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## Ferrari: Strategy in Transition

*“If there is an electric supercar to be built, then Ferrari will be the first. People are amazed at what Tesla did with a supercar: I’m not trying to minimize what Elon [Musk] did but I think it’s doable by all of us.”<sup>1</sup>*

– Sergio Marchionne, CEO, Fiat Chrysler Automobiles, and Chairman and CEO, Ferrari

Improbable as it once might have seemed, Ferrari – the most prestigious, globally renowned racing and luxury sports car brand – revealed its intention to launch a fully electric supercar. Addressing reporters ahead of the Detroit Auto Show in January 2018, Sergio Marchionne, the company’s outspoken chief executive, emphasised that Ferrari would outpace its rivals to be first to market. The plan would represent a sudden change of direction for a company best known for its screaming 12-cylinder and rumbling 8-cylinder petrol engines – and a startling about-face for Marchionne, who had previously called the idea of a completely electric Ferrari “an almost obscene concept.”<sup>2</sup>

Other luxury sports car makers, such as McLaren and Lamborghini, planned to introduce battery-electric supercars in coming years. However, Marchionne’s remarks were mainly directed at Tesla’s CEO, Elon Musk. A battery-powered Ferrari would help Marchionne steal attention and sales from Tesla, the leader in luxury electric vehicles.<sup>3</sup> In November 2017, Musk unveiled and immediately began taking reservations for a new supercar expected to arrive in 2020. The Tesla *Roadster 2.0* boasted impressive specs and was touted to be faster than any electric- or petrol-powered car, including the hyper-exclusive Ferrari *LaFerrari*, while costing a fraction of its price.<sup>4</sup>

Marchionne also announced that Ferrari would introduce its first sports utility vehicle (SUV) – an idea he had previously dismissed as “ridiculous.”<sup>5</sup> Although he remained elusive on technical specs and timeline, Marchionne promised that the Ferrari SUV would “look and drive like a Ferrari” and “be the fastest on the market.”<sup>6</sup> The move would distance the company from its traditionally narrow focus on luxury *Gran Turismo* (GT) and sports cars with two doors, more than 500 horsepower and priced above €150,000.<sup>7</sup> Further, Ferrari would face stiff competition from the likes of Bentley and Lamborghini, whose ultra-luxurious SUVs had become status symbols among the world’s wealthiest one-percenters.<sup>8</sup>

Since taking the reins at Fiat in 2004, Marchionne had exhibited seemingly infallible instincts and unflinching determination that earned him a reputation as one of the world’s top executives.<sup>9</sup> He restructured the group and returned it to profitability. Next, he masterminded the unexpected takeover of Chrysler, which had to be bailed out during the financial crisis. He spun off Ferrari from

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