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Introduction

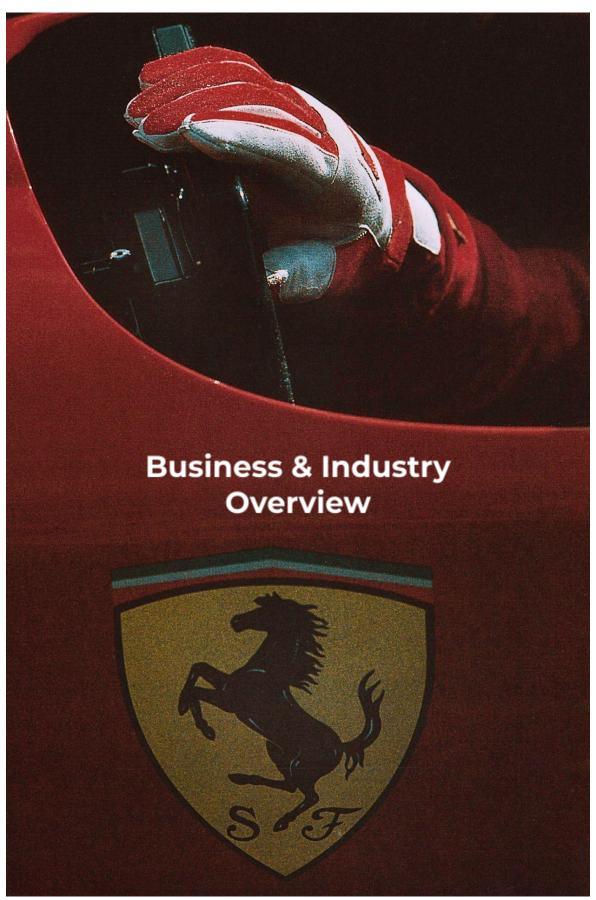
To many around the world, Ferrari is known simply as a luxury sports car. It is a company that makes fast cars, and it is a company that makes expensive cars. While luxury and speed are major components to this Italian manufacturer, Ferrari is much more than a car. Ferrari is a brand and lifestyle for winners.

Ferrari was quite literally born from victory. In 1947, Enzo Ferrari entered his new 12-cylinder car into the Rome Grand Prix with a goal of defeating Alfa Romeo, the team he had previously raced for. Not only did Enzo's car defeat Alfa Romeo, but his car won the entire Rome Grand Prix, marking the birth of not only one of the most successful sporting teams to date, but one of the most iconic brands in the world.

While Ferrari's initial success is credited to its racing team, the company soon ventured into luxury car production. In light of its racing dominance, Ferrari quickly controlled the luxury car industry by utilizing its racing success as a marketing tool. In 1948, Ferrari entered its first car into the illustrious motor show in Turin, Italy. As Ferrari describes, the car was "destined to make automotive history." Ferrari showcased a car that was evidently fast and powerful, yet graceful and elegant. It was this rare combination of power and grace that set Ferrari apart from the other luxury brands, and it is a formula that the company continues to utilize today.

76 years after its initial victory at the Rome Grand Prix, Ferrari's brand continues to win. The brand is the most successful Formula 1 team of all time, remains one of the perennial top competitors in luxury car sales, has its own museum, established its own clothing line, and has its own amusement park. Ferrari is a high quality brand rooted in tradition and yet on the forefront of automotive technology. It is a brand that represents passion, beauty, and human achievement.







Business Overview

Ferrari is among the world's most recognizable luxury performance sports cars focused on design, engineering, production and sale. In 2022, Ferrari shipped 13,221 cars and recorded net revenues of 5,095 million euros. On top of that, the company announced an objective to introduce 15 new models in 2022, which is an unprecedented objective for Ferrari over the same time frame. Ferrari divides regional markets into EMEA (Americas, Mainland China, Hong Kong, Taiwan) and the rest of APAC which made up 35.1, 26.1, 11.7, and 17.1 percent of its units shipped in 2022. The geographic distribution of the shipments deliberately reflects allocations driven by the pace of new individual models. History of excellence, technological innovation and defining style transcends the automotive industry and is the foundation of the Ferrari brand and image.

Ferrari offers four main styles of luxury car products including: Range, Special Series, Incona and Supercar. Range models are designed for performance and aerodynamics which benefit from the technologies developed for their Formula 1 cars. Overall, this model favors performance over comfort. Special Series cars are characterized for their enhanced performance as well as their driving thrills. Often, these cars are targeted towards collectors. Icona is a unique car that is inspired by Ferrari's history. The car reinterprets classic styles into a modern fashion and timeless design. Supercars are Ferrari's main expression of road car performance and are the forerunners of technological innovations for future models. On the other hand, "One-offs" are personalized cars designed for Ferrari's most loyal clients. They are the most rare models that Ferrari produces.

Another area of business for Ferrari is its racing team, Scuderia Ferrari which competes on the Formula 1 stage. With a global audience of 1.55 billion, Ferrari globally markets its brands to billions of people without spending money on advertisement or other traditional modes of exposure. Ferrari also participates in the World Endurance Championship and in the Esports industry.

Lastly, Ferrari's business model also targets the broader luxury goods market through their clothing brand, collectibles, and experiences. Their luxury goods are dedicated to reflect the style, creativity and quality which Ferrari stands for. This includes accessories, apparel, merchandise, and collectibles. As far as Ferrari's experiences, they focus on honoring Ferrari's heritage mainly through their museums, restaurants and theme parks.



Industry Overview

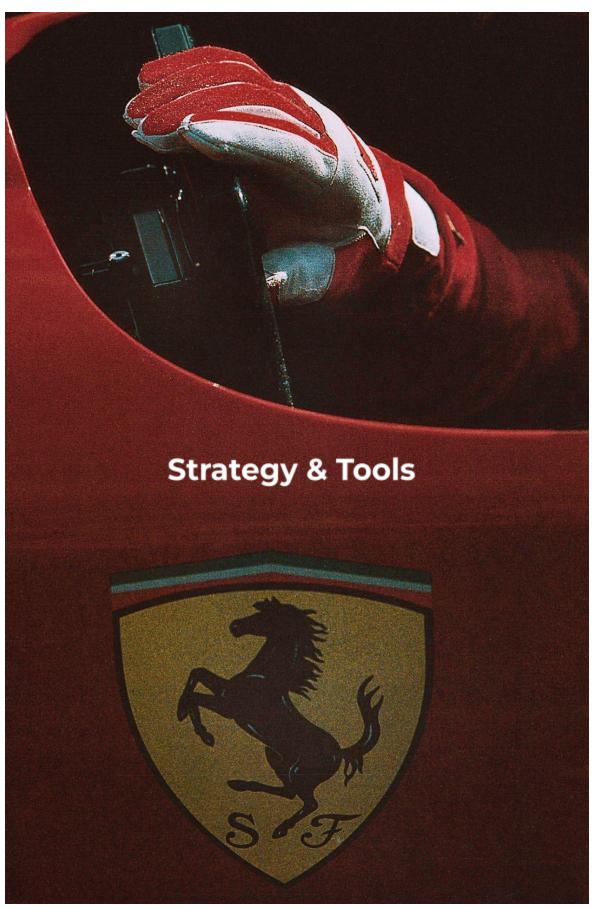
Ferrari defines their luxury car market by cars that exceed 500+ hp and a retail price of 150,000+ euros. The luxury car market has historically aligned with the broader luxury goods market in terms of growth rate; however, despite recent negative global macroeconomic trends within the broader market, the luxury car market has remained in a stable state. This stable state is driven by an increase in new product launches. As far as Ferrari's relationship to the industry, in 2022, the company increased its volume of production and as a result obtained a 24% market share of the luxury car market.

Another trend that currently shapes the luxury-car market includes the continued growth of ultra-high-net-worth individuals. As wealth increases around the world, the luxury auto market grows. The market has historically thrived from North American and European consumers but is beginning to expand into Asia and the Middle East. China is becoming a crucial part of the industry's growth due to a sustained period of wealth creation. This has led to the expansion of an additional luxury car customer base. In other words, the developing consumer preferences have led to a greater demand in luxury cars and has attracted new entrants into the industry such as young and affluent purchasers. Overall, these factors have contributed to the increased sales in the overall market.

Following the COVID-19 pandemic in 2020, the luxury car market experienced a V-shaped recovery when it surpassed pre-pandemic levels. Ferrari benefited from effective mitigation of COVID-19 as car shipments outperformed pre-pandemic levels in 2021. Adjustments to supply chain policies and revising pricing strategies led to a stronger performance of the market.

An element that drove positive performance in the overall market over the past few years is new product offerings by Ferrari's competitors. While this may seem counterproductive to Ferrari's success, a significant portion of luxury car demand is driven by total new car launches. Because of an increase in overall luxury cars, Ferrari's brand becomes more exclusive due to their low volumes of car production. In other words, Ferrari is able to maintain their pricing strategy due to the diversification of their product portfolio and restricted volume of production.







Corporate Strategy Overview

Introduction

Ferrari's corporate strategy involves a variety of intricate internal and external strategies. Most specifically, Ferrari operates with a differentiation strategy that reflects the exclusivity and significance of the Ferrari brand. The strategy incentivises customers to purchase Ferrari products over other auto luxury brands which results in a client willing to pay a premium for Ferrari products. Brand loyalty is further reinforced by the firm's focus strategy. It is built around serving high net-worth consumers. Specifically, Ferrari is able to capture and maintain a customer segment that aligns with Ferrari's expectations. Furthermore, their customer advocacy strategy assures clients the best of the firm's offerings. This allows Ferrari to retain a strong customer base.

Product Differentiation: Design, Performance, & Driving Thrills

The balance between design and performance is a fundamental aspect of Ferrari's product and brand. Ferrari designers and engineers prioritize performance and thrills of their cars while maintaining its elegance. Their interior seeks to balance functionality, aesthetics, and comfort. New models are designed to introduce distinctive aesthetic elements as well as incorporate the newest automotive technologies. In 2010, Ferrari introduced the Ferrari Design Centre to improve the long-term continuity of the Ferrari style. Recently, Ferrari added an Advanced Design team for refining the brand's vision and Tailor Made department. Ferrari's Design strategy has also touched on a multi-year collaboration with the creative collective, LoveFrom.

Ferrari's product strategy uses car engines as a primary parameter for performance. Ferrari intends to broaden its powertrain offering to include internal combustion engine (ICE), hybrid, and electric engines where each engine delivers a distinctive driving emotion and experience. Ferrari engines feature power, endurance, and mechatronics. Driving thrills is a key product differentiator for the Ferrari line. There are five elements to driving thrills which include longitudinal acceleration, lateral acceleration, braking, gear change and sound. The development and innovation of a Ferrari vehicle includes the leverage of Formula 1 participation. This allows them to prioritize innovations on hardware and software and enables them to tailor to existing solutions in the market.

A Ferrari Lifestyle Strategy

Ferrari hopes to capture a wider luxury landscape to ensure brand relevance across generations. Ferrari's Lifestyle fuels long term growth by broadening the customer



base and expanding their value proposition. In the past five years, Ferrari entered the personal luxury goods market which led to the amplification of cultural relevance for the brand. Ferrari expanded its brand by establishing a high fashion team in their organization. They have successfully launched clothing collections during 3 different fashion shows.

Since 1950, Scuderia Ferrari has been the oldest and most successful team in the history of Formula 1. They have achieved 238 Grand Prix wins, 15 Driver Championships, and 16 Constructor Championships. Along with Ferrari's racing success, the team has amassed a large standing fan base that contributes to its global recognition. The Formula 1 team promotes their brand and technology to a global audience without resorting to costly advertising activities; however, Ferrari not only uses its Formula 1 team for publicity but as a means for automotive innovation. An example of this utilization is the architecture of Ferrari's electric engine. In addition to research and development, Ferrari is continuously designing new cars in anticipation of the new racing season.

Focus Strategy: Production

Ferrari hopes to broaden its product portfolio to both target a larger customer base and yet maintain a low volume production strategy all in an attempt to maintain an exclusive reputation among purchasers. As far as the company's target audience, Ferrari targets clients who are seeking fast, high performance cars that have distinctive designs and state of art technology. The company is able to diversify its product line to meet the varying needs of current and new customers which are split into two distinctive segments: one, the sports car driver and, two, the "pilot." The Sports car driver is the customer who drives the car to signify wealth. As far as the so-called "pilot," this customer is looking for a well made, high performing, extreme sports car that is invigorating to drive. When you combine the two customer's preferences, you get exactly what Ferrari is: a high performance, yet elegant sports car.

Part of Ferrari's growth strategy incorporates a controlled expansion of sales and operations. This restricts growth into regions and markets which have relatively high growth potential. The low volume strategy is key to the appeal of the Ferrari brand. By having a limited number of models, Ferrari is able to reach an optimal combination of exclusivity and client service. This strategy allows for a measured but significant increase in car sales. For instance, Ferrari sold 13,221 cars in 2022 compared to 11,155 in 2021, and 9,119 in 2020. This reflects Ferrari's focus on steadily increasing outreach to a younger customer base and creating new Ferrari collectors. In addition, Ferrari plans on introducing 15 new models over the period from 2023 to 2026.



Ferrari's outreach strategy is specifically centered on maintaining and strengthening their position in selected growth markets. Ferrari pursues a make-or-buy strategy where they retain production in-house. This sets Ferrari apart from its competitors and allows for more control over its supply chain.

Dealer's Network & Client Service Strategy

Ferrari uses an "omni-touchpoint" strategy to engage with dealers and clients. They exclusively sell their cars through a network of authorized dealers. As of 2022, their network comprises 177 dealers and 196 points of sale. Ferrari uses a selective process to license dealers across the world. This is done to maintain the highest quality of both purchase and after sale experiences. Ferrari's supply and demand management is monitored because product allocations are made based on expected developments, historical sales, and the average client wait time.

Dealers provide after-sale services to clients to censure the client's continued satisfaction. After-sales services are offered to preserve the extending market value of Ferrari cars. Ferrari also focuses on value preservation of second-hand ownership. This serves to further strengthen customer loyalty. Ferrari hosts client and driving events including brand exhibitions, on-the-road driving, and exclusive brand reveal shows. This further strengthens the firm-client relationship that Ferrari has established.



PEST Analysis

Politics Economics

 Prime Minister Instability Parliament Issues Right-Wing Composition Social	 GDP Inflation Interest Rates Exchange Rates Unemployment Technology
 Transition Towards Electric Vehicles Increased Popularity with Formula 1 	 Push Towards Automation Change in generation differences

Politics

Italian politics have been plagued with instability over the past few years which has posed potential problems for the country. In order to comprehend reasons for Italy's instability, it is necessary to understand the country's political structure as it differs slightly from the United States's distribution of powers. Once this understanding is established, Ferrari's placement within the Italian political picture will be clear.

Similar to the United States's government, the Italian government is a democratic republic that is organized by its constitutional powers: parliament (legislative), executive, and judicial. Within Parliament is the Chamber of Deputies, the Italian version of the House of Representatives, and the Senate which both function within a bicameral system – again similar to the United States. Where the US and Italy diverge is within political power distribution. While Italy does have a President or a Head of States in Sergio Mattarella, the majority of political power is held by the Prime Minister. Instability within the Prime Minister position has caused a cascading effect into the Italian political landscape.

Prime Minister Instability:

On October 22, 2022, Mario Draghi resigned as Italy's Prime Minister after failing to acquire full confidence from all political parties. Draghi was a popular choice for Prime Minister when he was elected early in 2021. He was the previous President of the European Central Bank (ECB) and coined the nickname "Super Mario" after handling the eurozone crisis. Drahghi was a beacon of hope for the struggling Italian



economy; however, after pushback on certain financial packages by left-leaning and populist parties, Draghi offered his resignation. As a result of his resignation, Head of State Sergio Mattarella dissolved Parliament. In other words, all of Parliament was forced to resign.

As a result, Giorgia Meloni was elected Prime Minister on October 22, 2022. Meloni's election showcases an explicit direction in Italian politics. For one, Meloni is the first female to serve in the role. Secondly, Meloni is extremely conservative in her political views. Both of these factors reflect a progressive movement around the world and Italy's continued growth of right-wing politics. Meloni is part of the Brother's of Italy which is the nation's conservative party.

While many believe Meloni to be a threat to Italian political stability, Meloni's views on economy and climate change will benefit Ferrari in the short run. For one, Meloni does believe in reducing carbon dioxide emission; however, not at the cost of economic growth and employment. As a company whose sales heavily rely on its V12 gasoline engine car, Meloni will provide short run security from a drastic change in carbon reduction policies. On the other hand, in the long run, Ferrari will face issues related to the European Union's 2035 ban on new fossil fuel cars. If this policy withstands, Ferrari will be forced to drastically adapt its business model.

Meloni will also benefit Ferrari with her view on taxation. Meloni is reducing the amount of tax brackets from four to three. By doing this, Ferrari will be able to hire more permanent employees for cheaper and in turn reducing its SG&A.

Parliament Issues:

Following Draghi's resignation, the Head of State Mattarella dissolved the country's Parliament due to inadequate unity. The move caused a complete restructure of Parliament and inevitably political instability. Ferrari will feel no immediate effects from the restructure as Parliament is putting emphasis on refocusing its objectives and rekindling its unity. Once this is achieved, Ferrari will be faced with conservative legislation given the high percentage of conservatives holding positions in both the Chamber of Deputies and the Senate.

Right-wing Composition:

After the restructure of Parliament and the election of Meloni, Italy has elected its most conservative government since World War II. The Chamber of Deputies currently sits 43.7% right coalition and 26.13% left coalition while the Senate consists of 44.02% right and 25.99% left. With this conservatism will come business friendly legislation for Ferrari. Given Meloni's view on taxes, Parliament will follow her lead



and create tax legislation. Similarly, Meloni and Parliament have taken a stance to prioritize economic growth and employment. Again, legislation aimed for this type of growth will benefit Ferrari in the short run.

Economic

Ferrari is heavily influenced by the Italian economy which is currently working itself out of trouble given the COVID-19 pandemic as well as the country's political instability. Key factors that directly affect Ferrari include GDP, inflation, interest rates, exchange rates, and unemployment.

GDP:

Overall, the Italian economy is very strong. It is the 10th largest economy in the world and is currently in a growth period. The country's GDP was recorded at 2,107.7 billion USD, a number the country has remained around for the last decade. However, the country's GDP per capita has fallen since the mid-2000s as it sits at 31,505.95 USD. Overall the economy is strong and in a growth period which is a good environment for Ferrari to function within.

Inflation:

Currently, Italy finds itself in the midst of an inflation crisis, experiencing inflation rates above 2% for over a year. Starting in late 2021, inflation rates surpassed 2% and exponentially increased over the course of these past two years. Rates peaked in October and November of 2022 where they reached 11.8%. This was due to the lasting effects of the pandemic as well as the resignation of Mario Draghi. In February of 2023, inflation rates dropped to 9.1% which is a positive change in relative terms; however, high in the long run.

High inflation rates are problematic for Ferrari as they reduce the purchasing power of many of its customers. While Ferrari cars are luxury goods, a reduction in purchasing power causes the middle class to fall out of the bracket able to purchase luxury goods. Similarly, Ferrari's clothing brand, theme park, and museum could lose many of its consumers.

Interest Rates:

Ferrari finds itself with potential problems due to increased interest rates in Italy and the United States. Throughout 2020 and 2021, the Italian interest rate remained below 2% and only reached a maximum of 1.8%. Starting in 2022, the rate began to increase to its current level of 4.27%. This is problematic for Ferrari in the short run as the increased interest rates will make it more difficult and more expensive for business lending. It will be more expensive to purchase supplies for its cars as well as make long term investments and commence large scale projects.



Lending rates in countries where Ferrari has high car sales is also notable. The majority of car sales come from the United States, Germany, the United Kingdom, and Italy and in all these countries lending interest rates have increased in the past year. In the United States, bank lending rate spiked in 2022 and currently sits at 7.74%. In Germany, rates had a similar increase in 2022 from below 2% to its current rate of 4.41%. The United Kingdom experienced a similar rise from below 2% to its current 5.25%. Lastly, Italy's bank lending is currently growing and sits at 4.09%. These rates are less than ideal for Ferrari as increased rates will make it more difficult for consumers to finance their cars which could affect Ferrari's automotive sales.

Exchange Rates:

Instability with exchange rates will also affect Ferrari's sales. In October of 2022, the Euro fell below 1 USD for the first time in almost 20 years. Since then, it has rebounded and currently sits at 1.0752; however, this instability poses potential instability in automotive sales for Ferrari considering the United States is the company's top consumer.

Unemployment:

The Italian unemployment rate has been high since 2014 but simultaneously has been decreasing since then. It was recently recorded at 7.83% in 2021 which is a margin of about 5% since its peak in 2014. High unemployment rates generally lower bargaining power for employees which cause lower wages for companies like Ferrari. Ferrari has around 4,500 employees just in its headquarters, so a decrease in unemployment rates can cause higher wages overtime.

Social

The most crucial social factor that Ferrari will face in the coming years is the world's and specifically Europe's initiative to reduce carbon emissions. As noted earlier, by 2035, the EU plans to prohibit the manufacture of new fossil fuel cars and shift to completely electric vehicles. Ferrari has yet to produce an electric car and does not plan to release its first electric car until 2025. Due to this delay, it is difficult to gauge Ferrari's ability to manufacture electric motors. What makes Ferrari unique is their strong yet elegant V12 engines. There is no guarantee that these characteristics will translate to an electric engine.

One factor that Ferrari will benefit from is the continual increase in Formula 1 interest. As a brand that spends no money on advertising, their main marketing tool is their F1 team. Average audience per Grand Prix increased by 13% from 60.3 million people to 70.3 million. This 2021 value was also the largest since 2013. More importantly, popularity for F1 is rapidly increasing in the company's highest



importing country, the United States. Viewership per race in the US increased by 28% from 2021 to 2022 as races averaged over a millions viewers. This rapid growth in the United States has even prompted the Las Vegas Grand Prix which will be raced in October of 2023. With this increase in popularity, Ferrari gets more marketing attention and global interest towards its cars, clothing brand, merchandise, amusement park, and museum at no cost.

Technology

Ferrari puts a heavy emphasis on innovation to ensure that their cars are of the highest quality. Their most recent advancement in technology comes with a partnership with Qualcomm Technologies. Specifically, Ferrari will utilize the company's Snapdragon Digital Chassis to provide a higher quality of car technologies such as improved cockpit experience, higher quality SoCs or car system chips, and cellular connectivity. Although CEO Benedetto Vigna said the company would never produce fully automated, self-driving cars, the Snapdragon advances driver assistance and creates the capability of self-driving cars. This system will be placed in both Ferrari's racing and road cars.



Blue Ocean Strategy

Red Ocean Strategy is defined as industries in existence who participate in competitive environments where industry boundaries are clearly defined; in this zone, existing and new industries are constantly trying to out-perform each other. This results in cut-throat competition, lower profitability and higher cost structure as a component of total price. Alternatively, the blue ocean strategy denotes all the industries that are not in existence today where demand is created instead of fought over because there is ample opportunity for profitable and rapid growth.

In Ferrari's case, the company competes in red oceans by integrating itself into the electric vehicle space. There is an increased interest from luxury automakers who are rushing to innovate their own electric car amidst Tesla's Model S success - becoming the best-selling plug-in EV globally in 2015 and 2016. The sudden interest from Ferrari could also result from the fact that Tesla was capturing many of Ferrari's clients, forcing Ferrari to adopt an electric or hybrid model for its environmentally-conscious consumers. As of now, Ferrari plans to release its first fully electric vehicle by 2025; however, Ferrari's CEO, Benedetto Vigna has noted that Ferrari's fully electric vehicles will not be able to drive itself — a noteworthy feature of Tesla's automobiles, among many others in the electric vehicle industry. With Ferrari's prospective electric vehicles not conforming to the typical electric vehicles already available in the market, it is difficult to assess the success Ferrari will have. But Ferrari's unique brand allows customers to purchase a Ferrari as a collective and for the experience of driving a Ferrari. Therefore, Ferrari's complete shift towards electric vehicles could be a very successful business venture, even attracting new clientele.

Ferrari created a blue ocean with its brand exclusivity. The grand emphasis on the integrity of the company and the high regard of the brand is not a notable feature amongst comparable companies in the industry. To support its exclusivity, Ferrari follows unprecedented measures, again, by ensuring only a limited number of Ferrari cars are made a year. In this instance, Ferrari further emphasizes how exclusive it is to own one of their cars and their focus on quality materials for their products. Similarly, Ferrari's customer service entails not only meeting customer expectations but going above and beyond when it comes to providing for each individual client. As a result, it is difficult for other automobile companies to provide similar outstanding client services.



SWOT Analysis

Strengths	Weaknesses
 Product Innovation, Research and Development Creating new Revenue Streams Brand name and Influential History Customer Satisfaction 	 Automation Fuel Efficiency Waiting List Policy
Thursda	
Threats	Opportunities

Strengths:

Product Innovation, Research and Design (R&D)

Ferrari has participated in the FIA's Formula 1 championship since the 1950's. Historically, Ferrari has used this as an opportunity for innovation, research and design. According to Eurostat, the GDP spending on R&D was 1.53% of GDP in Italy. These efforts for development take into account the pillars of Ferrari cars: performance, versatility, comfort, and driving emotions. Ferrari stresses the importance of innovation when designing new models. They prioritize introducing new aesthetics while maintaining tradition.

Creating New Revenue Streams

Ferrari did not stop at only producing magnificent cars. They have capitalized on market opportunity throughout the years and now own more than 30 retail stores worldwide. They sell merchandise and a clothing line designed to capture the essence of the Ferrari lifestyle; luxury. The firm understands customer demands and knows how to keep its brand image alive. Ferrari continues to find new ways to integrate itself into the market to generate more revenue while still keeping its exclusivity.



Brand Name and Influential History

Ferrari was born from competition. If it weren't for Enzo Ferrari's ambition to become the best and seek perfection, Ferrari would not be as successful as it is today. Anyone around the world can recognize the company's iconic prancing horse logo and associate luxury and exclusivity with it. The success of Scuderia Ferrari in Formula 1 is undeniably an important factor to the firm's success. Figures like Niki Lauda and Michael Schumacher, who are influential in the racing world, raced for Ferrari. Hence, the history Ferrari has established, its brand name, and what it stands for, all continue to pave its way to success.

Customer Satisfaction





"WE ARE DEVOTED TO THE HIGHEST LEVEL OF CUSTOMER SATISFACTION"

Ferrari evaluates customer satisfaction using two indices: customer satisfaction index (CSI) and Ferrari relationship index (FRI). They are used to evaluate satisfaction in respect of sale and after-sale services. The results are then used to strategize and create new products. This is how Ferrari maintains strong customer relationships and a high satisfaction rate.

Weaknesses:

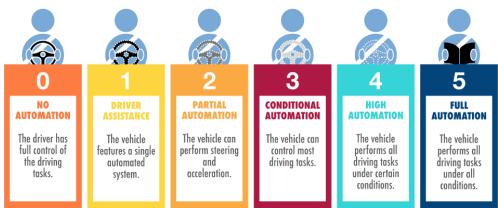
Automation

Automation was a futuristic idea that no one thought would exist in the near future. However, now we see companies like Tesla achieving some level of automation. Self-driving taxis are being tested on the streets of San Francisco, and suddenly the dream is becoming reality. Ferrari has made statements about their vision for an autonomous Ferrari. They have no plans of producing a Ferrari that is past level 2 automation. This is to preserve the spirit and emotions that come with driving a



Ferrari. If they lose out on their "pilot: customers who are passionate about the driving experience, this could cause issues for the company. Especially now, the push and excitement for automation is very much alive. Will Ferrari conform and produce an autonomous car, or hold on to the car enthusiasts that understand the passion and message behind driving a Ferrari?

LEVELS OF AUTONOMOUS DRIVING



Fuel Efficiency

Ferrari cars are fast and have massive horsepower and torque, but it comes at a cost. Their cars are surely known for their poor fuel efficiency. The range for Ferrari MPG is 12-18. To put it into perspective it is equivalent to big truck models. While in reality, no one buys a Ferrari to travel long distances with it, there are regulations regarding MPG. In the United States, the Biden administration is requiring an industry-wide fuel economy average of about 49 MPG. As of now, Ferrari fails to meet these standards, and so they have to pay a penalty for every car sold.

Waiting List Policy

It has already been established that Ferrari is all about exclusivity. They have set up a waiting list policy for their customers if they want access to buying their new models. Everyone who can afford a Ferrari wants a Ferrari but it's not that easy. With low volume supply and high demand, Ferrari is bound to make potential customers dissatisfied. It is a necessary weakness as its tradeoff is to maintain the value of the brand. On the other hand they make it up with their customer satisfaction efforts. Hence, once you are a Ferrari customer, you are part of the Ferrari family.



Opportunities:

New CEO

Ferrari recently appointed a new CEO in Benedetto Vigna who is a physicist and businessman. What is so intriguing behind this decision is Vigna's limited experience in the car industry. Vigna has worked in the semiconductor industry and is attributed with breakthroughs in his field. What his hiring signifies within the company is Ferrari's dedication to innovation and technological advancement. With a 2035 electric car policy looming, Vigna can be the leader Ferrari needs to transition into electric car production.

Market Expansion

In East Asia and the Pacific, GDP per Capita has been growing by 4% over the past 10 years. These countries have also seen an increase in urbanization, leading many people to move to big cities. With increased wealth in these countries, Ferrari should expect an increased demand for luxury goods including vehicles. This is an opportunity for Ferrari to capitalize on an expanding market before its competitors do. This will certainly attract a different audience than that of Europe or the US; however, in these countries, a Ferrari will more strongly signify wealth than it would in Monaco for example. This is an opportunity not only to generate profits and expand market share but also to uphold its brand image and name.

New SUV Car

In 2015, design chief Flavio Manzoni made a statement about Ferrari's efforts to come out with an SUV in their lineup. Fast Forward 7 years, Ferrari announced that they are in the process of producing their new SUV: Purosangue. This is an opportunity for the firm to generate more revenue. But it is not only a revenue driven opportunity. If Ferrari's SUV manages to exceed that of a Porsche or Lamborghini SUVs, they will yet again create another market advantage.

"That space is too big and too inviting, and we have a lot of customers who will be more than willing to drive a Ferrari-branded vehicle that has that king-of-utilitarian objective" ~ Sergio Marchionee

Threats:

Lack of Skilled Professionals in some regions

Ferrari prides itself on its training academy for its professional workers. Ferrari explicitly mentions that their cars can only be fixed in a Ferrari garage where workers



are trained by the firm. This is done to ensure the quality of Ferrari cars does not decline and only the appropriate procedures taken on the cars. The issue is there are regions in the world where there is a lack of skilled professionals for maintenance. This can lead to an increased depreciation of Ferrari cars. This can cause many downsides for the firm including customer loyalty, reproduction costs, and possibly exiting the market. Ferrari will need to expand its skilled professionals around the world to keep the brand name alive and value of the car high.

Environmental Policies

Europe has announced their new environmental policies regarding the automobile industry. Only cars with zero CO2 emissions will be allowed after 2035. While the policy's surface structure is beneficial, Europe's existing infrastructure will not be able to accommodate such large volumes of electric cars. Currently there are only 1.7 million charging stations, 1.2 of them are slow charging stations, and they're mainly in China and the US. There are roughly around 1.4 billion cars in the world; only 17 million EV and hybrid were sold in the past 10 years. These environmental policies cause a threat to Ferrari's current business model. Ferrari also admits that it is costly to maintain the same quality of cars using fully electric efforts. It will require more investments in R&D as well as hiring more professionals to help with this process. Ferrari plans to release its first electric car in 2025, marking the beginning of its transition to the electric industry.

Volatility in demand for Luxury Goods

Volatility in demand for luxury goods is a threat to any firm that operates in this industry. It mostly comes down to changing consumer expectations. Demand in this industry also relies on the economic, political, social, and technological conditions in a given market. Ferrari specifically faces this volatility due to changes in fuel costs, governmental regulations, prices of raw materials, and cost of production. This can have a pronounced impact on Ferrari given they are a low production manufacturer. It is good that Ferrari invests a great deal in R&D. This will allow them to stay ahead of the market competition and beat the volatility. Their customer satisfaction efforts report back data that will allow them to continue to improve their products to keep up with demand volatility.



BCG Matrix

Overview

The BCG growth share matrix is a portfolio management framework that helps companies decide how to prioritize their different businesses by their degree of profitability. It explains how market leadership results in sustainable superior returns. In other words, the market leader obtains a self-reinforcing cost advantage which sets them apart from various competitors. Two factors are taken into account: company competitiveness and market attractiveness. They are measured by relative market share and growth rate.

Stars & Cash Cows Quadrant

The business units that generate the most cash with the best market share are delegated as stars. Cash Cows are market leaders that generate more cash than it consumes. Cash cows hold high market share but low growth prospects. They are able to provide enough cash to turn a question mark into a market leader. Within Ferrari, the business segment of cars and spare parts represented 85.2% of net revenues in 2022. It has proven to be increasing since 2020 where the segment was 81.9% of net revenues. The cars and spare parts segment has seen high growth rates and has continued to reflect a high growth potential. This suggests an increase in future cash inflow with the majority of this growth being attributed to the consistent launch of new car models. If this segment experiences high growth rates that Ferrari can sustain, they can eventually become cash cows.

Dogs Quadrant

Dogs have low market share and low growth rates as cash is commonly tied up in these types of business units. Ferrari's management of the Mugello racetrack and other-sport related activities meet the low growth and low market share requirement for a dog. Not only do many of Ferrari's financing segments not generate cash, but they also don't require significant cash. There is little to no incentive to invest in it because they generate and return low or negative cash return. This particular segment is at risk of proving to be a cost disadvantage to Ferrari.

Question Marks

Question marks have high growth prospects but a low market share. They consume a significant portion of cash but bring little in return, costing the firm money. However, they still hold the potential to turn into Stars. Ferrari's engine segment is reflected as a question mark. This is because despite the potential for high growth, the engine segment has remained between 3.0% and 4.5% of net revenues. Engines



have the potential to reflect the long-term improvement in research and development of Ferrari's design strategy, however, this segment lacks the relative market share that would position this segment under a star.

Ferrari's sponsorship, commercial and brand segment, can be identified as a question mark. While it has the potential to turn into a star, it also has the potential to end up as a dog. That is because this segment is cash absorbing research and development investments. When successful, Ferrari can channel their marketing strategy through Formula 1, and is able to capitalize on the high profitability of their brand name. This allows them to cut costs and therefore generate more cash than it consumes.

Limitations & Final Thoughts

One limitation of a BCG matrix in relation to Ferrari is that it doesn't account for any factors beyond market share and growth. Furthermore, it doesn't help keep account for Ferrari's constant output of new products that could potentially disrupt the market in the future. There are a few ways that Ferrari can strategize their business moving forward. First, if Ferrari hopes to continue its focus on innovation, they should increase their investment in Stars and Question Marks.



Porter's Five Forces

Porter's Five Forces is a model that analyzes five competitive forces a business is exposed to. This model shapes every industry and distinguishes between weaknesses and strengths. The five forces are: Threat of New Entrants, Power of Suppliers, Power of Buyers, Threat of Substitutes, and Rivalry Among Existing Competitors. These five forces are present in all industries, but the model overall serves as a guide to increase competitive advantage; the greater the threat of the forces, the less total returns on investment.

Threat of New Entrants (Low)

New entrants in the luxury automobile industry are seen as low threats to Ferrari. Compared to new entrants, Ferrari has the advantage of being associated with Scuderia Ferrari, which gives the company access to technology, the leverage of its brand name, and immediate recognition among customers of all socio-economic backgrounds. New entrants will have to accept a cost disadvantage and be in a financially stable position to provide a large investment of capital to break this barrier of entry. If new entrants were to enter the market, they would have to build a brand as luxurious and exclusive as Ferrari. Immediately, this would be a high barrier to entry since new entrants will have to spend various amounts of money to receive any brand recognition whereas Ferrari does not have this cost.

Beyond brand development, there is another hurdle to entering the luxury car market – which is the emerging electric vehicle market. As a result of more stringent regulations being considered in different countries all over the world, constant innovation and increased spending in research and development is needed from existing companies, such as Ferrari, and new entrants considering the market. Therefore, new entrants will have to adapt quickly to the rapidly changing regulations or fully integrate as an electric automobile company to compete with already established companies. These demanding regulations are difficult to maneuver for new entrants who do not already have a census of their profit margin, customer loyalty, or return on investment.

Bargaining Power of Suppliers (Low)

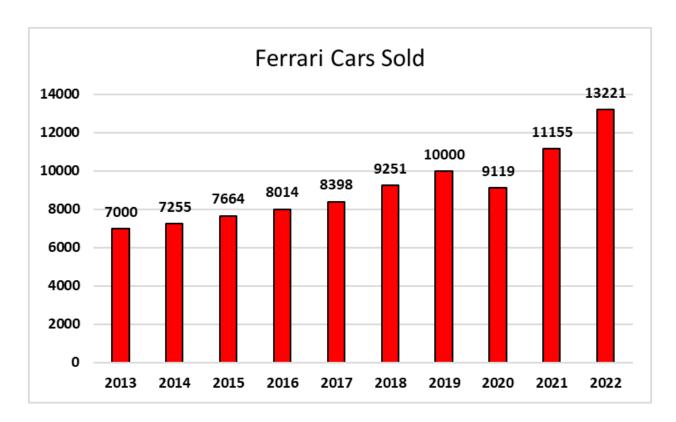
Ferrari is an international business that sources materials from a large network of suppliers. The low threat of the bargaining power of suppliers comes from the fact that Ferrari is vertically integrating and does not solely depend on a few suppliers. Surprisingly, Ferrari sources over 40,000 parts from 800 different suppliers. Other companies that have part of their vehicles made by the same supplier as Ferrari are Lamborghini, McLaren, Tesla, BMW, and Maserati. Also, Ferrari's strategy is unique in the sense that when house production from other sources is not economical, they



develop strong relationships with their suppliers to override this issue. In 2020, no one supplier accounted for more than 10% of procurement costs with only top 10 largest suppliers accounting for 20% of total procurement costs. Originally, it would seem as if Ferrari has only a few specialized suppliers for different parts of their cars but that is not the case due to their vertical integration and sourcing. In this instance, no one supplier affects Ferrari's production negatively.

Bargaining Power of Buyers (Low)

In regards to the bargaining power of buyers, Ferrari continues to face an increased demand from new markets – specifically China and the Middle East. Here, customers are much less willing to wait the standard 12-month period for their car delivery. In this instance, Ferrari must increase production rates, in terms of quantity and speed, to meet growing output demand without compromising the quality of their products. This proves to be a challenge for Ferrari because each one of their cars is unique – every customer has a specifically tailored vehicle thus no two Ferrari cars are ever the same.



Infor, the enterprise software company, has helped Ferrari achieve substantial production growth because of their two products – Infor LN and Infor ION. Together, Ferrari and Infor met a growing global demand by increasing production quantity without compromising their quality. Especially because Ferrari does not own any dealerships but selects them based on high standards, they maintain a low dealer



turnover rate. The dealerships and Ferrari maintain a symbiotic relationship, as the dealerships profit off of the Ferrari brand in exchange for upholding the high standards required from the luxury car brand. Ferrari's number of customers, in the last ten years, have ranged from 7,000 to a little over 13,000. Despite the economic hurdles of COVID-19 in 2020, Ferrari still managed to sell 9,000 cars. Approximately 66% of Ferrari sales went to repeat buyers because Ferrari sustains its high customer satisfaction while ensuring a limited number of eligible customers. Despite economic turmoil, Ferrari customers have proven they will continue to purchase the luxury cars, increasing demand for the company.

Threat of Substitute Products or Services (Low)

Due to the rising concerns about carbon emissions and climate change, alternative modes of transportation could be explored and become more popular than Ferrari cars. However, it is unsure if this is feasible, especially because it depends on the location of their clients – some locations require cars for efficient transportation instead of public transportation for instance. It might serve as a final resort in countries like Austria, where highway construction projects are being halted because "more roads mean more cars which means more traffic." Moreover, with the rising popularity of self-driving cars, less people might be incentivized to purchase an expensive car. However, Ferrari clients are purchasing Ferrari cars to experience driving a Ferrari, not for its self-driving features which positions the substitute products or services as a low threat.

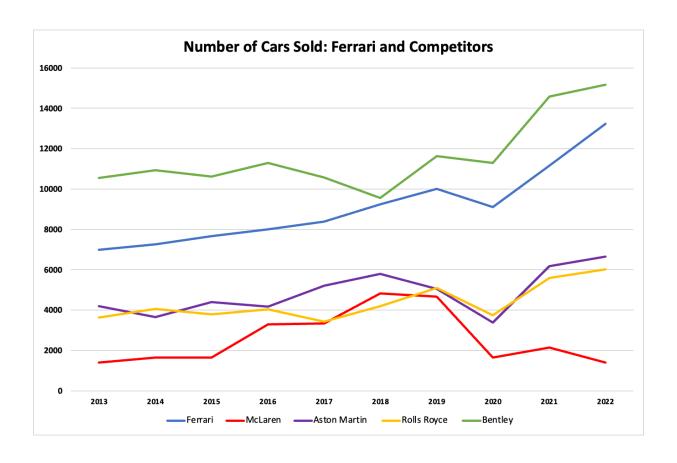
Rivalry Among Existing Competitors (Medium)

Among its competitors, Ferrari's advantage consists in having repeat buyers, approximately 66% every year. The COVID-19 pandemic of 2020 negatively affected the luxury automobile industry but Ferrari did a much better job of navigating through the pandemic than three of its main competitors: McLaren, Aston Martin, and Rolls Royce. McLaren has reduced production significantly but maintains a competitive range of car selections; additionally, the car brand has been struggling with the transition to hybrid automobiles – which the majority of other luxury car brands already provide.

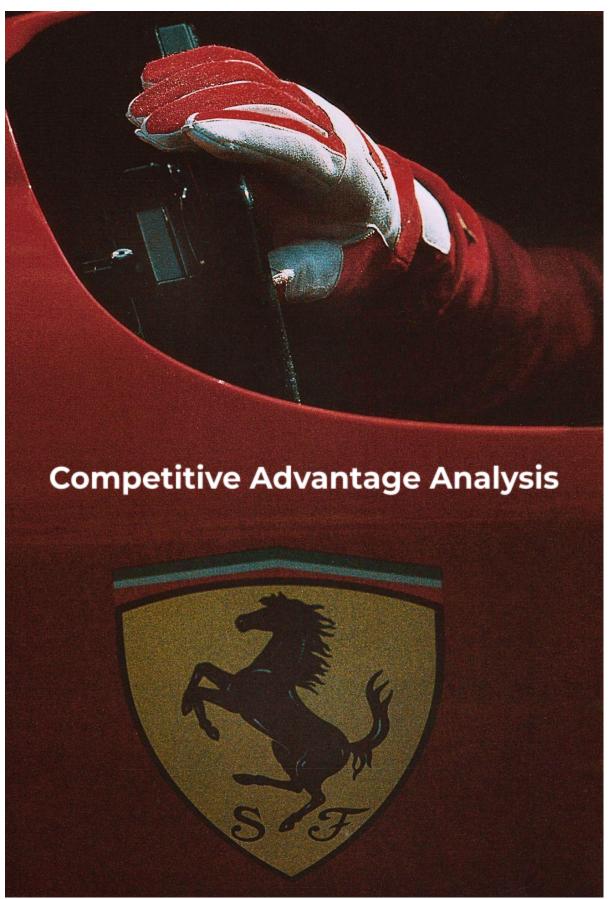
The luxury car market is expected to grow at 9.3%, equaling about \$655 billion by 2027 but this demand is highly susceptible to the economy and was impacted greatly by the COVID-19 pandemic. Notwithstanding the fact, Ferrari positions itself as maintaining 31% of the market share in the sports vehicle segment and 17% in the grand tourer segment. As Ferrari continues to grow, it has access to capital more easily, enabling it to invest in new technologies, expand its product lines, and pursue other growth opportunities. Towards the end of 2022, Ferrari kept its high position amongst its main competitors, scoring more impressive sales results than McLaren,



Aston Martin, and Rolls Royce. Bentley was Ferrari's only competitor that sold more cars every year since 2013. However, Ferrari has maintained a steady increase of cars since 2013; the only decrease was in 2020 with the repercussions of the pandemic. Meanwhile, Bentley has had decent increases and decreases in sales throughout the time period of 2013 to 2022. While Ferrari has a few main competitors, the size of their competitors are big and well-known. Regardless, Ferrari has been able to differentiate their products to generate unique offerings and stay within the top margins of the luxury car market.









Overview

It is important to understand the industry Ferrari operates in and its competitive nature to create an advantage for the company. Ferrari operates in the luxury performance car market. Competition is fueled by the appeal of products in terms of style, novelty, and innovation, as well as brand strength, and regularly changing product offerings to stimulate customer demand.

Enzo Ferrari had encapsulated the competitive spirit needed for the success of his brand. Almost 80 years later, and the competitive drive of Ferrari is still aflame as it navigates its way as a top competitor in the luxury automotive industry. But how has Ferrari achieved and maintained such a position in the market?

"Everyone is a Ferrari Fan, even if they say they're not, They are Ferrari Fans"

Drivers of Value Creation

Ferrari operates on a constrained product supply model. As the founder once said, "Always sell one less car than you could." Considering the image of exclusivity they intend to maintain, nothing is better than producing a small quantity of high quality cars. Not only that, but it reduces costs for the firm as well. The time and capital that is required to produce a Ferrari is costly, and so to increase production while reducing costs would mean a decrease in quality.

A negative aspect of a low volume strategy is the potential of value loss due to minimal diversification. To negate this aspect, Ferrari incorporates a controlled growth strategy in their business model. They continue to produce a new line of cars to fit with changing customer demands. A good comparison to Ferrari's business model is the high fashion industry. It is a fast changing industry where designers have to accommodate their production every year and produce a new clothing line.

"Different Ferrari for different Ferraristi, different Ferrari for different moments"

While Ferrari is resourceful in many aspects of their company, their marketing strategy is by far the most resourceful. Unlike other companies in the automotive industry that use capital-intensive marketing, Ferrari uses their racing team. More specifically, Ferrari relies on the success of Scuderia Ferrari to create and sustain a



reputation for them. This method reduces costs for the company that would otherwise decrease their advantage in the market. Ferrari also uses their Racing team as a form of R&D investment. Through testing engines and car parts on the tracks, Ferrari is able to track the performance of their products and how to continuously improve them.

High Residual Value

Quality is not only a concept for Ferrari, but a promise to every customer. From the birth of the company, Enzo Ferrari prioritized perfection, and this value has been passed down to the modern company. Ferrari praises itself for its cars' high residual value. Customers do not have to worry about their car's value depreciating. Ferrari holds its advantage in the market not because their cars maintain their market value but because this strategy has strengthened customer loyalty and relations.

Outreach Programs

Ferrari's dealer network is a key contributor to its global success. Their dealer network is known to get professionally trained to maintain cars at their peak performance. Ferrari offers various outreach programs that help customers take full advantage of their services. The 7-Year Genuine Maintenance service is specifically linked to each car. The maintenance privileges get passed on to the new owner once it's sold. This program is free of charge. If they want maintenance for extra years, customers can purchase other exclusive programs for 10 and 15 years.

Not Surprisingly, Ferrari's customization programs are one of a kind. They immerse the customer into the experience of producing a Ferrari. The Tailor-Made program allows them to design their unique Ferrari. With hundreds of fabric options, different engine architectures, and exterior designs, every customer can build their dream Ferrari. While competitors like Lamborghini or Porsche allow you to customize their cars, it is no match for what Ferrari has to offer.

Brand Diversification

The majority of Ferrari's success is built around its brand image. Ferrari expanded its market and diversified its brand to include products and services offered to certain customers. This is a clever strategy to persist its presence in the market as a historical trademark. By 2021, Ferrari had a total of 30 retail stores around the world. In Abu Dhabi, Ferrari world is an exhilarating experience for many speed enthusiasts because it has the world's fastest roller coaster in the world. The firm also operates two museums that display the history of Scuderia Ferrari that many car fanatics visit. This expansion has allowed the Ferrari brand beyond the automobile industry. It



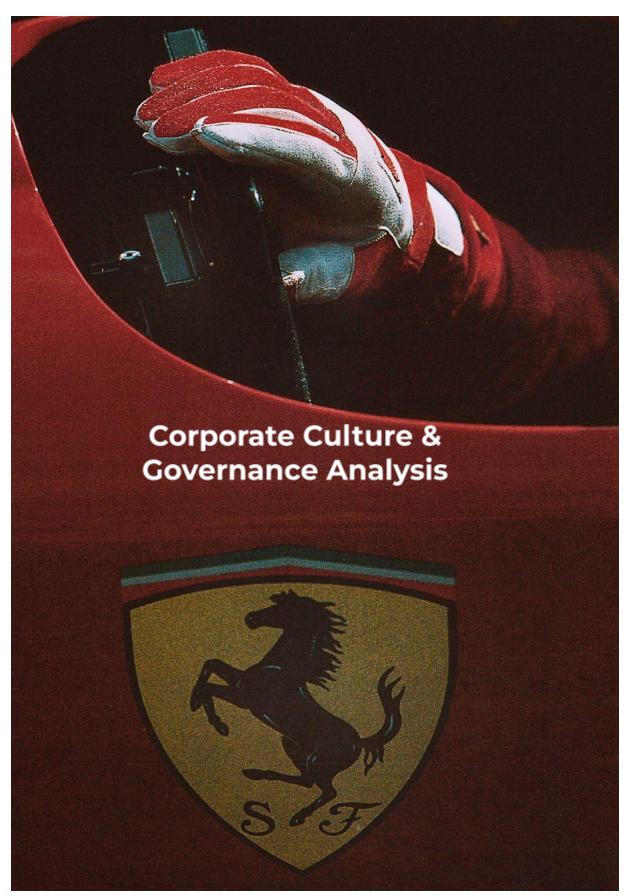
created new revenue streams for the firm, and new experiences for the consumers. This is strong evidence for the influence of Ferrari on many people's lives.

Sustainability Analysis

Ferrari heavily relies on the continued association of its brand with wealth, luxury, and exclusivity. They continue to adjust their business model in order to keep up with the market demand and volatility. This firm's value added does not only come from the top quality cars they produce, but also from the brand's history and signaling. It is important to understand that Ferrari's upbringing creates a unique position for it in the market that is inspiring. They were born due to fierce competitive spirits of the early founders.

The Firm's pricing and low volume strategy continues to uphold the exclusivity of Ferrari. Though, they must remain ahead of the market by predicting the perception of wealth among future customers. If a new generation of customers and car enthusiasts value exclusivity and luxury less than previous generations did, then Ferrari will be in trouble. However, Ferrari is ahead of the curve as it is dedicated to studying the market and forecasting future changes in customer behavior and demands. This is done through the dedication to customer service, satisfaction, and feedback. By maintaining a strong network of customers, Ferrari is able to compare its performance to previous eras of Ferrari.







Board of Directors



The Board of Directors consists of ten directors, including two executives and eight non-executives — who are responsible for the strategy and management of Ferrari. Most notable among the group are Benedetto Vigna, John Elkann, and Piero Ferrari.

John Elkann is the Chairman and Executive Director of Ferrari, Chief Executive Officer of Exor, the Chairman of Stellantis, Chairman of Giovanni Agnelli B.V., Chairman of GEDI Gruppo Editoriale S.p.A., trustee of MoMA, and Chairman of the Giovanni



Agnelli Foundation. He serves as one of the two Executive Directors, alongside Benedetto Vigna. Mr. John Elkann's professional career dates back to 2001 at General Electric, as a member of the Corporate Audit Staff, with assignments in Asia, the USA, and Europe. Elkann obtained a scientific baccalaureate from the Lycée Victor Duruy in Paris and graduated in Engineering from Politecnico, the Engineering University of Turin.

Benedetto Vigna has been the Chief Executive Officer since September 2021 but only recently confirmed by the Board of Directors on April 13, 2022. Prior to his arrival at Ferrari, Mr. Vigna was President of STMicroelectronics', Analog, MEMS and Sensors Group. Mr. Vigna also sits on the Industrial Board of several EU-funded programs including start ups and worldwide recognized boards of Asian and American research centers. He graduated in Subnuclear Physics from the University of Pisa.

Piero Ferrari is one of the Non-Executive Directors of Ferrari and has been the Vice Chairman of Ferrari S.p.A since 1988. As the son of Ferrari's founder Enzo Ferrari, Mr. Piero Ferrari covered a variety of management positions in the motor sport division of Ferrari from 1970 to 1988. Piero Ferrari received an honorary degree in Aerospace Engineering from the University of Naples Federico II and an honorary degree in Mechanical Engineering from the University of Modena and Reggio Emilia. The first position with Ferrari dates to 1965 working on the production of the Dino 206 Competizione racing car. That leaves Delphine Arnault, Francesca Bellettini, Eddy Cue, Sergio Duca, John Galantic, Maria Patrizia Grieco, and Adam Keswick as the remaining non-executive Directors of the Board.

Corporate Governance

As a whole, the Board of Directors appointed three internal committees: Audit Committee, ESG Committee, and Compensation Committee. Since 2017, the Board of Directors adopted a diversity policy with the belief that age, gender, expertise, professional background and nationality is an essential means of promoting debate and balanced decision making. Since this initiative, Ferrari has managed to achieve having at least 30% of the seats of the Board of Directors occupied by women and at least 30% occupied by men.

Other goals the company has to diversify their Board of Directors is to: create diversity in the age of the members by having one or more member aged under 50 at the day of their nomination, having the nationality of the members be reasonably consistent with the geographic presence of Ferrari's business, and making sure no nationality should count for more than 60% of the members. Ferrari's nationality requirements serve as a better benchmark for diversity since it acts as a more



tangible relationship between Ferrari and their foreign matters instead of simply implementing diversity for the sake of diversity.

As a result of their ESG Committee, Ferrari has presented a decarbonization strategy that will help reach carbon neutrality by 2030 and place emphasis on mitigating the environmental impacts from their production processes and luxury cars by addressing GHG emissions and focusing on their electrification journey. According to Yahoo Finance's Environment, Social, and Governance Risk Rating, Ferrari earned a score of 25, ranking in the 44th percentile – considering the company a "medium" risk. Broken down by category, Ferrari received a 6.1 in Environment Risk Score, 12.3 in Social Risk Score, and 6.4 in Governance Risk Score. Out of the three categories, Ferrari has the most Social Risk and the least Environment Risk. These results further emphasize the significance of Ferrari upholding its brand's exclusivity as it continues to develop new products and introduce them into new markets.



Ferrari Culture Analysis

Introduction

Ferrari's mission was born from the spirit of racing in 1947, epitomizing the power of longlife passion and the beauty of limitless human achievement, creating timeless icons for a changing world. Working for Ferrari entails participating in a future-focused team in which people are the most valuable asset. Ferrari, currently, has two types of customers: the "Sports Car Driver" seeking an elegant and understated design for longer journeys and the "Pilot" searching for high performing and extreme sports cars. Ferrari's high regard for their brand has created a strong community of Ferrari enthusiasts. Ferrari also emphasizes their three main values: Individual and Team, Tradition and Innovation, and Passion and Achievement. Here talented individuals are encouraged to work together to achieve extraordinary results, pioneer advanced technology, and set and exceed ambitious targets.

Employees

Ferrari has built a foundation of success primarily upon its dedicated workforce and the high attention and care they give to their products. Throughout the years, Ferrari has focused on developing different projects to give back to their workers. Since 1997, Ferrari produced the "Formula Uomo" initiative, with the intention of developing a high quality working life for their employees. The project aims to redesign their working environment, enable individual development, enhance teamwork, and build a community that now comprises 57 different nationalities. Over the years, this project has become a pillar of Ferrari's culture.

More recently, in 2021, Ferrari commenced their program "Formula Insieme," which aims to pursue the continuous development of Ferrari through a "plan, do, check, act" approach to identify opportunities for continuous improvement. To recognize excellence, encourage professional development, and adopt equal opportunities, Ferrari enacted a number of initiatives to assess Ferrari's managers and white collar employees, such as their appraisal system. As of 2022, Ferrari had a total of 4,919 employees, including 152 managers and senior managers.

Work Experience

The plethora of resources provided to Ferrari employees could be the cause of its especially high employee retention rate. For example, Ferrari's manufacturing facilities are specifically created to maximize the amount of natural light, promote several external and internal green areas and provide air conditioning to all areas. Ferrari also promotes an active lifestyle among their employees. The "Formula Benessere" program aims at providing preventative healthcare to employees and their children.



If that isn't enough, to foster a sense of belonging among employees and their families, Ferrari launched the program "Formula Estate Junior." This program consists of a free day camp for employees' children with activities including sports, outdoor activities, excursions, and workshops. Ferrari is also the focus of a series of different initiatives providing scholarships to talented junior high, high school, and university students. In 2021, the scholarship program "Enzo Ferrari" was awarded to 85 talented students; in this same year, Ferrari reimbursed around 800 employees for the cost of their children's textbooks.

Customer Satisfaction

Ferrari has a structured process to assess the overall customer satisfaction with their products, services, and events. Product satisfaction is evaluated through three different survey prototypes in different time frames, to accurately allocate customer comments and feedback. First, is the early stage: at the commercial launch of a new Ferrari model, customer and prospect satisfaction is monitored with a Demo Test Drive of the new car at the dealer showroom. At this stage, the car is still not purchased. After about 3 to 4 weeks of ownership, the first customers of the new model receive a survey, "Report 200," to gather the first impressions of the recently purchased car, otherwise known as the second stage. The third stage is conducted a few months following the launch — a third survey named New Car Buyer Satisfaction is sent by email to customers. This survey is a more complete, in depth and detailed assessment on the car, and is composed of more than 100 online questions aimed at gathering thorough feedback on the vehicle.

Community

The goal of Ferrari is to ultimately create and share long-term value with their stakeholders. Community engagement and involvement with the local territory are of utmost importance to Ferrari, particularly Maranello and Modena, where all of their cars are manufactured. As a result, two different museums have been established, attracting thousands of visitors every year from all over the world to get their own taste of the Italian "Motor Valley."

Dealer Network

Another aspect of Ferrari's success is accredited to their specific dealer network. Because of the exclusivity, Ferrari regularly assesses the composition of their dealer network to maintain the highest level of quality. Ferrari's rigorous selection criteria is based on the candidates' reputation, financial stability, proven track records, and if they can provide a purchase and after-sales experience that exceeds their clients' high expectations. Through their in-house Ferrari Academy, Ferrari provides training to dealers for sales, after-sales, and other technical activities to ensure their dealer



network delivers a consistent level of market leading standards. Every once in a while, new courses are introduced in areas, such as commercial execution and luxury management, with the focus on delivering the best possible client experience.

External Validation

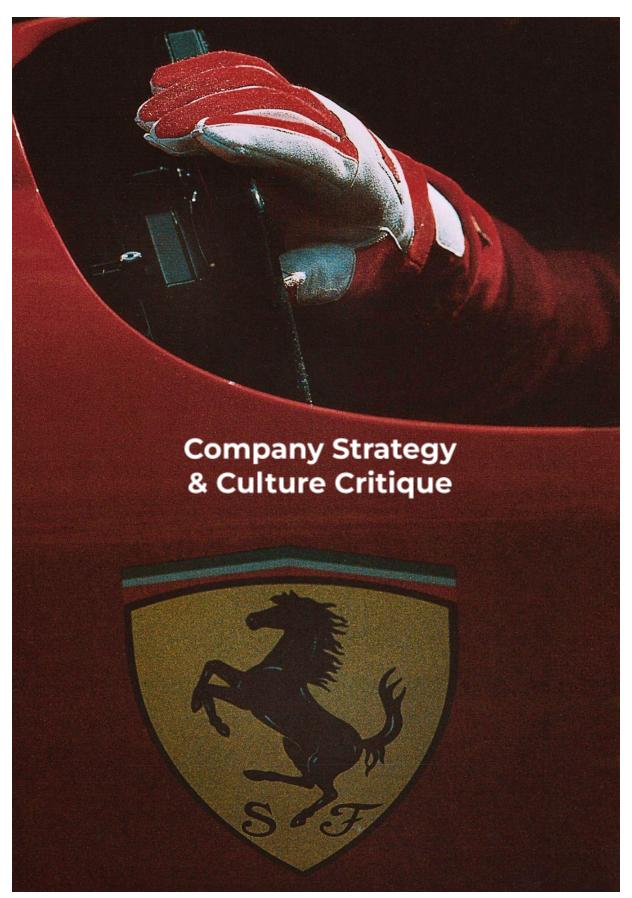
In recent years, Ferrari has reached recognition as the strongest brand in the world from Brand Finance and also won first place in the Reputation Institute's Italy RepTrak ranking, which measures the reputation of Italian companies. In the last three years alone, Ferrari has moved from third to second place in the ranking, finally attaining first place in 2022, demonstrating its solid links to Italy. The Italy RepTrek shows not only the links between companies and their public, but also the impact of reputation on business and on people's choices when buying, recommending a brand, investing or applying to work for a company. Additionally, Ferrari received an award of the Equal Salary Certificate for providing equal pay to men and women with the same qualifications and positions in the company. This certificate is used by Ferrari as a further stage of growth and an opportunity to implement more concrete actions to ensure professional development for all.

Positive Attributes

The company's strongest positive aspect of culture is the focus they have on their clients. Ferrari ensures that every step of the process is a stellar experience for their clients – from onboarding to the sale to the after-sales service. Through their personally crafted offering, clients are encouraged to remain loyal to the Ferrari brand, increasing revenue and client retention. This strong client to employee relationship is unbeatable and impossible to come across in other automobile companies.

Negative Attributes

Employee reviews about Ferrari on Glassdoor's website indicate that one of the biggest criticisms of the company is the nonexistent work-life balance. While Ferrari is enthusiastic and passionate about inventing newer versions of their automobiles, it comes at a cost for their employees who are often forced to work long hours. Ferrari is also known for excluding their employees from ordering their own cars from the factories. The philosophy behind this reasoning is that Ferrari offers a limited production line with multiple clients waiting long periods of time to obtain a Ferrari. Therefore, Ferrari employees are not allowed to be part of this exclusivity.





Strategy, Culture & Governance Critique

Strategy Critique

Controlled Growth & Low Volume Strategy Risks

Ferrari's controlled growth and low volume strategy has allowed Ferrari to establish an exclusive customer base as well as focus on preserving the high quality products. While this tactic has historically strengthened the Ferrari brand, there are various risks that Ferrari is exposed to. Currently, Ferrari seeks the opportunity to expand operations in regions and markets that have high growth potential. Yet in order for Ferrari to continue to capture client attention, they must successfully anticipate consumer preferences and new trends in vehicle design. This is key to ensure their controlled growth strategy remains successful. That is because Ferrari's ability to create new cars and sustain existing models is what drives their top line. If Ferrari is unable to develop and launch successful new vehicles, the company could forfeit their competitive position in the luxury car market and limit the growth of their business.

Ferrari announced in June 2022 at the Capital Markets Day, that they would launch 15 new models by 2026. Even more, Ferrari is striving to gradually expand the use of hybrid and electronic technology in their road cars. This in addition to the management of Ferrari in Formula 1 and pushing their Ferrari Lifestyle segment. While this is in line with customer preferences and broader industry trends, Ferrari risks being overly ambitious in their pursuits to grow Ferrari. As a result, Ferrari cannot be certain that these new models will prove profitable and successful among eager clients. Ferrari will have to spend extra diligence on preserving product quality while also making sure they are not falling behind their competitors. On the other hand, Ferrari's push for growth can encourage Ferrari to continuously maintain an ever-evolving operational, financial and internal management structure.

With consumer demand and behavior changing rapidly, Ferrari is faced with various international markets, where tastes and purchasing trends may differ. Many international markets that Ferrari operates in have different operational characteristics, including employment, supply-chain logistics, and environmental regulations. In addition, Ferrari does not have significant experience directly operating in many of these markets which create a large upfront investment cost for the company.

Ferrari's Low Volume strategy balances profits and brand exclusivity. This strategy also gives Ferrari leverage when factoring the price that clients are willing to pay. As



Ferrari starts to expand their client base to younger clients, they need to be careful to maintain the exclusivity of the brand. If they are unable to balance brand exclusivity, Ferrari will begin to erode and lose the justified premium for their products.

While Ferrari is looking to limit the number of car models produced and sold, Ferrari should be prepared for greater revenue volatility. An unsuccessful model produced by Ferrari would be more harmful than to other competitors. Therefore, Ferrari would incur a greater cost than competitors because of the great R&D expenses. Ferrari's top two corporate strategies will continue to position the firm for future brand success, if managed properly and with careful oversight by leadership.

Formula 1 Performance & Selling a Ferrari Lifestyle

Formula 1 has become a significant part of Ferrari's business strategy and development. That being said, it is important for Ferrari to understand the reliance and dependency the company has on sponsorship agreement and revenues from broadcasting. For instance, if Ferrari is unable to renew or source new sponsorship agreements, revenues could decline. Another aspect that indicates risk is the race placement itself. If either the constructor or the drivers race performance becomes worse, Ferrari could also see dips in revenue and a general increase in related expenses.

On the Ferrari lifestyle side, Ferrari has attempted to enter new markets to expand their brand presence. While this can help Ferrari diversify their brand offering, it could potentially harm the Ferrari brand if not carefully monitored. The Ferrari brand would risk losing exclusivity due to becoming a tier two luxury brand by having overexpanded their customer base through various extensions of brand reach strategies.

There is on the other hand a market that Ferrari can try to expand to; private jets. Honda has actually already entered that market. Honda is known for the reliability of their engines. They used their positioning in the market as an advantage to capitalize on this opportunity. Ferrari on the other hand, will have to use speed and luxury to position itself in this market. Their jet will not be priced similarly to other private jets on the market. Not only will Ferrari be able to generate new revenue streams, but they will add a new element to the luxury lifestyle of Ferrari.

Culture Critique

Ferrari is a company that highly values its cars and brand. It is a company that emphasizes quality and mere perfection in all of its products and as a result distinguishes itself as a top tier company. However, Ferrari prioritizes its brand at the cost of customer service. A long standing motto about the company has been "You



don't choose Ferrari, Ferrari choses you." While many may initially perceive this as a marketing stunt to further garnish its products, this motto is completely true.

Ferrari cars are difficult to purchase. There are often long waitlists that last merely 18 months. Similarly, Ferrari meticulously sells its cars to people who will represent that company well. This again is a method that further strengthens its exclusivity and grandeur. Ferrari is proud of its reputation and wants full control of it.

For those customers who are lucky enough to purchase a car, many company protocols hinder customers' sense of ownership of the car. For example, once you purchase a car, you are not allowed to sell it within the first year of ownership. You are also obligated to notify Ferrari if you are to sell your car and to whom you sell the vehicle to. Also, you cannot alter the car drastically, and you cannot alter the engine in any fashion. Ferrari prohibits customers from covering the logo and the customers are obligated to attend certain car events with their vehicle. Lastly, owners of a Ferrari are expected to speak highly of the company and follow the strict guidelines set in place. If a customer is to infringe on these guidelines and obligations, Ferrari will prohibit the customer from future purchases.

The idea behind these strict rules is to uphold the Ferrari brand. When a person purchases a Ferrari, they become part of the so-called Ferrari "family." Unlike other car companies, a customer's relationship with Ferrari does not end when they drive off the lot, which is a distinguishing characteristic of the company; however, it comes at the cost of ownership freedom.

If Ferrari deems itself a company driven by innovation and mere perfection, the customer and company relationship should be far more mutually beneficial and balanced. A customer should have the right to critique their vehicle, and Ferrari should use this criticism to truly perfect their craft. However, this argument does go both ways as Ferrari's business plan is the production of exclusive cars. The customer should be well aware of the unique circumstances and aware of what it means to purchase a Ferrari.

Lack of Electric Car Innovation

The final critique to Ferrari's culture is the company's lack of advancement with electric cars. Again, what makes a Ferrari so special is its elegant and powerful composition – power and elegance that are provided by its iconic V12 engine. While one of Ferrari's core values is tradition, another value is innovation and revolutionizing automotive technology. As of now, it is inevitable that the electric car industry will grow. If Ferrari truly values innovation, they should be competing in the electric car industry and revolutionizing the industry as they did back in the 1900s



with the automotive industry. Ferrari does plan to unveil their first electric car in 2025. The question is: why did this take so long?

Corporate Governance Critique

Directors	Nationality	Executive	Non Executive	Independent		Committees				Roles in
				NYSE Rules	Dutch Code	Audit	Compensati on	ESG	Directors from ⁽¹⁾	other companies ⁽⁴
John Elkann (Executive Chairman and Executive Director)	IT	x						x	April 15, 2016 ⁽²⁾	2
Benedetto Vigna (Chief Executive Officer)	IT	x							September 16, 2021 ⁽³⁾	0
Piero Ferrari (Vice Chairman)	IT		x	x			x		January 2, 2016	0
Sergio Duca (Chair of the Board and Senior Non- Executive)	IT		х	x	x	x			January 2, 2016	2
Delphine Arnault	FR		х	х	х			х	April 15, 2016	2
Francesca Bellettini	IT		х	Х	х	х			April 16, 2020	1
Eddy Cue	US		х	x	x		x	x	January 2, 2016	0
John Galantic	US, CH		х	х	х		x		April 16, 2020	0
Maria Patrizia Grieco	IT		x	x	x	x			April 15, 2016	2
Adam Keswick	UK		х	х	х				April 15, 2016	2

Ferrari strives for diversity in their company, especially amongst the board of directors but their diversity initiatives could be improved. Currently, the board of directors consists of 30% females and 70% males. Of these three women and seven men, none of them are people of color. Ferrari's take on diversity emphasizes hiring individuals with different nationalities — specifically those nationalities that represent Ferrari clients – instead of focusing on race. Nonetheless, 60% of the directors represent Italy with a noticeable lack of representation from the Middle East and Asia, two of their most popular markets. Moving forward, the company ought to focus on possibly expanding their board of directors to include more women, people of color, and more diverse nationalities.

Mr. Benedetto Vigna is the newest addition to the Ferrari Board of Directors. His entrance confirms the company's accelerated move towards electric vehicles due to his previous experience at Swiss semiconductor maker: STMicroelectronics. Since his confirmation, roles at Ferrari have been filled by individuals who have similar



experiences at STMicroelectronics, reinforcing the urgency for electric Ferrari vehicles. At Ferrari, Vigna is creating a team of individuals whom he trusts to lead Ferrari's vision. Ferrari's culture is one of a shared responsibility of reaching towards the same goals of constant renovation.

In accordance with the Anti Corruption and Human Rights governance practices, Ferrari reiterates upholding freedom as a component of its mission. Due to the difficulty of obtaining a job at Ferrari, the freedom component allows employees, at all levels, to be respected and protected in the workplace and within social interactions. Therefore while Ferrari's environment encompasses high stakes, it is also inclusive and allows freedom within its employees.

Recently, Ferrari has received backlash from Italian unions who are demanding a wage raise of up to 8.4% a year. This comes from the rising inflationary economic market. As of now, the union requests could pave the way for similar requests to circulate Italy. With this being said, it is unknown whether employees in different parts of the world are being compensated for inflation. A step Ferrari could take is to include an increasing yearly salary that compensates employees for any economic turmoil.



Conclusion

Ferrari is a unique brand that differs from conventional car manufacturer principles. It is a car that is powerful yet beautiful, fast yet elegant. It is a company with purposeful limited production, strict rules, and specific guidelines that attract its unique and passionate customer base. Ferrari has exceeded all odds and has solidified itself as the main competitor in the luxury car market. Ferrari has differentiated itself from other car brands by diversifying its business endeavors and truly continues to defy the limits of modern automotive technology. It goes without saying: once you purchase a Ferrari, you become part of the Ferrari Family.





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