

Strategic marketing of the fiat 500 marketing essay



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The Fiat Group was founded in 1899 in Turin, Italy, and now consists of many diversified businesses such as automobile manufacturer, engine manufacturer, agricultural and construction equipments, trucks and commercial vehicles, components and production systems, publishing and communication as well as financial services (The Fiat Group 2010).

Diversified businesses also mean less risk because the businesses are financially and operationally leveraged. However, The Fiat Group focuses mainly in automobile sector, and this is not to mention that the world's famous brands like Alfa Romeo, Maserati and Ferrari are entirely owned and managed by The Fiat Group; this has exclusively enhanced Fiat's automobile portfolio in terms of brand's strength, value and equity. Fiat carries out its businesses through its subsidiary companies located in over 50 countries while majority of its plants, employees, and R&D is based in Italy and Europe (The Fiat Group 2010). In battling for market share against major global competitors, Fiat has recently entered into mutual strategic alliance with Chrysler, with Fiat holding 20% of the shares. This provides both sides many complementary advantages. For instance, Fiat immediately gains unlimited access to Chrysler's extensive North American dealer network, and therefore can save huge production cost by using Chrysler's plants to produce its models for North American market. Chrysler also gains Fiat's global distribution network in reciprocal while also being provided with shared knowledge in engine technology and the know-how of building small and fuel-efficient vehicles.

One of the Fiat's fleets that this paper will place an emphasis on is the Fiat 500 model. The first original model of Fiat 500 was launched back in 1957,

namely the Nuova 500, and it was positioned as an economical and cheap city car. Having seen the success posed by Volkswagen-Beetle and Mini, the retro model of the new Fiat 500 was revealed to the public in 2007, exactly 50 years after its first model. The classic feel and physical look was still largely remained but with new added features, functions, modern designs, technology, etc, all of which that fits contemporary world's demands. Like Volkswagen-Beetle and Mini, Fiat 500 is the second generation of the original model that intends to make a big come back and change consumers' perceptions in many better ways. Literally, the objectives of this paper aim to critically evaluate Fiat's approach to marketing strategy for Fiat 500 as well as to outline an effective marketing communication plan as it enters the market.

Q1: Evaluation of Fiat's approach to strategy for the new 500

Fiat 500 aspires to replicate both Volkswagen-Beetle and Mini's strategy in introducing the second generation model of what was once thought to be the "all-time classic model" many centuries ago. In going about reintroducing, one of its main strategies is driven by a campaign known as "500 Wants You" which uses online marketing as its main vehicle to reach the market. The 500 model is driven by strategic philosophy as "the car of the people, by the people" (Weenen 2007). Fiat uses digital technology to achieve its goals by encouraging and inviting people, in an open community, to become involved and participated in ideas generation for redesigning the car; obviously, this is how Fiat establishes and creates values, beliefs, and passions of those who become involved in the process. Through www.

500wantsyou.com website, over 3 million enthusiasts have submitted their ideas and opinions to the project of redesigning the car (Weenen 2007). The initiative democratically reflects that voices of customers are important in Fiat's strategy, which in parallel, aligns with the generic marketing philosophy that emphasizes the centrality of customer's voice. For a firm to remain in business profitably, customer-centric or customer satisfaction must be stressed (Lancaster & Massingham 1999). Applying Kotler and Keller (2009)'s framework into place, Fiat 500's value proposition is the retro-model of a small city car that offers sensation of original classic look with enhanced engine, innovative features, functions, designs, and convenience that fit consumers' needs in today's world.

Taking into consideration, "marketing" simply focuses on satisfying customer needs and aims to make selling unnecessary (Kotler, Armstrong, Wong & Saunders 2008). The more intellectual definition of marketing is defined as, "process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return" (Kotler, Armstrong, Wong & Saunders 2008, p. 7). The analysis of Fiat's approach to marketing its new 500 can be looked at 2 different environmental-driven forces: the internal and the external. Applying Porter (1980)'s generic strategy looking at external environment, Fiat uses differentiation approach to market its 500 product. According to Carpenter and Sanders (2009, p. 174), "Differentiation refers to a general condition of perceived product 'uniqueness' that causes customers to be willing to pay premium prices", and it can be sustainable if differentiation is uniquely based on quality, service, and reliability (Murray 1988). Fiat places its

emphasis on quality, uniqueness, and not so much on mass production (Davis 2009). In differentiating its products from competitors, Fiat 500 sharply defines its market boundary to be within the small premium car segment, with affordable price, and appeals specifically at the newer generations, young, hip, and modern people who have aesthetic taste, and whose lives are energetic, adventurous, and full of excitement. Carpenter and Sanders (2009) state that key differentiation advantages drivers are only feasible through unique styling, extraordinarily high quality, customization, and value-appealing to prospects. As clearly seen, the design of Fiat 500 is modern, unique, eyes-catching, and at the same time creates value-appealing to its target customers. Even so, one of the Fiat's differentiation approaches in creating differentiated product is the online marketing that it uses. Not does the website only allow participants to become interactively involved in product design and idea generation but also allow target buyers to foresee what their cars will look like. The website offers real-time inventive and customized functions with different designs and features of the car. With over 500, 000 various ways to tailor the car (Davis 2009), this sets Fiat apart from other competitors in terms of operational and design flexibility. The website, standing on its own, has an entire separate community of people who are true fellows, existing customers as well as potential customers of the Fiat 500. Within the community, people can share ideas, feedbacks, and advises regarding the product as well as set up free chat-rooms for discussion.

Looking internally, Fiat's resources and capabilities are the main driving forces that help it get to its projected positioning of being differentiated.

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Reiterating Barney's (1995), the wise use of internal resources and capabilities that create sustainable competitive advantage can only be apparent if they are valuable, unique, and rare. By implication, implementing a strategy which is not being implemented by others and is hard to imitate can bring sustainable competitive advantage to a firm (Barney 1991). Given the strength of Fiat's brand within Europe, Fiat is believed to have achieved sustainable competitive advantage given its unique product design, valuable and rare approach of interactive online marketing which has attracted over 3 million enthusiasts to become involved in the process of redesigning the car.

Based on Treacy and Wiersema (2000)'s framework, there are 3 important disciplines for a firm to become a market leader: customer intimacy, operational excellence, and product leadership. Formerly, customer's value lied on the basis of product's price and quality; today, the expanded concept of customer's value is something no more, arguably, than these emerging disciplines that a firm must possess (Treacy & Wiersema 2000). The context of customer intimacy involves the ability for a firm to offer tailored products to its various customers who may be in different segments and have different needs and desires whereas operational excellence refers to concentrating on operational efficiency while providing reliable products to customers at competitive prices (Treacy & Wiersema 2000). Treacy and Wiersema (2000) further continue that product leadership involves providing products that are innovative, which help keep a firm away from battling intensively against other rivals while making their products obsolete. In summary, firms must define what their customers' values are, build cohesive

business system to deliver the expected values, and ensure that customers' expectations are over-achieved.

According to Treacy and Wiersema (2000), Fiat 500 obviously follows a combination of both customer intimacy and product leadership, given operational excellence already being advantaged and leveraged from its diversified businesses. Reiterating Treacy and Wiersema (2000), customer intimacy is defined amongst those firms that emphasize the context of flexibility, customization, and shaping the product that can fit the target customers while product leadership is defined amongst those firms that emphasize on introducing something inventive and innovative which create an impact to the market. Because Fiat 500 is the innovative product derived from customers' voices, the values of customer intimacy and product leadership disciplines are clearly evident. Every part of Fiat 500 is made up of people's ideas. With over 500, 000 different designs and individual variations ranged from colors to stickers, to side-badges, to racing stripes, and to other supplement accessories (Davis 2009), customers have the opportunity to customize and foresee what their cars will look like, both exterior and interior. By implication, customers can utilize the website to customize their ideal cars to whatever they think would fit their values, attributes, and identities; this can have big influences on their purchase decision. Based on Dick and Basu (1994)'s customer loyalty framework, brand loyalty will be resulted if particular customer has high relative attitude and positive emotional attachment towards the product. Because Fiat clearly understands what it really takes to market the product in its respective segments, customer loyalty is inevitable.

In addition, formulating appropriate marketing mix (4Ps) also helps a firm implement marketing strategy effectively and successfully (Kotler, Armstrong, Wong & Saunders 2008). Reiterating Lancaster and Massingham (1999), talking of product mix does not necessarily mean just the physical product but rather physical product that comes with service, quality, design or other value added benefits which can satisfy consumer's minimum expectations. Fiat 500 is the main product line with core benefits as being a small, durable, stylish, and fuel-efficient city car that offers many state-of-the-art features. Unlike other small cars in the market, Fiat is amongst one of the very few, apart from Mini and Volkswagen-Beetle, that offers decent standard in terms of safety features such as 7 airbags and advanced electronic stability program (ESP), of those which can only be found in medium/large-sized luxury cars (Weenen 2007). In terms of service, all potential customers can expect to receive decent after-sales service and 24 hours roadside assistance should the circumstance require. Given a definition of its product mix, Fiat 500 simply over-achieves customers' expectations. Unlike Mini or Volkswagen-Beetle whose brands are globally recognized, Fiat 500 is offered at an affordable price. Evidently, Fiat utilizes penetration pricing in hope to initially gain market share and establish its brand platform against Mini and Volkswagen, who have been market leaders in small premium car segment for some times. Reiterating Kotler and Keller (2009), setting initial price to penetrate the market quickly leads to higher market share in a short period of time. Once Fiat's product and brand are firmly established in the marketplace, product pricing can always be adjusted to reflect its positioning at that time. With current economic downturn, cost of Fiat 500 is competitively reasonable. In terms of place, <https://assignbuster.com/strategic-marketing-of-the-fiat-500-marketing-essay/>

Fiat's global distribution network is not as extensive as Volkswagen's and Mini's. But given its presence in over 50 countries along with Chrysler's global distribution network, Fiat still has huge opportunities to market the new 500, particularly in emerging markets. The last marketing mix is promotion which will be elaborated in the next section as to what particular message, promotion or communication strategy Fiat should pursue as it enters the market with the new 500.

Q3: Outline marketing communication plan for the new Fiat 500

In overall, the communication process of Fiat 500 will look at the global strategy as the main theme and should tie in with Fiat's main business plan.

Where there are markets opportunities, entering into other markets maybe feasible but should subject upon local customization as appropriate. The projected positioning of the new Fiat 500 aims to enhance brand image and change consumers' perceptions at both product and corporate levels.

Marketing communication is one of the essential marketing mixes in influencing consumer buyer behavior as it acts as a motivator for consumer to purchase the product (Lancaster & Massingham 1999). The objectives for marketing communication, in particular for Fiat 500, are to create product awareness, positive brand attitude, linkage between the product and consumers, and develop a conviction for them to purchase, all of which can be achieved through communicating its value propositions and unique selling points (Kotler, Armstrong, Wong & Saunders 2008).

Table 1 below illustrates projected position of Fiat 500 against other competitors, looking specifically in a small car market.

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As illustrated above, many carmakers also target consumers in a small car segment. While most focuses on being simple, functional, convenient and moderate design, Mini, Volkswagen-Beetle, and Fiat 500 are oppositely differentiated. This however does not mean that Mercedes-Benz's A-Class, or Audi A3 are not differentiated; they are rather differentiated in sensation of simplicity and luxury. Fiat 500, Volkswagen-Beetle, and Mini are differentiated in terms of their unique design and ability for young drivers to customize the car in whichever way that they want. Having now defined the clear target group and product positioning based on its attributes and market attractiveness, the design of communication strategy must also reflect the brand's competitive advantage, brand's strength, and motivate target consumers to action (Shimp 2003). To stimulate audiences' desires and arouse them to action, general processes of creating effective integrated communication strategy for Fiat 500 involves designing key messages, selecting appropriate medias, and monitoring feedbacks (Kotler, Armstrong, Wong & Saunders 2008).

Initially, communicating message must be attention-getter, clear, simple, meaningful, and persuasive. Applying Kotler and Keller (2009)'s framework, Fiat 500 will utilize transformational appeal in which a message will depict the kind of person who uses the brand, or suggest the kind of experience resulted from using the brand. The execution tactic may employ such emotional-appealing message to stir up positive emotions while the promise of fun and adventurous driving experience should also be delivered. The key message should mainly convey product's benefits and its attributes.

Incorporation of consistent theme, mood, and tone must also be focused as it

is the reflection of the product image across all customer touch-points.

Samples of messages can be, but not limited to, “ Fiat 500-The Excitement That Creates the Life” or “ Fiat 500-The New Way of Adventure.” These messages create sensations of fun, excitement, and promote new way of driving which aligns with its positioning. Though, there is no single best message that can universally convey and create needs to the audiences; rather this depends on planner’s creativity, rhetorical and metaphorical skills in depicting the right meaningful message that appeals most to target audiences.

In going about reintroducing Fiat 500 to the global marketplace, both above and below the line communications will be utilized to advertise the product and reach customer touch-points. The main advertising objectives for Fiat 500 as it reenters the market are to establish a new enhanced product image, expand brand awareness, inform audiences of key enhanced benefits, enlighten on values the product can bring, and to create an impact in the marketplace; thus informative advertisement will be employed (Kotler & Keller 2009). In using above the line communications, TV ads, newspaper, billboards, banners, and magazines will be chosen as means to reach target consumers. For example, Fiat 500 can even be used in filming the movie as this will beneficially promote the car and its attributes to massive movie watchers. Though selecting a suitable “ media vehicle” within each general media type can be a challenge as media planner must be able to justify why a particular vehicle is beneficial over another (Kotler, Armstrong, Wong & Saunders 2008). For example, magazines such as Top Gear, Auto Italia, Auto Strada, or European Car will be chosen due to similar characteristics the

target audiences share in common and premium images of the publishers which will help enhance product image subsequently; whereas advertising Fiat 500 in IT magazines would not be suitable due to indifference of target audiences. Furthermore, the importance of theme should not be ignored as it must consistently be applied to all communications to create the same image. By implication, all communications should incorporate the same theme, mood, and tone as to create consistency and ease for audiences to recognize as they are exposed to the media periodically; this helps marketing managers ensure steadiness in brand management and product image across all customer touch-points. Conversely, below the line communication strategies may encompass direct marketing, on spot ads, counter-stands, roller-stands, backdrops, brochures, posters, leaflets, etc, all of which can be selective in terms of audience exposure.

Above the line communication boasts its strength in exposing the product massively to the public all at once, therefore it can quickly create a big impact in terms of brand awareness; while it may limit media planner from putting descriptive details on the ads, as consumers are generally exposed and only tend to spend less amount of time going through the details on mass media (Kotler & Keller 2009). To some companies, high absolute cost may also act as barrier for executing mass media. Unlike above the line communication, below the line communication is cost-effective and can deploy personalized communication with target audiences as one-to-one process; hence elaboration of the product details can generally be used to educate and motivate their action (Kotler & Keller 2009). Conversely, audiences may perceive direct mails as “junk mails,” and therefore may be

reluctant to open the packs when received (Kotler, Armstrong, Wong & Saunders 2008). Even so, measuring the effectiveness of communication strategy implemented can be a challenge especially for above the line communication like mass media because it is hard to quantify customers' responses; unlike below the line communication where customers' responses can be tracked (Kotler & Keller 2009).

To gain a clearer picture of Fiat 500's communication strategy, a rough communication plan which consists of possible activities and timelines are proposed in table 2 below. As these are just top-level examples of some possible activities which can be employed, they are not limited to the followings.

While incorporating with the global strategy's launching theme, the first market which the product will be launched is European market. The event will take place in Turin, Italy, the hometown of Fiat 500 in July, and consist of 3 main phases: pre-launching, launching, and post-launching. In pre-launching, use of public relations will be essential as to create brand awareness and publicize the event beforehand. Various forms of pre-launching public relations such as test driving, placing products in the pre-motor show, pre-motoring reviews, press conferences, or even interviewing the car designer and his crews, will be used to build consumers' interests, create their curiosities, and expose product awareness.

To make the event even more memorable on the launching date, Fiat crews, suppliers, dealers, presses, newspaper publishers, magazines, journalists, columnists, financial analysts, economists, politicians, authorities,

businessmen, and celebrities from the world of entertainment, sports, and fashion will be invited to help create an impact. As the ceremony takes place, the Fiat team will give a presentation which presents its history, inspirations, product's core benefits, features, options, reflection of target customers and projected positioning. As well, the importance of the global "500 Wants You" campaign which highlights that over 3 million enthusiasts have involved and participated in redesigning the product will be presented to honor and appreciate the success. The setting will also include products being placed on displayed platforms, staffs wearing Fiat 500 uniforms to promote the product while incorporating with the event's theme. As the hour of the launching arrives, bands will play music, welcoming the proudly-presented limited edition of Fiat 500 with its brand ambassador who physically appeals target consumers, as it is lifted up from one of the display platforms. There will also be numerous demo cars with different designs and engine sizes for all attendants who wish to test drive and gain experience of Fiat 500. Souvenirs and refreshments will be provided throughout the event.

In post-launching, activities may encompass launching in other markets to create consistent dynamic of product and brand awareness, ongoing advertisements using both above and below the line communications, motor shows where opportunities allow, adapt promotions and pricings based on instant feedbacks received and competitors, sponsorship of events where appropriate as well as online community which continuously provides product updates, chat-rooms, incoming events, discussion-boards, subscription for newsletter, and other related announcements.

Meanwhile, marketing managers may also consider employing direct marketing to expand customer base as an ongoing process after the product has been launched. For example, Fiat can use Chrysler's customer base to generate one mailing list for marketing purposes. There are some tactics for managers to employ direct marketing effectively given the pitfall that receivers may perceive direct mails as junk mails and ignore them completely. This is where CRM marketing comes into picture (Kotler & Keller 2009). By using CRM, Fiat can understand more of consumers' patterns, behaviors, brand preferences, lifestyles, hobbies, age, income, demographics, etc. By understanding these basics, Fiat can selectively approach them with different designs of marketing packs and personalized messages that psychologically appeal to their personalities and values; this can result in higher response rate. The objectives of Fiat 500's direct marketing may vary from invitation to test drive, subscribe for online newsletter, join the event, rally, or even to cross-sell the product with special interest rates or other promotions.

For money matter, the very rough budget on advertising and promotion (A&P) for Fiat 500, forecasted for the next 5 years, is proposed. Please see table 3 below.

Using Kotler and Keller (2009)'s mixed methods of budgeting, the proposed budget is based on 15% of expected annual sales; thus for 2010, approximately \$2.7 billion will be needed. With expected growth rate of 5% in sales annually, A&P budget is estimated to increase subsequently.

Moreover, 70% of the A&P budget will be allocated for above the line communication; 30% for below the line communication; and budget for listed <https://assignbuster.com/strategic-marketing-of-the-fiat-500-marketing-essay/>

activities under each approach are also allocated based on the planned activities.

Lastly, as Fiat 500 enters other markets, campaign design and communication strategies involving messages and media maybe different and subject for customization to fit local markets in terms of norms, beliefs, ethics, values, religions, or cultures. There is no single best media or approach that can universally apply to all markets; strategy which is effective in one culture may not be as effective in another. Therefore, creating an effective integrated marketing communication plan, as per Kotler and Keller (2009) suggest, involves a great deal of marketing efforts in managing, coordinating, understanding customers' values, and linking them with appropriate communication tools.

Conclusion

With high set up cost along with many existing established players, barrier to entry in automobile industry is considered to be high. By theory, innovative products can lead a firm to attain market leader position and gain higher market share (Smith, Ferrier & Grimm 2001). With Fiat 500 product being placed out in the marketplace, Fiat seeks to secure its competitive positioning while attempt to gain high market share in a small premium car segment. With target consumers being clearly defined, the effectiveness of product marketing depends upon the skills of marketers and the competitive environment. As traditional marketing mix may not be sufficient to employ effective strategy, consideration of other emerging mixes such as people, philosophy, physical evidence, and process should additionally be

emphasized. In closing, as customers' values are created, the importance of <https://assignbuster.com/strategic-marketing-of-the-fiat-500-marketing-essay/>

relationship marketing should be highly focused as to retain their loyalty and encourage their repeat patronage.