

Ferrari S.p.A.: A Comprehensive Study of Strategy and Market Position

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Abstract

This paper offers a thorough market and strategic study of Ferrari S.p.A., one of the top manufacturers of luxury sports cars globally. The study evaluates Ferrari's marketing strategies critically, emphasising how the company relies on product and marketing principles. Key political, economic, social, technological, environmental, and legal issues influencing Ferrari's operations are identified through a thorough examination of the company's marketing environment utilising the PESTEL framework. The study also critically examines Ferrari's marketing mix with a discussion of future success determinants, emphasising the necessity for the corporation to maintain its market leadership and brand reputation in the electric car era by ongoing innovation, environmental initiatives, and adaptation to changing consumer preferences.

Keywords: Ferrari S.p.A., luxury automotive industry, strategic analysis, brand equity, product concept, Veblen effect, marketing mix, sustainability, electric vehicles, competitive advantage.

Methodology

This study adopts a qualitative, secondary research approach to conduct a strategic and market analysis of Ferrari S.p.A. The research is primarily based on the review and critical analysis of publicly available secondary data, including Ferrari's annual and sustainability reports, industry publications, academic textbooks, journal articles, and reputable business news sources. Market data was sourced from financial platforms such as Yahoo Finance, while insights into Ferrari's marketing strategies were drawn from industry analyses and case studies.

The analysis employs established business frameworks such as the PESTEL analysis to evaluate Ferrari's external environment and the Marketing Mix (4Ps) to assess the internal factors contributing to its market performance. In addition, key marketing theories including the Product Concept, the Marketing Concept, and the Veblen Effect were applied to critically evaluate the company's marketing philosophies.

This qualitative approach allows for a holistic understanding of Ferrari's strategic position and the factors contributing to its sustained success in the luxury automotive industry.

Introduction

Ferrari S.p.A. is an Italian luxury sports car manufacturer based out of Maranello, Italy. It has a Market Capitalisation of €52.5 Billion as of October 2023 (Yahoo Finance, 2023). According to Ferrari, their mission is to “epitomise the power of a lifelong passion and the beauty of limitless human achievement, creating timeless icons for a changing world” (Ferrari, no date). The prestige of this company is built upon decades of sporting success and the inimitable style of their cars, which are unique in their innovation, technology and driving pleasure.

Ferrari as a brand has always made the greatest luxury performance vehicles and are superior than every other manufacturer in that category. It has a solid financial performance, in its ability to maintain profitability and strong stock performance which demonstrates its stability and growth prospects. The Net Revenue stood at €5.095 Billion for 2022, an increase of €824 million over the previous year (Ferrari N.V., 2023).



Figure 1: Ferrari vs Luxury Performance Car Industry (Source: Ferrari N.V., 2023)

In Figure 1, we can see how less volatile the stocks of Ferrari are, compared to other luxury car manufacturers in terms of the number of vehicles sold from 2004 to 2022. This is due to the demand for their cars in relation to the volume as well as the models offered in their portfolio. In addition to that, there have also more frequent new model launches as compared to its competitors.



Figure 2: Ferrari Market share vs Competitors in Different Markets in 2022 (source: Ferrari N.V., 2023).

Here In Figure 2, we can also see the 2022 market share that Ferrari has in respect to its competitors. It holds a major chunk of it and holds almost one-fourth share in its top 25 markets. Ferrari say that their main competitors are Lamborghini, McLaren, Aston Martin, Rolls-Royce, and Bentley, as well as Porsche, Mercedes and Audi in certain segments of the market (Ferrari N.V., 2023). The company clearly has a higher brand appeal than its competitors and manages its stock well, as they also want to defend and promote brand exclusivity and premium pricing.

Marketing philosophy

The Product concept applies largely to Ferrari. This marketing philosophy holds that consumers will favour products that offer the most in quality, performance, and innovative features (Kotler et al., 2020). We can also relate it to the Veblen Effect which states that a good whose demand increases as the price increases due to its exclusive nature. Many times, consumers would believe that as a product is priced very high, it will be worth more and will have better quality (Krugman, 2022).

Enzo Ferrari, the founder of Ferrari, has been known to have said “Ask a child to draw a car, and certainly he will draw it red” (The Official Ferrari Magazine, 2018). This statement shows the sentiment that people have towards Ferrari, that when you think of a red sports car, you think of a Ferrari. The body of their cars is designed in accordance with aerodynamic principles and beauty which create sleek, powerful lines and curves. All of this is done to increase the performance and driving thrills of the car.

The interior of a Ferrari is where anyone would want to be, a functional, aesthetic, and comfortable space. Ferrari have been using only the finest of materials like Italian leather, Carbon Fibre, Aluminium, to give their customers that premium feel (Top Gear, 2018). Ferrari also offers personalisation on their cars, and a potential client configuring their vehicle can change almost anything they would like. Ferrari has tiers for these personalisation as they range from dealership equipment to “Tailor-Made” to even One-off. Tailor-Made allows customers to choose any shade of paint in the world or any material that they would like to have on their car.

One-off is where Ferrari design a car for you, completely from scratch and it is the ultimate customisation that the brand offers (Cackett, 2018). It is important to note that only a few people are allowed by Ferrari, themselves, to create One-offs and as no normal person can just walk into the dealership and ask for one, even if they have unlimited resources.

The Marketing Concept also holds true for this company. This marketing philosophy states that achieving organisational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions better than competitors do (Kotler et al., 2020). Under the marketing concept, customer focus and value are the paths to sales and profits. All of Ferrari’s cars are built with the objective to providing their customers with a car that gives the ultimate driving pleasure as well as making them something that they are proud to own. A lot of research and development has gone in to make them, with R&D costs upwards of €776 million in 2022 (Ferrari N.V., 2023).

Ferrari engines are designed to give you the maximum performance, thrill, and emotion and are masterpieces. Over the years, they have come in many forms, such as V8, V12, and now the most recent V6. Their current line-up offers 6 cars with V8 engines, 2 cars with V6 engines and 4 cars with V12 engines (Ferrari N.V., 2023).

Marketing Environment

If there is strong political support structure, then it would help in the growth and development of business. Trade relations play a major part as a company like Ferrari can only export their vehicles if their own home country, Italy, has good foreign relations with other countries and there is free flow of trade and commerce between them.

Trade blocks also can help the company in acquiring resources at a lower cost and allow for a lower cost of production, while also being able to sell their products more easily due to lesser restrictions. Another thing that affects Ferrari is the taxation policies. When there are tax allowances, then the automobile company can sell more units and maintain its competitiveness in the market (BBC, 2016).

A luxury product such as ones that Ferrari offers is bought by people with a significant disposable income. If there is a steady rise in inflation and there is a reduction in real income, then sales of Ferrari will suffer, whereas a lower inflation rate would lead to higher sales. It also depends on a country's interest rates; if the cost of borrowing is more than people would prefer not to consume products which companies like Ferrari provide, as it will be more expensive to procure one than when the interest rates are lower.

If there is a high unemployment rate, then the cost of labour will be cheap and Ferrari can take advantage of this to prevent higher costs of production. But this would also mean that there is a limited availability of disposable income, hence again resulting in lower sales.

Ferrari would benefit in having markets in developed and developing countries, as these are the places with most potential clientele as compared to an underdeveloped country. If there is a trend of higher consumer spending, then Ferrari will have a lot more sales during this period. A growing economy would result in a good business prospect for the automotive company (Middleton et al., 2022).

A company needs to be aware of the demographics of the country that it is operating in, as it can greatly help them to plan for the future. If there is a higher demographic of young people, then Ferrari would be benefited as it would allow a larger customer base. A younger demographic would also yield a good talent pool through their skills and education.

For a luxury brand to succeed in a country, it would also require a moderate to high middle class that can actually afford to purchase their products. When people belong to a certain background, they would demand goods of a certain quality and this awareness for quality goes hand in hand with Ferrari's principles of providing the best quality cars.

A company like Ferrari also needs to be in compliance with labour rights and employee safety in order to flourish.

Ferrari needs to innovate and come up with new technologies to incorporate into their cars to stay ahead in the market. New technologies can also help Ferrari to make their cars more efficient to use, while providing the same thrill (Cenzio, 2023). A country also needs to have good technological infrastructure, which also leads to foreign direct investment, and all of this can largely help a company move forward.

Social Media in today's world is also very important. It is essential for a brand like Ferrari to have a media presence. Social media can help create more brand awareness due to the increased internet penetration. Companies can advertise themselves there as well as learn more about customer trends, feedback, and other different communications. Brands also promote their own content and products and can use social media as a way to stay relevant in the online digital space (Tari, 2023).

The automotive market is shifting to greener powertrains to reduce carbon emissions. Ferrari has been playing its own part by reducing newer, smaller hybridized engines with electrical components, to make their cars better for the environment. They also plan to launch a completely electrical car, one that would have zero emissions (Attwood, 2021). This shows Ferrari's commitment to reducing carbon footprint and also realising that consumers, now prefer vehicles which are better for the environment, while changing with the times. In 2021, Ferrari launched the 296 GTB, their first car with a V6 engine which is comparatively quieter and better for the environment.

Ferrari also needs to be following environmental and waste management regulations as a company, in order to not be penalised. No action should be taken which goes against these regulations, as it would not harm the environment, but also tarnish the image of the company. It should comply with authorities to minimise wastage of production units, and their disposal should be done in an environmental-friendly way as well (Ferrari, no date).

The company plans to go Carbon Neutral by 2030 and has put forth a strategic plan till 2026 to make it a reality. They have obtained several certifications assessing sustainable event management, which includes the assessment of the following aspects: separate collection of waste and recycling of materials (circular economy), energy efficiency, battle against food waste, and economic impact. Ferrari has also started to consume many renewable sources of energy, while optimizing their energy needs (Ferrari N.V., 2023).

There are strict laws and regulations relating to the health and safety of employees and Ferrari has given it major importance and strives to improve it further. For the past few years, Ferrari has been awarded as Top Employer Italy consecutively because of its employee wellbeing and workplace environment (Ferrari, 2022). The company has a proud workforce who are grateful to be a part of the corporation.

Ferrari also needs to comply with certain laws which are designed to protect the consumers as well as other road users such as pedestrians. Many of these laws require manufacturers to have a certain number of airbags and seatbelts while also having design regulations in order to safeguard everyone. If they design a car without these laws in mind, they might not be able to sell them in specific regions where these laws apply.

One of the most important things is the Intellectual Property laws in a country as these laws protect a firm's innovation and allow for the continuation of strategic advantage. A company such as Ferrari has many patents and if there were no laws to protect their designs, then Ferrari simply would have been just another automobile manufacturing company rather than what it is today.

Marketing mix

Ferrari are globally known for their cars and how they symbolise success. Their cars are considered as one of the finest pieces of engineering produced with the most attention to detail. This what makes their cars so desirable and even an objective or a dream to own a Ferrari in life for some people.

Ferrari has a very niche target group that is a very lucrative luxury-oriented market (Kotler et al., 2020). Their cars are priced based on the exclusivity of the model, the quality of materials, the Research and Development that has gone on to produce the cars as well as the brand value. Their prices reflect what the company stands for, and how the exclusivity again reiterates that buying a Ferrari is special, and it is not just any other car.

It has been reported that Ferrari doesn't spend money on traditional advertising and rather spends all that money on its Formula 1 Team, Scuderia Ferrari (Rocco, 2015). In 2021, F1 had reported a global TV audience of 1.55 billion (Brown, 2023). Ferrari already have a strong following in the sport, being the most successful team ever but having strong performances in the races acts as a very lucrative way to gain even more following.

Conclusion

If Ferrari want to maintain their brand prestige, then they must continue to do what they are doing now, make beautiful cars that are fun to drive and desirable to own. In the future, where the world is looming more towards electric vehicles, it is up to Ferrari to be able to have a differentiating factor, considering that their special engines would not be there as a package when you buy their car. It will be a challenge to still have a Ferrari that feels the same as its predecessors, as the heart of the car would be missing.

There is also huge competition from companies like Lamborghini, Porsche, Aston Martin that Ferrari need to be vary of, because if any of these companies have a major technical breakthrough in the coming years then it will be difficult for Ferrari to still be in the lead. Ferrari needs to keep innovating and developing

its own products in order to be ahead in the market. Overall, with increasing profits year over year, this doesn't seem like a huge problem for a company like Ferrari who continue to challenge and break the rules in the market.

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