

Choosing A New Car

A manager was considering buying a new car. He had driven Jaguars for some time. However, he thought it would be a good idea to review the options systematically. He obtained the brochures for a range of luxury car makes, identified the major factors that were important to him and considered all the performance indicators for each of the cars against these. He even allocated a weighted score to the factors that meant most to him. The analysis told him that a BMW or a Mercedes might be a better choice than a Jaguar.

This surprised him, and he didn't much like the answer. He had always driven a Jaguar, he was used to it, felt it had an especially English character and that it suited his personality. He was also looking forward to having a new model. So his inclination was to buy another Jaguar.

Actually he ended up buying a convertible Mercedes sports. This because his wife thought he needed to liven up his image and liked the idea of driving it on holidays. With some reluctance he bought the new Mercedes. This proved to be a good decision. They both liked the car and it depreciated in value much more slowly than a Jaguar.

So what are the lessons? The planning and analysis was there, and if it didn't end up informing the decision directly, it did indirectly. His wife justified the purchase of the Mercedes in part on the basis of that analysis. He would have ended up with another Jaguar, a continuity of what he was used to. He actually chose what (to him) was a novel, innovative option that, in the long run, significantly changed his approach to car buying. Of course, if his wife had not intervened, his inclination to the Jaguar based on past experience would probably have prevailed. This depended on him and his circumstances – the context. Some ideas get through, some do not, depending how attractive the ideas were to him. Or it could have been that the power of analysis had been such as to overcome this. All these had to do with the strategy formulation, planning, evaluation and selection, and finally, the implementation. So it is with organisations.

TASKS :

Select an organisation of your choice and present critical internal and external environmental analysis based on the following tasks :

1. Give a meaningful definition of the contexts of business strategy and discuss a company's external environment using Porter's 5 – Force Analysis and PEST analysis. (LO 1)
2. Discuss the company's internal environment using value chain analysis and SWOT analysis. (LO 2)

3. Review the existing strategy or strategies practised by this company and propose a better strategy for this company based on available options. (LO 3)

INTRODUCTION

Business Strategy

A business strategy, is a business plan that takes place long-term in order to help achieve a specific goal or objective. The aim of a business strategy is to strengthen a particular business so that its performance increases and, in turn, the business becomes more profitable. Without a business strategy, a business has no guide to follow and has an increased risk of not succeeding.

Significance

A business strategy is necessary to maintain a business' performance. Business strategies are motivating, informational and change-stimulating. If you aren't motivated to form or complete the business strategy to see an end result, your business will most likely fail. A business strategy is also a wonderful tool to use when monitoring how well your business is doing over time and deciding the next step to take in your business in order to be successful.

Function

A business strategy is used to increase the earning potential and success of a particular business. Business strategies often have profitable results for business owners just starting out. Business strategies can range from choosing the most profitable niche for a market to successful ways business owners can promote a business. Many times, business strategies are used to improve a business or make a business better than its competitors by making use of one or more techniques.

Planning a Business Strategy

Like most things, business strategies require planning in order to be successful. In order to plan a business strategy, business owners should make a list of areas where their businesses need improvement and then brainstorm how their businesses can be improved. It is also beneficial to analyze competition and what other similar businesses are doing that is working for their particular market to improve their earning potential. Once a business strategy is in place, incorporate this strategy into everyday business management.

Benefits

Besides the earning potential related to a successful business strategy, business strategies provide businesses a chance to become popular and unique in the business

market. Some business strategies also increase customer satisfaction if improvements are made. Moreover, business owners are benefited, since a successful business strategy will remove a particular danger a business may have of failing. Business strategies give business owners a valuable means of avoiding mistakes and doing things right the first time.

Bad Business Strategies

Not all business strategies are effective. Some business strategies can even hurt a business if done the wrong way. For example, a well known business strategy is to promote your business by taking advantage of social networks, such as Facebook and Twitter. However, this business strategy is not effective if the business owner chooses to spam social networks when attempting to promote the business, since this will harm the business' reputation and the business will not receive many customers.

TASK 1

porters_five_forces.jpg

Porter's Five Force Rule of Ferrari :

1) Threat from New Entry: The car industry is very tough for new company to enter because the distribution link is not easy to get along with. And company like Ferrari is such a big brand to compete in front of it and others is very tough. Although by practicing high volume they can think of entering but company's like Porsche and Lamborghini are their which also follow the fund a of high volume and are very successful. To compete with company's of this magnitude it is very tough for any entrant. Ferrari is not at all bothered about new entry of any company in car industry.

2) Power of buyers: The buyers do not posses power in the market especially in case of Ferrari, because Ferrari is a very big company with global recommendation of its products. If the suppliers does agree with the price fixed by it then Ferrari can shift to other supplier as they are many but company like Ferrari are very few. Hence, Ferrari enjoys because its purchasing power is very high.

3) Power of Suppliers: As compared to buyers the power of suppliers is very less in car industry market as they are many and company like Ferrari is very less. It is because if they do not agree the price that is offered to them by Ferrari then it can lose its major customer and be left with almost no one to buy its products. Thus, Ferrari can dictate the price at whatever rate they want from there buyers.

4) Competitive rivalry: Ferrari does have a tough competition from Company's like Porsche and Lamborghini that follow the high volume of car sales where Ferrari model follows a very low volume of sales. Although Ferrari is still getting good income from their sales but its competitors are exploring the boundary's and reaching out in far Asia

to explore and earn more market share. Ferrari needs to follow them in order to keep up with the market share.

5) Threat from substitutes: The Ferrari does not believe in this concept of making itself available for every one they have a focus group in mind to reach for. Hence even if its competitors are offering same product at lower price it is not affected because they follow low volume with high price. That means even if they sell few cars but at high rate then it is still very good for them. (C.Bowman, D.Faulkner, 1996)

PEST ANALYSIS

pest.jpg

Pest Analysis of Ferrari :

Political Environment:

- 1) Even after the recession in last five years, Ferrari is only company that has been least affected and made their profits. For example in 2008 Ferrari experienced increase in sales.
- 2) Ferrari has a brand reputation higher than any brand in this world.
- 3) Ferrari has a very strong tax charge for its inbound as well as outbound logistics.
- 4) It has taken steps for strong political motivation for globalization.
- 5) Government charges are very high on the persons who purchase Ferrari. Example Sachin Tendulkar a global icon, a cricketer had to pay a rich tribute to bring Ferrari to his country India.
- 6) In every country there are different laws that have to be followed in order to keep Ferrari car with you.

Economic Environment:

1). The Ferrari's GT models which had a production around 5800 to 6300 units in the year 2008. In 2009 3Q it reported about revenues of 396 million euro, which is 54 million Euros lesser than 2008 3Q model. Somewhere in 2009 3Q model had delivered about 1,454 cars to its customers, which is 4.3% lower than 2008 3Q. The revenue earned by them for first nine months in 2009 was 1,287 million euro's that compared to the same amount of period in 2008 it had earned an sales revenue of 1,419 euro. And about 4,680 cars were been delivered to end clients b Ferrari, which is 6.9% lesser than the first nine months of 2008.

2) In year 2007 Ferrari had made a sale of 15.7% which emerged further to 17.5 in 2008.

3) The global market of sports car had contracted about 35% in 2009, but Ferrari itself had managed around to shift 6250 cars, which was a drop of just 5% over 2008. Those resulting in its increased market share by 10%. To get these drastic results was been said very good in always changing climatic conditions.

4) The year 2009 is the year that earned Ferrari Company a drastic result with its sale going up by twenty-eight percent in getting license and e-commerce activities. It is because of their innovation in production and personal attention program for each customer.

5) Ferrari went all their way to china in order to explore their range in it too. With its strategy for effective marketing to get some revenue from Chinese market. It had introduced its model called as 599 GTB Fiorano with a green colour like ancient GE KLIN.

Socio-Cultural Environment:

1) In 2007 Ferrari Company had announced a five year plan to reduce consumption of environment things. And in 2008 it launched Ferrari California and in 2009 it launched 458 (Italy) to reduce fuel consumption, which were reduced by 30%.

2) In 2009 the formula Uomo programme was been launched by the president of Ferrari to put the individual workers need and skills at the centre of the company. On 20th Jan 2009 the new photovoltaic system installed on the roof of Ferrari's Engine Mechanical Machining facility to reduce the power Ferrari takes from national grid around 210,000kwh. Till 2009 Ferrari had planted around more than 200 trees and 165,000 square of green areas. The Uomo program is separated in many sections to look after the safety reasons of environmental awareness and energy savings.

3) While introducing its new car in china Ferrari is going to donate a amount of around 500,000 to Chinese foundation.

Technological environment:

1) Ferrari has changed its mainstream development from Java to Microsoft in 2007. Because Ferrari sells only 7000 cars every year but has a worldwide following of fans with f1 who purchase many other sub-brands of Ferrari like (jackets, glass, I-pads etc.)

2) Ferrari launched F2007 with keeping focus to improve aerodynamics of its cars.

3) In 2008 they improved their car aerodynamics and some mechanical changes by producing a car called as F2008.

4) Ferrari was also successful in innovating a red coloured Biocat Catamaran called R8 which is used to drive at great speed on water, It is around 29 foot long. plant
5) Another achievement of Ferrari car was introduction of HY-KERS which produced a power over 100bhp.

6) Ferrari supercar 458 takes less petrol than any other cars and also performs better with good emissions. 7) In 2008 Ferrari had introduced a car which provided its customers not only with good performance but also accessories and details.

8) Ferrari introduced a start-stop technology in March 2010 called as Ferrari California for reducing fuel economy and emissions by 6%.

9) The next big step of Ferrari is the adoption of gasoline which is a direct injective into Ferrari engines.

10) The world's first G-force roller coaster is to be launched by Ferrari in 2010 at L.L.C in Dubai. It is going to be the fastest roller coaster as has been said by the sources travelling at 124.2mph a tribute for its clients. (By Rory Reidon 03 March 2010)

TASK 2

Value Chain

value chain.jpg

Inbound Logistics

SKF is a leading global supplier of bearings, seals, mechatronics, services and lubrication systems. In fact, SKF has been a technical partner of Ferrari since 1947. The OMR (Officine Meccaniche Rezzatesi) Group is a successful world-class producer of components and systems for the car. The collaboration between OMR and Ferrari, began in 1978.

Operations

This is where goods are manufactured and assembled. Individual operations include organizing the parts to make new cars & the final tune for a new car's engine. Ferrari motors are known for their reliability which comes from proficient operations.

Outbound Logistics

The goods are now finished, and they need to be sent along the supply chain to wholesalers, retailers and final consumer. Ferrari motors manage their own show rooms in different countries. Ferrari motors make their product easily assessable.

Marketing and Sales

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 (Eg. Puma selling Ferrari-Puma branded shoes).

Place

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

Service

The Ferrari-trained technicians at H.R. Owen's aftersales "supersite" in Premier Park, North-West London carry out a full range of maintenance and repair procedures for your car. Like all supercars, Ferrari's require high-quality care to retain their looks, reliability, and performance. Their service history can also have a significant effect on the value of your vehicle when the time comes to sell or exchange it, so using a reputable aftersales provider is always the best option.

As well as helping you keep your vehicle in optimum condition by means of a personalised servicing and maintenance schedule, our aftersales department aims to minimise inconvenience whilst your vehicle is in our care. We offer a chauffeur-driven collection and delivery service (in the London area) and a variety of prestige loan cars so that your day is not disrupted. For procedures that will not take long, the centre has a comfortable waiting area complete with Wi-Fi and great coffee. Our complimentary cleaning service means that your vehicle will have the looks, as well as the performance, of one that has just come off the forecourt for the first time.

Other services we provide include upgrades and installations of sophisticated technological features such as alarms, tracking devices and audio systems. We also have a vast range of official Ferrari accessories and branded goods available.

Infrastructure

This activity includes and is driven by corporate or strategic planning. Ferrari motors implemented Management Information System (MIS), and other mechanisms for planning and control in different departments.

Procurement

Ferrari aims to secure the lowest possible price for purchases of the highest possible quality. Ferrari motors will be responsible for outsourcing (components or operations that would normally be done in-house are done by other organizations), and e-Purchasing (using IT and web-based technologies to achieve procurement aims)

Human Resource :

The selection of staff at Ferrari is handled by the Human Resources Department. There are different passages of selection according to the searched-for profile, the competences and the seniority. The candidates might be asked to accomplish a first meeting with the selection and human management specialists; a technical interview with the heads of the departments concerned; the compilation of a questionnaire, as well as psycho-attitudinal and an English test; the participation in individual or group assessments.

The evaluation will be based on professional skills and the capacity of every candidate to share and express the Ferrari Principles and Values, which are the most important patrimony of our Company and have to be common and shared in every area of our activities.

The Principles and Values guide us to reach our aims, stimulate our commitment and motivate us to improve.

Information Technology

Ferrari put efforts into the Research and Development of their car, in particular for their innovative approach to designing a new wheel bearing assembly, working in partnership with a local manufacturer to develop it into a viable product and recognising the importance of building strong relationships with specialist suppliers to achieve a goal.

Matteo Torre, Regional Manager for Ferrari UK, commented: "Ferrari leads the way, not only on the track and road, but also in Research and Development, with the company

investing more than 15% of its turnover annually in R&D. Ferrari staff's understand of how the R&D process is an integral part of the overall production and manufacturing process, working closely with suppliers to create new technologies."

The Ferrari name is synonymous with racing and outstanding performance. Throughout its history, Ferrari has been noted for its use of cutting edge technology in its product design and quality. When a technology-packed Ferrari zooms by, the world stops to take notice.

In line with its focus on technology in its core business, Ferrari firmly believes in the value of information technology to support its product innovation programs.

Ferrari first engaged TCS in 2004 to improve the quality of services, while controlling costs, in the area of design support systems (CAD, CAM, PLM). This relationship has since strengthened through continuous collaboration between the Ferrari and TCS teams. Taking

advantage of the joint capacity to design and select cutting-edge technologies to support innovation, Ferrari retains its position on the fast track. To retain and enhance its focus on core product development activities, Ferrari required a reliable partner who could provide support and administration for their Computer Aided Design (CAD), Computer Aided Manufacturing (CAM), and Product Life-cycle Management (PLM) applications, and perform hardware and software upgrades or migrations. Its cars demonstrate high performance levels under extreme conditions and Ferrari sought a partner who could

meet the same standards. Ferrari partnered with TCS because of its diverse technical expertise and knowledge in engineering and PLM customisation, along with TCS' reliable, scalable, and cost-effective delivery model that provides an expanded support window.

The TCS - Ferrari relationship began in 2004 with TCS providing support services and additional staff to manage Ferrari's IT requirements. In 2006, TCS conducted a PLM benchmark study jointly with Ferrari and provided recommendations based on a detailed understanding of Ferrari's business processes. The services portfolio provided by TCS expanded further in 2007 and TCS started end-to-end turnkey engagements in CAD migration and other breakthrough technology implementations. TCS and Ferrari work together to deliver:

- Expanded support window and cost advantage.
- Reduced lead times for design phase.
- Improved flexibility and agility of the IT landscape through the new PLM system.

- Better quality and user acceptance through detailed testing procedures.
- Reduced implementation time, lower costs and enhanced risk management through process documentation.
- Process automation through the use of innovative tools. (Timothy J. Wilkinson, Anna McAlister, Scott Widmier (2007))

SWOT ANALYSIS

swot.jpg

Strengths of Ferrari:

- Brand image is the most important and the most differentiating factor of Ferrari. The most important factor with Ferrari is its brand image.
- Ferrari has got products that consist of beauty as well as dimensions along with its superb performance.
- The brand in itself is a myth.
- Always looks itself as a symbol of status.
- It has a habit of taking great challenges with great attitude.
- It is always flexible innovation helps it to a improved performer for its goods.
- They have achieved award for the best company to work in by press in 2007. It is because its employees are been given full flexibility to work and are willing to work for such great brand which is cared very well.

Weakness of Ferrari:

- The business of Ferrari is based upon low volume as they wait for its customers to come to them instead of advertising and reaching out, that eliminates the chance of entering some technical problems and enhancements.
- It also stops them from making more sales of car every year even though of such great demand of their cars from in market.
- They basically stick on to wait for their customer which diminishes their challenge of surviving in the market.

- Their biggest trouble is to face the fuel emissions which is of the most concern of our environment.

- The model that is followed by Ferrari does not involve in building customer relationship. Customers have to reach out them because of which their sales of cars is very low every year.

Opportunity for Ferrari:

- Ferrari has always made cars that give superb speed and a very high performance overall. The developing nations have also helped it to grow and make money in such high competitive world.

- Ferrari has made its expansion to not only in Europe and Africa it has reached Asia and also developing countries like India. Where in its competitors already have a huge base.

- Ferrari is not only entertaining its customers in providing them traditional Ferrari cars that are just a beauty to watch but also giving them comfort for driving, providing good space for keeping luggage, and as usual great engine line. Steps taken by them like this has helped them to increase their sales tremendously over a decade and still helping them.

- The great use of technology has helped them in always being ahead of its competitors, the technical enhancement and also the mechanical improvement over years has helped them drastically to grow big and availability of products.

- One of the important factor the will still take many years to explore is Packaging.

Threats for Ferrari:

- The policies that are been taken by all the countries regarding emissions control is a concern for Ferrari to hold on with. Because it only allows emission to be around 130g per kilometer of carbon dioxide which is tough to keep with such high performance equipped line of Ferrari.

- Ferrari is receiving a very tough competition from its competitors like Porsche, Toyota and Lamborghini.

- Other competitors in automotive industry of cars follow with high volume of sales which helps them to gain more market share then Ferrari which follows low volume. This result in others selling more products and earning more number of market shares as compared to Ferrari example Porsche.

· In 2009 Ferrari's competitor Porsche has followed Cayenne model which has helped it to successfully sell its SUV's in all country over the globe with large number of returns from India. But Ferrari has not taken any such step in order to match its competitor.

· In 2010 the new fuel economic frightens cars made by Ferrari to stop making its high engine cars which produce large amount of Co2.

Bowman's Strategy Clock:

C.Bowman, D.Faulkner, (1996)

TASK 3

Ferrari Marketing Strategy

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. From the US to Japan, from Germany and Switzerland to India, to France, Australia, New Zealand, Russia, Brazil and Argentina.

Yet, Ferrari never spent a penny in advertisement.

Ferrari Achievement.

The Ferrari case is of maximum interest in marketing strategy. To understand how Ferrari achieved this stunning result, we must review the beginning of Ferrari, and its development.

Enzo Ferrari founded Ferrari back in 1943, during WW II. The first Ferrari premises were bombed and heavily damaged.

Enzo Ferrari was not an Engineer, nor he was an entrepreneur. Enzo Ferrari never went to college, not even high school, no PhD, never made and MBA.

Enzo Ferrari was "just" a mechanic at Alfa Romeo, with a strong passion for engines, speed and racing. He was a tough guy, and he had his own ideas on engines and cars.

Passion has always been the "drive" of Ferrari.

And its only marketing tool.

Ferrari Passion.

The first Ferrari car was the 125 S. It was built in 1947. Only 3 of them were produced. None survived to our days, yet a 125 S engine is on display in Galleria Ferrari in Maranello, Ferrari dynamic museum. Galleria Ferrari is the Louvre, the Guggenheim, the Moma of Car Racing. You feel the thrill, an overwhelming excitement and admiration when you are inside. A unique, amazing experience.

After the 125 S, the Ferrari 166 came, and the races. Formula 1 was not even existing at that time.

Since the beginning Ferrari was doing both things it still does today: Car Racing and constructing extraordinary sports cars for exacting car and speed lovers. How can you call them just clients?

This has been the marketing strategy of Ferrari. The unaware, unstudied, unplanned marketing strategy of Ferrari. The Passion for speed, the Passion for engines, the Passion for Car Racing. And this Passion and excitement goes through to every racing sport lover all around the world.

And this Passion and excitement goes through in each Ferrari 360 Modena, in each Ferrari Enzo, in each 575 Maranello, in each F430 you drive or simply encounter in the streets. Winning races, losing races, fiercely fighting in car racing has built the brand.

Marketing strategy of Ferrari

Basically its aim was not to waste time and resources on those customers who fall outside their focus group. The reason why Ferrari made profits was it never want to sell its car to everyone but to a very few people those who are rich and can afford the price tag that is attached with the Ferrari. Thus, by doing so they save their time and money. Their strategy to target only world's most opulent customer and also limiting car production very low.

Ferrari's strategy also includes the hidden dimension of pricing. Ferrari took pricing not just as the meaning for generating revenues but to also signal their quality and

exclusivity of their product as a responsibility of the corporate brand. The market distribution of Ferrari car in year 2007 was around 6400 cars and eighty-eight percent of its production was been exported.

Worldwide sales made by Ferrari Company in past few years.

US and Canada

28%

Germany

12%

Italy

12%

UK

11%

France

5%

Switzerland

5%

Japan

5%

China

2%

Australia

2%

Russia

1%

Number of Units Produced every year

Years

Units

2007

6400

2006

5600

2005

5400

2004

4850

2003

4240

2002

4240

2001

4290

2000

4070

Kotter, J. and Schlesinger, L. (1991)

Recomendation's and Conclusion

After my detail study on the Ferrari environment in past five years and also before, I have got a conclusion that Ferrari is having the most unique strategy of maximum interest with passion for speed, engine and racing which is been set up many years

back by their owner Enzo Ferrari. Ferrari's Target is of very few opulent customers on the other hand its competitors the other car manufacturing companies are going after mass-marketing strategy to produce more cars and to sell more. And also in my research I have come to know that after the recession struck the whole world economy was being affected, but Ferrari is the only company who should increase in sales and was least affected. Ferrari has always been prominent name in the world of car racing and also in the mind of people around whole world such is the brand image. It is because not everyone can have it is because very few can effort it. Ferrari has never spent a penny on advertisement yet managed to sell 80 to 90% of their cars every year. They have always made cars that do not harm our environment. They came up with man social causes like planting trees and going green. They have also build cars that can consume less petrol. They have done green revolution by making a green car for the global environment.