**Porsche Cayenne History**

The Porsche Cayenne was the last thing expected from a celebrated sports-car maker, yet there it was: a sport-utility vehicle. The Porsche Cayenne was introduced to Europe in late 2001 and went on sale in North America for model-year 2003.

In effect, this was the first four-door Porsche, and it puzzled some journalists and outraged many enthusiasts. And the Porsche Cayenne was a truck no less. What was Porsche thinking?

The answer, in a word, was survival. Sports-car sales fall first and farthest when economic conditions sour, but Porsche didn't much suffer that until the early 1990s, when it almost died.

Shaken to its core, the company installed a new CEO, the no-nonsense Wendelin Wiedeking, who understood that the world had changed and Porsche had to branch out. As he told reporters in late 2002: "For Porsche to remain independent, it can't be dependent on the most fickle segment in the market...We don't want to become just a marketing department of some giant [automaker]...We have to make sure we're profitable enough to pay for future development ourselves."

In other words, Porsche needed a third model line, something with much broader sales appeal than the Porsche Boxster and Porsche 911, if it hoped to keep standing on its own and have the wherewithal to build more great sports cars.

But why a sport-utility vehicle instead of, say, a sports-luxury sedan? Because America was crazy for SUVs, and America was still Porsche's biggest market. Besides, two prestigious German rivals had lately added sport-utes: Mercedes-Benz in 1998 with the M-Class, BMW in 2000 with the X5. Significantly, both were built in the U.S. -- and doing a wonderful job drawing new buyers to their marques, which was another factor in Wiedeking's calculations.

It turned out that some two-thirds of Porsche buyers owned at least two other vehicles, one of which was likely an SUV. That meant Porsche had been losing easy sales, and thus easy profits, to other brands. Still, a 4x4 wagon seemed a radical idea for Porsche, so PR types took pains to note that Zuffenhausen was no stranger to either all-wheel drive -- witness the 911 Carrera 4 -- or trucks. The legendary Herr Doktor Ferdinand worked on both.

Clearly, Porsche knew what it was doing. If the Boxster had been a "bet-the-company miracle car," the Cayenne was an astute hedge against the sports-car market's inevitable next crunch. And a popular hedge it was.

Within a year of the U.S. launch, Business Week reported that strong Cayenne sales had helped Porsche pay down its debt to a modest $128 million and amass $2.1 billion in cash, this despite the SUV program costs. And Porsche's net profit margin stood at 10.1 percent, tops in the industry. No wonder Business Week titled its story, "This SUV can tow an entire carmaker."

Renewing an historic partnership, the Cayenne was developed in concert with the lower-priced Touareg, Volkswagen's first-ever SUV. This was a sensible way to spread costs over two fairly low-volume products. The deal was announced in 1998; Car and Driver termed it a "handshake agreement between Wiedeking and Ferdinand Piech, the VW Group's chairman-in-czar and a major shareholder of Porsche."

AutoWeek noted that Porsche execs were "sensitive" about this newest venture with Wolfsburg, perhaps recalling the brickbats hurled at the Porsche 914 and Porsche 924, which used some VW and Audi components, respectively.

Porsche, however, worked hard to get across the idea that its engineers led the way in this joint SUV undertaking. Understandably keen to protect a blue-chip brand image, it wasn't about to have its first SUV dismissed as an upmarket VW.

"Porsche acted as project leader, and much of the work done on VW AG's nickel was conducted by Porsche's contract engineering division..." AutoWeek reported. "Joint development was limited to the basic floor pan and some drivetrain parts. Engines, suspension tuning, styling and finish work were the independent domain of each manufacturer."

Driving home the point that Cayenne wasn't a gilded Touareg, Porsche spent $124 million on a new dedicated plant in Leipzig. There was no room at Porsche's main facilities in Zuffenhausen, and though VW set up for Touaregs in the nearby Slovak Republic, where labor costs were lower, Porsche refused to follow, believing "made in Germany" was crucial to Cayenne sales.

The handsome new glass-walled factory received painted Cayenne bodies from VW and various ready-to-fit modules from other suppliers. Car and Driver noted that Porsche itself contributed only about 20 percent of total content.

Porsche's 600 worldwide dealers also ponied up, investing some $600 million combined in new service facilities and staff training to handle their first SUV. Of that sum, about half was spent by the brand's 200 North American retailers.

And so the stage was set. The one remaining question was whether even a Porsche SUV could possibly deliver the performance, quality and excitement of Porsche's sports cars. You can learn the answer -- and more about Cayenne -- by going to the next page.