to build up a track record of responsible driving.

### 4. Build Strong Porsche Driver Communities

Collected data from "eco-mode" driving (cf. above), or from implemented alternative propulsion technology (cf. below), shall be synchronized with drivers' Porsche app on mobile devices, and allow for peer-group sharing of data (e.g., among members of a Porsche Club). Future cars will be connected via mobile broadband-services and communicate with their owners (e.g., dynamic route planning, service intervals, charging status of hybrid batteries etc.). Exportable track records of sustainable driving contribute to the accumulated positive environmental impact of Porsche drivers around the world. Featured communications via Porsche's "Christophorus" customer magazine, campaigns with dealerships and exclusive Porsche Club events offer a unique sense of community for participating drivers, and interesting cross-selling options.

### 5. Be a Leader in Alternative Propulsion Technologies

While collectors and enthusiasts will remain in love with the early 911s and their air-cooled boxer engines, many contemporary buyers of new Porsches are fascinated by the technological expertise and avant-garde thinking that fuels the legacy of the ultimate German-engineered sports car.

Innovations like the plug-in hybrid, electric drives, alternative energy sources such as the hydrogen fuel cell, lightweight materials, or transmission technology promise advances in

<sup>&</sup>lt;sup>4</sup> http://www.prima-klima-weltweit.de/englisch\_2010/index.php.

<sup>&</sup>lt;sup>5</sup> http://www.myclimate.org.

efficiency and performance.

Porsche should continue being an innovation-leader, as this is not only inscribed in Porsche's brand DNA, but also underscores its vanguard role among its customers – and its competitors.

# 6. Extend the Brand Narrative: "Porsche - Intelligent Power"

All these efforts must fuel into a realignment of Porsche's brand identity, based on three major underlying narratives:

(a) The Engineering Legacy

Narrative of the hardworking, analytical engineer, excellence in craftsmanship, and Ferdinand Porsche's legacy of building the ultimate driving machine.

(b) The Passionate Athlete

Narrative of the heroic athlete, domain of emotions, virtues, pleasure and pain, and the imperative desire to win.

(c) The Social World

Narrative of status, recognition, and appreciation; but also of fair play, reciprocity, and goodness: Porsche as a hero, not a villain!

In order to remain the unparalleled authority in the sports cars industry, Porsche not only has to remain faithful to these three pillars that shape the core identity of its brand, but to continue its story-telling in a world of changing attitudes and increasing societal demand for responsible and sustainable solutions.

Let me express once again, Mr Mueller, our gratitude for the excellent cooperation and the trust you have placed in us. We are happy to assist you further throughout the implementation process, and are looking forward to discussing these recommendations with you in the very near future.

Best personal regards

John Doe, Partner

Consumer Psychology Consultants, LLC

### II - THEORETICAL EVALUATION

I will now connect the Porsche case to relevant literature about luxury consumption and consumer research. Based on these preliminary considerations, I will argue in favour of the recommendations suggested, drawing on theory from social psychology, consumer psychology and consumer culture theory.

# (a) Luxury Goods, their Consumers and the Porsche Brand

According to Vickers and Renand (2003), consumption of luxury goods can be described in material (functionalism), individual (experientialism), and social (symbolic interactionism) terms. Luxury brands create superlatives, by establishing timeless classics and cultural artefacts with particular identity value (Vigneron & Johnson, 2004).

They serve as means for social status signalling (Berger & Heath, 2007; Berthon, Pitt, Parent, & Berthon, 2009; Han, Nunes, & Drèze, 2010), and the up-keeping of social distance to groups of lower wealth (Dubois & Laurent, 1994; Eastman, Goldsmith, & Flynn, 1999; Han et al., 2010; Mason, 1992).

Within the segment of luxury consumers, however, cultural capital (Bourdieu, 1984) establishes distinctions between taste and waste, the connoisseur and the snob (Berthon et al., 2009; Dubois & Duquesne, 1993; Han et al., 2010; Holt, 1998; Shipman, 2004). While Porsches have never been particularly flashy cars, compared to fellow sports car manufacturers (e.g., if compared to a red Ferrari), its merits in both, the racing industry and everyday suitability, eventually led to the emergence of loyal brand communities, collectors and enthusiasts (Ahuvia, 2005; Belk, 1995).

These enthusiasts draw on Porsche's heritage of the engineering myth (Urde, Geyser, & Balmer, 2007), and challenge Veblen's (1899) simplistic conceptualisation of luxury as conspicuous consumption of the affluent by an upper class, for reasons of status signalling, social stratification and downward comparison (cf. also Gruder, 1971; Liebenstein, 1950; Wills, 1992). Challenging a one-sided symbolic explanation for consuming the Porsche myth (Kapferer & Bastien, 2009; Levy, 1959), they also stress the individualistic dimensions of possessions-mediated self-extension (Belk, 1988), pleasure seeking experientialism in the ultimate driving machine (cf. Sheth, Newman, & Gross, 1991; Westbrook & Oliver, 1991), and that of loved objects (Ahuvia, 2005) and collectibles (Belk, 1995).

Within brand communities, consumers share rituals, traditions, and a sense of common moral values and responsibility (Muniz Jr & O'Guinn, 2001), and hereby establish subcultures of like-minded consumers with similar consumption patterns (Schouten & McAlexander, 1995). This allows for positive self-evaluation through group membership (Tajfel, 1974; Tajfel & Turner, 1979), on which will be further commented below.

Finally, in consumer-brand relationships, consumers attribute personality traits to their preferred brands (Aaker, 1997) and treat them like relationship partners (Fournier, 1988).

The above evidence strongly suggests, that a reductionist conceptualisation of Porsche consumers as hedonistic pleasure seekers or social status aspirants will not adequately represent the complexity of the Porsche phenomenon in its functional, individual, and social dimension

Combining these insights with theories from social psychology, however, an expansive explanatory account of why the given recommendations are highly likely to succeed in fostering more sustainable patterns of consumption is offered.

# (b) Positive Self-Evaluation, Social Identity and Social Comparison

In his classic work, Rogers (1951, p. 487) introduces the notion of self-concept, and refers to human self-evaluation as "one basic tendency and striving - to actualize, maintain and enhance [oneself]".

Social Identity Theory (Tajfel, 1974; Tajfel & Turner, 1979) offers an account of self-evaluation and identity work in the social sphere by means of group-membership. The individual's association with the group, its norms, values, and the feeling of belonging and social cohesion provides for positive in-group evaluation and devaluation of the outgroup. Social status ascribed to particular groups can further enhance the desirability of membership in the particular group.

In the case of Porsche, positive self-evaluation can arise on the individual (e.g., functionalism, experientialism, personal achievement), and social level from membership in the high-status group of (economically successful) Porsche drivers (cf. section (a)). Brand communities of like-minded individuals, sharing certain beliefs and values (Muniz Jr & O'Guinn, 2001), allow

for consumption of the Porsche myth of the engineer committed to excellence, the passionate athlete and the image of the financially and socially successful hero (Campbell, 1968; Dant, 1999; Deighton, 1992; Holt & Thompson, 2004). This enables Porsche, as co-author of the brand narrative, to link the concepts of fairness and sustainability to the image of success and achievement (cf. recommendations 1, 4, 6). The insight, that from power comes also responsibility, offers Porsche consumers a chance of participating in the co-creation of the hero-myth (cf. recommendations 2, 3, 4), which will foster consumer empowerment instead of triggering psychological reactance, a phenomenon regularly observed when consumers perceive that their freedom of choice is under threat (Clee & Wicklund, 1980).

After all, Porsche drivers don't benefit from wasting fuel or producing carbon emissions, but from the car's excellent driving performance, its aesthetics and the high experiential quality of craftsmanship and engineering, along with the social attributions of success and status that driving the car entails (cf. section (a)). High fuel consumption might hence, rather be an unwanted side effect that does not contribute to the perceived value of the car or its brand. Contrarily, with increasing public awareness of environmental issues and social pressure towards finding more sustainable solutions, reckless over-consumption of fossil fuels becomes an obstacle to gaining social praise and acceptance. Also according to microeconomic theory, consumers should avoid costs of high fuel consumption (cf. Pindyck & Rubinfeld, 2008), as a Porsche's primary signalling capacity is not based on high running costs, but on its high initial cost.

Hence, giving its consumers an option of experiencing the multifacetedness luxury of a Porsche car, while at the same time complying to social norms, will increase the social payoff from responsible action; especially at a time, when consumers are willing to spend a price premium for the responsibility label:

California based e-mobility pioneer Tesla Motors recently announced, that their all-electric zero-emission flagship "Model S" exceeded forecasts, now expecting the sale of 20.000 units in 2013, at list prices of up to \$87.000 per unit (Tesla Motors, 2013a, 2013b).

Furthermore, Social Comparison Theory (Festinger, 1954; Gruder, 1971) states, that people tend to compare their skills, abilities, opinions and traits to others for reasons of self-enhancement. If now, for instance, scientific findings shape a society's social representations of global warming and the scarcity of natural resources (cf. Moscovici, 1984), and render

these issues to be problematic, ecological sustainability becomes a socially rewarded and desirable form of behaviour.

Combining insights from Social Comparison Theory with Social Identity Theory and Roger's self-concept (cf. above), a position arguing that consumers will want to change their behaviour towards more sustainable consumption habits for reasons of positive self-evaluation is feasible (cf. recommendations 2, 3, 4). Especially comparison to other participating drivers via Porsche Clubs, or the sharing of track records of sustainable driving (cf. recommendation 4), and the reinforcement of shared values via brand communities (Muniz Jr & O'Guinn, 2001) will encourage drivers to compete for more sustainable results and foster feelings of sociability and belonging (cf. Tajfel, 1974; Tajfel & Turner, 1979).

Research by Luedicke et al. (2009) on Hummer drivers in the US found, that social conflict emerging from normative questions of sustainable behaviour are mediated by brands and their representations, and can be deeply rooted in the identity concepts of the protagonists and their moral convictions. Offering new technologies that allow for greater sustainability (cf. recommendations 3, 5), aligning its brand narrative by incorporating the concept of sustainability (cf. recommendation 1, 6), and, hence, encouraging its consumers to participate by actively engaging into more sustainable patterns of behaviour (recommendations 2, 3, 4), are key factors for future success in a public sphere aware of the issue of limited resources. In such a place, being sustainable becomes a noble virtue instead of a burden.

# (c) Enabling Social Change: Installation Theory

Installation Theory (Lahlou, 2008, 2009) is a theoretical framework for social change based on the assumption that human behaviour is constrained and guided by goal-directed installations in the physical, mental and social sphere.

In order for interventions (so-called "re-installations") to be successful, all three dimensions of objects (physical space), their mental representations, and mutually constructed meaning (cf. Moscovici, 1984), and the governing normative, evaluative or legal framework (institutional space) have to be considered.

The suggested recommendations apply this approach by re-installing the physical sphere by means of technological interventions (recommendations 3, 5), addressing Porsche's role in the on-going social discourse on sustainability, shifting consumer demands, and the re-alignment

of the Porsche brand narrative (recommendations 1, 2, 4, 6), and are in accordance with emission requirements and constraints from authorities and social norms aiming at higher fuel efficiency and lower environmental impact (recommendations 2, 3, 5). Thus, the recommendations proposed will propagate sustainable consumption by aligning technological and social interventions with shifting normative perceptions and legal requirements on an institutional level.

# (d) How Markets Change: Marketplace Drama Theory

In his article on market system dynamics, Giesler (2008) proposes that markets evolve in perpetual culture-mediated stages of conflict and compromise.

Based on Turner's (1987) theory of social change, Giesler argues, that innovations or cultural conflicts cause disturbance to existing market equilibria. If these conflicts gain momentum in the social sphere, crises can emerge. In a following stage of redress, progressive and regressive forces (consumers, other stakeholders, institutions) fight over a compromise, eventually leading to either a stage of reintegration and reconciliation towards new market structures and consumption patterns, or the collapse of an old market and a spilt-up into (irreconcilable) sub-markets (Giesler, 2008, pp. 750-752).

With growing public awareness of environmental and sustainability issues, along with the emergence of new competitors and technologies (cf. Tesla Motors, above), both, luxury car producers and consumers are heading towards crisis, endangering existing consumption patterns, and their inherent social status and identity value (Atwal & Williams, 2009; Berthon et al., 2009; Dubois, Laurent, & Czellar, 2001; Han et al., 2010).

Porsche, as an actor in this emerging marketplace drama, should respond to these challenges by offering its consumers options, which are reconcilable with stakeholder's changing demands, and are eventually more sustainable. This is achieved by the introduction of sustainable technologies (recommendations 3, 5), consumer empowerment, allowing for heroic self-dramatization (cf. Deighton, 1992), and strong communities (recommendations 1, 2, 3, 4), alongside the integration of the sustainability theme into Porsche's brand narrative (recommendations 1, 6). Suggestions based on Marketplace Drama Theory are in accordance with a Social Representations Theory based account of social conflict in times of shifting representations (Moscovici, 1984), and offer support for the recommendations given from a marketer perspective.

### (e) Conclusion

In the present essay, I have made recommendations to the CEO of Porsche, aiming at aligning its business strategy with the goal of fostering more sustainable patterns of consumption. Recommendations were issued on a short-term, mid- and long-term scale, and include strategies incorporating various levels of consumer involvement in the areas of technological innovations (recommendations 3, 5), consumer empowerment and community building (recommendations 2, 4), and branding and consumer relationship management (recommendations 1, 6).

Based on literature from consumer research and social psychology, Porsche has been portrayed as a luxury brand and characteristics of luxury consumption were outlined. Drawing on these insights, proposed recommendations were evaluated in the light of psychological theories including self-concept, Social Identity Theory, psychological reactance, Social Comparison Theory, Social Representations Theory, and Installation Theory, and were found also in accordance with these theories. Marketplace Drama Theory was adopted, in order to map out a consumer culture theory account of how the interplay of conflict and compromise in the social sphere can make markets change.

In order for recommendations to be fruitful, the concept of sustainability has to be understood in the context of characteristics of particular brands, markets, consumption patterns, and the larger socio-cultural framework, and has, hence, to be discussed in relative, rather than in absolute terms, as the example of Porsche demonstrates. Whether for ecological or economical reasons, some consumers prefer no car to a Toyota Prius, and a Prius to a Porsche, while other consumers will always opt in favour of the Porsche for the reasons discussed above. Thus, in a liberal society, it is neither feasible nor desirable to impose uniform patterns of consumption.

That does not mean, however, that an approximative development towards sustainability is impossible, if it is based on thoughtful interventions that value consumer emancipation and are ultimately in accordance with the economic, ecological, and social interests of all stakeholders.

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