

# Contemporary marketing assignment on ferrari



**ASSIGN  
BUSTER**

Ferrari S. p. A. is an Italian sports car manufacturer based in Maranello, Italy. Founded by Enzo Ferrari in 1929, as Scuderia Ferrari, the company sponsored drivers and manufactured race cars before moving into production of street-legal vehicles as Ferrari S. p. A. in 1947. Throughout its history, the company has been noted for its continued participation in racing, especially in Formula One, where it has had great success.

Ferrari has produced a number of concept cars, such as the Ferrari Mythos. While some of these were quite radical (such as the Ferrari Modulo) and never intended for production, others such as the Ferrari Mythos have shown styling elements which were later incorporated into production models. The most recent concept car to be produced by Ferrari themselves was the 2010 Ferrari Millechili. A number of one-off special versions of Ferrari road cars have also been produced, some of which have been commissioned by wealthy owners. One of the examples is the Ferrari P4/5. The Special Projects program is collaboration by Ferrari with Italian automobile coachbuilders such as Fioravanti, Pininfarina, and Zagato to build custom cars using selected Ferrari models as a structural base. The first car under this program is the SP1, commissioned by a Japanese business executive. The second is the P540 Superfast Aperta, commissioned by an American enthusiast.

Ferrari has considered making hybrids. A F430 Spider that runs on ethanol was displayed at the 2008 Detroit Auto Show. Ferrari has announced that a hybrid will be in production by 2015. At the 2010 Geneva Motor Show, Ferrari unveiled a hybrid version of their flagship 599. Called the "HY-KERS Concept", Ferrari's hybrid system adds more than 100 horsepower on top of the 599 Fiorano's 612 HP.

Ferrari is a myth and a legend in the automotive industry. The Ferrari tale is one of an astounding and unique worldwide success. An unparalleled one. Ferrari success cannot be measured in terms of revenues and sales, or in terms of market capitalization. Ferrari never made an IPO and is not even quoted in any stock exchange market. Ferrari success has to be measured only in terms of Brand Value and Product Value. Probably the Ferrari brand is worth more than the Google brand, the Apple brand, Nike, GE, IBM, BMW, Mercedes, Exxon, Shell, or any other brand. No other brand has the allure of the Ferrari Brand. Ferrari is known and is highly valued everywhere in the world. Yet, Ferrari never spent a penny in advertisement.

## **HISTORY:**

Enzo Ferrari was born in Modena Italy on February 18 1898. He came from a well to do family that owned a metal foundry making railroad parts, they were the first in his town to own a car. When WWI came Enzo's father and brother (Dino) were drafted into the Italian army, whom both died from influenza in 1916. Enzo was forced to leave school to run the foundry, when the business collapsed he started work as a metalworker at the Modena Fire Brigade workshop in order to support his widowed mother. Enzo himself was later drafted into the Italian army where he worked shoeing mules for the mountain artillery, after a few months he becoming seriously ill and was released from the military. Not interested in going back to school and against his mothers will, he found work as a test driver in Turin in late 1918. Enzo then moved to Milan to work at CMN (Costruzioni Meccaniche Nazionali) as a racing car driver. His first real race came in the 1919, the Parma-Berceto, he then entered the Targa Florio that same year.

Enzo then founded Scuderia Ferrari, (literally means Ferrari Stable) who were mainly sponsors and trainers for Alfa Romeo. He was officially hired by Alfa Romeo as head of their racing department in 1938, then in 1940, upon learning of the company's plan to take control of his beloved Scuderia, he quit Alfa. Since he was prohibited by contract from racing for several years, the Scuderia briefly became Auto Avio Costruzioni Ferrari, which ostensibly produced machine tools and aircraft accessories for Piaggio and RIV as Italy was gearing up for WWII. Ferrari did in fact produce one race car, the Tipo 815, in the non-competition period; it was thus the first actual Ferrari car, but due to the war it saw little competition.

In 1943 the Ferrari factory moved to Maranello, where it has remained ever since. The factory was bombed in 1944 due to making machines for ball bearing production, it was rebuilt in 1946 to include a works for road car production. The first Ferrari road car was the 1947 125 S, powered by a 1.5-litre V12 engine; Enzo reluctantly built and sold his automobiles to fund the Scuderia.

Since then, company cars, driven by the best drivers, have racked up over 5,000 successes on race tracks and roads all over the world, creating a legend. The most important achievements have been 9 Formula 1 Drivers' World titles, 14 Manufacturers' World titles, 8 Formula 1 Constructors' World Championships, 9 wins at the Le Mans 24 Hours race, 8 at the Mille Miglia, 7 at the Targa Florio, and, up to the end of 1997, 113 wins in Formula 1 Grands Prix.

While Enzo's beautiful and blazingly fast cars quickly gained a reputation for excellence, Enzo maintained a famous distaste for his customers, most of whom he felt were buying his cars for the prestige and not for racing. Ferrari has long been one of the ultimate toys for the rich and young (or young-at-heart). Ferrari cars feature highly-tuned small V8 and V12 engines, often in a mid-engined configuration. But until the introduction of fuel injection in the 1980s, they were quite temperamental and were difficult to maintain. Before the mid 1980s they carried a reputation for unreliability and bad engineering, though these were written off by enthusiasts as "character." Ferrari owners have famously and religiously defended the merits of their cars while virulently criticizing other brands.

## **PESTEL ANALYSIS:**

### **ACADAMIC REVIEW**

Through the appliance of PEST analysis a manager can examine their disclosure towards the set of possible surrounding problem (McGee et al. 2005, p. 13).

Thomas, H (2007)

(jain, 1981) defined PEST an early warning system for the environmental force which may impact a company's products and markets in the future.

Moutinho, L and Evans, M (1992, pp. 247)

POLITICAL:

ECONOMICAL:

SOCIAL:

TECHNOLOGICAL:

ENVIRONMENTAL:

LEGAL:

## **SWOT ANALYSIS:**

### **ACADAMIC REVIEW**

Barney gave SWOT a new meaning as a basic step for a firm to connect its resources to achieve advantages competitively.

Barney (1991)

Conventionally SWOT has been seen as a structure formed by properly combining various factors that are well thought-out significant in order to assess a firm's planned position at a reasonable souk.

Porter (1981).

“ Synthesizing process creates value not only in aligning components, but also in creatively re-arranging them”.

Liedtke (2000, p. 22)

## **STREANGHT OF FERRARI**

Extremely strong brand image

Innovation & technology

Well motivated work-force

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Attitude towards new challenges

## **WEEKNESS OF FERRARI**

Ferrari's business model

fuel efficiency & emissions

Due to huge waiting list Ferrari loses many customers.

## **OPPERTUNITES FOR FERRARI**

Growth in the global market

Expansion of the brand in new Market

Enlargement of customer base

Development of technology

concept car

## **THREATS FOR FERRARI**

Automotive policies from varies countries

Tough competition

Slow rate of expanding

**STREANGHT OF FERRARI:** Extremely strong brand image. Products that are a fine combination of beauty & aesthetics combined with unforgettable performance. The brand has connected to itself an aura of mystique. It is looked upon as a status symbol for general people. Ferrari takes on new challenges on a constant basis with a head on attitude. Innovation &

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technology are key drivers behind every product. A very inspired, well taken care of & satisfied work-force who are proud to be attached with the brand. This was further expressed publicly when Ferrari was voted the “ Best Place to Work in Europe 2007”<sup>3</sup>.

**WEEKNESS OF FERRARI:** Ferrari’s business model, based around low volumes, removes the possibility of employing certain technological solutions. That same business model also limits their sales volumes even though a lot more demand is present in the market. Due to their “ waiting list” model, they lose out on customers to the competition. A big challenge lying in wait is fuel efficiency & emissions which are growing in importance every day, thanks to spreading concerns over the environment.

**OPPERTUNITES FOR FERRARI:** Growth in the global market for high-performance super-cars due to growing economies & developing nations. Expansion of the brand through entering into new & important automotive markets like India wherein competitors like Porsche have already set up base. Enlargement of customer base (increase appeal of their products to a more variety of buyers) through adding comfort, roominess, luggage space, engines that are more user friendly, and so on, while at the same time maintaining traditional Ferrari characteristics-performance, style, exclusivity. Ferrari has been exploiting this aspect for a while & it has been a key contributor to their success in the past 15 years. Development of technology (for example interfacing electronics with mechanical systems) has opened up new avenues to explore for their products. Packaging i. e. the concept of the car is another area which still has years to explore.



THREATS FOR FERRARI: Automotive policies being pushed by countries & continents all over the world which are being strictly enforced like the emission norms of 130g/km of CO2 are very difficult to keep up with due to the performance oriented nature of the engines built by Ferrari. Tough competition from other iconic super car brands like Lamborghini & Porsche

A competing brand like Porsche does not follow the same low volumes, high on exclusivity model which is followed by Ferrari & hence sells a lot more of its products & captures a large chunk of the market share. Once again, competitors like Lamborghini & Porsche are expanding their product range to high performance SUV's wherein Porsche has already been very successful with its " Cayenne" model, all over the world & in particular, in India, which has lead to its success in the Indian market. Ferrari has not announced any plans for such a product (high-performance SUV) as of yet i. e.-2009.

## **MARKETING MIX:**

### **Product**

High Performance super cars. Though the company is also heavily into 3rd party merchandising.

### **Pricing**

Priced at a premium, they start at prices upwardly of 175, 000 \$US. Vintage Ferrari cars are also a great investment as Vintage Ferraris appreciate in value & are known to cost millions of US Dollars

Promotions

The strongest promotion for Ferrari is in its merchandising. It already enjoys immense awareness throughout the world; even in places it doesn't do any promotion. To the extent that in India, wherein the brand is not even present as of yet, it is very well known. Furthermore, the merchandising is done on a royalty & license basis to other brands (E. g. Puma selling Ferrari-Puma branded shoes).

#### Place

It has its exclusive Ferrari dealerships spread over 52 countries as of yet with plans to expand its dealerships to other countries & markets.

#### People

A very inspired, well taken care of & satisfied work-force who are proud to be attached with the brand is what Ferrari offers its " people". With factories, production units & workplaces built around the safety & health of its workers, Ferrari was voted the " Best Place to Work in Europe 2007"³.

#### Process

They are reliant heavily into R&D, innovation & staying at the cutting edge of technology. Therefore, their process is in a constant state of flux which is forever changing & adapting with what the environment around them demands.

#### Physical Evidence

Dealerships across the globe showcasing their cars along with merchandise offering the customer a lounge sort of experience rather than that of a

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showroom. This is done keeping in mind the lifestyle of their potential custom

As from the above table

## **BCG MATRIX:**

### **ACADAMIC REVIEW**

The BCG growth-share mould was extremely significant. It made noticeable the concern of allotment across companies, that some businesses should fabricate ready money that supports others.

Aaker, A. D. (1988, pp. 133)

The fundamental compositions of the BCG mould have stayed admired and are still integrated in almost every MBA syllabus.

Calandro Jr, j and lane, S (2007)

## **Star**

Ferrari 275

Ferrari 360

Ferrari 420

Ferrari F512

Ferrari F60

Ferrari F70

?

Ferrari Spider 458

Ferrari hybrid F151

Ferrari F70

## **Cash Cow**

Enzo Ferrari

Ferrari Mondial

Ferrari Testarossa

Ferrari California

## **Dog**

None

According to the BCG matrix, Cars like Enzo Ferrari, Mondial, Testarossa, & California are the most cash generating cars of the company. This cars generates the maximum amount of the revenue for the company. Other than these Cars like Ferrari 275, 360, 420, 512, F60 and F70 are the most selling cars as it is liked by consumers. Cars like Spider, Hybrid & S70 are some new project of the company which are under development.

## **PRODUCT LIFE CYCLE:**

**As from the above figure tells us, the Enzo Ferrari car is in its Maturity period. This car has been a big success for the company since the day of its launch. Though Enzo Ferrari is an old car but cause of its revived versions taken out by the company, the car never loses its grip in the Market.**

## **PORTERS FIVE:**

### **ACADAMIC REVIEW**

Porter's work in 1980, Competitive Strategy (book), and his set-up of the porter's five force presented a structure to study the peripheral surrounding orderly as a technique of budding and ready for action tactics Michael E. Porter (1998[1980]).

Calandro Jr, J and Lane, S (2007)

Michael E. Porter's five force model has been developed by Succeeding practitioners. Though testing such kind of examination may be extremely difficult as it do not sums up simply Robert Simpson and Antonio Davila (1998).

Calandro Jr, J and Lane, S (2007)

Michael E. Porter claimed if an association has to develop an aggressive tactic it should initially calculate its situation inside the business alongside the five aspects; supplier & consumer bargain power, Threats to new entrants & substitute, Cut- throat rivalry.

Tay, L (2006)

## **SHELL MATRIX:**

### **ACADAMIC REVIEW**

Business position of shell matrix appears much appropriate for a merchandise range investigation motive is a variety of aspects depicting market pleasant appearance along with industry status establishes the progression of a manufactures good beside its life tenure,

Chee, H & Harris, R. (1998, pp. 61)

Rich & Elite Class

Targeted Audience

Luxury Hotels

Airlines

Europe

India

Strong Brand name & image

Loyal Customers

MARKET ATTRACTIVENESSHigh

Low

Medium

High Medium Low

## COMPANY'S STRENGTH

!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!!

## **ANSOFF MATRIX:**

### **ACADAMIC REVIEW**

Several writers have remarked on the boundaries of strategic alternative presented towards the small firm, by good value of such features as small market share and precincts of resources and talent (e. g. Carson, 198).

Watts, G et al. (1998)

Ansoff (1965) some time ago assumed that ' strategy and objectives are interchangeable both at different points in time and different levels within the organisation. Thus elements of strategy at a high level become objectives at lower level'.

Adcock, D (2000, pp. 21)

The Ansoff growth matrix guides an organisation in relation to ocus their labours and consideration.

Lake, N (2002, pp. 145)

New Product

Existing Product

## **MARKET PENITRATION**

Different Schemes.

Warranty on its products.

Free servicing for a specific period.

## **PRODUCT DEVELOPMENT**

Investing in Research & Development.

Add new products to product range.

Feedback/customer survey.

## **MARKET DEVELOPMENT**

Super Bikes.

Cloths/ Accessories.

Airlines.

Luxury Hotels.

## **DIVERSIFICATION**

Airlines

Existing market

New Market

(Model adapted from Mindtools, 2010 own research)

As from the above Marketing tool we can conclude that Enzo Ferrari car & the Ferrari Company has a very diverse market for Development & penetration.



**MARKET PENITRATION:** The Company has a wide scope of penetrating the market by giving its customers varies & attractive schemes. These schemes can be seasonal in nature also. At present the company doesn't have any schemes like its competitors.

**PRODUCT DEVELOPMENT:** The Company can widen their product range by entering into new market. Ferrari can also invest in research & development to enhance its existing product range & to innovate new cars. Company can also take feedbacks on its products as this can also help enhancing the product.

**MARKET DEVELOPMENT:** The Company has a big opportunity in the new market. Ferrari can make sports Bike as it is connected to the field in which the company is from last 100 years. This new shift can add a boost to the company brand name & sales. The company equally has a scope in the Domestic Airline sector. It can start a new airline as it already provides some spare parts of airplane to the company like Boeing & Airbus. Luxury Hotels can also be a possible profitable business for a brand like Ferrari.

**DIVERSIFICATION:** The Company can diversify and explore new possible field like in airline business. This field isn't new for Ferrari as it produces many spare parts and engines for small airplanes. This business is highly profitable and can increase the brand value of the Ferrari.

## **RECOMENDATIONS**

The following recommendations are taken from the critical study of all the above Matrixes & Analysis.

### Expanding the existing Market:

The Ferrari needs to expand needs existing market as its fan following is the worldwide and the consumer doesn't find it easy to export the car from other country as it cost highly. The company can wider its network in countries like China, India, Brazil where their isn't a single outlet of the company but has a wide scope for Ferrari cars as this country's economy is booming.

### Services:

No doubt that Ferrari has an excellent quality of services for its customers. But due to its in box policy (Services are available in very limited countries) the customer think twice before buying a Ferrari Car.

### 3rd Party Merchandizing:

Ferrari is already in the 3rd party merchandizing but in a very limited area, e. g. Caps, T-shirts, etc. The company should expand its area and try to explore new areas. This new field of merchandizing has a great opportunity as revenue can also be generated which is helpful for company's growth.

### Sponsorship:

The company heavily invest in sponsorship especially in formula 1. Due to this mostly racing community is acquainted with the name of ' Ferrari'. Sponsoring various even like Olympics, Football can be a great deal. This could also add some reputation to the company's image. Sponsoring a global event always attract more people's attention than the methods of sponsoring like T. V, Radio, etc.

**Charity:**

Charity is almost done by every big firm or name as it attracts the people in an emotional way. Donating in charity always attracts media attention due to which free publicity is also created & the brand name gets a moral touch in the general consumer's eye.

**Eco-Friendly:**

The company should start concentrating on the eco friendly issues as the general public is getting more aware of it. Unlike other Ferrari cars has a less mileage with emission of more gasses [About 3 Lit. for a Km]. The Ferrari should make some changes in its V12 engine as it has some world best engineers with them from the eco friendly point of view.

The Ferrari should also come up with a car which doesn't work on fossil fuel., e. g. Hydrogen, Water, Electricity just like its counterpart are doing to gain special attention. Due to this the image of the company can also change for good.

**Entering into new Financial fields:**

The Ferrari S. P. A is a company which is almost 100 years old but still its name isn't on any stock exchange in the world. Enlisting its name in a stock exchange can add some serious revenue inflow in the company. They should also disclose its financial Audit e. g. Profit & Loss statement, Balance sheet, etc to the general public officially. Cause of this the company- customer relation can strengthen up.

## **New methods of Brand Promotion:**

Ferrari should indulge into some new ways of promoting itself e. g. Internet, media, etc. Ferrari doesn't follow any promoting schemes for its Brand in anyway. Due to this the consumer aren't aware of Ferrari and its new launches. The Ferrari website is so far the best website in the internet but it still needs some improvement e. g. If the visitor could make its own Ferrari car in a innovated way. This technique can be used not only form the gaming points of view but also economically. If the customers are allowed to choose how their car will be it could be a great deal. Even from the hits on the site which are made by the visitors, the revenue can be generated.

Ferrari should advertise in social networking sites like Facebook, Twitter, LinkedIn, etc where they can grab the attention of the general public directly with a more effective way.

## **Exploring new possibilities:**

The Company should explore new possibilities in terms of its Car range. Although the Brand name ' Ferrari' is known for its Super Sports Car but to grab new market in this competitive world the company should launch some variants of cars in new segments like SUV, Luxury, Small, etc. This possible increase the sales of the company with the brand name more familiar and household. There is also a lot of opportunities for Ferrari in this new segments of cars. The company can also explore its possibilities in sports bikes segment as it only manufactures sports cars. This new tag can go with the Ferrari.

## **Cost cautious Policy:**

The company can be a bit cost cautious as the cheapest Ferrari is about \$300, 000, which is a large amount. By reducing the cost of the car the sales of the company can increase, as there are many people who are willing to buy this car.

The company can also use its hand in the car reselling market. This could also generate a fair amount of money. By increasing the sales, employment in the company will also increase as there is just hand full of labours in Ferrari due to its modernised and mechanised techniques of making cars.

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