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Marketing Analytics & Metrics

Alfa Romeo and Jeep Brands: strategic direction in times of global change

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INTRODUCTION

***“There will be hunters and hunted, winners and losers.
What counts in global competition is the right strategy and success.”***

Heinrich von Pier

Automotive industry has been a pillar of global economy for decades. The automotive sector provides direct and indirect jobs to 13.8 million Europeans, representing 6.1% of total EU employment. 2.6 million people work in direct manufacturing of motor vehicles, representing 8.5 % of EU employment in manufacturing. Europe is among the world's biggest producers of motor vehicles and the sector represents the largest private investor in research and development (R&D)¹. Yet, today it's facing challenging times. From Volkswagen's emission crisis that spread all over the industry to new challenges and opportunities provided by new technologies such as self-driving cars or electric and hybrid engines, all these changes require OEMs² and their management to comprehend constantly changing market and its peculiar trends in order to succeed and benefit from new opportunities.

The presented project is the outcome of research and analysis conducted during a professional placement in FCA Germany AG. It serves as opportunity to share experience and knowledge gained during this time, as well as provide the external perception and outlook on the current challenges for the company. The focus will be on two premium brands of FCA: JEEP and ALFA ROMEO, aiming to propose recommendations on strategic directions for growth.

Comparing brand performance in domestic market with highly competitive foreign market as the German one, can offer interesting insights to better acknowledge the differences between high and low competitive market environment.

The choice of SUV (Sport Utility Vehicle) segment is not casual too: during the late 1990s and early 2000s, the popularity of SUVs greatly increased.³ More recently, smaller SUVs, mid-size and crossovers have become increasingly popular. SUVs are currently the world's largest automotive segment and account for most of the world's passenger car market.

Through analysis of two models: Jeep Renegade and Alfa Romeo Stelvio, in two most important automotive realities in Europe which are Italy and Germany, while considering market situation, trends following in depth examination of performance, competitiveness in their respective segments, pricing positioning and customer

¹ Source: https://ec.europa.eu/growth/sectors/automotive_en

² Original Equipment Manufacturer

³ Source: Literature

profiling, and taking into consideration forecasts for the coming years, strategy has been developed in short, mid and long term perspective.

Alfa Romeo has been struggling to find its place in the premium market for almost two decades. A mix of financial problems in FCA Group, the focus on Chrysler acquisition, and low quality reputation ruined any attempt of reviving the brand.⁴ This struggling situation of the brand seemed to change when the Giulia was finally revealed in June 2015 and Stelvio arrived one year later, joining the profitable and fast growing SUV segment.

Thanks to the new arrivals, Alfa Romeo was able to increase its global sales in 2017, but two years after the presentation of Stelvio, it is now facing uncertain times again due to the lack of new products in its portfolio. Jeep on the other hand drove FCA growth for many years, with high sales and revenue. It surpassed Fiat as most profitable brand in FCA. However, Jeep is facing hard times ultimately as well, due to an old model portfolio and lack of investments in alternative fuelled vehicles.

The presented study is based in the following context: FCA faces a much higher competitive environment in its key markets, Italy and Germany, affecting its sales performances. Moreover, worldwide trend of decreasing CO2 consumption and Diesel crisis are changing the way manufacturers deal with production and strategies. Based on these facts, and once having analysed them deeply, the study will then have two main objectives:

1. Elaborate a strategy for Alfa Romeo and Jeep to maintain brands' sustainability
 - Short, mid and long-term actions for performance growth
 - Brand image, positioning, pricing, communication and commercial approach.
2. Measure the possible outcomes of the final strategy to market in order to maintain profitability
 - Evaluate the incremental percentage growth of models in the new strategy proposal

In the short-, mid- and long-term vision, it is necessary to analyse the products themselves, taking into consideration their performance in the specific segment.

How should the products be changed in the nearest future? What should be the products in the next lifecycle generation due to the strategy of the company in globally changing environment?

Hence, this study is concentrated on presenting all possible solutions, which will enable Alfa Romeo and Jeep products to be more profitable and efficient.

⁴ Source: fiatgroupworld.com

CHAPTER 1

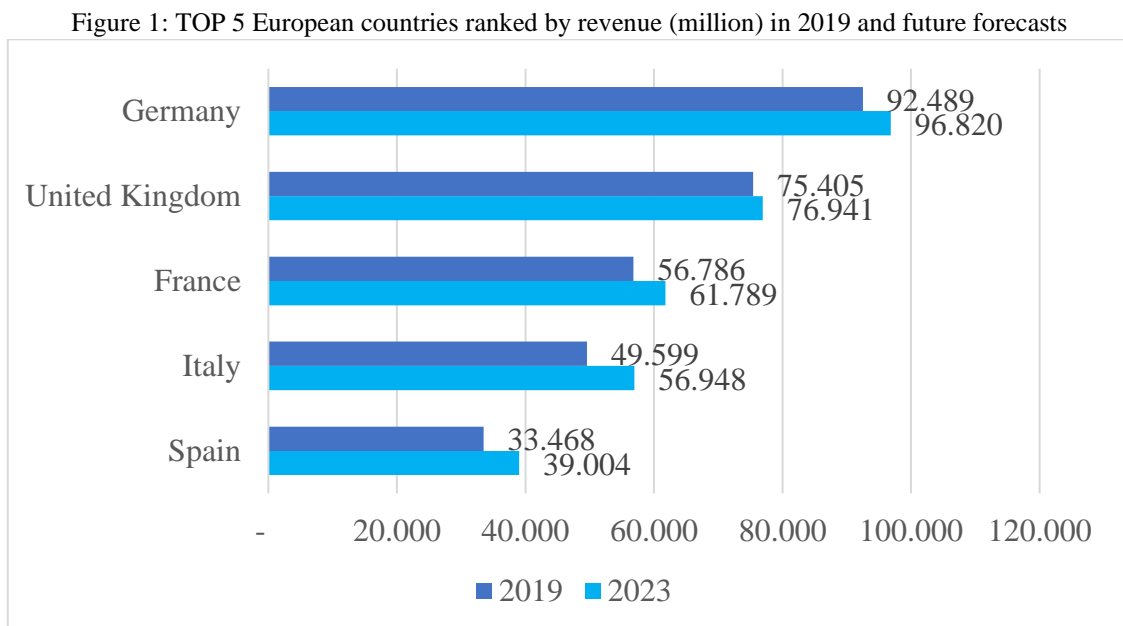
This study is focused on brand performances, particularly in two most competitive realities: Italy and Germany.

These two countries have some of best-developed and rich automobile industries of Europe and in the world, so it is useful to start this discussion with an analysis of these two industries, analysing metrics such as sales, turnover, profitability, R&D investments. This will provide a better background knowledge, useful to understand industry dynamics for Alfa Romeo and Jeep.

1.1 Italy and Germany within the top European industries

Considering Italian and German automotive industry, we see that both are well developed, and within the top 5 in Europe.

As presented in Figure 1, Germany is ranked 1st in revenue with €92.5bn in 2019. Italy is 4th, with a revenue of €49.6bn, after Germany, United Kingdom (€75.4bn – potential changes in ranking might occur due to Brexit) and France (€56.8bn).⁵



Source: Statista, 2019

Germany and Italy hold the same rank position also regarding turnover, with €495,7bn (+2.8%) and €79,2bn (+1.6%) each in 2017, as we can see in Figure 2.⁶

⁵ Source: Statista, 2019

⁶ Source: Statista, Automotive Industry in Germany, 2018

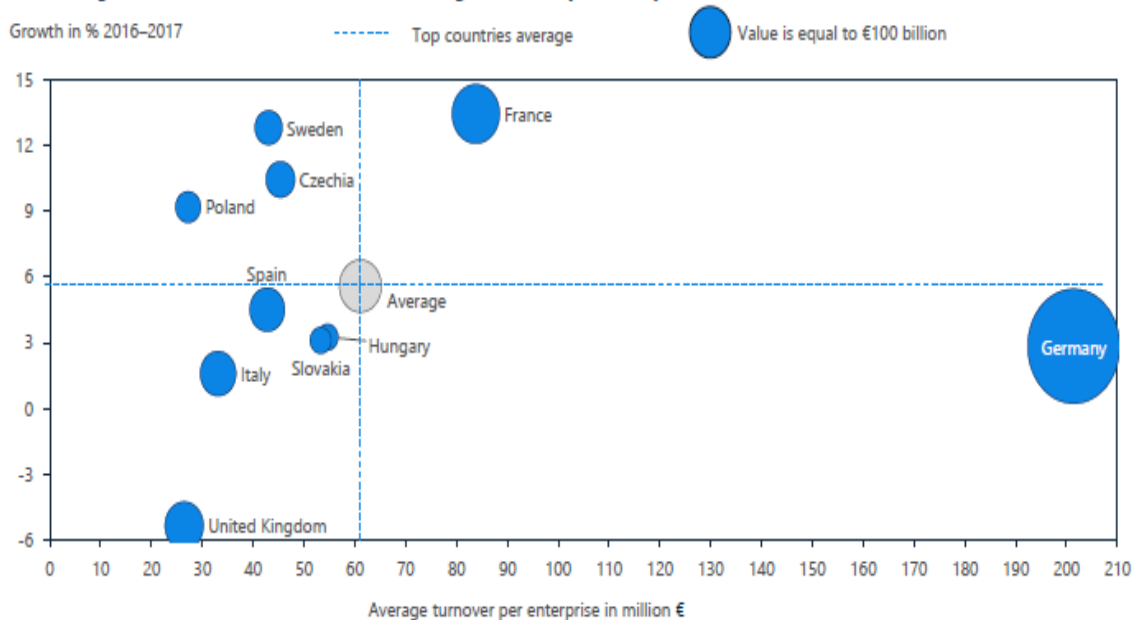
Figure 2: TOP 5 European countries by turnover in billion in 2017

Country	Turnover (bn)	Growth over 2016 (%)
Germany	495.7	+2.8%
France	133.8	+13.5%
United Kingdom	87.5	-5.4%
Italy	76.2	+1.6%
Spain	72.5	+4.5%

Source: Statista, Automotive Industry in Germany, 2018

From these data it is clear the strong position of German industry in the European market. Considering the turnover growth, the total turnover and the average turnover of the top European countries, a graph showing the average turnover on x-axis and the growth over previous year on the y-axis, can demonstrate clearly the gap between other industries and the German one (Figure 3).

Figure 3: Turnover growth, turnover in billion € and average turnover per enterprise in million € in 2017



Source: Statista, Automotive Industry in Germany, 2018

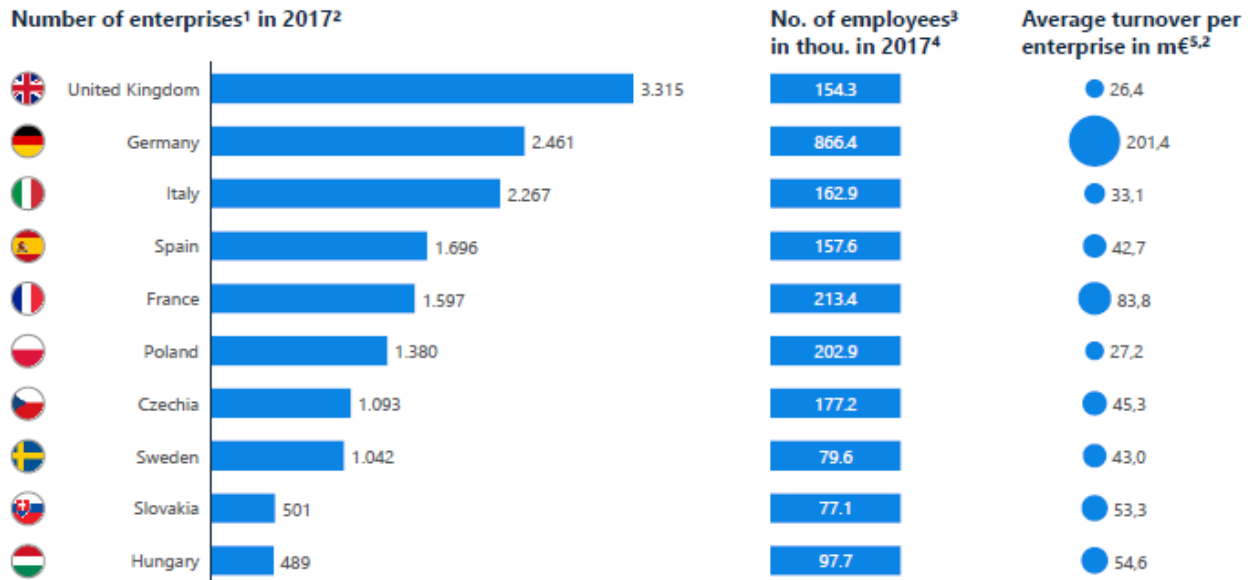
Regarding manufacturing, Germany and Italy are still in top positions in Europe, 2nd and 3rd respectively, with 2.461 and 2.267 enterprises each, with a number of employees (in thousands) of 866,4 and 162.9.⁷ Although it is United Kingdom the country with most enterprises (3.315), Germany holds the 1st place for average turnover per enterprise with €201,4 million in 2017⁸, an extraordinary result compared to other European countries, as we can see in Figure 4.⁹

⁷ Source: Statista, Automotive Industry in Germany, 2018

⁸ Source: Statistical Office of the European Union (Eurostat), Statista 2019

⁹ Enterprises that have been active during at least a part of the reference period

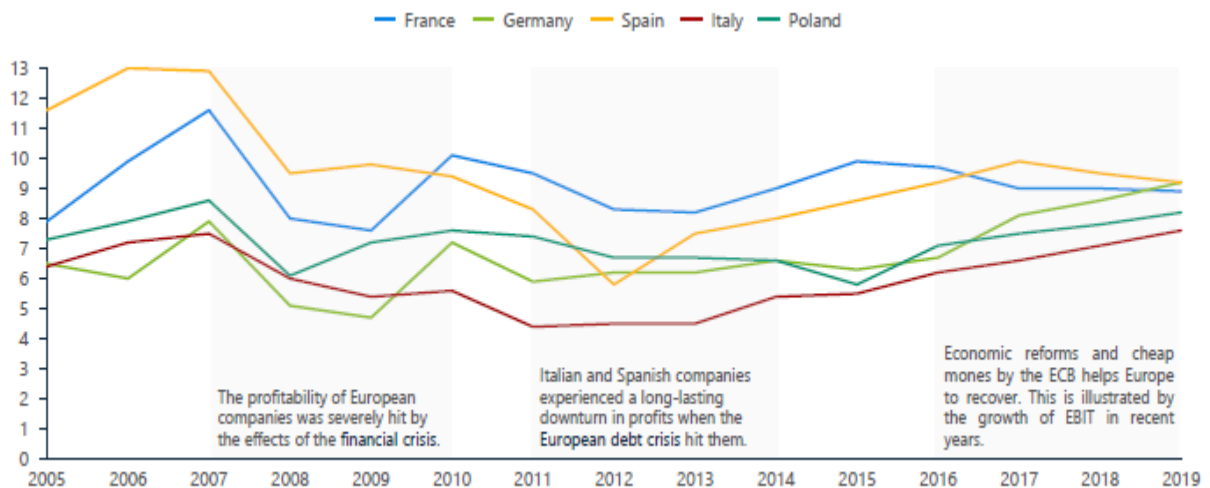
Figure 4: Top European countries per enterprises, number of employees and average turnover per enterprise



Source: Statistical Office of the European Union (Eurostat), Statista 2019

Since the dawn of the subprime crisis in North America and the beginning of the worldwide economic crisis, the European economies went through multiple slumps and this, of course, affected also automotive industries. While each economy faced its own set of problems, the general pattern since the introduction of the euro showed high public debt levels as well as an economic boom that was founded on cheap money available.

Figure 5: EBIT as share of turnover in percentage



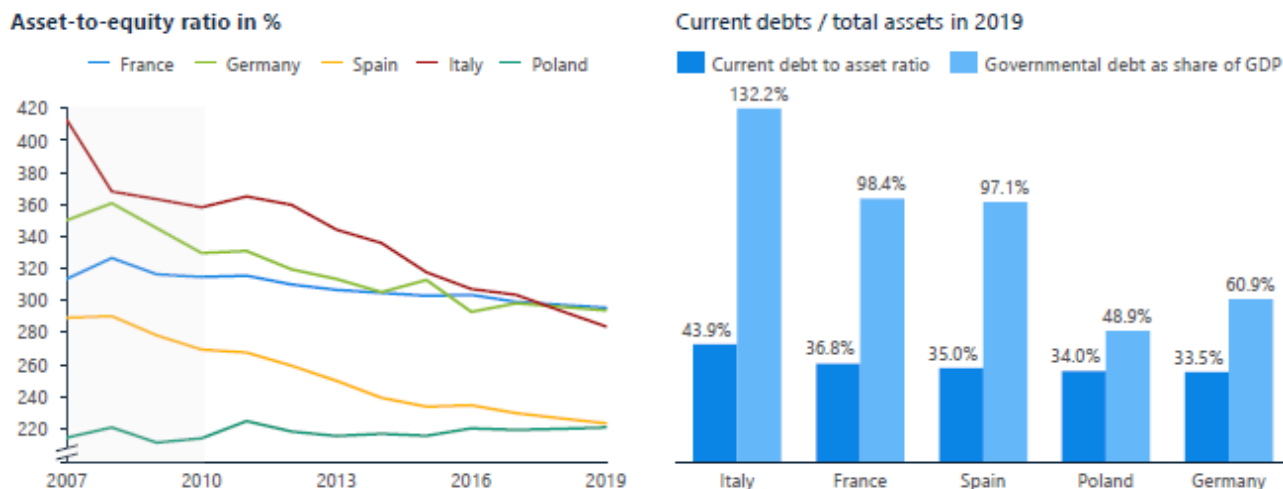
Source: Statista 2019

This trend reflects period of crisis and subsequent recover is well shown in Figure 5, where EBIT¹⁰ as share of turnover for the whole economy is calculated. As we can see in Figure 6, Italian companies have the largest share of debt due to high public debt and the financing tradition. The sovereign debt crisis had severe

¹⁰ EBIT: Earnings Before Interest and Taxes. It measures the core operating profit, thereby disregarding the capital structure (interests) and taxes. This can help investors to compare companies in different legal settings.

consequences for companies in the affected economies. As a result, the high debt levels decreased. Therefore, Spanish and Italian enterprises decreased their leverage significantly, and the importance of equity rose.¹¹

Figure 6: Asset-to-equity ratio (%) and Current debts/ total assets ratio in 2019



Source:

Statistical Office of the European Union (Eurostat), Battaglion and Tajoli, Statista 2019

Moreover, a high public debt level can lead to a so called crowding out effect, a prominent economic theory stating that increasing public sector spending has the effect of decreasing spending in the private sector¹²: the more debt the government of a country is accumulating, the harder it is for companies to fund their activities through long-term debt.

1.2 Automotive industry overview

Once analysed the macroeconomic data regarding Italian and German automotive industries and how they compare to others in Europe, now it is important to focus on other metrics for these industries, and talk about details of registrations, market share, segment share, incentives from governments. As a start, Italian industry will be analysed, followed by German one in order to have a clear comprehension of both.

¹¹ Source: Statistical Office of the European Union (Eurostat), Battaglion and Tajoli, Statista 2019

¹² Source: <https://www.intelligenteconomist.com/crowding-out-effect/>

1.2.1 Italian automotive industry overview¹³

Figure 7: Italian automotive industry overview¹⁴

Metric	Value
All vehicles stock	39 million
Car stock	37.8 million
Italian brands share	27%
Euro 5 share	18,9%
Female owner share	40,6
Over 60 owners share	18,1%
Medium age	11 years
Density	637 vehicles over 1.000 habitants

Source: UNRAE, 2018

Italy has always been a strong industrial economy and Italian manufacturing has been the second in Europe, following Germany, a position held in the years of financial crisis, until 2017 when passed by France.¹⁵ The country has a strong history regarding automobiles, with iconic brands with long history, especially in luxury and supercar segments, like Ferrari, Lamborghini and Alfa Romeo. Italian manufacturers are famous for their Italian style and the quality and performances of their vehicles.

Over the last years, Italian industry faced many changes, like a stronger presence on international markets, an increase in dimensions of companies and the technological upgrade of implants and processes that boosted profitability.

Industrial sector counts 5.700 enterprises, 258.700 employed, generating a total turnover of over 100 billion euros, equal to 5,9% of Italian GDP.¹⁶

Still though, the automotive industry and services have a total turnover of €330bn and count 1,2 million occupied, employing 4,4% of total Italian manufacture activities.

Registrations and segments: With 1.91 million new registered passenger vehicles sold in 2018, Italy is the fourth largest European automotive market after Germany, United Kingdom and France.¹⁷

Figure 8 shows that, since the late 1990s, the Italian car market has fluctuated between 1.4 and 2.8 million units. After peaking in 2007 at over 2.49 million units, the market started a 6-year long decline, including double-digit losses in 2008, 2011 and 2012, to its lowest volumes as consequence of the global financial

¹³ <https://www.export.gov/article?id=Italy-Automotive-Sector>

¹⁴ Data on 31/12/2018, UNRAE estimations

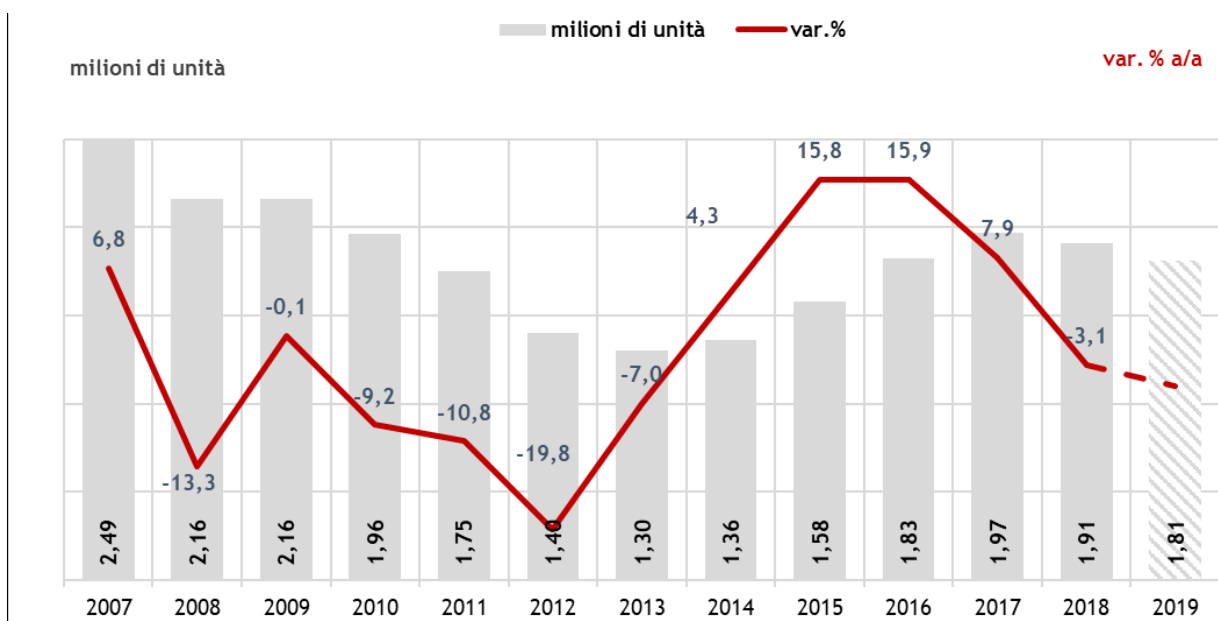
¹⁵ Temporary Eurostat data

¹⁶ Source: ANFIA

¹⁷ Source: ANFIA, “World automotive industry in 2018 and trend for 2019”, July 2019

crisis. In 2015 and 2016, the market recovered sharply with double-digit increases, followed by a growth of nearly 7% in 2017, but remained far below pre-crisis volumes.

Figure 8: Italian PC registration - Annual trend 2017-2019



Source: ANFIA, “World automotive industry in 2018 and trend for 2019”, July 2019

In 2018, sales slightly declined again, with a 3% decrease over 2017. Automotive industry registered negative values from July 2018, with double-digit losses in November (-13,3%) and December (-12,2%). The situation did not improve in 2019 and automotive industry did not recover, registering losses of 12,1% in January, 6,9% in February, 9,8% in March and 10,9% in April, closing the first four months with a loss of 9,9%.¹⁸

FCA is the absolute leader in the Italian market: in the last decade (2009-2018) FIAT, one of key FCA brands, was the number one in Italy, registering the highest volumes with its models PANDA and PUNTO (the latter until 2015, when it went out of production), respectively 803.962 and 504.110 cars in the period. LANCIA was very popular with its YPSILON model with 349.825 registered cars.

Looking at foreign brands, Volkswagen is top of ranking in Italy, with POLO and GOLF models, registering 308.233 and 302.983 cars each from 2009-2018. Also, Ford FIESTA (474.256 registrations), Citroen C3 (321.664 registrations), Renault CLIO (299.587 registrations) Toyota YARIS (280.544 registrations) and OPEL CORSA (274.589 registrations.) obtained high results.¹⁹ Still, considering only the top ten models registered in the period, FCA models registered more cars than the rest of foreign competitors combined, a clear manifestation of market power of the company born in Turin.²⁰

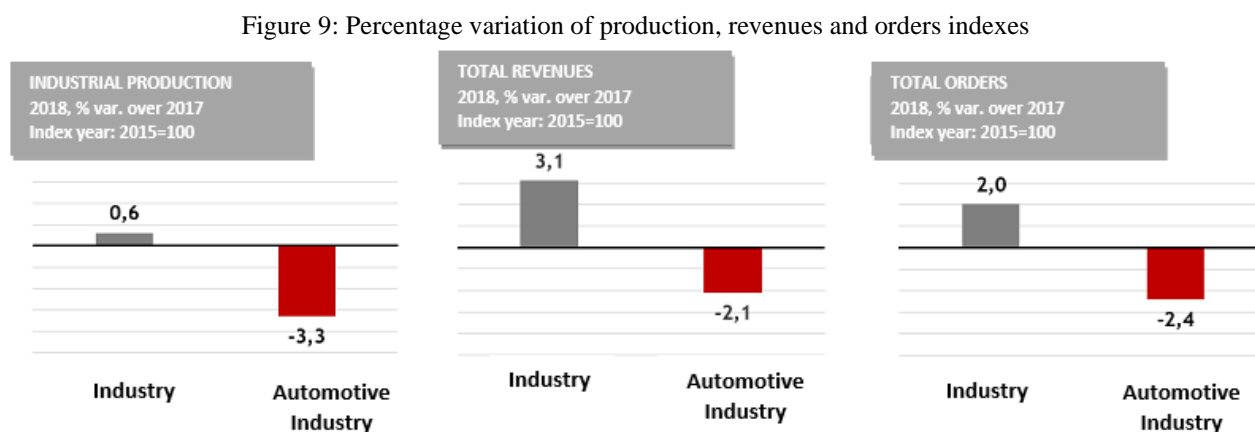
¹⁸ Source: ANFIA, “World automotive industry in 2018 and trend for 2019”, July 2019

¹⁹ Source: UNRAE Annual Report, 2018

²⁰ Source: UNRAE annual report 2018

In depth, automotive sector registered the following results: -5,9% motor vehicles and engines fabrication, +5,2% vehicles bodywork fabrication, -2,2% fabrication of parts and accessories for vehicles and engines. These results are not in line with Italian total industry and could rather be one of the causes of the small increase of the overall production, revenues and orders.

Figure 9 shows that in 2018 orders and revenues registered a decrease of 2,4% and 2,1% respectively.²¹



Source: ANFIA, “World automotive industry in 2018 and trend for 2019”, July 2019

Regarding used car market, it reached 337,269 ownerships transfers during December 2018, registering a decrease of 5.2% compared to December of previous year. In 2018, ownerships transfers have been 4,426,268, the 3.3% less respect 2017.²²

Segments’ share changed over the last five years. If in 2009 B segment (small cars) hold the highest share (around 40%), today it’s the C segment (medium cars) the most favoured with over 30% share. A segment (city cars) was the third largest segment, but faced a decade of slow and constant decline in registrations, making its share shrink to less than 15%, taken over by D segment²³ (large cars).²⁴

Fiat Panda and Fiat 500 have been the most sold cars in the A segment. Together two models owned a market share of 55% in December and during the entire 2018. Both in December and during the year, Jeep Renegade and Fiat 500X have been the two most sold models (Renegade during the month, 500X during 2018) in small SUVs segment, while Jeep Compass has been the most sold among compacted SUVs and Alfa Romeo Stelvio among medium SUVs. The FCA group models represent 21% of the market of all SUVs.

Domestic vs Foreign brands: Figure 10 represents Italian automotive market division between foreign and domestic manufacturers. Foreign brands represented over 73% of the Italian automotive market.

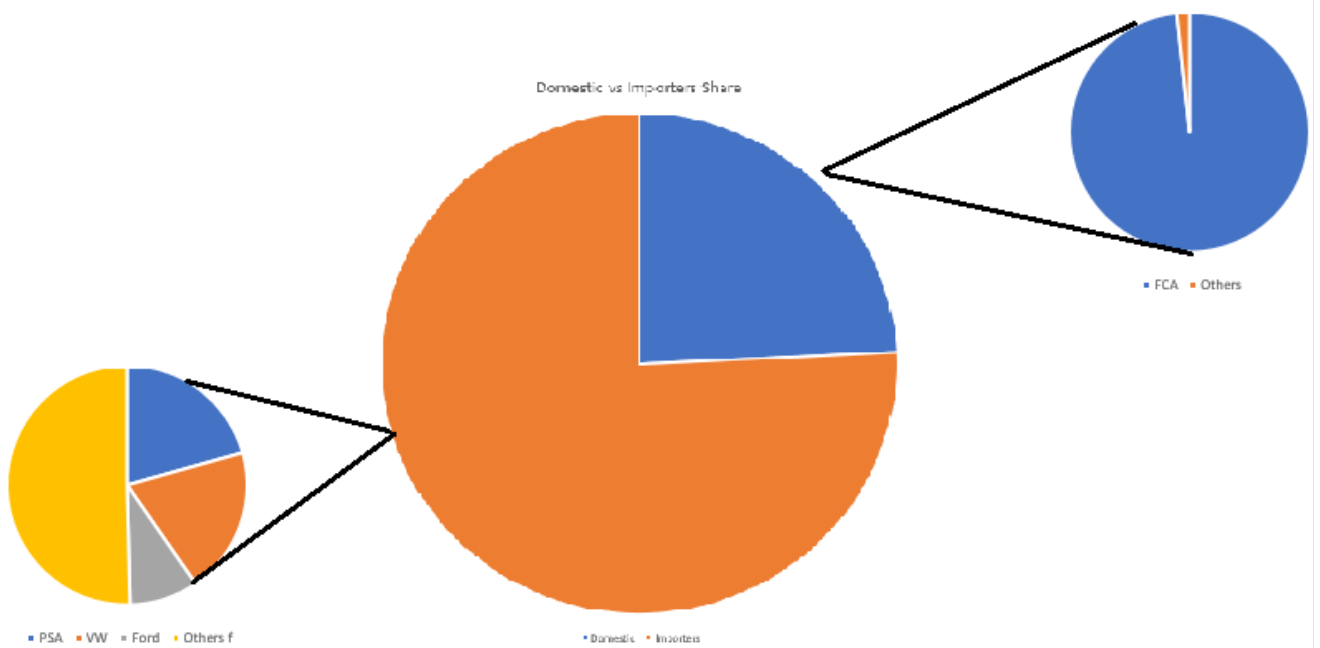
²¹ Source: ANFIA, “World automotive industry in 2018 and trend for 2019”, July 2019

²² Source: Associazione Nazionale Filiera Industria Automobilistica (ANFIA) – Press Release, Turin, January 2nd, 2019

²³ Source: UNRAE annual report, 2018

²⁴ See Appendix for further details

Figure 10: Domestic vs Importers MS



Source: Personal elaborations over UNRAE and ANFIA data

Major foreign competitors, all manufactured abroad, were PSA and VW, respectively with 15.15% and 14.46% of the market. Ford had 6.8% of the market. Recently, the European branch of General Motors (GM), which operated through the Opel and Vauxhall brands, was sold to the French group PSA, thus ending GM presence in Italy.

Italian manufacturers had a 26.4% market share of the passenger vehicles market, with the Italian- American FCA registering a 26.1% MS thanks to its strong position in the local market primarily due to its range of affordable city cars like models Panda and Ypsilon. Within FCA group, Fiat was the market leader with 16.93%, followed by the other group's brands: Jeep 4.43%, Lancia/Chrysler 2.54% and Alfa Romeo 2.26%. More in depth, national brands reached during the whole 2018, the overall of 504,473 units registered (-10.1%), with a market share of 26.4%. FCA brands reached 499,546 registered cars, with a slowdown of 10.4% and a market share of 26.1%. Jeep closed with growth (+70.7%), together with Ferrari (+16%) and Lamborghini (+59.4%).

The Italian models in the top ten are: Fiat Panda (10,418 units) always at the first place, followed by Lancia Ypsilon (4,355 units) and Jeep Renegade (3,458 units), which stay stable. At the sixth place there is Jeep Compass (2,910 units), followed by Fiat 500X (2,883 units).

The 2018 top ten ranking saw six Italian models: Fiat Panda at the first place (122,475 units), followed by Fiat 500X (49,930 units), Lancia Ypsilon (48,560 units) and by Fiat 500 (44,146 units) respectively at the second, fourth and at the fifth place. At the sixth place there is Jeep Renegade (41,942 units) and at the ninth Fiat Tipo (40,332 units).²⁵

²⁵ Source: Associazione Nazionale Filiera Industria Automobilistica (ANFIA) – Press Release, Turin, January 2nd, 2019

Regarding LCV (Light Commercial Vehicles, sales typically make up around 8% of total car sales in Italy (185,000 units in 2018). The market for new LCV decreased by 6.1% last year, reaching over 181,000 units. The Italian market is the 5th in Europe after France, UK, Germany and Spain with local brands such as Fiat Professional (part of FCA), Iveco (part of the CNH Group) and Piaggio holding 39% of the entire Italian market.²⁶

Production and car park: In 2018 the number of cars produced was around 671,000, 10% less than in 2017, with an export share of 57%. LCVs production reached 325,000 units, 80% of them exported.²⁷

The Italian automotive industry is primarily concentrated in Turin, where the Italian headquarters of FCA are located, and in the nearby Piedmont region.

FCA is the only auto manufacturer producing significant volumes of cars and light commercial vehicles in Italy. FCA models are primarily manufactured in Italy even though there are also major production lines in Poland and Turkey. Jeep models are either imported from the United States, or more broadly from North America, or manufactured locally. The most successful Jeep model sold in Italy is the Renegade, which is produced in Melfi and exported to both the European and U.S. markets. About 97,000 Renegade units manufactured in Italy were sold in the U.S. in 2018.

Ferrari and Maserati models are manufactured in Italy too. These brands' shares of the market are respectively, 0.02% and 0.14%.

Regarding components manufacturing, in 2018 the Italian parts and components have been among the most important in the world, exported products worth \$24bn worldwide. Italian firms imported \$18bn of automotive parts and components, registering a growth of more than \$1.4bn.

The car park in Italy reached 39,018,170 vehicles in 2018, which are on average 11 years old (about 9 years for CNG/LPG vehicles and over 14 years for gasoline) and with a density of 637 vehicles over 1,000 inhabitants²⁸. Italy has one of the highest rates in Europe, in large part due to the lack of suitable public transport infrastructure, especially in the South.

Fuel mix and channels: Regarding fuel mix, 52.4% of the vehicles sold were diesel, 35.9% gasoline, and 11.7% run on alternative fuels, 6.6% LPG, 4.6% hybrid, 2% CNG, 0.3% electric²⁹ (Figure 11 and Figure 12), currently around 2.4 million units in total (mostly LPG).³⁰

²⁶ Source: UNRAE annual report 2018

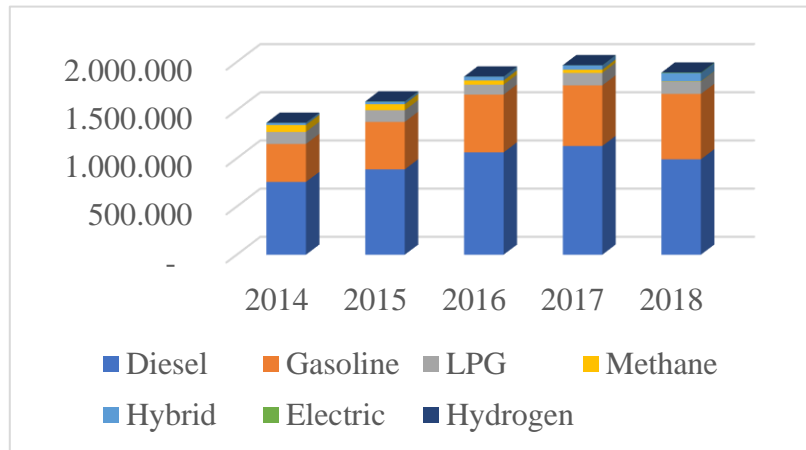
²⁷ Source: ACEA, Economic and Market Report, full-year 2018

²⁸ Source: ANFIA

²⁹ Source: ANFIA Press Release, 2019

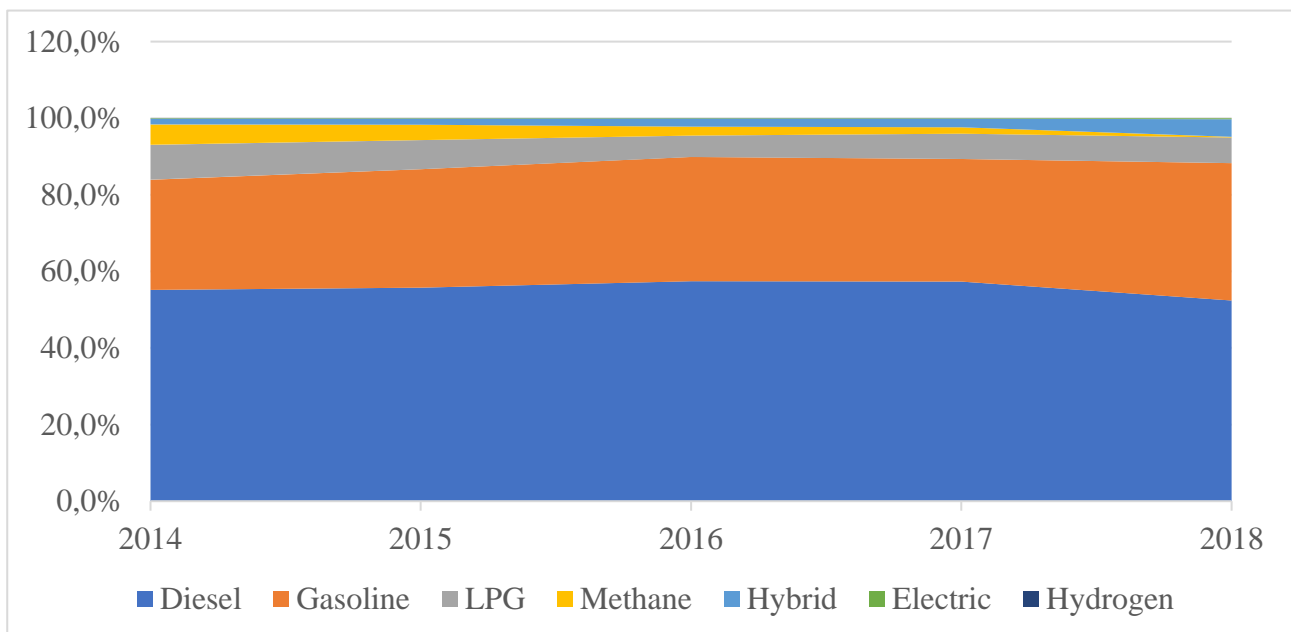
³⁰ Source: UNRAE Annual Report, 2018

Figure 11: Fuel registrations trend in Italy 2014 – 2018



Source: Personal elaboration over ANRAE and ANFIA data

Figure 12: Fuel share trend in Italy 2014 – 2018



Source:

Personal elaboration over ANRAE and ANFIA data

The forecasts for 2019 are not positive either and the market is expected to shrink further by 3%.³¹ This is primarily due to the new eco-incentive system that awards the purchase of non-polluting, but quite expensive, models while impacting negatively on more polluting, but cheaper, models.

As concerns LCV, 91.8% is diesel, 5.1% run on alternative fuels, gasoline/CNG 2.7%, gasoline/LPG 1.8%, Electric 0.4%, Hybrid 0.2%, and 3% gasoline.³²

Going more in depth, a MS of 51,2% diesel engines registered a decrease over the previous year (-12%), while petrol cars registered an increase of +8% in the year, with a MS of 35.5%.

³¹ Source: ANFIA Press Release, 2019

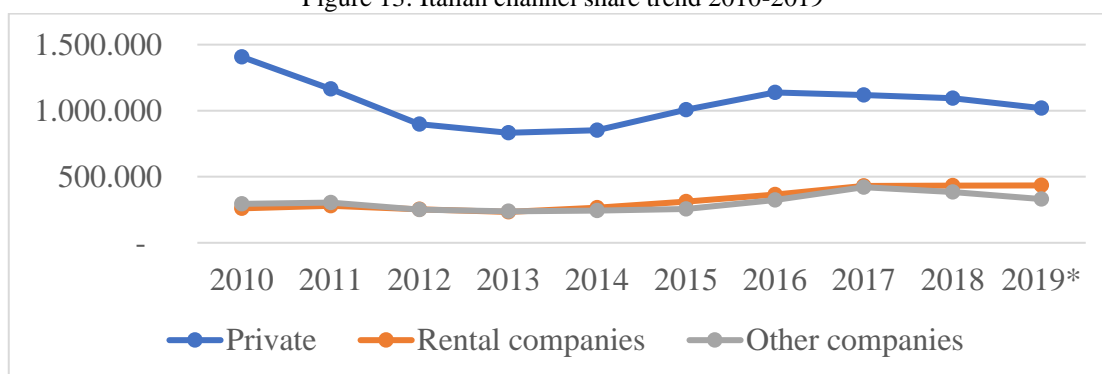
³² UNRAE; 2014 to 2018

Considering data from December 2018, there is a decrease of -17% for diesel engines and an increase of +41% for petrol engines. These data are both over the year average results, especially for petrol. Hence, the forecast of shift in Market Share and mix between the two fuel types in the near future.

Alternative powered cars represent the 12.1% of the December's market and the 13.3% in the overall of 2018, in slow down of 4.8% during the month but increasing of +10% in 2018. LPG demand decreased, both in December (-4%), and in the overall of 2018 (-3.5%), with a MS of 6.5% during the year. Natural gas cars, kept a positive trend during 2018, registering an increase of +14%, although a strong slowdown has been seen in December (-50%). Hybrid cars MS saw a strong increase in 2018 (+30.5%), ending the year at 4,5%.

Zero emissions cars keep growing as well: registrations of electric cars increased +88% in December, with a market about 370 units, and of +147% during the year, with a share of almost 5,000 units.³³ These remarkable results are in part due to relatively small total number, registered in thousands of units. Moreover, Italian electric charging station network is still underdeveloped. The data suggests a future trend of increase for the segment, that registered a MS of 0.3%, both in December and in 2018. Regarding channel share, private market is obviously the most important channel, while short- and long-term rental hold the same share. Figure 13 illustrates the channel share trend in Italy from 2010 to 2019. We notice that, after the consumption crisis, in 2013 private registrations started to increase again, but the overall market still did not recover completely and remains below pre-2010 volumes.

Figure 13: Italian channel share trend 2010-2019



Source: UNRAE elaborations over ACI and Minister of Infrastructures and Transports' data³⁴

Sharing Mobility, alternative fuels and incentives: The sharing mobility movement is growing in Italy, with over 3,5 million users between carsharing and carpooling platforms in 2017. The market is however far larger, with potential demand of 18,1 million users (around 28% of total population).³⁵ With 47.700 shared vehicles, only 16% are cars, representing a great opportunity for companies to invest in this business.

³³ Source: Associazione Nazionale Filiera Industria Automobilistica (ANFIA) – Press Release, Turin, January 2nd, 2019

³⁴ Data on November 2019

³⁵ ANFIA – 2nd National Report on Sharing Mobility – Ed. 2017

In recent years, electric and especially hybrid cars grew in the Italian market. These vehicles are in general imported, with alternative fuel vehicles from the United States primarily manufactured by Tesla. Tesla's superchargers network is expanding with 35 stations so far Italy-wide and with 15 in projection. There are many projects focused on extending the recharging network for electric vehicles. Enel, the largest Italian utility and provider of electric energy, announced in 2017 a \$300 million project for installing 14,000 charging stations for electric vehicles. The Italian alternative fuel vehicles market is composed by both new vehicles and used vehicles, retrofitted through aftermarket processes from gasoline vehicles to Gasoline/LPG and Gasoline/CNG. Many used vehicles, especially more powerful ones using gasoline, can be retrofitted to LPG/CNG to keep their operating costs affordable. In the last 15 years, LPG retrofitting has been done on more than 2 million units, whereas CNG retrofitting has exceeded more than 400,000 units. Actual costs depend upon the technology of the vehicle being retrofitted. The importance of both the CNG and LPG allows Italian components manufacturers to be among the leaders in these specific market niches. A network of over 6,000 car repair shops throughout Italy handles retrofitting. Alternative fuel vehicles represent a sizable share of the Italian car market. Their 11.7% quota is divided into 6.6% LPG, 4.6% hybrid, 2% CNG, 0.3% electric vehicles. Over 87,000 hybrid and about 5,000 electric cars were sold in 2018 and first data referring to 2019 shows possible further increase.

Italian government has tried to improve the situation with a series of regulations and incentives in order to boost alternative fuel consumption. A new regulation issued in 2019 and valid through 2021 supports both private recharging stations and the purchase of zero or low emissions electric and hybrid passenger vehicles plus no ownership tax for 5 years and discounts for the following years. At the same time, this regulation is penalizing many models which are less environmentally friendly but by far cheaper than the virtuous ones, in particular the electric ones.

Moreover, with the last financial law, approved in 2019, the government granted incentives over the cost of new cars with low emissions and new taxes over vehicles with high emissions.³⁶

³⁶ Budget law 2019 (law of 30 Dec 2018, n. 145)

1.2.2 German automotive industry overview

Figure 14: German automotive industry overview

Metric	Values
All vehicles stock	63,7 million
Car stock	46,5 million
German brands share	64,5%
Euro 5 share	28,2%
Female owner share	34,1%
Over 60 owners share	30,2%
Medium age	9,4 years
Density	687 vehicles over 1.000 habitants

Source: UNRAE and KBA, 2018³⁷

Germany has a special relationship with the motor car, considered by many as the birthplace of the automobile. Germany's famous premium brands of today are coveted around the world. The names of brands such as Porsche, Audi, Mercedes and BMW, as well as the mass market producer, Volkswagen, are synonymous of style and quality. International brands, including Opel (GM) and Ford, are also an important nametag in the automotive landscape.

In recent years, the German auto industry has managed to keep its stability, especially at a time when other industrial sectors were struggling, and the domestic economy was flat. Over the past decade, the industry has doubled its revenues and raised its share of manufacturing output from 12% to 19%, generating a turnover of €226bn and an export surplus of €80bn, the highest in Europe.³⁸

It is estimated that every seventh job in Germany depends directly or indirectly on the automotive sector. Some 1.4 million people work in upstream and downstream businesses that are dependent on the automotive industry; it also secures the employment, which has actually increased by 21% over the past 10 years. Automobile manufacturing is mainly concentrated in Baden-Württemberg region, home to the most important clusters of automotive manufacturers and suppliers with a long tradition of technological innovation. Another German region notable for its automotive backbone is the Capital Region Berlin-Brandenburg. Considered "the automotive powerhouse at the centre of Europe", the region accommodates more than 150 companies in the sector with around 9,000 employees and numerous research and development institutions. Benefiting from comparatively lower labour costs, the industry has invested over €10bn in this area since reunification, and almost 50 per cent of the top 100 worldwide suppliers are located there.³⁹

³⁷ Data on 1/01/2018

³⁸ Source: Automotive Industry in Germany, Statista, 2019

³⁹ Source: Automotive Industry in Germany, Statista, 2019

Bavaria is also a major automotive centre and one of the leading locations in the premium segment worldwide. Bavarian manufacturers Audi and BMW are among the most successful in the world, achieving positive results in a challenging international market.

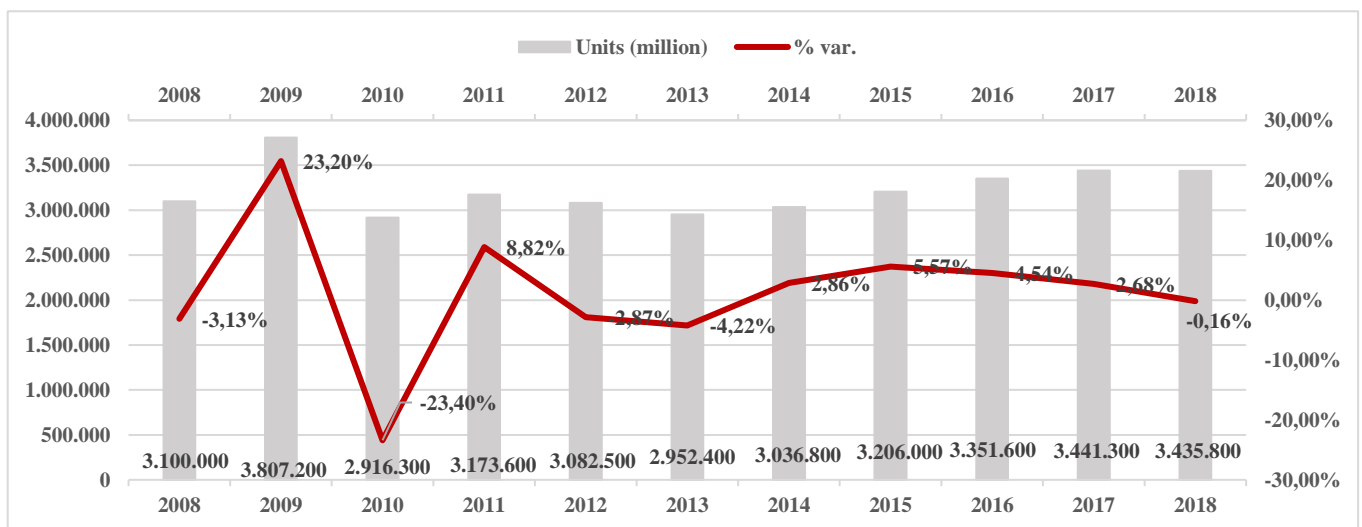
Saxony, home to five vehicle and engine production plants owned by Volkswagen, Porsche and BMW, is another leading automotive region. With an annual turnover of €360,000 per employee, individual productivity exceeds the national average by 17%.

Registrations and segments: With 3.4 million new registered passenger vehicles sold in 2018⁴⁰, Germany is the largest European automotive market, followed by United Kingdom, France and Italy.

In Figure 15 we can see German passenger cars' registration trend from 2008 to 2018: after peaking in 2009 at almost 4 million units, the market went through hard times in years of financial crisis, registering a double-digit decrease in 2010 (-23.40%; +23.20% in 2009) and less than 3 million unit registered, and other losses in 2012 (-2.87%) and 2013 (-4.22%).

After the crisis the market stabilized in the following years and never went down below 3 million units per year. In 2018 3.4 million cars were registered, reporting a decrease of -0,2% from previous year, the first after 2013.⁴¹

Figure 15: German PC registration trend (2008-2018)



Source: Personal elaboration over KBA and VDA data

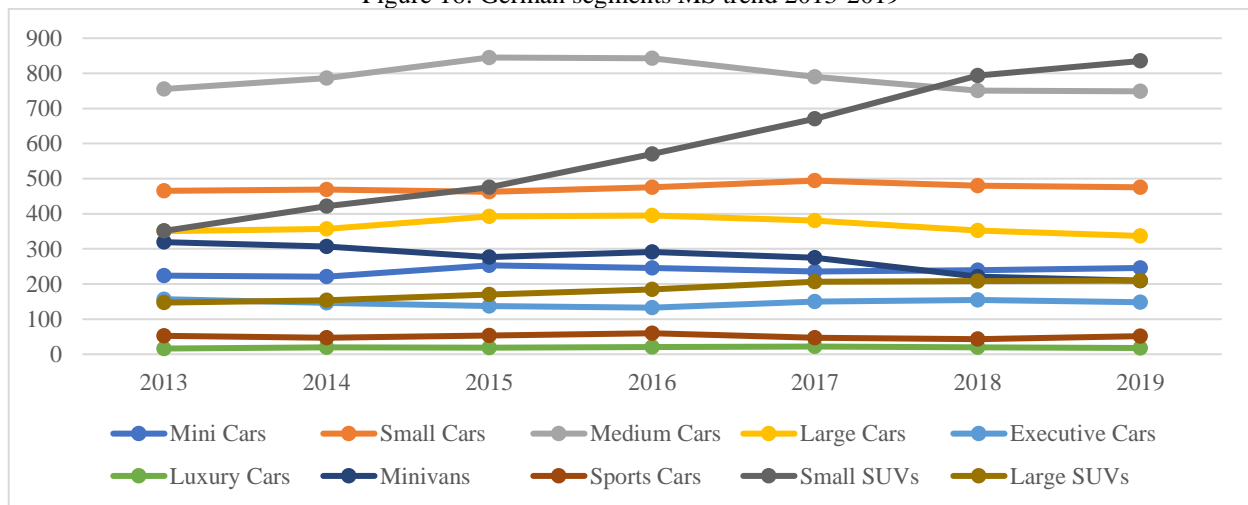
Figure 16 represents the segments' share trend in German automotive industry. The highest increase was registered by Sports Cars (+20.84%), but within high MS segments the SUV segment registered the most positive results, with an increase over last year of +5.17%. Especially the Small SUV segment registered a period of steady increase over the last years, managing to overpass the Medium Car segment in late 2017 and

⁴⁰ Source: KBA data, 2019

⁴¹ Statista, from VDA data, 2019

becoming the most important segment in the market. C segment is still at the second place, with around 750.000 units sold in 2019.

Figure 16: German segments MS trend 2013-2019



Source: KBA, 2019⁴²

The lowest results came from F segment of Luxury cars (-7.90%), D segment of Large cars (-4.44%) and E segment of Executive cars (-4.01%).⁴³ LCV vehicles registrations increased 2,8%, reaching around 5,8 million units.⁴⁴

Domestic vs Foreign brands: New registrations of German brands are quite different to Italian reality. The best results are coming from Smart (+11.9%; 2017: -1.5%) and Mini (+8.1%; 2017: +6.1%). Also, Ford (+2,3%), Volkswagen (+1,5%) e BMW (+1,2%) improved from previous year.

Registration decrease were registered by Audi (-9,9%), Opel (-6,5%), Mercedes (-2,2%) e Porsche (-2,0%) in 2018.

Regarding importers, Skoda gain the leadership, with a share of 5.7%, followed by Renault (3,8%), Seat (3,5%) and Hyundai (3,3%).

After a high increase of last year, Tesla (2017: +74,6% / 2018: -42,8%) and Alfa Romeo (2017: +42,0% / 2018: -10,8%) registered great losses. The same results were observed also for Nissan (-26,0%), SsangYong (-24,6%) and Land Rover (-23,3%). Biggest increases were instead registered for Jeep (+27,9%), Mitsubishi (+17,1%) and Dacia (+14,5%).⁴⁵

⁴² https://www.kba.de/DE/Statistik/Fahrzeuge/Neuzulassungen/n_jahresbilanz.html?nn=644522

⁴³ Source: Statista, data on December 2019

⁴⁴ Source: KBA, 2019

⁴⁵ Source: KBA, 2019

Production and car park: With 5.645.581 cars produced in 2017, Germany today represents the third country in the world and the first in Europe regarding domestic production of automobiles, following China (with a domestic production of 25 million) and Japan (with a domestic production of 8,5 million). Germany can rely on its strong internal market, the strongest in Europe, with 3,4 million registrations in 2018, and on a strategic geographic position that allows to deliver components and complete cars all over Europe within 24 hours. However, it is the international conquest that built the strength of German automotive industry: three over four “Made in Germany” cars (77,5%) are indeed intended for international export (in 2017 there have been exported 4,4 million over total of 5,6 million⁴⁶).⁴⁷

German car industry is still growing, especially with expansion and investments into international product sites, allowing to overcome national barriers.

Hence, counting production of foreign factories, German production grown up to 15 million produced cars in 2017. There are in fact more than 10 million (over 62% of total) cars produced in 23 countries, a number that is going to grow. That means that Germany produces two third of its cars from foreign manufacturers.⁴⁸ German factories turned out 5.8 million cars, making it the world’s third largest manufacturer after the USA and Japan. Revenues, which have doubled over the last 10 years.

The car park in Germany reached around 64,8 million cars on January 1st 2019, which are on average 9,5 years old, with an increase over 2018 (9,4 years old).⁴⁹ Moreover, the number of cars that are more than 30 years old increased to 756.572 units in 2019, registering an increase of +12,1%.

With 47.095.784 units and an increase of 1,3%, cars hold the highest share, with domestic brands Volkswagen, Opel, Mercedes, Ford, BMW and Audi as the market leaders.

In particular, Volkswagen is the strongest brand with 21,3% MS, followed by Opel with 9,5% MS and Mercedes with 9,4% MS.

The best importer brand is Skoda with a 4,6% MS (+7.1% vs previous year), followed by Renault with a 4,6% MS and a slight decrease over last year (-0.9%) and Toyota with 2,8% MS (+0.2% vs previous year).⁵⁰

Fuel mix and channels: Over last year, new diesel registrations continued to decrease (-16,9%) and their share decreased to 31,7%. On the other hand, gasoline registrations grew to over 2,14 million, with a share of 61,6%.

⁴⁶ Data include vehicles produced by German companies in factories abroad.

⁴⁷ Source: VDA, 2019

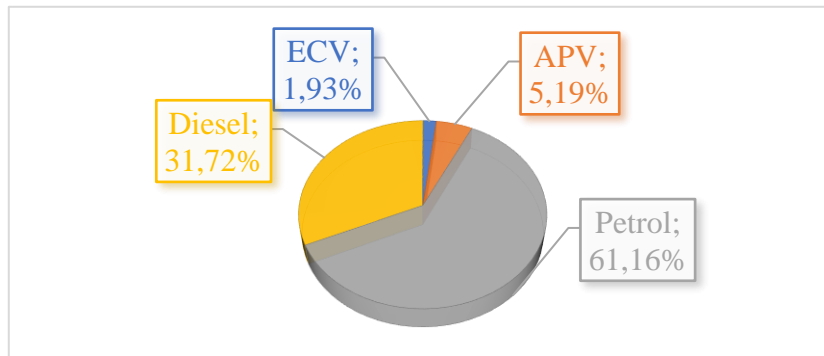
⁴⁸ <https://www.automoto.it/news/germania-perche-ha-l-industria-dell-auto-piu-forte-d-europa.html>

⁴⁹ Source: KBA, 2019

⁵⁰ https://www.kba.de/DE/Statistik/Fahrzeuge/Bestand/b_jahresbilanz.html?nn=644526

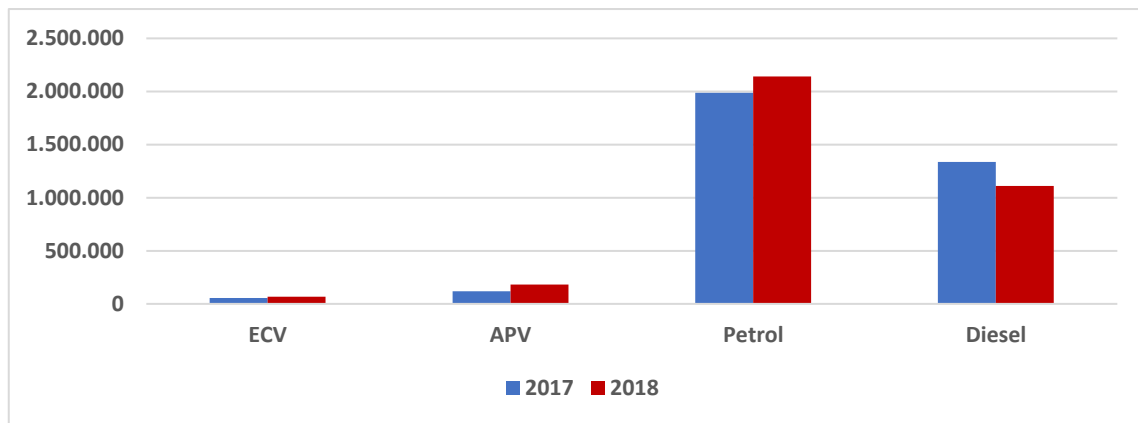
Of course, diesel and gasoline engines are the most common (see Figure 18), but electric and hybrid vehicles registered significant increase in 2018 over previous year (+23.9% for ECV⁵¹ and +54.2% for APV⁵²).⁵³

Figure 17: German fuel share 2018



Source: Personal elaborations over KBA data

Figure 18: German fuel registrations 2017-2018



Source: KBA statistics, 2019

Figure 17 represents German Fuel mix in 2018. It is clear how petrol engines lead the market, but both electric and alternative powered vehicles are growing stronger and stronger, and will eventually lead the market in the future.

Regarding channel weight, 89,2% of cars were registered to private owners (+1.2%), while commercial owners grew to 10,8%, with an increase of 2,3% over last year.⁵⁴

⁵¹ Electric Chargeable Vehicles

⁵² Alternately Powered Vehicles

⁵³ Source: ACEA

⁵⁴ Source: KBA, 2019

Sharing Mobility, alternative fuels and incentives: The demand for mobility services in Germany is high and growing. The German government reports that 72 billion passenger trips were made in Germany in the year 2016, with over 80% of these trips made by motorised passenger vehicles (see Figure 19).

Figure 19: Passenger trips by mode of motorised transport in Germany in 2016

Mode of transport	Passenger trips (millions)	% of total trips
Motorised passenger vehicles	59.512	82.5%
Public transit	9.568	13.3%
Rail	2.830	3.9%
Air	201	0.3%
Total	72.111	100%

Source: BMVI (2017, p. 217)

In Germany, the number of people using car sharing has grown rapidly in recent years. As of January 2018, there were 2,1 million customers registered with 165 car-sharing providers in 677 different German cities and communities.

Compared to the previous year, 80 additional cities and communities now offer car sharing. Though, it remains a small portion of overall motor-vehicle transportation. In 2017, about one billion passenger-km were provided by car sharing. This represents about 0.1% of total motor-vehicle passenger-km in Germany in 2017 (965.5bn passenger-km in 2017). Currently, 10% of car-sharing vehicles in Germany are electric or hybrid vehicles.⁵⁵ Today a higher share of car-sharing cars are electric or hybrid vehicles when compared to private cars (KBA, 2017). This is mainly due to car-sharing use in cities, where the shorter reach needs are more relevant than car ownership.

At the same time, the providers of car-sharing services, which are often car-manufacturers, can present themselves as environmentally friendly. While many car-sharing users for the first time try electric vehicles for the first time, a positive effect on sales is expected.

The stock of Euro 6 emission cars, nowadays the best class of emissions, reached 12,4 million units, with an increase of +33.1%. New registrations rate for this class of vehicles was in line with last year results (-0.4%).⁵⁶ Despite a decrease respectively of -6.7% and -2.7%, Euro 4 and 5 emission cars hold the highest share of the market with 28.4% and 27.1%.

The highest increase was registered for car engines running a mix of gasoline and LPG (+305.3%), while electric vehicles registered an increase of +43.9% and hybrid engines of +53.8%.

Both segments are acquiring a valuable share in the market, and even if it is still relatively small: 1% for electric and 3,8% for hybrid engines, the forecast of growth is certain.

⁵⁵ Source: BMVI, 2017, p. 217

⁵⁶ Source: KBA

The automotive industry has set itself the task, together with all involved parties, of developing solutions for viable and sustainable urban mobility. To this end the VDA (German Association of the Automotive Industry) has created the “Urban Mobility Platform,” which now involves nine major cities in addition to numerous automotive and supply industry companies.⁵⁷ The platform aims to develop a shared understanding of future urban mobility design and, based on this, launch joint pilot and implementation projects in the individual cities. The spectrum of issues ranges from networked driving, traffic management and optimized use of space via electro-mobility to the development of intermodal and multimodal offerings and designing mobility in individual districts. It is the ongoing medium- to long-term strategic development of the urban mobility system as a whole.

Nevertheless, too small effort was made in creating a proper anti-pollution reform: the VDA is advocating a balanced overall concept in the discussion on designing vehicle to be more ecological and on fuel taxation. An appropriate taxation of the various types of drive system also needs to ensure that the CO₂ and pollutant emission reduction targets can be achieved.

1.3 Brand and model image, volume, positioning

In this section an Alfa Romeo and Jeep brands analysis will be performed. In particular brand and model image, volume and positioning will be analysed, together with model’s portfolio composition for both brands, as well as focus on Stelvio and Renegade models.

1.3.1 Alfa Romeo – Stelvio

Since its foundation in 1910 in Milan, Alfa Romeo made elegance and exclusivity its primary focus.⁵⁸ With over a century of history and many successes in automobile sector, the brand is worldwide recognised as one of the Italian most famous brands. In 1929 Enzo Ferrari founded the “Scuderia Ferrari” as racing team for Alfa Romeo. Of the Alfa would later say: “I still feel for Alfa the teenager’s kindness of the first love”. Moreover, some say that Henry Ford said: “When I see an Alfa Romeo I take my head off”.⁵⁹ This long tradition still continues today thanks to unique and innovative approach that Alfa Romeo adopts in automobiles development, with a focus on typically Italian design and performances always reaching top of its category. Giving new life to Alfa spirit and exalting its international appeal, is one of the main goals of FCA group. Following a precise strategy, the company is writing a new chapter of a centenary history and that in last year struggled in realizing its full potential.

⁵⁷ Source: VDA annual report, 2018

⁵⁸ https://www.fcagroup.com/en-us/brands/pages/alfa_romeo.aspx

⁵⁹ https://www.fcagroup.com/en-us/brands/pages/alfa_romeo.aspx?sct=interesting-facts

First with Giulia, and more recently with Stelvio, Alfa Romeo created two models that fully capture the original spirit and distinctive character of the brand. Both models, in their “Quadrifoglio” line, broke the previous record on Nürburgring circuit for their segment (2016 Giulia; 2017 Stelvio).

These models, in company’s opinion, are the tangible experience of the so called “Mechanics of emotions”, motto coined to fully describe brand personality. Moreover, after an absence of over 30 years, in 2018 Alfa Romeo came back in Formula1 and racing world. Alfa Romeo is ready to face the new challenge of electric engines and announced the introduction of a new electric-powered model, “Tonale”, for 2020.

Figure 20: Alfa Romeo Stelvio sales overview

Year	Italy	Germany	Europe	USA
2017	7.529	1.835	16.966	2.721
2018	12.839	2.764	25.827	12.043

Source: Personal elaborations over secondary data

With the launch of Stelvio model in 2017, Alfa Romeo entered vigorously into SUV market, with promising results in the first post-launch phase.

Figure 21: Alfa Romeo Stelvio global sales overview



Source: Fiatgroupworld.com

Being launched two years ago, the Stelvio is in its Growth stage, regarding PLC (Product Life Cycle). The growth stage is typically characterized by a strong growth in sales and profits, and because the company can start to benefit from economies of scale in production, the profit margins, as well as the overall amount of profit, will increase. This makes it possible for businesses to invest more money in the promotional activity to

maximize the potential of this growth stage.⁶⁰ Nevertheless Alfa Romeo is perhaps FCA's biggest challenge. When the brand was relaunched two years ago, the management decided to put all its efforts on giving it back the prestigious position it used to have. Italians could not stay behind in the booming premium car market, and the heritage, name and design of Alfa Romeo could be a powerful tool to appeal many consumers around the world. To do so, the brand needed a strong product plan which included not only the sedan and sporty cars but also SUVs. The Giulia and Stelvio are part of the new Alfa Romeo and are set to expand the brand's global presence. Their results so far have been relatively positive, even if various commercial and performance parameters show otherwise. The monthly performance results of Giulia confirm that premium car market is very tough. This is even more true for those brands which launched the new nameplates late. Premium SUVs became popular with the arrival of the first-generation Mercedes ML in 1997.⁶¹ It took Alfa Romeo 20 years to join this booming segment, and this of course has had consequences and impact on continuous battle for market share. For that reason, Alfa Romeo introduced the newly updated Stelvio for 2020⁶². Even if the exterior remains the same, there have been updated interiors and infotainment system. Also, materials have been changed.⁶³

1.3.2 Jeep – Renegade

Founded in 1941, Jeep brand is a global icon, known all over the world for its SUVs and off-road capability. In recent years, under FCA's brand portfolio, Jeep had very ambitious goals and opened a new chapter of its legendary history, with new possibilities to further develop its potential.

Thanks to a clear strategy, focused on product line development and more global presence through a production localized in many different regions, Jeep lived a period of deep transformation, that brought to a stunning growth and development:

- From middle-side producer to global manufacturer selling in more than 140 countries all over the world.
- From few hundred thousand units every year (338.000 in 2009) to many years of records in sales, with more than a million registered vehicles in the last five years.
- From manufacturer with four factories in one country to global manufacturer with ten factories in six countries.

⁶⁰ <https://productlifecyclestages.com/>

⁶¹ <https://fiatgroupworld.com/2017/11/05/giulia-stelvio-sales-the-results-of-the-absence-of-a-brand/>

⁶² Source: Wikipedia

⁶³ <https://www.carscoops.com/2019/11/revised-2020-alfa-giulia-and-stelvio-make-surprise-debut-in-china-with-improved-interiors/>

2018 was a special year for Jeep, registering over 1,6 million units worldwide, overpassing previous record and further developing its global presence.

Figure 22: Jeep Renegade sales overview

	Italy	Germany	Europe	USA
2017	37.249	6.114	75467	103.434
2018	41.960	4.396	61079	97.062

Source: Personal elaboration over secondary data

Renegade is the mid-size SUV developed based on FCA technology. The Renegade is an entry model in Jeep product portfolio in terms of both prices and dimensions. Moreover, it's the first Jeep not produced in North America, being indeed manufactured in Melfi, Italy and in Brazil.

In terms of the brands performance, it is clearer than ever than Jeep is the cornerstone of the FCA group. It was the first time since the creation of Fiat Chrysler Automobiles that Jeep outsold Fiat (cars and LCV), becoming its top selling and most important brand.

Being launched in 2014, the Renegade is obviously in its maturity stage. During the maturity stage, the product is established and the aim for the manufacturer is to maintain the market share they have built up. This is probably the most competitive time for most products and businesses need to invest wisely in any marketing they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage. This is true also for Renegade, which had various restyling and upgrades in 2018 and 2019, with new connectivity system, guide assistant technologies and some aesthetical improvement.⁶⁴

Figure 23: Jeep Renegade global sales overview



Source: Fiatgroupworld.com

⁶⁴ <https://www.autoingros.it/jeep-renegade-2019/>

In 2018 one in three of the vehicles sold by FCA was a Jeep. Of course, the key position of the brand is given by positive results it posted last year, with its global sales up by 11% to 1.56 million units. Despite positive trend though, the total volume is quite far from the 1.9 million units target set some years ago.⁶⁵

1.4 Strategic management model: What is it?

The term strategic management is used to refer to the entire scope of strategic decision-making activity in an organization. There are a variety of meanings and interpretations depending on the author and sources. The following statements serve as several workable definitions of strategic management⁶⁶:

“Strategic management is the process of managing the pursuit of organizational mission while managing the relationship of the organization to its environment”

(James M. Higgins).

“Strategic management is defined as the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of the organization”

(John A. Pearce II and Richard B. Robinson, Jr.).

“Strategic management is the process of examining both present and future environments, formulating the organization's objectives, and making, implementing, and controlling decisions focused on achieving these objectives in the present and future environments” (Garry D. Smith,

Danny R. Arnold, Bobby G. Bizzell).

“Strategic management is a continuous process that involves attempts to match or fit the organization with its changing environment in the most advantageous way possible”

(Lester A. Digman).

Strategic management is a broader term that includes not only the stages already identified but also the earlier steps of determining the mission and objectives of an organization within the context of its external environment. The strategic management model identifies concepts of strategy and the elements necessary for development of a strategy enabling the organization to satisfy its mission. Historically, a number of frameworks and models have been advanced which propose different normative approaches to strategy

⁶⁵ <https://fiatgroupworld.com/2019/02/24/fca-global-sales-2018-jeep-usa-drive-growth/>

⁶⁶ <https://www.introduction-to-management.24xls.com/en202>

determination. However, a review of the major strategic management models indicates that they all include the following elements:

- 1- Performing an environmental analysis.
- 2- Establishing organizational direction.
- 3- Formulating organizational strategy.
- 4- Implementing organizational strategy.
- 5- Evaluating and controlling strategy.

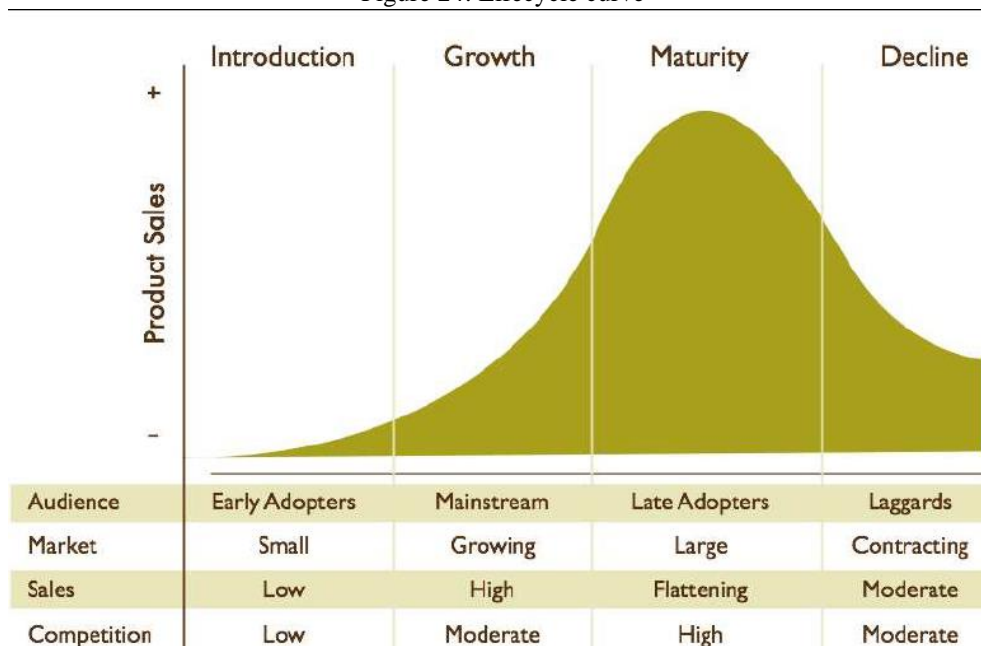
1.5 Tools

In order to perform and develop a successful strategic model for both Alfa Romeo and Jeep, different tools will be used, as described below.

1.5.1 Product life cycle (PLC) analysis

The Product life cycle describes the course that a product’s sales and profits take over its lifetime. PLC is usually depicted as a bell-shaped curve (Figure 24) and classically divided into four stages: introduction, growth, maturity and decline. Not all the products follow this product life cycle. Some products are introduced and die quickly; others stay in the mature stage for a long time. Some enter the decline stage and are then cycled back into the growth stage through strong promotion and repositioning.

Figure 24: Lifecycle curve



Source: idea-sandbox.com

1.5.2 SWOT analysis

SWOT analysis is a strategic planning technique used to help a person or organization identify strengths, weaknesses, opportunities, and threats related to business competition or project planning. It is intended to specify the objectives of the business venture or project and identify the internal and external factors that are favourable and unfavourable to achieving those objectives. Users of a SWOT analysis often ask and answer questions to generate meaningful information for each category to make the tool useful and identify their competitive advantage. Strengths and weakness are frequently internally related, while opportunities and threats commonly focus on the external environment.⁶⁷

- *Strengths*: characteristics of the business or project that give it an advantage over others.
- *Weaknesses*: characteristics of the business that place the business or project at a disadvantage relative to others.
- *Opportunities*: elements in the environment that the business or project could exploit to its advantage.
- *Threats*: elements in the environment that could cause trouble for the business or project.

The degree to which the internal environment of the firm matches with the external environment is expressed by the concept of strategic fit. Identification of SWOTs is important in order to set the right steps in planning to achieve the objective. First, decision-makers should consider whether the objective is attainable, given the SWOTs. If the objective is not attainable, they must select a different objective and repeat the process.

Figure 25: SWOT analysis model

STREANGHTS	WEAKNESSES
OPPORTUNITIES	THREATS

Source: Literature

1.5.3 Balanced Scorecard

The Balanced scorecard is a strategy performance management tool. A structured report that can be used by managers to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions.

The critical characteristics that define a balanced scorecard are:

- Focus on the strategic agenda of the organization concerned
- Selection of a small number of data items to monitor
- Mix of financial and non-financial data items

⁶⁷ Source: Wikipedia

An example of Balanced Scorecard setup is showed in Figure 26.

Finally, considering the analysis of available theoretical sources described before, the strategy for both Alfa Romeo and Jeep models will be executed through the following steps:

1. Model life cycle analysis.
2. Environmental analysis – SWOT.
3. Strategic analysis – Balanced Scorecard.
4. Short- Mid- and Long-term proposal formulation.

Figure 26: Checklist for analysis of strengths and weaknesses

	Performance					Importance		
	Very Strong	Strong	Neutral	Weak	Very weak	High	Medium	Low
Marketing								
Brand image								
Market Share								
Customer satisfaction								
Customer retention cost								
Product quality								
Service quality								
Price strategies efficacy								
Promotion efficacy								
Salesforce efficacy								
Innovation efficacy								
Geographic coverage								
Finance								
Margins								
Commercial offer								
Trading profit								
Organization								
Competent leadership								
Motivated workforce								
Flexibility								

Source: Marketing Management; Kotler, Keller, Ancarani, Costabile, 14th ed., Pearson.

CHAPTER 2

2.1 Presentation of FCA Automobiles

After describing the industry and market context of Alfa Romeo and Jeep brands, this performance analysis cannot be successfully conducted without taking in consideration the business environment too. Hence, it is important to discuss as well FCA Automobiles group in order to better understand the strategic path the top management is setting and how the two brands, and the Stelvio and Renegade models in particular, can fit with the general lines. The focus will be on the Italian and German markets.

FCA Automobiles is a global automotive group engaged in designing, engineering, manufacturing, distributing and selling vehicles, components and production systems worldwide. It operates in more than 40 countries and sell our vehicles directly or through distributors and dealers in more than 135 countries under the Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia and Ram brands. In addition, FCA designs, engineers, manufactures, distributes and sells luxury vehicles under the Maserati brand. Fiat Chrysler Automobiles N.V. was incorporated as a public limited liability company on April 1, 2014 and became the parent company of the Group on October 12, 2014. Fiat, the predecessor to FCA, was founded as *Fabbrica Italiana Automobili Torino* on July 11, 1899 in Turin, Italy as an automobile manufacturer. In 1902, Giovanni Agnelli, Fiat's founder, became the Managing Director of the company. Today, Exor N.V. is the largest shareholder of FCA through its 28.98% shareholding interest.

In 2018, invoices reached 4.8 million vehicles, resulting in Net revenues of €110.4 bn and Net profit of €3.6 bn, of which €3.3 bn was attributable to continuing operations. On December 31, 2018 the available liquidity (including Magneti Marelli) was €21.1 bn and the Net industrial cash was €1.9 bn.⁶⁸ Adjusted EBIT for the year came in at a record €7.3 bn. Adjusted net profit climbed 34% to a record level of €5.0 bn and net profit was up 3% to €3.6 bn.

FCA activities are carried out through the following five reportable areas, described also in the following picture (Figure 27):

- NAFTA posted a strong performance, attaining a record high in Adjusted EBIT (+19%, at €6.2bn, with a margin of 8.6%). In the United States, company reported the highest retail sales in 17 years, with both Jeep and Ram brands hitting new records.
- LATAM posted robust growth with Adjusted EBIT more than doubling from the previous year to €359 million and margin increasing by 250 percentage points to 4.4%. In Brazil, FCA finished the year in a leading position in three of the most important segments (pickups, light commercial vehicles and SUVs), while in Argentina improved its market share despite the severe economic crisis in the second half of 2018.

⁶⁸ Source: FCA's 2018 Annual Report

- Results in APAC were struggling, Adjusted EBIT showed a loss of €296 million, impacted by trade and regulatory challenges due to market weakness and increased competition and reflecting lower shipments from Chinese joint venture.
- In EMEA, performance was adversely affected by several factors, including the transition to new emissions regulations. Lower volumes and pricing actions in response to this transition, as well as higher advertising costs to support the growth of Jeep brand, led to a decrease in Adjusted EBIT to €406 million. Net revenues came in at €22.8 bn, in line with prior year.⁶⁹

Figure 27: FCA markets and brands



Source: FCA Annual Report, 2018

Focusing on sales, NAFTA is the most profitable market, followed by EMEA. Figure 28 gives additional details:

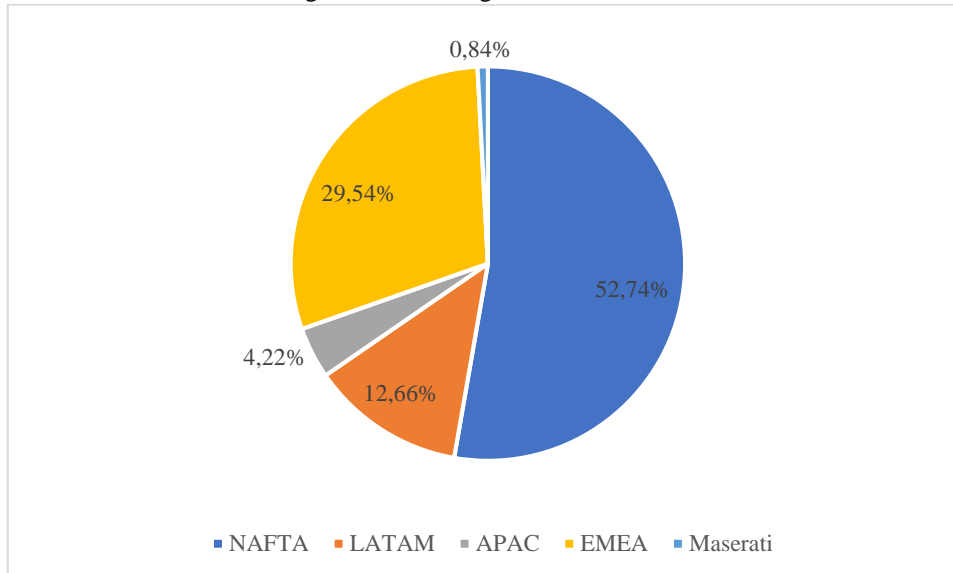
Figure 28: FCA's sales overview by region

	2018	2017	2016
	(millions of units)		
NAFTA	2,5	2,4	2,6
LATAM	0,6	0,5	0,5
APAC	0,2	0,3	0,2
EMEA	1,4	1,5	1,4
Total Mass-Market Vehicle Brands	4,7	4,7	4,7
Maserati	0,04	0,05	0,04
Total Worldwide	4,8	4,8	4,7

Source: FCA 2018 Annual Report

⁶⁹ Source: FCA Annual Report, 2018

Figure 29: FCA regions' share of sales



Source: FCA 2018 Annual Report

Comparing the data from the Figure 29, it is clear the great importance of NAFTA region for FCA. This could be seen as a group structural problem, as the company keeps depending more on its North American operations with a diminishing contribution of the Asian markets, that today drive growth in many other sectors. Although there have been several announcements concerning the improvement of FCA's position in China and India, the reality is quite different from the plan.

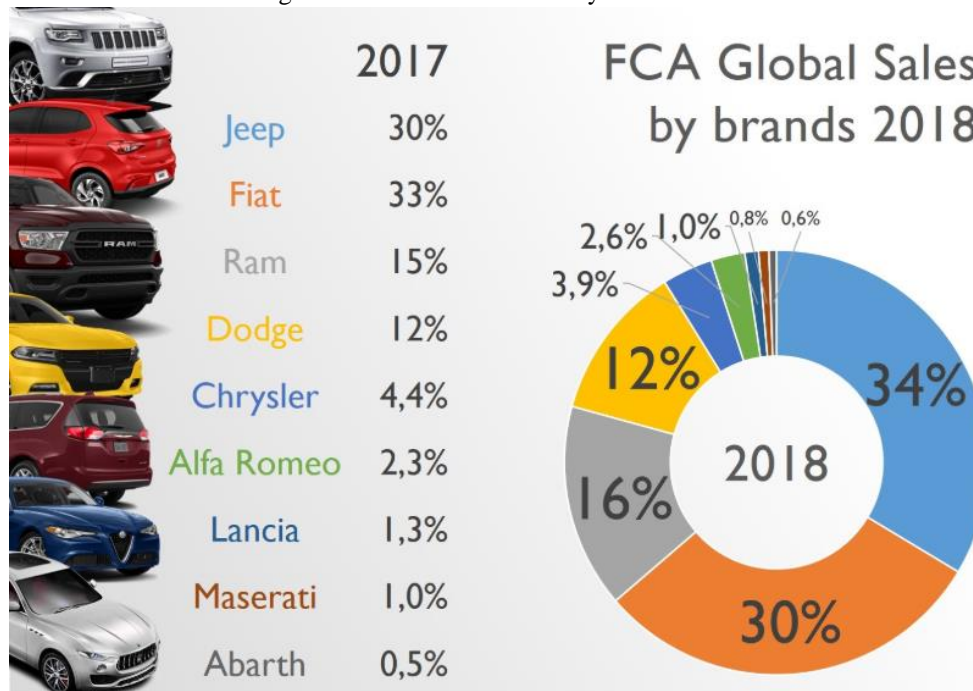
NAFTA represented 53% of the group's total sales in 2018.⁷⁰ It was also the main source of the revenue, counting for 63% of total. This is partially beneficial because the strong demand in USA and Canada is boosting the operations of Jeep and Ram⁷¹, which became the main drivers of growth in FCA. As much as these results sound reassuring, if the US market stops growing, then FCA will not have necessary energy to fuel its expansion plans; NAFTA it is the main source of profits, with the margin that is 5 times higher than in Europe, the second largest region by volume. At the same time, the Chinese operations slowed down and India needs more new products. Asia counted for only 4.7% of global sales. Even if the drop posted by EMEA region (-5.8%) was absorbed by the increase in NAFTA (+5.0%), it was not the case for LATAM and APAC, where the increase of the first one (+10.2%) was offset by the big drop of the last one (-29.1%).⁷² In terms of the brands performance, Jeep is the cornerstone of the group. 2017 it was the first year since the creation of Fiat Chrysler Automobiles that Jeep outsold Fiat (cars and LCV), becoming its top selling and most important brand, as we can see from Figure 30.

⁷⁰ Source: FCA Annual Report, 2018

⁷¹ The brand is not present on European markets

⁷² <https://fiatgroupworld.com/2019/02/24/fca-global-sales-2018-jeep-usa-drive-growth/>

Figure 30: FCA Global Sales by brands 2018



Source: fiatgroupworld.com

Jeep was not the only brand to drive growth. Sales of Ram trucks and LCVs reached 724,000 units, up 4% or 30,000 more vehicles than in 2017. Absent on the European markets, this brand is gaining more importance as it becomes not only more popular in USA, with weight of 82%, but also abroad.

Jeep and Ram sales combined counted for half of FCA global sales. In contrast to these two brands, Fiat is facing very challenging times. In addition to the problems in Europe due to tougher emissions targets, the brand has to deal with a very aged range, lack of interest in USA and with the fact that FCA finally pulled the plug on Fiat's presence in India and China. Also Brazil is slowing down – one of the last markets where driving a Fiat is still a cool thing.⁷³ Alfa Romeo was another well performing brand, however the growth of the Stelvio was impacted by the important drops in sales recorded by the rest of the range (Giulia included). Going more in depth in analysing European market it is clear that Italy and Germany are the two best performing markets, details in Figure 31⁷⁴.

From the table it is easy to note that Europe is the largest market within EMEA region, and the following Figure 32 summarizes new vehicle market share information of both FCA and its main competitors. On the product side, FCA increased its offer with several key vehicle launches, particularly on Jeep and Alfa Romeo:

- Jeep launched: the all-new Grand Commander in China; the all-new Wrangler in Europe and Japan; the new Cherokee in Europe, China and Japan; the new Renegade in LATAM. The all-new Gladiator made its worldwide debut at the Los Angeles Auto Show.

⁷³ <https://fiatgroupworld.com/2019/02/24/fca-global-sales-2018-jeep-usa-drive-growth/>

⁷⁴ Source: FCA Annual Report, 2018

- Alfa Romeo revealed the new Stelvio and Giulia Quadrifoglio Nürburgring limited editions.

Figure 31: EMEA sales and competition overview

	2018		2017		2016	
EMEA	Sales	Market Share	Sales	Market Share	Sales	Market Share
Passenger Cars	Thousands of units (except percentages)					
Italy	500	26,2%	558	28,3%	528	28,9%
Germany	105	3,1%	104	3,0%	97	2,9%
France	100	4,6%	88	4,2%	80	4,0%
Spain	81	6,1%	67	5,4%	60	5,2%
UK	52	2,2%	60	2,4%	84	3,1%
Other Europe	175	4,0%	158	3,6%	136	3,3%
Europe	1.013	6,5%	1.035	6,6%	985	6,5%
Other EMEA	102	less than 0%	116	less than 0%	113	less than 0%
Total	1.115	less than 0%	1.151	less than 0%	1.098	less than 0%

Source: FCA 2018 Annual Report

Figure 32: Europe PC automaker's market share

Europe-Passenger Cars	2018	2017	2016
Automaker	Percentage of industry		
Volkswagen	23,9%	23,8%	24,1%
PSA	16,0%	12,1%	9,7%
Renault	10,5%	10,4%	10,1%
BMW	6,6%	6,7%	6,8%
FCA	6,5%	6,7%	6,6%
Ford	6,4%	6,6%	6,9%
Daimler	6,2%	6,3%	6,2%
Toyota	4,9%	4,6%	4,3%
GM	0,0%	3,8%	6,6%
Other	19,0%	19,0%	18,7%
Total	100,0%	100,0%	100,0%

Source: FCA Annual Report, 2018

Finally, another significant technological shift that we are likely to see in the near future is related to electrification, which is also addressed in FCA's business plan. By 2022, the company intends to offer 12 electrified propulsion systems on global architectures spanning the full range of vehicle segments and over 30 vehicle nameplates with electrified solutions (including already mentioned new Tonale model for Alfa Romeo).⁷⁵

Among sustainable initiatives in 2018, FCA implemented around 5,000 environmental projects at its plants

⁷⁵ Source: FCA's 2018 Annual Report

around the world, reducing carbon footprint per vehicle produced by 27% and reducing waste generated per vehicle produced by 62% compared with 2010.⁷⁶

2.2 FCA in Italy and Germany

As we can see from Figure 31, Italy and Germany are two major markets within EMEA region, holding 50% and 10% MS in the region respectively.

While groups' strong position in Italy is quite straightforward, due to the company's roots, its Market Share in Germany is a result of much more challenging and complex competitive environment, where domestic brands are the definite leaders.

Regarding Italian market, FCA sells the following brands for passenger cars:

- Abarth – with its 595 model.
- FIAT - with Panda, 500, 500X, 500L, Tipo and 124spider models.
- Alfa Romeo – with MiTo, Giulietta, Giulia and Stelvio models;
- Jeep – with Compass, Renegade, Cherokee, Grand Cherokee and Wrangler models.

FCA portfolio is hence present in every car segment, with one or more of company's brands. This can be seen in Figure 33, where the FCA portfolio is presented.⁷⁷

As visible in the chart, A segment of city cars is covered with two models under Fiat brand: the iconic Fiat 500 and Fiat Panda with 40 years of history and unique 4x4 capabilities.

Although the company's leading position in the market, FCA is joining other automakers in reduction of the nameplates in small segment mainly due to increasing development costs, together with raising challenges to reach emission targets.

FCA's CEO Mike Manley said the automaker plans to shift Fiat's minicar customers to the "B" (subcompact) segment.

"In the very near future you will see us refocus on this higher-volume, higher-margin segment, and that will involve a move away from the minicar segment".⁷⁸

The retro-styled Fiat 500 three-door hatchback and the Panda functional hatchback dominate Europe's minicar segment, but they are aging and are due for replacement.⁷⁹

⁷⁶ Source: FCA's 2018 Annual Report

⁷⁷ Not every model is present in the Table, but only models sold in Italy and Germany.

⁷⁸ Mike Manley, FCA's third-quarter earnings call, Oct. 31 2019.

⁷⁹ The three-door 500 is 12-years old. It was launched in July 2007 with retro styling inspired by Fiat's original 500 launched in 1957, a car that became an icon. European sales of the 500 fell 9 percent to 100,150 in the first half. The third-generation Panda went on sale in February 2012 and its sales rose 15 percent 105,534 in the first half, according to Automotive News Europe's sales by segment analysis.

Figure 33: FCA's brand portfolio models' segmentation

Segment	Fiat	Alfa Romeo	Jeep	Lancia
A – Mini cars				
B – Small cars				
C – Medium cars				
D – Large cars				
E – Executive cars				
F – Luxury cars				

Source: Personal elaboration over secondary data

Manley did not give the timing of the move away from the minicar segment, but industry insiders say it would be a midterm plan that would happen by 2024.⁸⁰

If there is a clear strength of FCA in Europe it is its strong position in the A-Segment. Despite the aging factor, Fiat 500 and Fiat Panda continue to attract many consumers allowing the group to control almost one third of the entire segment. FCA segment share increased from 30.7% in first half of 2018 to 31.4% in first half of 2019.⁸¹ With two models, Fiat was able to almost triple the volume sold by Volkswagen Group with models belonging to the A segment.

The success is explained by two reasons: the popularity of the Fiat 500 outside Italy, and the strong demand of the Panda in Italy. In the case of the 500, its sales outside Italy counted for 76% of its European total volume. The model is still the leader in the UK, Spain, Belgium, Portugal, Austria, Switzerland, Hungary, Croatia, Slovenia, Luxembourg and Lithuania. Even excluding the volume in Italy, the 500 is by far the top-selling city-car in Europe.

The case of the Fiat Panda is exactly the opposite. Three in four of the Pandas sold in first half of 2019 remained in Italy. In other words, the Panda is definitely a winner in the domestic market, creating the biggest city-car market in Europe.

⁸⁰ Andrea Malan, "Fiat plans to exit Europe's minicar segment" Nov. 4, 2019, Automotive News Europe

⁸¹ <https://fiatgroupworld.com/2019/08/25/europe-h1-19-fca-triples-the-volume-sold-by-vw-group-in-the-city-cars-segment/>

Today, Fiat is preparing for its long-awaited launch of completely new 500e battery-powered car. The car will be built at the Mirafiori plant in Turin with production starting in the second quarter of 2020.⁸² The group is very well positioned in the B segment of small cars, with four models under four different brands.⁸³ In particular, in the Italian market, sales are driven by Jeep and Lancia, with their Renegade and Ypsilon products. Although high sales reached at launch in 2015, Renegade enters a declining phase of its commercial life cycle, struggling to keep pace with heavily competitive segment. Fiat 500X, which competes in the same compact SUVs segment performs better in its domestic market with 55% of its total volumes, growing however much faster in Spain and France (up by 72% and 17% respectively).

Lancia is only present on the Italian market, and only with one model, the Ypsilon. This is however one of the TOP10 B-segment cars sold in Italy in the past ten years.⁸⁴ During the first six months of 2019, Fiat, Lancia and Alfa Romeo counted for 2.1% of the segment's total. Looking back to the past, in the 2000's, thanks to Fiat and Lancia brands, FCA was the third largest group with 16.8% MS, outsold only by PSA (21.3%) and VW Group (19.9%).

The Fiat 500L and the Alfa Romeo MiTo did not achieve their targets, especially the second one that registered a loss in most of its market, and especially in Italy and Germany, with drop of -17% and -18% respectively.⁸⁵ The B-MPV is the segment with the second highest market share for FCA after the city-cars, thanks to popularity of 500L in Italy, which is why the group was able to reach 26.1% MS in first half of 2019. That was 1.9 points less than in the same time of 2018, as the small MPV posted a 28% drop in registrations.⁸⁶ FCA has a strong presence also in C segment (Medium cars), with Fiat, Alfa Romeo and Jeep selling five different nameplates. Particular attention is to be put on Alfa Romeo Giulietta. This model is having hard times, registering drop in sales in many markets, and especially a -14% in Italy and a -18% in Germany.⁸⁷ Registrations of the Alfa Romeo Giulietta had the lowest results in the first half of the year since its introduction in 2010. Without a new generation in the pipeline, the current Giulietta is planned to go in run out at the end of 2020.

Fiat Tipo launched in 2015 is growing year over year and reaching the 600.000 productions since its launch. The model with its three body types, and value for money positioning and importance for fleet is entering into the mid lifecycle stage with the important facelift in 2020.

⁸² Pietro Gorlier, FCA's Europe chief, July 2018

⁸³ Lancia is not selling any car in the German market, but has a high market share in Italy

⁸⁴ Source: UNRAE annual report 2018

⁸⁵ <https://fiatgroupworld.com/2019/03/18/alfa-romeo-is-the-rinascimento-over-global-sales-2018-analysis/>

⁸⁶ The B-MPV segment is one of the biggest victims of the SUV popularity.

⁸⁷ <https://fiatgroupworld.com/2019/03/18/alfa-romeo-is-the-rinascimento-over-global-sales-2018-analysis/>

Moreover, in addition to the market increase in the A-Segment, FCA was also able to improve its position in the mainstream D-SUV segment thanks to the introduction of the new Jeep Wrangler. Thanks to this model FCA's share jumped from 2.2% in first half of 2018 to 3.2% in first half of 2019, following a 60% increase in the demand of the iconic Jeep.

The Jeep Compass, global and competitive product, had a very good start in 2018. Unfortunately, 2019 seen it struggle in the growth across Europe, mainly because other players that were also launched recently are having better results.⁸⁸

Regarding D segment, the updated Cherokee also contributed to the good result, but the increase was more moderated, at +7%.

On the other hand, Alfa Romeo Giulia which competes in D Sedan segment, struggles to hit the targets in 2019. Only three years old model performs as it would be at the end of its lifecycle. The case of the Tesla Model 3 is a good example of how well received are the cars that innovate and feature a real solution to the current problems of consumers, especially in a midsize sedans segment, which finds today customers upgrading to SUVs.

Also, Alfa Romeo Stelvio is not facing easy times: pre-mature sales drops impact the brand overall and become a challenge for FCA to face next. The Stelvio was introduced in Q1 2017, it had a fast start, which faded away already one year later. In first half of 2019 its registrations in Europe fell by 18% to 13,800 units. Stelvio continues to fall in the ranking, putting Alfa Romeo in a very difficult situation. Without the SUV boost (Alfa Romeo Tonale due to arrive in late 2020), the brand faces an uncertain future. What is the main reason for that? First, because its German rivals are getting continuously updated and upgraded; and second, because Alfa has nothing new to say. The Stelvio though is not the only SUV of the group to face difficult times. The group is also struggling to keep a minimum market share in the E-SUV segment. Both Jeep Grand Cherokee and Maserati Levante recorded double-digit falls during the first half, making the FCA's market share to fall from 4.8% in first half of 2018 to 4.2% in 2019.

The sport cars are becoming a rare thing to see in the roads of Europe. The decreasing popularity is also making them more expensive to produce. The Fiat 124 Spider, which is likely to be discontinued without a successor, posted a 33% decrease on its registrations in Europe during first half of 2019. Its twin Mazda MX-5 sold 2.6 times more in a market that is considered closer to FCA than to Mazda. The same happens to the Alfa Romeo 4C which is getting old and faces more modern rivals.

As demonstrated in Figure 34, FCA position in Italy is very strong. Indeed, the company is leader in the market, with 26% MS and half a million cars sold in 2018. Within FCA family, FIAT is the most successful brand, holding more than 50% MS within the group, and with over 318.000 units sold in 2018 (17% MS).

⁸⁸ It is the case of the Skoda Karoq, Opel Grandland, Seat Ateca, Toyota RAV4 and Citroen C5 Aircross. They are all more or less the same age of the Compass, but unlike the Jeep, they posted big increases during the first half. Even the C5 Aircross, which was not available last year, was only 800 units behind the Compass and is set to outsell it soon.

Figure 34: FCA regs. and share in Italian market

REGISTRATIONS				SHARE			
ITALY	2016	2017	2018	ITALY	2016	2017	2018
Abarth	4.163	5.098	4.601	Abarth	0,23%	0,26%	0,24%
Alfa Romeo	36.353	45.328	43.109	Alfa Romeo	1,99%	2,30%	2,26%
Fiat	381.659	397.299	318.770	Fiat	20,90%	20,16%	16,68%
Jeep	40.460	49.505	84.557	Jeep	2,22%	2,51%	4,43%
Lancia	65.708	60.331	48.555	Lancia	3,60%	3,06%	2,54%
FCA	528.343	557.561	499.592	FCA	28,94%	28,29%	26,15%
Total	1.825.693	1.971.197	1.910.632	Total	100,00%	100,00%	100,00%

Source: UNRAE annual report 2018

Moreover, it's interesting to see how Alfa Romeo and especially Jeep increased their MS significantly (Jeep went from 2% to 4%, doubling its MS in one year), thanks to the introduction of new models. On the other hand, Lancia registered a significant decrease over the period in considerations, going from 3,6% MS in 2016 to 2,54% MS in 2018.⁸⁹

FCA's German competitors are Audi (62.782 registrations and 3,3% MS in 2018), BMW (57.146 registrations and 3% MS in 2018), Mercedes (61.412 registrations and 3,2% MS in 2018) and Volkswagen (162.852 registrations and 8.5% MS in 2018). Regarding other importers, Ford (129.618 registrations and 6,8% MS in 2018), Opel (95.317 registrations and 5% MS in 2018), Peugeot (108.500 registrations and 5,7% MS in 2018) and Renault (125.182 registrations and 6,5% MS in 2018) registered most promising results.⁹⁰

FCA's situation in Germany is quite different from the Italian one. Figure 35 represents the company struggles to achieve a considerable MS in the market, where the competition and domestic brands such as BMW, Mercedes and Volkswagen are absolute leaders.

Figure 35: FCA registrations and share in German Market

REGISTRATIONS				SHARE			
GERMANY	2016	2017	2018	GERMANY	2016	2017	2018
Alfa Romeo	4.293	6.096	5.436	Alfa Romeo	0,13%	0,18%	0,16%
Fiat/Abarth	77.336	84.324	81.460	Fiat/Abarth	2,31%	2,45%	2,37%
Jeep	14.782	13.390	17.121	Jeep	0,44%	0,39%	0,50%
FCA	96.411	103.810	104.017	FCA	2,88%	3,02%	3,03%
Total	3.351.600	3.441.300	3.435.800	Total	100,00%	100,00%	100,00%

Source: www.carsitaly.net/flat-car-sales-germany.htm

⁸⁹ Elaborations on UNRAE 2018 annual report

⁹⁰ Source: UNRAE Annual Report, 2018

In Figure 36 (KBA – The Federal Motor Transportation Authority data), 2019 registrations of both FCA’s brands, domestic manufacturers and main importers competitors in German automotive industry are presented. Looking at the data the gap between domestic manufacturers MS and importers’ MS is quite clear.

Figure 36: FCA, Domestic and Importers manufacturers Registrations and Share in 2019

Brand	Registrations	Share in %
Alfa Romeo	4.146	0,1
Fiat	89.005	2,5
Jeep	16.563	0,5
FCA TOTAL	109.714	3,1
Audi	267.195	7,4
BMW	279.243	7,7
Mercedes	339.185	9,4
Volkswagen	667.518	18,5
TOP DOMESTIC TOTAL	1.553.141	43,0
Ford	279.719	7,8
Hyundai	129.508	3,6
Jaguar	8.703	0,2
Kia	69.608	1,9
Land Rover	17.348	0,5
Nissan	39.500	1,1
Opel	215.864	6,0
Renault	131.138	3,6
Toyota	84.498	2,3
Volvo	53.357	1,5
TOP IMPORTERS TOTAL	1.029.243	29

Source: KBA, 2019

In this market Alfa Romeo reached a total of 4.146 total registrations, with a 0,1% MS. Its sales are essentially made by Stelvio (2.164 registrations in 2019) and Giulia (1.172 registrations in 2019). Also Jeep is struggling for achieving higher market share, but still sells much more than the “biscione” brand, with a total registrations in 2019 of 16.563 cars and a 0,5% MS, with Compass leading the sales (5.862 registrations in 2019), followed by Renegade (4.967 registrations in 2019).

Within FCA’s portfolio, Fiat is the leading brand in Germany, with 2,5% MS and a total of 89.005 registrations in 2019, with Fiat 500 as leading model with 37.505 registrations in 2019.⁹¹

If compared to the main German manufacturers, FCA is called to face “Red ocean” market:

- Audi: 267.195 registrations and 7,4% MS in 2019.
- BMW: 279.243 registrations and 7,7% MS in 2019.
- Mercedes: 339.185 registrations and 9,4% MS in 2019.

⁹¹ Source: KBA, 2020

- Volkswagen: 667.518 registrations and 18,5% MS in 2019.

As another example that clearly shows the huge gap between domestic brands and FCA, is VW Golf registrations (204.550), that in 2019 surpassed total FCA registrations (around 120.000). Even if not taking in consideration domestic brand, but focusing only on importers, FCA with its 3,1% is still struggling to achieve relevant MS, compared to Ford (7,8% MS) and Opel (6% MS) but also other competitors such as Renault (3,6% MS) and Hyundai (3,6% MS).⁹²

2.3 Brand portfolio overview

FCA's portfolio includes Fiat, Dodge, Fiat Professional, Jeep, Lancia, Alfa Romeo, Ram, Abarth and Maserati brands. The complete range of products by FCA includes passenger cars, SUVs, trucks and light commercial vehicles as well as luxury vehicles. SUVs and CUVs made under the Jeep, Dodge and Alfa Romeo brands include: Jeep Cherokee, Jeep Grand Cherokee, Jeep Wrangler, Jeep Renegade, Jeep Compass, Jeep Grand Commander, Dodge Durango, Dodge Journey and Alfa Romeo Stelvio. The company has also brought a large range of passenger cars to the market that include Fiat 500, Alfa Romeo Giulia, Dodge Challenger and Charger as well as minivans like Chrysler Pacifica.

In EMEA region, and especially on Italian and German markets, FCA is present in only with Fiat, Alfa Romeo, Jeep, Abarth and Maserati brands.

2.3.1 Jeep

Jeep brand is one of major FCA brands in SUV market. The company is present in B segment of Small SUV's with Renegade model and planning a "New Renegade" model for 2022. In 2020 it enters the road to electrification with a plug-in Hybrid version.

In C SUV's segment the brand is present with two models: the Compass and brand's icon Wrangler. The new Compass has been on the road for less than a year now, but Jeep is already planning a mid-cycle makeover. The new version should be launched before 2021, with only a few light updates, and will come with an electrification option. D SUV segment is covered with the new Cherokee and the Grand Commander models. In details, the Jeep Cherokee went through a makeover earlier in the year, but an all-new version is also on the way, including electrification option to be launched before 2022. Finally, Jeep is covering the E SUV's segment with the Grand Cherokee model.

Figure 37 shows that, in 2018 Jeep reached an 80% of market coverage.⁹³ This is going to change as the strategic plan of the company is to implement the market coverage up to 100%, introducing a new model for

⁹² Source: KBA, 2020

⁹³ Source: Jeep strategy plan 2018-2023

the missing segments. More in details, a three-row crossover will be added to the Jeep range, with the Grand Commander that was recently introduced in China. Moreover, the standard three-row Grand Cherokee will be extended to two-row version before 2022.

Figure 37: Jeep product plan



Source: Jeep strategy plan 2018-2023

Finally, Jeep will revive the Wagoneer and Grand Wagoneer nameplates. The two will be comparable to the Grand Cherokee in the before mentioned E-segment SUV, and should come with three rows, and of course, significant off-road capabilities. A plug-in option is to be expected as well.

2.3.2 Alfa Romeo

Alfa Romeo is another important brand for FCA in the SUV segments. The brand covered actually 46% of the market in 2018⁹⁴.

The brand served the B segment of Small cars with its MiTo model, discontinued though in late 2018. The C segment of Medium cars is served with Giulietta. Alfa Romeo plans to give it a thorough refresh in the next few years as part of its full-line makeover. Moreover, a small C-segment crossover will join the range. It will be one of two new SUVs and will compete directly with luxury subcompact SUVs like the Volvo XC40, the BMW X2, and the Mercedes-Benz GLA, among others.

⁹⁴ Source: Alfa Romeo strategy 2018-2022

The brand is also present in D segment with two models: Giulia in the medium sedan segment and Stelvio in medium SUV segment. Even though the current Giulia has only been on the market since 2015, already Alfa Romeo is planning a refresh of its mainstream model. Like most other vehicles in the line-up, that makeover should make its way to market before 2022 and will be extended to a long-wheelbase model (likely destined exclusively for Chinese market). Just like the Giulia, Alfa Romeo Stelvio will get a refresh by 2022. It will also be upgraded with a long-wheelbase version,

Finally, the company is serving the F segment of speciality cars with 4C in both Spider and Coupe body types. Figure 38 display the company’s goal to increase the market coverage up to 71%. This goal is going to be achieved through entering in E SUV segment with the launch of a new Electric Utility Vehicle. The second E-segment option will be larger than the Stelvio and will probably include a third-row seats. Moreover, the company is planning to launch a new model also for C segment and upgrading both the Giulietta, Giulia and Stelvio models with new engines and increasing electrification in entire portfolio. Finally, the 8C is going to be reintroduced in the F segment.⁹⁵

Figure 38: Alfa Romeo product plan

GLOBAL	2018		2022		ELECTRIFICATION AUTONOMY CONNECTIVITY			
	46% MARKET COVERAGE		71% MARKET COVERAGE					
PREMIUM SEGMENTS	B	 MiTo						
	C	 Giulietta	 Giulietta MCA	 C UV				
	D	 Giulia	 Stelvio	 Giulia MCA + LWB	 Stelvio MCA + LWB			
	E			 E UV				
	SPECIALTY	 4C Spider	 4C Coupe	 GTV	 8C			

Source: Alfa Romeo strategy 2018-2022

2.4 A new future

On December 19th 2019, Fiat Chrysler Automobiles and Peugeot S.A. (“Groupe PSA”) signed a Combination Agreement for a 50/50 joint venture of their businesses. This agreement will create the 4th global car manufacturer in volume terms and the 3rd in terms of revenue.

⁹⁵ Source: Alfa Romeo strategy plan 2018-2023

PSA Group is a French company, with five automotive brands (Peugeot, Citroën, DS, Opel e Vauxhall) and has a huge offer of mobility services, with Free2Move brand. Moreover, it is a pioneer in self-driving cars and connected vehicles. Its strategic plan “Push to Pass” represents the first step in reaching Group’s vision of becoming “a global automotive manufacturer at best efficiency levels and a mobility service supplier in order to create and maintain a sustainable customer relationship”.⁹⁶

The goal for both FCA and PSA is that the new joint venture will give birth to a group leader in the market with teams, competences, resources and dimensions able to catch and take benefits from new opportunities offered by the sustainable mobility trend. The new company is expected to sell 8,7 million vehicles every year, with total revenues of €170 bn, with operating income of €11 bn and operative margin of 6,6% on 2018 results aggregation basis. Thanks to FCA’s strong presence in North and Latin America and PSA solid grounds in Europe, the new group will have a geographic presence much more balanced, with 46% of revenues from Europe and 43% from North America. It will be present on a global scale, with a portfolio of iconic and complementary brands covering every principal segment in the market, from luxury to premium, from mainstream passenger vehicles to the SUVs, from trucks to LCV.

Carlos Tavares, CEO of Groupe PSA, declared: “This fusion represents a great opportunity in order to reach an even stronger positioning in the sector through our effort to lead transformation through a world with ecologic, safe and sustainable mobility and to offer our customers products, technologies and services at a level of excellence. I am fully convinced that thanks to their huge talent and collaborative approach, our teams will be able to maximise performance with energy and enthusiasm.”⁹⁷

Mike Manley, CEO of FCA, added: “This is the union of two companies with incredible brands and passionate and competent people. Both faced moments of extreme difficulty and both came up even more intelligent, formidable and agile. Our people have a common trait, they face challenges as opportunities to catch because they represent the path for make us even better in doing what we do”.⁹⁸

According to the latest figures and PSA Group’s official data, both companies sold 2.86 million SUVs together last year. And in total, the two OEMs sold 8.5 million vehicles globally in 2018 – meaning 1 in 3 was an SUV. With 2.86 million SUV sales, FCA-PSA would rank first in the global SUV rankings. The merged group would overtake Toyota, which led the rankings last year with 2.6 million SUV sales, and Hyundai-Kia and Volkswagen Group, which followed with 2.5 million sales.⁹⁹ One thing is sure: both groups combined create not only the world’s fourth largest car maker, but they become Europe’s top-selling SUV and LCV/Vans auto group, and these vehicles are the most profitable segments nowadays. SUVs are not only selling well but they are the main source of profits in a time when the financial statements are being hit by tougher regulations.

⁹⁶ Source: www.groupe-psa.com

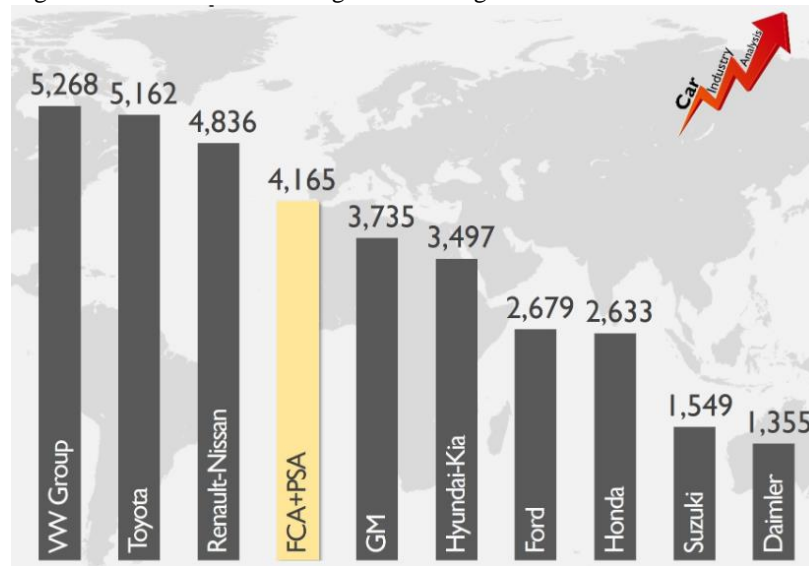
⁹⁷ PSA-FCA stamp press, December 19th, 2019.

⁹⁸ PSA-FCA stamp press, December 19th, 2019.

⁹⁹ <https://www.jato.com/the-fca-and-renault-merger-would-create-the-worlds-largest-suv-maker/>

Their combined operations would allow them to control 22% of this segment, outselling VW Group, which currently has 21.6% MS.¹⁰⁰

Figure 39: FCA + PSA in the global ranking – TOP10 automakers H1 2019



Source: <https://fiatgroupworld.com/2019/10/31/fcapsa-would-lead-europes-most-profitable-segments/>

Another benefit derived from the merger is that PSA gains access to North America and FCA gets some oxygen in its troubled European business. However, it is not clear what role will play PSA brands in the FCA line-up in USA, considering the fact that two of the four Chrysler group brands struggle to survive, and Fiat and Alfa Romeo might have overlaps in the product portfolio.

The marriage is not improving the poor conditions of both groups in the EV world. According to JATO, the electrified vehicles counted for 0.2% of PSA and 1.4% of FCA global sales through September respectively.¹⁰¹

2.5 Competitors overview

In order to take valuable decisions, it is useful to investigate what other leading, profitable multi brand competitors implement in their product portfolio strategies. It enables to identify gaps in own performance and react more rapidly, considering own capabilities.

From many car manufacturers on the market, there are three which are worth attention, especially because of its successful product portfolio management. These are Volkswagen Group, Mercedes- Benz and BMW.

¹⁰⁰ Source: fiatgroupworld.com

¹⁰¹ Source: JATO data, 2019

2.5.1 Volkswagen

Volkswagen is the flagship brand of the Volkswagen Group.

It is part of a family made of twelve brands, selling passenger cars together with Audi, Bentley, Bugatti, Lamborghini, Porsche, SEAT and Škoda; motorcycles under the Ducati brand; and “TRATON” (commercial vehicles, trucks, and buses) under the brands MAN, Scania, and Volkswagen Commercial Vehicles (Figure 40) that covers all the different car markets, being present in every segment with at least one brand.¹⁰²

With over 10 million cars sold in 2018 and a total revenue of €235,8bn,¹⁰³ the group is the largest in the world and ranked seventh in the 2018 Fortune Global 500 list of the world's largest companies.¹⁰⁴

Figure 40: Volkswagen Group's brand portfolio



Source: <https://www.volkswagenag.com>

Focusing on Volkswagen's passenger car brands, as we can see from Figure 41, it covers 100% of car segments, with a special focus over small and medium cars.

In 2018 Volkswagen sold 3.7 million passenger cars, while produced 6.3 million vehicles. Sales revenue was 6.8% higher than in the previous year.¹⁰⁵ It celebrated in 2018 the world premiere of the New Tuareg, occupying a top position in the premium SUV segment.

The brand also presented the T-Cross, but it is the Tiguan, with 861.331 units sold in 2018 to lead the market for the brand. Other important models are Polo (855.179 units sold in 2018) and Golf (805.751 units sold in 2018).

¹⁰² Source: Wikipedia

¹⁰³ Volkswagen Annual Report 2018, p.26

¹⁰⁴ Source: Wikipedia

¹⁰⁵ Source: Volkswagen Annual Report 2018, p.29

In the Italian and German markets, the brand has a strong position, being leader in German market with 17,9% MS and 2nd in Italian one with 9,22% MS, overtaken only by Fiat.¹⁰⁶

Figure 41: Volkswagen’s model portfolio by car segment

SEGMENT	EXAMPLE
A – CITY CARS	 Up!
B – SMALL CARS	  POLO 
C – MEDIUM CARS	   GOLF Tiguan T-Roc
D – LARGE CARS	 Passat
E – EXECUTIVE CARS	 TOUAREG
F – LUXURY CARS	 Phaeton

Source: Personal elaboration over secondary data

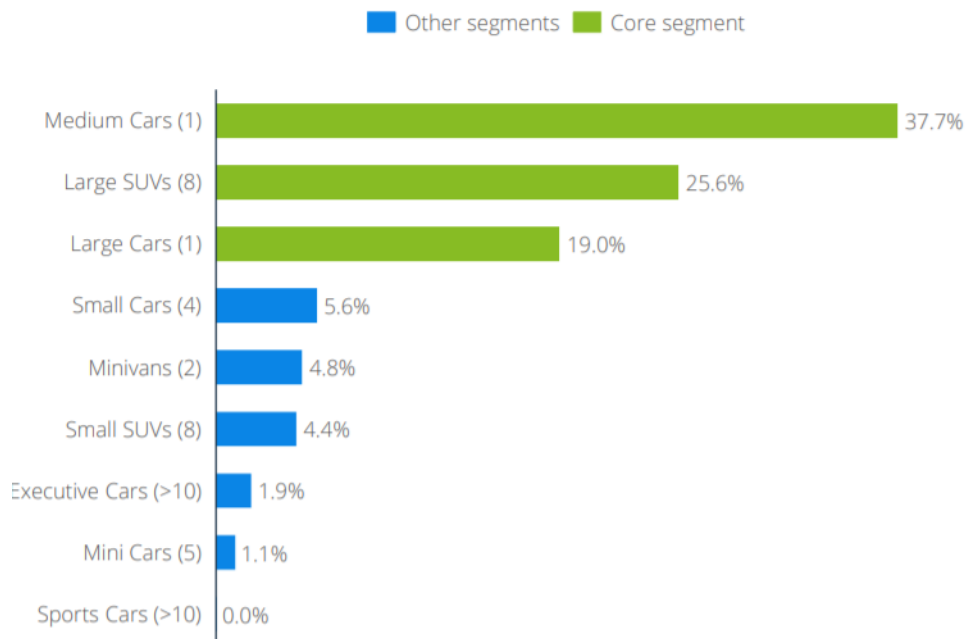
These results as well as Figure 43 strive for the conclusion that Volkswagen is primarily focused on B and C segments, where the majority of its most sold models are.¹⁰⁷

¹⁰⁶ UNRAE – “Mercato italiano delle autovetture per marca”, Dec. 2019

¹⁰⁷ Source: Volkswagen Annual Report 2018

In particular, Volkswagen core segments are Medium cars, Large SUVs and large cars, as we can see from Figure 42.

Figure 42: Revenue share in Volkswagen’s portfolio in 2018



Source: Statista, 2019

In Europe, this market is also known as “Golf Segment”, due to dominance of Volkswagen’s Golf in the last quarter of the twentieth century. The Medium car segments count, in fact, for 38% of total revenue in 2018, with 20,6% of all Medium cars sold worldwide in that period.


2.5.2 Mercedes-Benz

Mercedes-Benz is a German premium car make which produces cars in the medium and higher-class segments. The main products of Mercedes-Benz used to be vehicles pertaining to the segments large, executive and luxury cars with its traditional C-Class, E-Class and S-Class model lines. Nevertheless, small and large SUVs, like the GLA models or the G-Class, are immensely popular. The company is also known for its sports cars and cabriolets. The company holds also Smart brand, with a strong position in the A segment. As we can see from Figure 43, the Mercedes-Benz Cars range covers every passenger car segment: from the urban microcar by Smart, to the premium and luxury vehicles by Mercedes-Benz and Mercedes-Maybach, to the performance and sports cars by Mercedes-AMG.

The company will offer a range of electrified models in each segment, including 48-volt models, a wide choice of plug-in hybrids, and all-electric vehicles with battery and/or fuel cell. Mercedes-Benz Cars broke its sales

record in 2018, selling 2,382,791 vehicles¹⁰⁸ and recorded the highest unit sales of any premium brand in the automotive industry for the third time in a row.

Figure 43: Mercedes-Benz's model portfolio by car segment

SEGMENT	EXAMPLE
A – CITY CARS	
B – SMALL CARS	 <p data-bbox="853 548 1029 593">G-class</p>
C – MEDIUM CARS	 <p data-bbox="566 772 1364 828">A-class B-class CLA GLA</p>
D – LARGE CARS	 <p data-bbox="598 1019 1204 1075">C-class GLC</p>
E – EXECUTIVE CARS	 <p data-bbox="598 1265 1364 1321">E-class CLS GLE</p>
F – LUXURY CARS	 <p data-bbox="646 1500 1236 1556">S-class GLS</p>

Source: Personal elaboration over secondary data

The E-Class models were particularly successful, with 433,600 units (+9%), sales once again reached a new record level while, due to the model change, sales of C-Class vehicles decreased by 3%.

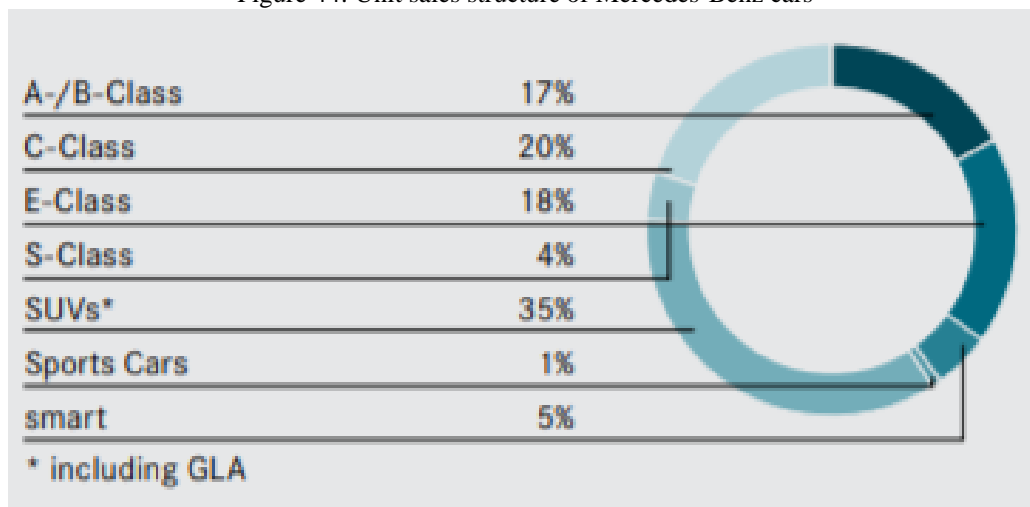
Sales of A- and B-Class models were also affected by a model change in 2018, although the success of the new A-Class led to total deliveries of 409,300 units (-3%).

¹⁰⁸ Source: Daimler AG report 2018

The S-Class was very successful on the market in 2018 with total sales in the segment increased by 6% to 83,800 units. Moreover, with sales of 77,700 units (+7%), the S-Class Sedan remains the best-selling luxury sedan in the world. Sport Utility Vehicles also performed well in the market again, with sales in this segment increasing by 1% to 829,200 units. As was the case in the prior year, this positive development was primarily due to the GLC models. With sales of 77,700 units (+7%), the S-Class Sedan continues to be the world's the bestselling luxury sedan. The iconic G-Class model never reinvents itself. The luxury off-road vehicle from Mercedes-Benz, has long been considered a design icon. Its external appearance has not changed significantly since 1979.¹⁰⁹

In Figure 44 the models' share is presented:

Figure 44: Unit sales structure of Mercedes-Benz cars



Source: Daimler AG Annual Report 2018

From Figure 45 we can see that Mercedes-Benz core segment are Large Cars, Executive Cars, Small SUVs and Large SUVs while, out of these segments, Mercedes registered good results for Executive Cars. Especially for Large SUVs, the company is able to charge a really high premium price. Hence, Mercedes-Benz Large SUVs cost 100% more than the average vehicle in the segment.¹¹⁰

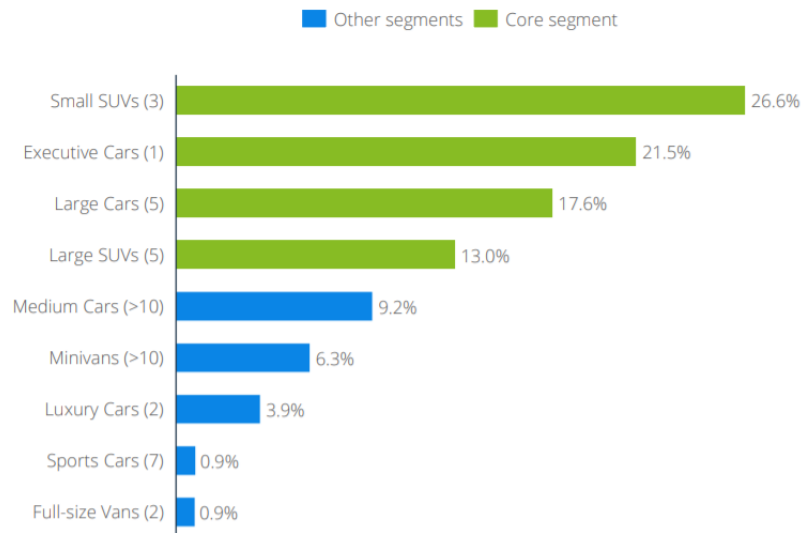
In Europe, a total of 933,697 passenger cars were delivered to customers in 2018 (-2.3%). SUVs, the S-Class Saloon and the new A-Class recorded the highest growth. In Germany, 303,862 cars with the three-pointed star were sold in the past twelve months (+0.1%), thus securing market leadership for Mercedes-Benz in the premium segment of its domestic market once again in 2018.¹¹¹

¹⁰⁹ Source: Daimler AG report 2018

¹¹⁰ Source: Statista, Mercedes-Benz report 2018, p. 21

¹¹¹ <https://www.best-selling-cars.com/brands/2018-international-mercedes-benz-global-sales/>

Figure 45: Revenue share in Mercedes-Benz' portfolio in 2018



Source: Statista, 2019

In Italy the company sold 6.241 vehicles in 2019, with an increase of +40,47% from 2018 (4.443 vehicles sold). This led the market share to rise up to 4,46%, with a variation of +0.89 pp from 2018 (3,57% MS).¹¹²

2.5.3 BMW

BMW is a global brand that operates in more than 150 countries. All brands BMW owns focus on the premium customer segment. The company owns three of the most famous premium vehicle brands in the entire industry including BMW, Rolls Royce and Mini Cooper, allowing a strong presence at the two extremes of car segment categorization in A and F segments.

In 2019, BMW Group sold 2,520,357 vehicles, posting an all-time high result and increase of 1.2% compared to previous year. Sales of the BMW brand also marked a record in the history of the carmaker: 2,168,516 units delivered globally, an increase of 2.0% vs. 2018.

In 2019 the Bavarian automaker managed to break record after record in terms of sales, which were particularly boosted by the avalanche of new models in all segments with a special success in SUV's market with its BMW X models. In addition, the company further strengthened up its position as pioneer in electric mobility, hitting the milestone of 500.000 electrified vehicles on streets.¹¹³

In Figure 46 we see that every segment is covered by at least one model (except for A segment, which is Mini territory).

It is important to notice the strong presence, compared to competitors, of electric models. Within its model portfolio, BMW had best results with the 5-series, which is a main growth driver of the brand.

¹¹² Source: UNRAE – “Il Mercato Italiano delle autovetture per marca”, Dec. 2019

¹¹³ <https://www.bmwblog.com/2020/01/10/bmw-group-posts-record-sales-for-2019-and-remains-worlds-leading-premium-automotive-company/>

Sales of the world’s most popular premium large sedan increased by 12.7% in 2018 with a total of 328,997 delivered to customers around the world.¹¹⁴

Figure 46: BMW’s model portfolio by car segment

SEGMENT	EXAMPLE
A – CITY CARS	
B – SMALL CARS	 i 3
C – MEDIUM CARS	 X2 X3 1-series 2-series
D – LARGE CARS	 X3 X4 3-series 4-series
E – EXECUTIVE CARS	 X5 X6 5-series 6-series
F – LUXURY CARS	 8-series Z4 i 8

Source: Personal elaboration over secondary data

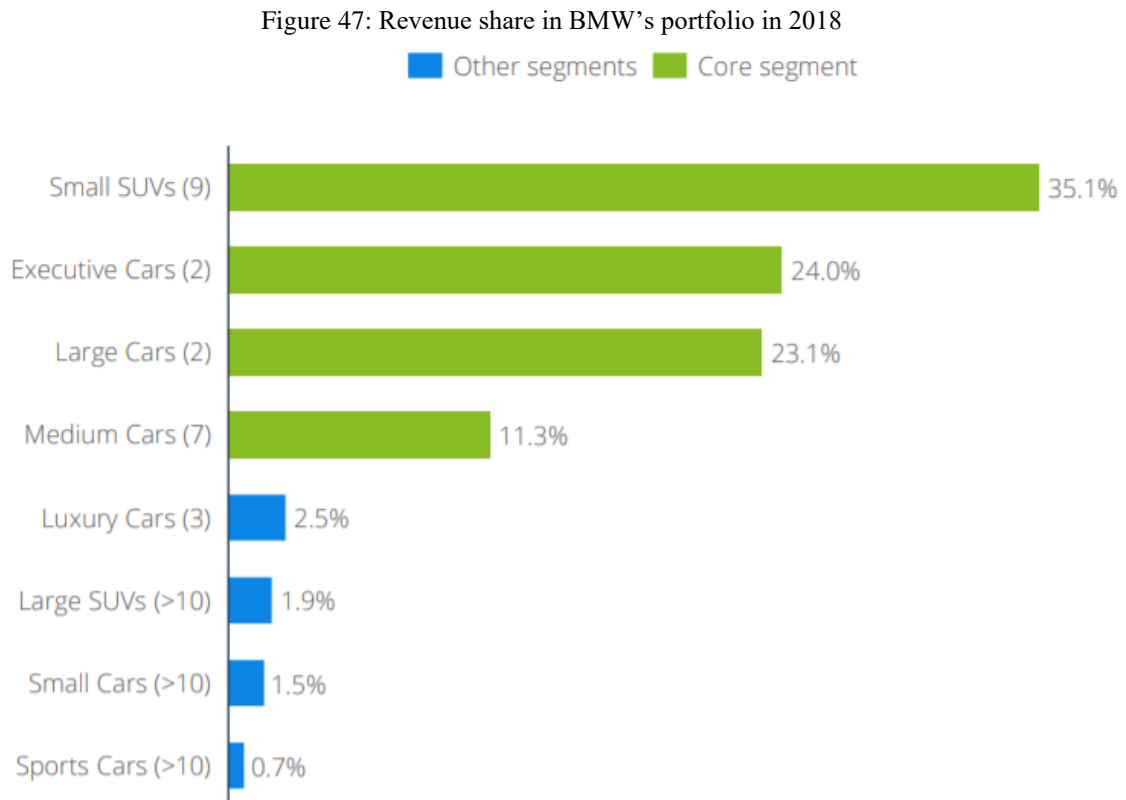
Moreover, the 3-series in D segment sold 366.475 vehicles in 2018, ranking as 2nd most popular model for BMW.

Another important growth was registered by the X1 in C segment (286.827 vehicles sold in 2018).¹¹⁵ These data clearly demonstrate how the company is focusing its effort in the above mentioned segments, and its great success for SUV models. In fact, these popular vehicles accounted for 37.3% of total BMW sales in 2018 as

¹¹⁴ <https://www.best-selling-cars.com/brands/2018-global-bmw-mini-rolls-royce-worldwide-sales/>

¹¹⁵ Source: BWM Annual Report 2018, p. 51

we can see from Figure 47: with 8.8% MS and 812.000 vehicles sold in 2018, Europe is the most important market of BMW.¹¹⁶ German and Italy are two crucial markets for the brand, respectively holding 12.5% and 3.1% of deliveries by the company.



Source: Statista, 2019

In Germany BMW is one of market leaders, with 265.951 vehicles sold in 2018, with a market share of 9.3%. This led the company to be the 3rd in the ranking, with an increase over the previous year of 1.2 pp.¹¹⁷ In Italy BMW is ranked 14th and sold 4.526 vehicles in 2019, with an increase of +27,03% from 2018 (3.563 vehicles sold), this led its market share to rise up to 3,23%, with an increase of 0.37 pp compared to 2018 (2,86% MS).¹¹⁸

¹¹⁶ Source: Statista – BWM Annual Report, p.16

¹¹⁷ <https://www.best-selling-cars.com/germany/2018-full-year-germany-best-selling-car-manufacturers-and-brands/>

¹¹⁸ Source: UNRAE – “Il Mercato Italiano delle autovetture per marca”, Dec. 2019

CHAPTER 3

3.1 Automotive industry Porter's Five Forces Analysis

The model was published by Michael. E. Porter in an article in the Harvard Business Review in 1979. This model, known as Porter's Five Forces Model, is a strategic management tool that helps determine the competitive landscape of an industry. Each of the five forces mentioned in the model help strategic planners understand the inherent profit potential within an industry. The strengths of these forces vary from industry to industry, which means that the profitability and attractiveness in any given industry will vary as well. The structure of an industry, even though it is stable, can change over time.

The Porter's five forces are as follows:

- Threat of New Entrants
- Bargaining Power of Suppliers
- Bargaining Power of Buyers
- Threat of Substitute Products or Services
- Rivalry Among Existing Firms

The Porter's Five Forces model can be used to analyse the industry in which Jeep and Alfa Romeo operate, in terms of attractiveness through inherent profit potential. The information analysed using the model can be used by strategic planners for Jeep and Alfa to make strategic decisions.

Threats of new entrants: In the auto manufacturing industry, this is generally a very low threat.¹¹⁹ The automobile industry has grown highly competitive and the entry and exit barriers have also grown higher.¹²⁰ The product differentiation is strong, as much as there is a strong emphasis on advertising and customer services as well. Another barrier is that the capital requirements within the industry are high, making it difficult for new entrants to set up businesses as high expenditures need to be incurred. That is due principally because of high R&D costs. Finally, government policies require strict licensing and legal requirements to be fulfilled before a company can start selling and manufacturing any kind of vehicle.

Hence, huge capital investments and the need for skilled human resources are significant barriers that prevent the entry of new players in the automobile industry, adding the need as well for quality and technology and a large distribution and service network. All these make the threats of new entrants a weaker force. There are several challenges new players would need to overcome even if they enter with a strong value proposition. High entry and exit barriers have made for any new brand that is trying to set foot in the auto industry quite impossible, and market share growth unrealistic unless done through a partnership with an existing and well

¹¹⁹ <http://porters-5-forces.blogspot.com/2011/11/porters-5-forces-in-automobile-industry.html>

¹²⁰ <https://notesmatic.com/2019/11/a-porters-five-forces-analysis-of-fiat-chrysler-automobiles/>

positioned brand. The result for many companies has been merging or forming joint ventures to benefit from the size and scale of resulting enterprises (see for example FCA-PSA merge). This is true especially in the Chinese market.¹²¹

Bargaining Power of Suppliers: In the car industry this refers to all the suppliers of parts, tires, components and electronics.¹²² The number of these suppliers in the automotive industry is significant compared to the buyers. So, the bargaining power of automotive parts and technology suppliers generally remains low. Moreover, the product that these suppliers provide are fairly standardised, less differentiated and have low switching costs. This makes it easier for buyers like Jeep to switch suppliers. Another factor contributing to the higher bargaining power of auto businesses against the suppliers is the size of the firm. Most suppliers or supply chain partners are smaller in size compared to companies such as FCA or Volkswagen and depend on large brands for business. All these factors together reduce the bargaining power of suppliers. Finally, to become a supply chain partner of a large group like FCA, a supplier must meet the quality and labour standards prescribed by the automobile brand.

Bargaining Power of Buyers: The bargaining power of customers in the automobile industry has grown a lot due to several factors. Apart from higher level of competition in the industry, other factors like growing control in the hands of the customers, changing taste of buyers as well as higher availability of information has led to consumers considering several factors before making their final purchase choice.¹²³ Businesses have grown their focus upon quality, aftersales service, marketing and customer relationship management. Moreover, the growth of digital technology has also led to brands investing in web-based marketing so that their products fit easily into customers' lifestyles.

There are several substitutes and higher availability of substitutes including ride sharing services which also led to higher bargaining power in the hands of the customers. Both Jeep and Alfa are part of FCA family and now, FCA has announced another merger with PSA. Growth in the number of brands has helped grow the product portfolio of FCA and reach more customer segments across the world. This also helps achieve higher scale, reduce operational costs and make the product portfolio more attractive for the customers. However, the size of individual purchases is still large and therefore matters for the company. Moreover, in case of fleet customers, the bargaining power can be even higher. Companies offer their fleet members exclusive deals and discounts as well as dedicated customer services plus access to better maintenance and service facilities. All these factors indicate that while the battle for market share among auto

¹²¹ <https://www.essay48.com/term-paper/13963-Jeep-Porter-Five-Forces>

¹²² <http://porters-5-forces.blogspot.com/2011/11/porters-5-forces-in-automobile-industry.html>

¹²³ <https://notesmatic.com/2019/11/a-porters-five-forces-analysis-of-fiat-chrysler-automobiles/>

brands continues to intensify, the bargaining power of customers will also grow, and companies will focus more on customer needs and preferences.

Threat of Substitute Products or Services: Threat of substitutes in the automobile industry comes from several sources including competing brands, competing services like ride sharing services or other sources of transportation including trains and planes. There are several competing brands in the market which make and sell similar products and services.¹²⁴

Product quality and technology are the primary differentiators in the automobile industry and help mitigate the threat from substitute brands.¹²⁵

The threat of substitutes also arises from ride-sharing services like Uber or car-sharing services like Car2Go. However, there are also some factors that mitigate the threat from substitutes. First, it is the product quality and the promise of a convenient and safe driving experience which controls the threat arising from substitute products and services. Owning a car offers an upgraded level of convenience. Still, the companies may invest in sharing platforms, like Mercedes does for example, in order to achieve a deeper market penetration. This could be potentially advantageous especially for Alfa Romeo. It is true though that both Alfa Romeo and Jeep maintained a strong brand image which also helps drive sales and maintain customer loyalty. Overall, the threat from substitute products and services remains quite moderate for Jeep and Alfa.¹²⁶

Rivalry Among Existing Firms: We know that in most countries all carmakers are engaged in fierce competition.¹²⁷ Margins are low and pressure between rivals is high. Intense competition in the industry has led to existing players growing their focus upon customer trends and local production in key markets to cut down on their production and overall operational costs. Rivalry has also led to higher uncertainty and growth in the use of several customer acquisition channels by auto firms. However, as mentioned previously, it also resulted in increased partnerships between OEMs to achieve higher scale and production efficiency. Moreover, with increased competition, the focus of research and development has shifted to reducing production costs with large scale and cost efficient manufacturing processes that grown in importance. Overall, competition in the automobile industry is a significant challenge for each player and one of the most significant factors affecting market share. The number of competitors in the industry in which Jeep and Alfa Romeo operate are very few, but these very few competitors have a large market share. This means that companies will engage in competitive actions to gain position and become market leaders. The industry is also known for its high fixed costs. This makes companies to push to full capacity and have to reduce their prices when demand

¹²⁴ <http://porters-5-forces.blogspot.com/2011/11/porters-5-forces-in-automobile-industry.html>

¹²⁵ <https://notesmatic.com/2019/11/a-porters-five-forces-analysis-of-fiat-chrysler-automobiles/>

¹²⁶ <https://www.essay48.com/term-paper/13963-Jeep-Porter-Five-Forces>

¹²⁷ <http://porters-5-forces.blogspot.com/2011/11/porters-5-forces-in-automobile-industry.html>

decreases. This is true also because of political reasons, since the production gives job to thousands of workers. Hence, often companies have to go overproduction. This means that companies have to cut down prices to ensure that its products sell.

Moreover, the exit barriers within the industry are particularly high due to high investment required in capital and assets to operate. The exit barriers are also high due to government regulations and restrictions. This makes firms within the industry reluctant to leave the business and continue to produce even at low profits. All these factors make the rivalry a strong force in this model. Nevertheless, there are some factors suggesting the opposite: the industry is growing every year and is expected to continue to do so for a few years ahead. A positive industry growth means that competitors are less likely to engage in competitive actions because they do not need to capture market share from each other. Moreover, the products are highly differentiated. As a result, it is difficult for competing brands to win the customers because of each of their products uniqueness.¹²⁸

3.2 Marketing Mix

The marketing mix refers to the set of actions or tactics that a company uses to promote its brand or product in the market.

The 4Ps make up a typical marketing mix - Price, Product, Promotion and Place:

- *Price*: refers to the value that is put for a product. It depends on costs of production, segment targeted, ability of the market to pay, supply - demand and a host of other direct and indirect factors. There can be several types of pricing strategies, each tied in with an overall business plan. Pricing can also be used as demarcation, to differentiate and enhance the image of a product.
- *Product*: refers to the item actually being sold. The product must deliver a minimum level of performance; otherwise even the best work on the other elements of the marketing mix won't do any good.
- *Place*: refers to the point of sale. In every industry, catching the eye of the consumer and making it easy for him to buy is the main aim of a good distribution or 'place' strategy. Retailers pay a premium for the right location. In fact, the mantra of a successful retail business is location.
- *Promotion*: this refers to all the activities undertaken to make the product or service known to the user and trade. This can include advertising, word of mouth, press reports, incentives, commissions and awards to the trade. It can also include consumer schemes, direct marketing, contests and prizes.

¹²⁸ <https://notesmatic.com/2019/11/a-porters-five-forces-analysis-of-fiat-chrysler-automobiles/>

3.2.1 Jeep Marketing Mix

Jeep is a global brand of SUVs which was founded in 1941. SUVs by Jeep sell across more than 140 countries. Jeep sold around 1.6 million vehicle units in 2018 and for the last five years it has been selling more than a million vehicles each year.

- *Product:* Jeep products are famous for design and off-road capabilities. Jeep sells its products under 2 segments: Small SUVs and Large SUVs. In each of these, there are two or more different models. All its products are sold under the brand name of Jeep.

The brand sells its products with a lot of variety available, which allows customers to select the product that best suits them. Moreover, it sells products that are highly differentiated, with various features offered to customers that competitors don't offer. Its products are therefore considered unique and with appeal and character and are perceived to be of higher quality than competition. Therefore, customers are willing to pay a higher price for them.

In order to make sure that its products are always available at retail stores, Jeep has internal systems installed where retailers can notify when their inventory levels are low¹²⁹. Jeep provides them with more products while ordering its productions to replenish its stock. This ensures that products are always available to customers when needed. Moreover, it is actively involved in researching market opportunities in order to understand customer needs. It also develops understanding regarding customer needs through feedback collected at store, its helpline or social media pages.

Nowadays the automobile industry is undergoing transition and the demand for electric cars is anticipated to increase. Considering the changing market and consumer dynamics, Jeep is also planning to add more electric and hybrid versions to its current line-up.

The proposed merger of FCA and PSA, once materialized, will give birth to the fourth largest automaker in the world and will grow the product mix of the current organization.¹³⁰

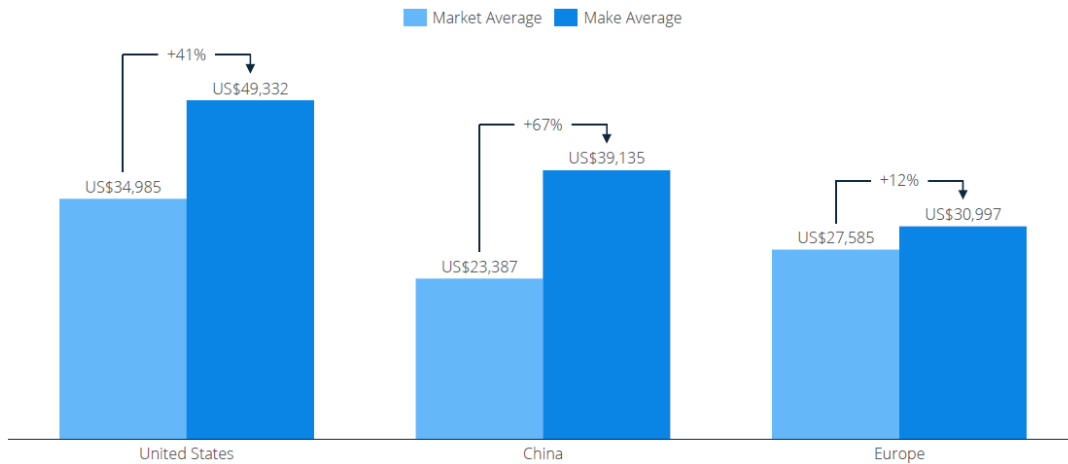
- *Price:* Jeep follows a competitive based pricing strategy. This is because the data on competitors is easily available due to a large number of competitors that exists within the industry. Jeep has a large range of SUVs, most of which are premium priced products. Hence, the company sells its products at a higher price than competitors, while offering better equipped products. In details, as we can see from Figure 48, Jeep models are 41% more expensive than average in the US, 12% in Europe and 67% in China¹³¹, and the price positioning can be considered super-premium. Jeep applies an optional product pricing strategy, where it offers a price for the base product and separate prices for the accessories and optional.

¹²⁹ <https://www.essay48.com/term-paper/13963-Jeep-Marketing-Mix>

¹³⁰ <https://notesmatic.com/2019/11/flat-chrysler-automobiles-marketing-mix/>

¹³¹ Source: Jeep report, Statista 2019, p. 17

Figure 48: Average passenger cars prices in 2018, compared with Jeep prices



Source: Jeep report, Statista, 2019, p. 17

- Place:* As Jeep is a subsidiary of FCA, its car production and distribution take place under the direct management and supervision of the group. It has a large sales and distribution network through which it sells its products in more than 135 countries around the world. The company produces cars in more than 102 manufacturing facilities located around the globe. Of the total manufacturing facilities of FCA, 27 are located in Italy, 13 in the rest of Europe, 26 in the US, 12 in Brazil, 9 in Mexico, 6 in Canada, 3 in Argentina and the rest in other nations.¹³²

Jeep sells its products through four marketing channels: Private, Pure fleet, Short term rental, Demo/km0. The first is where it sells directly to private customers; the second is where it sells to companies or institutional customers; short term indicates rental companies, while Demo/km0 are stocked cars, sold with highest discount. The company can sell directly to customers through company retailers or can sell to external retailers that sell to the final customer. Jeep has a network of over 500 suppliers that provide it with the raw materials needed for production.¹³³ It has developed a close working relationship with its suppliers allowing the company to work with them to innovate and introduce new and attractive features on its products. The company follows an intensive marketing strategy where it tries to include its products on as many retailers as possible. Jeep has also a well-developed online website with a substantial amount of traffic that is user-friendly and allows customers to view its products in high quality images taken from various angles. In order to run its online operations, Jeep has partnered with numerous delivery service providers in order to provide timely deliveries. It follows an omni-channel distribution system where it has integrated its online and offline stores to allow customers easy access to its products.

¹³² <https://notesmatic.com/2019/11/fiat-chrysler-automobiles-marketing-mix/>

¹³³ <https://www.essay48.com/term-paper/13963-Jeep-Marketing-Mix>

- *Promotions:* Jeep uses multiple media channels to promote its products. It uses traditional media, which includes an advertisement in television and radio. This is beneficial due to its large reach and ability to attract many people. It uses online and social media advertising, which is cheaper and beneficial due to the increasing usage of the internet. It advertises on various social media platforms with a focus on YouTube, Facebook and Twitter due to their high monthly usage. Moreover, the brand is also strong in its Below-the-Line activities, like for example participation in various trade exhibitions and events all year round. Finally, there is strong use of personal selling, with a large sales force to increase its presence in retail stores.¹³⁴
- *People:* Jeep sales team play a vital role in support of its marketing efforts. Salesmen are continuously trained in persuasive techniques, sales techniques as well as meeting customers' needs according to customer type and sales channels. Customer service department is a touchpoint, where Jeep's employees are contacted by customers in case of any issues, requests, questions.

3.2.2 Alfa Romeo Marketing Mix

Alfa Romeo was founded in 1910 in Milan. The brand symbolizes pure Italian creative excellence. It has four models in its current line-up: Giulietta, Giulia, Stelvio and 4C. The brand was absent from the racetrack for nearly thirty years and then returned to the racetrack in 2018. Although it struggled in the initial years after acquisition by Fiat, it was able to change the perception of the people with its new product offer and innovation. Alfa Romeo has contended successfully in Grand Prix, Formula One, Sportscar racing, tour car racing with participation both as constructor and a motor engine provider, through works sections and private entries. The triumphs have made it a world motorsport legend and has given a lively sporty picture to the entire brand.

- *Product:* Alfa Romeo has defined various customer sub-segments in its marketing portfolio such as experiential purists, everyday drivers and materialistic “show-offs”, for whom it has created its market strategies and products offering them value with a pure driving experience.

Alfa Romeo product portfolio includes Giulietta, a five-door small family car; 4C, a small two-seated sport car; Giulia, an executive car and Stelvio, Alfa Romeo's first SUV. Alfa Romeo Tonale, the next electric-powered C-SUV, will arrive in late 2020.

- *Price:* Alfa Romeo known for exclusivity and quality sports cars, charges premium prices for its models, priced even higher than its competitors such as BMW, Audi and Porsche. Its high price reflects its performance as well as the beauty which it offers in its products. Thus, Alfa Romeo follows a value-based pricing strategy. It offers price range starting from \$38000 for Giulia and \$68000 for 4C

¹³⁴ <https://www.essay48.com/term-paper/13963-Jeep-Marketing-Mix>

spider.¹³⁵ The optional line up is quite vast, and level of personalisation allows for modifications of engine features, seats, roofs, exhaust and interior, all at additional price. The brand further focuses on offering high quality products with a sporty image at a premium price.

- *Place:* As Alfa Romeo is a subsidiary of FCA, its car production and distribution take place under the direct management and supervision of the group. It has a presence in 52 countries in Europe, Asia, America, Africa and Oceania such as Canada, Mexico, US, Japan, Middle East, Australia etc.¹³⁶ The cars are sold exclusively through dealerships in these countries. Since Maserati is also a subsidiary of FCA, Alfa Romeo was able to gain access to its dealership for expedited distribution to gain a considerable market share in United States after its relaunch. Furthermore, Alfa Romeo lifestyle clothing and accessories can be bought through the dealership or the online website. It also holds frequent test drive events to give its target audience an adequate driving experience.
- *Promotion:* Alfa Romeo has positioned itself in a niche market, where the investments in advertising and sponsoring are crucial. Alfa Romeo sponsors a number of sporting events currently, such as: the “Mille Miglia” rally, SBK Superbike World Championship and Ducati Corse, as well as car-shows across the world. Alfa Romeo has also been promoted through motorsports shows such as Top Gear. The communication is focused always on the quality and Italian design roots. And the media channels choice lays mainly on selective print media advertising, TV advertisements, in-store channels and a dedicated YouTube channel.¹³⁷

3.3 Product Life Cycle analysis

The product life cycle has 4 very clearly defined stages, each with its own characteristics:

1. *Introduction Stage:* This stage of the cycle could be the most expensive for a company launching a new product. The size of the market for the product is small, which means sales are low, although they will be increasing. On the other hand, the cost of research and development, consumer testing, and the marketing needed to launch the product can be very high, especially in competitive sectors.
2. *Growth Stage:* The growth stage is typically characterized by a strong growth in sales and profits, and because the company can start to benefit from economies of scale in production, the profit margins, as well as the overall amount of profit, will increase. This makes it possible for businesses to invest more money in the promotional activity to maximize the potential of this growth stage.
3. *Maturity Stage:* During the maturity stage, the product is established and the aim for the manufacturer is now to maintain the market share they have built up. This is probably the most competitive time for

¹³⁵ <https://www.mbaskool.com/marketing-mix/products/17338-alfa-romeo.html>

¹³⁶ Source: FCA annual report 2018

¹³⁷ <https://www.mbaskool.com/marketing-mix/products/17338-alfa-romeo.html>

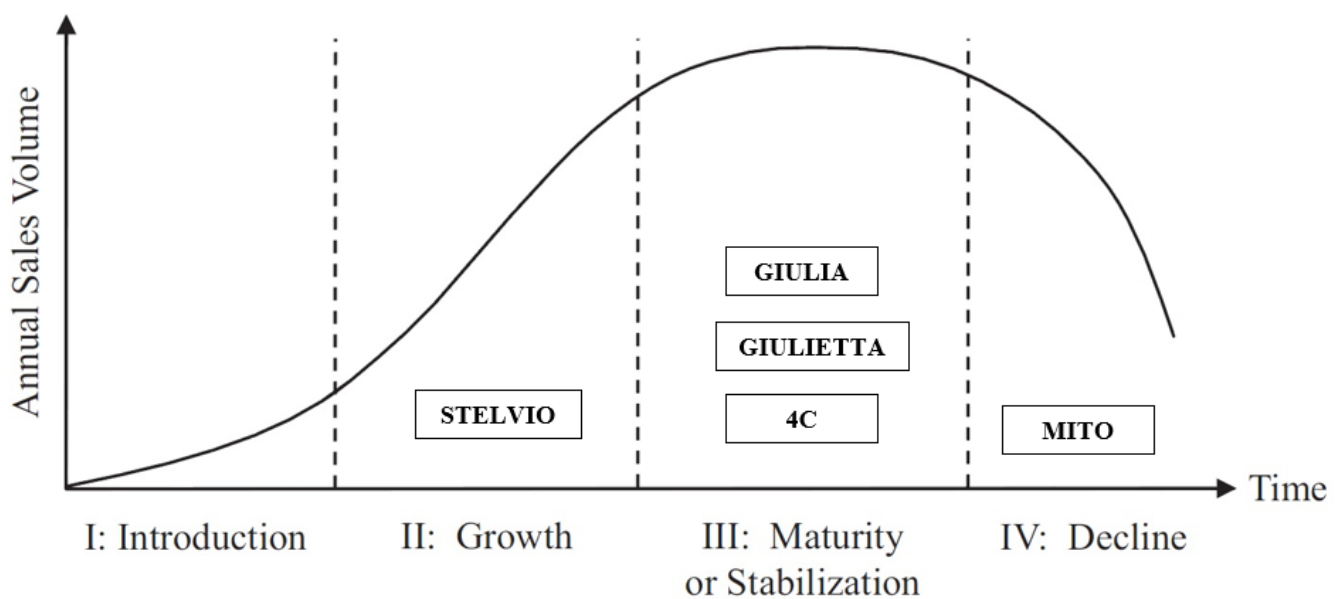
most products and businesses, which means they need to invest wisely in any marketing activities they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage.

4. *Decline Stage:* Eventually, the market for a product will start to shrink, and this is what's known as the decline stage. This shrinkage could be due to the market becoming saturated (for example, when all potential customers have already purchased it), or because the consumers are switching to a different type of product. While this decline may be inevitable, it may still be possible for companies to make some profit by switching to less-expensive production methods and cheaper markets.

A vehicle is a complex and innovative product. Its development - from design to production logistics - takes up to 5 years. Its product cycle, or the time it is kept in production, comprises up to 6 years. Vehicle and engine adjustments are hugely complicated and capital-intensive operations. Manufacturers and their suppliers plan and allocate production capacity well ahead to accommodate production and renewal of their car portfolio. To be able to adjust automobiles to new legal requirements, the car industry needs sufficient lead time-ahead. During the development phase, changes to a prototype are limited to implementation of readily available new technologies within the technical and economic constraints of the car's concept. The possibilities for change become more limited in the execution phase. During the typical production life of a car, investments in capital and innovations need to be recovered. Modifications are only opportune in case of relatively minor requirements, such as software changes.

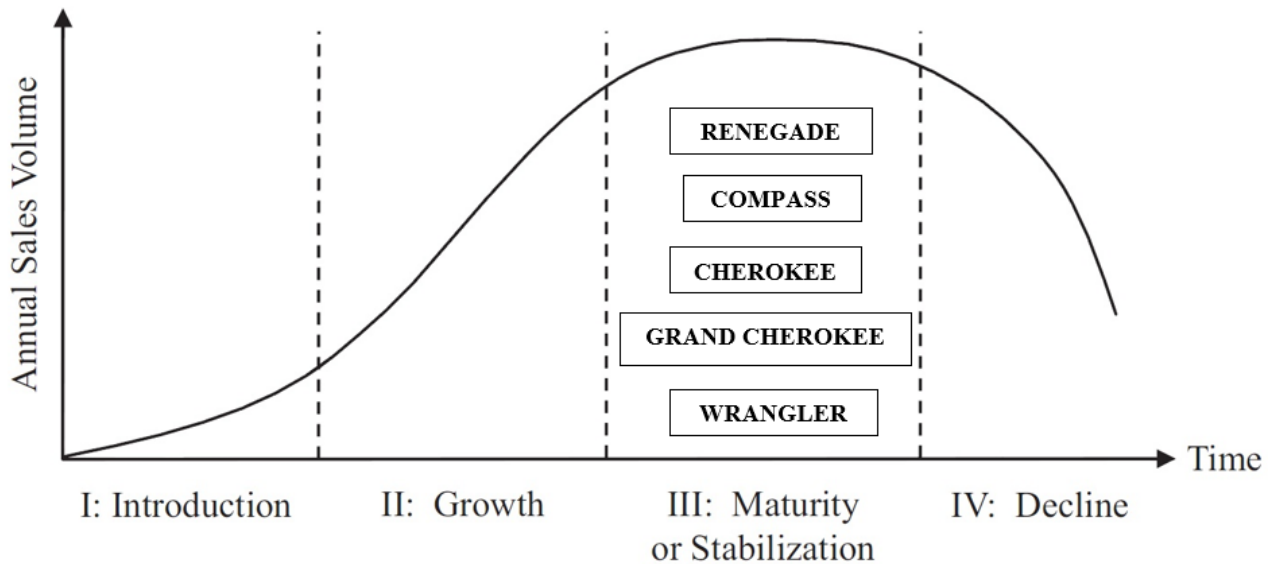
In Figure 49 and Figure 50 are showed product portfolio life cycles for both Alfa Romeo and Jeep models, which will help to formulate a strategy for both brands:

Figure 49: Alfa Romeo Product Life Cycle



Source: Personal elaboration over secondary data

Figure 50: Jeep Product Life Cycle



Personal elaboration over secondary data

Source:

From the model analysis and individual evaluation, it is reasonable to state that both Alfa Romeo and Jeep are in maturity state of the lifecycle, except Stelvio which is placed in growth phase.

3.4 SWOT analysis

A SWOT analysis is a framework that is used to analyse a company's competitive positioning in its business environment. This tool, as said in Chapter 1, will be used in order to study Jeep's and Alfa Romeo's internal Strengths, Weaknesses, Opportunities and Threats.

For a SWOT analysis to be conducted, an interactive process needs to be undertaken by coordinating among all the departments of the firm such as finance, marketing, operations, human resource, logistics, strategic planning, management information systems.

A SWOT matrix is a 2x2 matrix that has the internal strategic factors listed in the first row, Strengths and Weaknesses. It has the external strategic factors listed in the second row; Opportunities and Threats. The SWOT analysis matrix helps in the development of 4 types of strategies, which are the following:

- *Strengths-Opportunities Strategies:* This involves using internal strengths to take advantage of opportunities.
- *Weaknesses-Opportunities Strategies:* This involves improving on the company's weaknesses by making use of the opportunities.
- *Strengths-Threats Strategies:* This involves the using of strengths to minimize the weaknesses.
- *Weaknesses-Threats Strategies:* This involves the elimination of weaknesses to combat the threats.

Hence, the main objective of the SWOT analysis is to help in identifying the strategies that can be used by the company to build on its strengths, eliminate its weaknesses while making the most of opportunities and countering threats.

3.4.1 Jeep SWOT analysis

In Figure 51 is developed a SWOT analysis for Jeep brand:

Figure 51: Jeep SWOT analysis

<p>STRENGTHS</p> <ol style="list-style-type: none"> 1. Cost structure & distribution 2. Skilled and diversified workforce 3. Social media & website 4. Product portfolio 5. IT system 6. Brand image & awareness 7. Design & off-road capabilities 	<p>WEAKNESSES</p> <ol style="list-style-type: none"> 1. R&D 2. High product inventory 3. Rented property costs and cash flow problems 4. Market Research 5. High employee turnover rates 6. Products have different Market Share 7. Same design over the years 8. Vehicle recalls
<p>OPPORTUNITIES</p> <ol style="list-style-type: none"> 1. Internet, E-commerce and Social Media 2. Technological developments 3. Increase in income and governments subsidies 4. Autonomous technology 5. Electric and hybrid vehicles 6. Expansion into growing markets 7. Grow brand communities & target groups 	<p>THREATS</p> <ol style="list-style-type: none"> 1. Competitive challenges 2. Change in consumer tastes 3. Regulations on emissions and international trade 4. Rise in prices of fuel 5. Electric vehicles

Source: Personal elaboration over literature

STRENGTHS:

1. *Cost structure and distribution:* Jeep has a large number of outlets in almost every state, supported by a strong distribution network that makes sure that its products are available easily to a large number of

customers in short time.¹³⁸ Moreover it has a strong financial position with consecutive profits in the past 5 years, along with accumulated profit reserves that can be used to finance future capital expenditures. Moreover, it has a large asset base, which provides it with better solvency. Jeep has also been successfully able to generate positive returns on the capital expenditure it has incurred on various projects in the past. Jeep's low-cost structure helps it produce at a low cost and sell its products at a low price, making it affordable for its customers.¹³⁹

2. *Skilled and diversified workforce*: Jeep has invested extensively in the training of its employees that has resulted in employing a large number of skilled and motivated employees. It also has a diversified workforce, with people of many geographical, racial, cultural and educational backgrounds that helped the company bringing in diverse ideas and methodologies of doing things.
3. *Social Media & website*: Jeep has a strong presence on social media with millions of followers on the three most famous social media platforms: Facebook, Twitter and Instagram. Jeep has also a well-functioning and interactive website that draws a large number of internet traffic and sales.
4. *Product Portfolio*: Jeep has a large product portfolio where it provides products in a large range of categories. Especially for SUV category, where for small SUVs the brand is present with Cherokee, Compass, Renegade and the iconic Wrangler, while for Large SUVs with its Grand Cherokee model.
5. Jeep, and FCA in general, has a *well-established IT system* that ensures efficiency in its internal and external operations.
6. *Brand image & awareness*: Jeep is a brand that has been in the market for decades. This makes its brand awareness and brand reputation high. As a consequence, the image of Jeep is very strong, and it has built a good reputation and word of mouth in the consumers' minds over the years. As the Jeep brand continues to expand and evolve globally, one element remains constant: the strong experiential connection that the Jeep brand and its customers have always enjoyed. The brand has always grown its strong community with many dedicated events over the years and currently more than 100 Jeep clubs around the world which organize activities for Jeep brand enthusiasts to enjoy their vehicles while respectfully exploring nature. One good example of the type of lifestyle activities that Jeep owners can enjoy is the annual European Camp Jeep gathering held in Austria. This year's event shattered all previous records, with more than 1,200 Jeep brand enthusiasts from almost 20 European countries (including Italy, Germany, France, Spain, the UK, Austria, Belgium, the Czech Republic, Switzerland, Holland, Poland, Hungary, Slovenia, Slovakia, Lithuania and Romania) coming together to celebrate their passion for the Jeep brand. The event drew together

¹³⁸ <https://www.essay48.com/term-paper/13963-Jeep-Swot-Analysis>

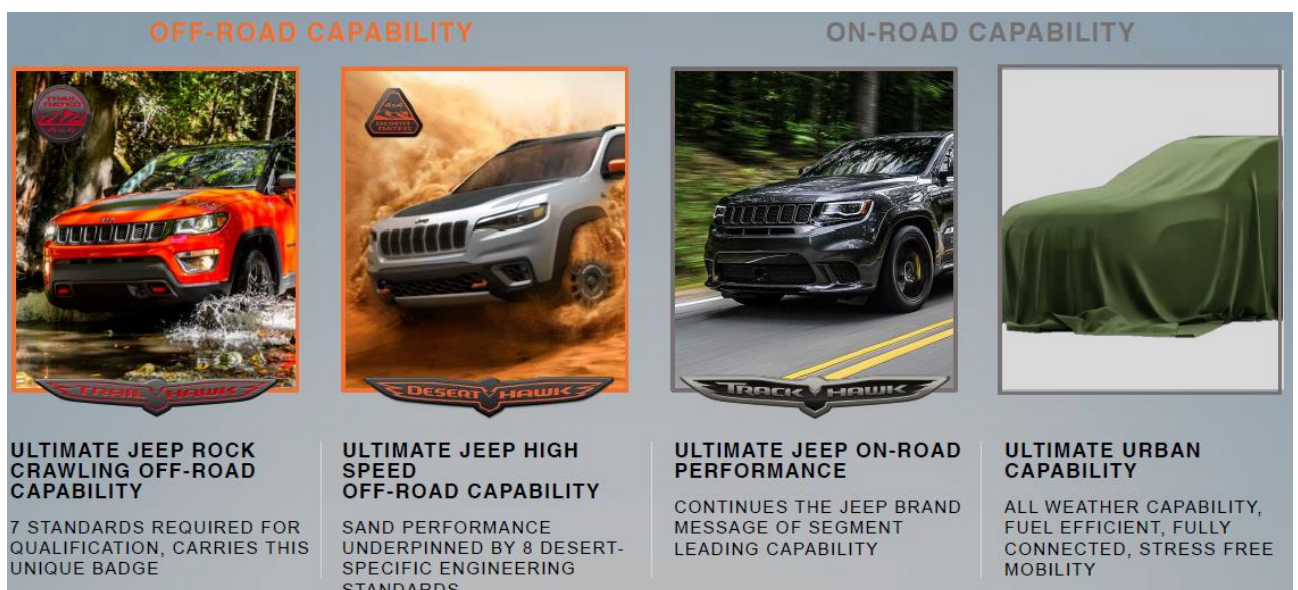
¹³⁹ <https://www.essay48.com/term-paper/13963-Jeep-Swot-Analysis>

more than 600 Jeep vehicles, giving the opportunity to drive on specially designed on and off-road courses together with Jeep Academy drivers.¹⁴⁰

7. *Design & towing and off-road capabilities:* Jeep is associated with ruggedness and reliability. The design of the vehicles speaks fully through the brand. Jeep’s frontal grid, with unique shape which is recognised by everyone.

Moreover, Jeep vehicles have been established for excellent towing capabilities, 4×4 and all-wheel drive performances. In Figure 52 we see an example of four Jeep models, and their qualities both off- and on-road, with special model trims like “Trailhawk” and “DesertHawk”. In addition, with the “Trackhawk” trim, Jeep model have strong on-road capabilities that allows people to tow and carry almost everything with their Jeep car.

Figure 52: Jeep off-road and on-road capabilities



Source: Jeep strategy 2018-2023, p. 13

WEAKNESSES:

1. *R&D:* Jeep is spending way less than a few players within the industry that have had a significant advantage as a result of their innovative products.
2. *High product inventory:* The purchase and sales process are much longer than the industry average, meaning that Jeep builds up on inventory adding unnecessary costs to the business. Moreover, in last years, FCA issued a recall for 210,000 vehicles across several markets due to brake performance issues.

¹⁴⁰ https://www.fcagroup.com/stories/emea/en-us/Pages/2018_camp_jeeep.aspx

Moreover, about 50,000 Jeep Cherokees were recalled in May for fire risk. FCA's high recall rate also landed four of its products on a top-ten list of the most-recalled car models in May.¹⁴¹

3. *Rented property costs and cash flow:* a significant proportion of the property that Jeep owns is rented rather than purchased, impacting the cost structure of the brand. Moreover, lack of proper financial planning leads to cash flow issues, and necessary loans which lead to a negative trading profit statement.
4. *Market Research:* Jeep has not conducted market research over past 2 years. As a result, it is making decisions based on 2 years old data, while trends and customer needs may have evolved over time.¹⁴²
5. *High employee turnover rates:* Although Jeep has skilled and diversified workforce, the company is facing problems with a higher employee turnover rate compared to competitors. This means that it has more people leaving the job, and as a result, is spending more on training and development as employees keep leaving and joining on regular base. Moreover, more and more qualified employees have been leaving the organisation in recent years, which could mean a shortage of good talent for the company in the upcoming years.
6. *A few products have a high market share, while most of the products have a low market share.* This dependence on a few products only, makes Jeep vulnerable to external threats, in case the performance of any starts to decrease significantly.
7. *Same design over the years:* Yes, people recognize Jeep from its design that is considered an icon in the sector. However Jeep is using its design for a long time and this may build a negative perception of low innovation.

OPPORTUNITIES:

1. *Internet, E-commerce and Social Media:* there has been an increase in the number of internet users all over the world. This means that there is an opportunity for Jeep to expand their presence online; using internet to interact with its customers. What is more, there has been a new trend and a growth in sales of the e-commerce industry. This means that numerous people are now making purchases online. Jeep can earn revenue by opening online stores and leveraging on digital sales. Finally, there has been an increase in the number of social media users worldwide. The three social media platforms; Facebook, Twitter and Instagram, have shown the greatest number of increases in monthly active users. Jeep can use its already well-developed social media accounts to promote its products, interact with customers and collect feedback from them.

¹⁴¹ <https://www.thedrive.com/news/23090/fca-recalls-210000-vehicles-from-around-the-globe-due-to-brake-performance>

¹⁴² <https://www.marketing91.com/swot-analysis-jeep/>

2. *Technological developments*: technology comes with numerous benefits among many business areas. Operations can be automated to reduce costs. Technology enables higher customer data quality, which then allows for improvement of marketing efforts and sales offers.¹⁴³

As mentioned previously, the company is largely dependent on its historical design and brand name. It also has a gap in terms of R&D expenses compared to competitors, which should be a right motivation to look for technological advancements, in-house or through partnership, to raise the value proposition of the brand.

3. *Increase in average income and governments subsidies*: In recent years, after the financial and consumption crisis of early '90s, there has been an increase in average household income along with an increase in consumer spending following the recession. This will result in growth in Jeep's target market with new customers that can be more easily attracted. The growth in consumer spending in the economy is likely to increase consumption for Jeep's products. Moreover, governments are announcing subsidies on the sale of environmentally friendly goods in this sector. Jeep can focus on these environmentally friendly products and make use of this opportunity.¹⁴⁴

4. *Autonomous technology*: technological developments are continuously evolving, the way we live and imagine products and services, provide companies with a number of opportunities to catch in order to achieve success. Autonomously driving cars are an example of these opportunities. A self-driving car, also known as an autonomous vehicle (AV), connected and autonomous vehicle (CAV), driverless car, robot-car, or robotic car, is a vehicle that is capable of sensing its environment and moving safely with little or no human input.¹⁴⁵ Self-driving cars combine a variety of sensors to perceive their surroundings, such as radar, lidar, sonar, GPS, odometry and inertial measurement units.

Advanced control systems interpret sensory information to identify appropriate navigation paths, as well as obstacles and relevant signage. These technologies will allow manufacturers to gain access to an all new kind of possibilities in terms of business and Jeep, as much as it is a long term reality, should definitely take part in this trend.

5. *Electric and hybrid vehicles*: The demand for electric and hybrid vehicles is rising due to stringent emission regulation standards and the growing demand for low or zero-emission vehicles.¹⁴⁶ In addition, governments of various countries provide subsidies and tax rebates for hybrid vehicles. In particular the trend is growing towards PHEVs and Natural Gas Vehicles (NGVs). Hybrid vehicles are more fuel efficient than gasoline and diesel vehicles and can reduce fuel consumption and CO2

¹⁴³ <https://notesmatic.com/2018/12/fiat-chrysler-automobiles-fca-swot-analysis/>

¹⁴⁴ <https://www.marketing91.com/swot-analysis-jeep/>

¹⁴⁵ Source: Wikipedia

¹⁴⁶ <https://notesmatic.com/2018/12/fiat-chrysler-automobiles-fca-swot-analysis/>

emissions by up to 35%, equivalent to more than 50% increase in fuel economy.¹⁴⁷ Hybrid vehicle manufacturers such as Toyota, Audi, Hyundai, Kia, and Nissan are developing fuel-efficient hybrid cars to cope with rising emission standards. Jeep will join them with the launch of Plug-in Hybrids in 2020.

6. *Expansion into growing markets:* trade barriers have been reduced on the import of goods, which reduces the costs incurred for production. Moreover, increased globalisation does not limit Jeep to one market, but allow for extending its operations to other countries, entering into world most growing economies and leverage on global opportunities.

One example of fastest growing markets is China. With \$203.7bn and a 37,9% MS¹⁴⁸, Small SUV segment is by far the biggest segment in the industry, but Jeep, with its 0,9% MS¹⁴⁹, is making few gains from that. The latest results indicate that all locally made Jeeps posted big sales declines. In July, Jeep total sales fell by 29% to only 9.200 units, which is definitely higher than the market's average fall of 5%. Despite the launch of the Grand Commander, which sales counted for 22% of total Jeep sales in July, the brand was negatively affected by lower demand of the locally made Cherokee (-58%), Compass (-37%) and Renegade (-43%).¹⁵⁰

But why is Jeep struggling? Increasing competition is certainly one of the reasons: when Jeep officially started to produce its models in China, there were 67 SUV brands and 167 SUV models available. By June this year, there were 81 brands and 256 different models. Most of the growth came from the Chinese brands, which realized that the best way to gain traction is through development of SUVs. At the same time, the SUV segments have posted lower growth rates during the last 12 months. With sales growing by 8,7% in first half of 2018, compared to the 13,5% increase posted in first half of 2017 vs first half of 2016.

Another reason is Jeep's reputation of its off-road capabilities. Most of the consumers in China are located in big cities and do not require big off-road capabilities. Hence, most of the consumers show preference towards crossovers or city SUVs, off-road Jeep capabilities as its main KPI are not fitting to the market reality. Although Jeep's mainstream models such as Compass and Renegade are closer to a car than to an off-road vehicle, both features too aggressive design for Chinese consumer's tastes. For this reason, the development of local dedicated models for China would be the most profitable way going forward.

7. *Growth of brand communities & target groups:* the strong history of Jeep brand provides a respectful park of loyal customers. It is fundamental though to explore new target customers, with new

¹⁴⁷ International Council on Clean Transportation (ICCT)

¹⁴⁸ Source: Statista

¹⁴⁹ Source: Statista Mobility Market Outlook 2019





¹⁵⁰ <https://fiatgroupworld.com/2018/09/03/3-reasons-why-jeep-struggles-in-china/>

generations evolving in preferences, in ways of commuting, ways of spending free time. Jeep should be looking forward to having a right mix of product portfolio, to tackle the millennial generation, growing fast year over year, and explore its evolving preferences , especially around outdoor activities like traveling, hiking, sports. This is very important for a versatile brand like Jeep to not to miss this segment of customers in the upcoming years.

THREATS:

1. *Competitive challenges:* competition is growing over last years, and as we see from Figure 53, the forecast shows this trend will continue. Customers, through multiple media channels, are overwhelmed with messages.¹⁵¹ Moreover, there are more and more new technological developments by competitors within the industry, that are far more ahead regarding alternative fuelled vehicles, to give an example.¹⁵² All these competitive challenges reduce the effectiveness of marketing investments by Jeep and pose a threat as customers are attracted to new technologies, decreasing Jeep’s overall market share.

Figure 53: 2018-2022 number of competitive products

BY SEGMENT			BY REGION		
E/F UV	105 ~ 119	(+13%)	 NAFTA	130 ~ 185	(+42%)
D UV	143 ~ 187	(+31%)	 APAC	440 ~ 550	(+25%)
C UV	156 ~ 212	(+36%)	 EMEA	200 ~ 285	(+43%)
A/B UV	121 ~ 147	(+21%)	 LATAM	120 ~ 145	(+21%)

Source: Jeep strategy 2018-2023, p. 7

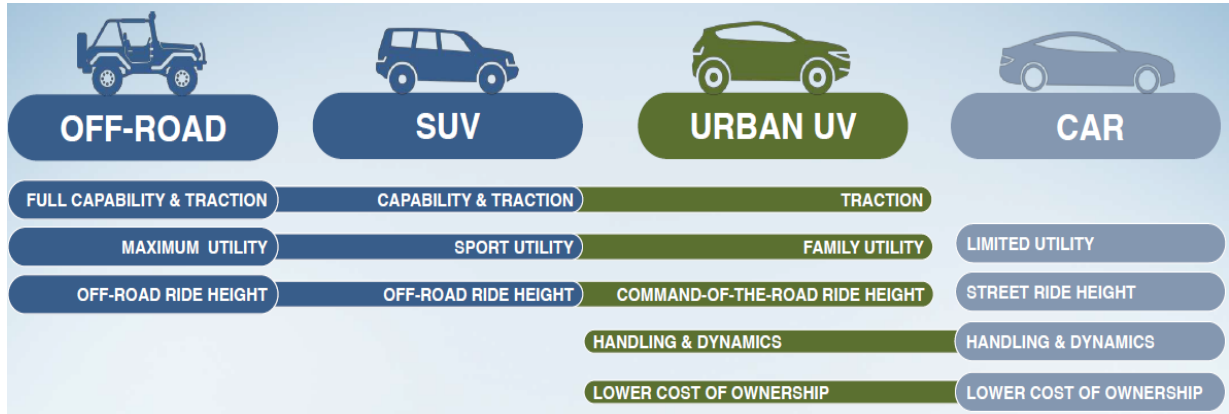
2. *Change in consumer tastes:* apart from the globally changing preferences of consumers, which ask for more style, efficiency and safety, a relevant focus is put also on innovation. The next-gen customers want stylish cars, that are technologically efficient, low on fuel emissions and come with an affordable price tag. The rise of the middle class is also affecting demand patterns and how brands have marketed their products. Challenges have continued to grow day by day and apart from technological factors, there are

¹⁵¹ <https://notesmatic.com/2018/12/fiat-chrysler-automobiles-fca-swot-analysis/>

¹⁵² <https://www.marketing91.com/swot-analysis-jeep/>

economic factors affecting these trends. This puts pressure on companies to constantly change their products to meet the needs of the core end users. For example, as we can see from Figure 54, there is a growing interest for urban utility vehicles, which mix characteristics from both SUV and Car segments. Jeep should hence invest in development of models with similar segment synergies.

Figure 54: Rise of the urban UV market dynamics is changing product priorities



Source: Jeep strategy 2018-2023, p. 8

3. *Regulations on international trade:* regulations keep changing, and this requires compliance by companies that operate globally. Moreover, climate change conditions are making difficult for countries to carry on with the traditional fuel powertrains, which encounter more and more limitations and usage bans at international level.¹⁵³ This is another area of threat not only for Jeep but other similar brands as well. Each automobile manufacturer must meet a specific sales-weighted fleet average target for CO2 emissions as related to vehicle weight. That is, in order to promote the sale of ultra-efficient vehicles, and automobile manufacturers, that sell vehicles emitting less than 50 grams of CO2 per km, earn additional CO2 credits from 2020 to 2022. In December 2018, the European Institutions agreed on new CO2 emissions targets starting from 2025 and 2030: 15% reduction from 2021 levels in 2025 (both passenger cars and LCV) and a 37.5% reduction for passenger cars in 2030 from 2021 levels.¹⁵⁴
4. *The rise in prices of fuel* has increased in the input costs for Jeep. These costs have also increased as other industries that provide inputs for this company also have suffered from increasing fuel prices, thereby charging more.¹⁵⁵ The increase of fuel prices and maintenance are constant, which is why consumers are shifting towards cheaper mobility options like gas, use of cabs, electric, etc. Jeep must take it in consideration while setting up its short and mid-term strategies.¹⁵⁶

¹⁵³ <https://notesmatic.com/2018/12/fiat-chrysler-automobiles-fca-swot-analysis/>

¹⁵⁴ Source: FCA report 2018 p. 40-41

¹⁵⁵ <https://notesmatic.com/2018/12/fiat-chrysler-automobiles-fca-swot-analysis/>

¹⁵⁶ <https://www.marketing91.com/swot-analysis-jeep/>

5. *Electric vehicles*: although electric vehicles represent a great opportunity for many businesses and for different reasons, the entrance and efficiency of these new engines in the automobile industry has become a looming threat to every car brand in the world, including-Jeep.

3.4.3 Alfa Romeo SWOT analysis

Figure 55: SWOT analysis of Alfa Romeo

<p style="text-align: center;">STRENGTHS</p> <ol style="list-style-type: none"> 1. Design 2. Best engines and performances 3. Brand Image & communities 4. Racing history 5. Premium characteristics 6. IT systems 	<p style="text-align: center;">WEAKNESSES</p> <ol style="list-style-type: none"> 1. Lack of presence in many markets 2. Declining market share in key markets 3. Poor distribution channels and service centres 4. Small portfolio 5. Cost control 6. Pricing 7. Unable to maintain to its image
<p style="text-align: center;">OPPORTUNITIES</p> <ol style="list-style-type: none"> 1. Expand into growing markets 2. Autonomous technology 3. Electric and hybrid vehicles 4. Digital Marketing 5. Change in trends 6. Governments subsidies 7. Grow brand communities & target groups 	<p style="text-align: center;">THREATS</p> <ol style="list-style-type: none"> 1. Increasing fuel costs 2. Competitive challenges 3. Regulatory challenges 4. High cost of technology 5. Electric vehicles

Source: Personal elaboration over literature

STRENGHTS

1. *Design*: Alfa Romeo has always designed cars which were unique in their styling, form, and substance. Alfa Romeo models have often been described as sleek, reliable, visceral and racy. The company has always carried on the idea of the Italian styled car, with best performances.
2. *Best engines and performances*: Alfa Romeo cars have powerful engines. The new cars have the turbocharged V-6 engine with 6 cylinders each. The engine is also characterized by the distinctive roaring sound, which became a symbol of the brand. In 2018 the German car magazine “Auto Zeitung” has named the Alfa Romeo Stelvio Quadrifoglio ‘SUV of the Year 2018’. The competition was restricted to the most powerful SUV models of eleven brands. The Alfa Romeo Stelvio Quadrifoglio succeeded in comparison with strongest rivals winning thanks to its handling and dynamic driving. Characterized by its symbol “Quadrifoglio” (four-leaf clover in English) the Alfa Romeo Stelvio Quadrifoglio is a high-performance SUV which doesn’t fit into any conventional categories, finding itself in a league of its own. The 510

horsepower 2.9 V6 bi-turbo engine can reach a top speed of 283 km/h and the Stelvio can accelerate from 0 to 100 km/h in 3.8 seconds.¹⁵⁷

Figure 56: Stelvio and Giulia records on the Nürburgring circuit



Source: Alfa Romeo Strategy 2018-2023, p. 21

Moreover, as mentioned in previous chapter, in 2017 the Stelvio Quadrifoglio set a lap time of 7:51.7 at the famous Nürburgring in Germany representing a record for a-SUV.¹⁵⁸ In Figure 56 we see how brand promotes on its website the results of both Stelvio Quadrifoglio and Giulia Quadrifoglio models.

3. *Brand image and communities:* during the year Alfa has achieved great results in growing a strong brand community. Every year the company organizes many different events in order to meet “Alfisti” (the name of loyal and enthusiastic Alfa customers) requirements. Moreover, in order to further grow its historical image, the company has opened an Alfa Museum in Italy¹⁵⁹ and in Germany.

Racing History: In Figure 57 are listed the company historical successes: beginning with the 2018 Formula One World Championship season, Alfa Romeo returned as a key player in the world of racing, which has long been an integral part of the brand’s DNA.¹⁶⁰ Alfa Romeo has a rich history of racing from the year 1911 and it won numerous awards and trophies. Alfa Romeo cars have won trophies in Le Mans, Formula

¹⁵⁷ https://www.fcagroup.com/stories/emea/en-us/Pages/Alfa_Romeo_Stelvio_Quadrifoglio_SUV_Year_2018.aspx

¹⁵⁸ https://www.fcagroup.com/en-us/brands/pages/alfa_romeo.aspx?sct=interesting-facts

¹⁵⁹ <https://www.facebook.com/museoalfaromeo/>

¹⁶⁰ https://www.fcagroup.com/stories/emea/en-us/Pages/news_alfa_romeo.aspx

1, the Mille Miglia, and the European Touring Car Championship, which supported the brand engineers in designing high-performance cars.

Figure 57: Alfa Romeo racing history



Source: Alfa Romeo strategy 2018-2023, p. 5

4. *Premium characteristics*: Alfa Romeo makes feature premium characteristic cars. For example, Giulia has balanced weight distribution, the body made of carbon fibre and aluminium, an engine of 510-horsepower and a sub-4-second Quadrifoglio which guarantees both style and performance.¹⁶¹
5. *IT systems*: As much true for Jeep, it is also true for Alfa Romeo, being both part of FCA family: the company has a well-established IT system that ensures efficiency in its internal and external operations.¹⁶²

WEAKNESSES

1. *Lack of presence in many markets*:¹⁶³ Thanks to the new arrivals of Giulia and Stelvio, Alfa Romeo was able to increase its global sales by 60% in 2017 and for the first time in 6 years, volumes exceeded 100.000 units. Unfortunately, after only two years from the presentation of Stelvio, Alfa Romeo is now facing uncertain times again due to the lack of new products. Despite positive percentages growth from previous year, brand sells low overall volumes. In particular, Figure 58 illustrates that Europe is the

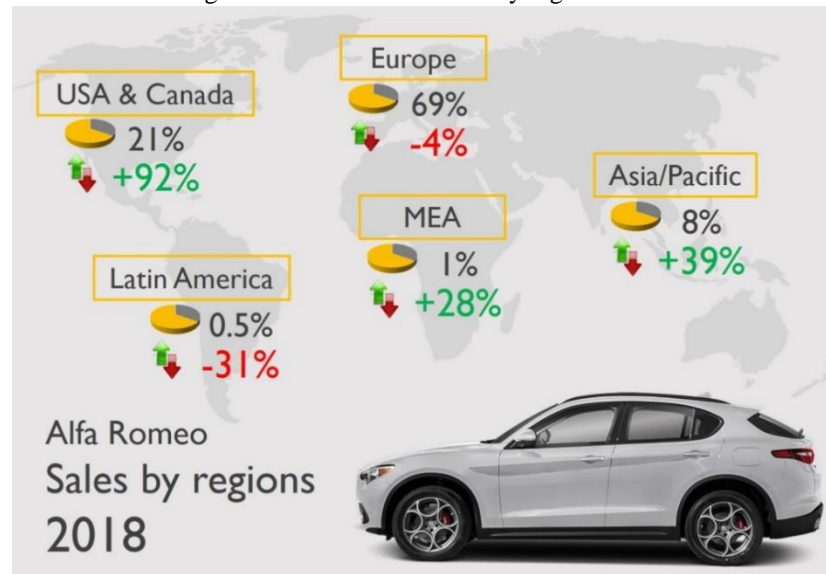
¹⁶¹ <https://www.marketing91.com/swot-analysis-of-alfa-romeo/>

¹⁶² <https://notesmatic.com/2018/12/fiat-chrysler-automobiles-fca-swot-analysis/>

¹⁶³ <https://www.mbaskool.com/brandguide/automobiles/4900-alfa-romeo.html>

biggest market with 69% of sales, followed by the more profitable US market that holds 21% and Asian markets, the most profitable nowadays, with only 8%.¹⁶⁴

Figure 58: Alfa Romeo sales by regions 2018



Source: Fiatgroupworld.com

2. *Declining Market Share in key markets:* From Figure 59, we can notice, despite the good results in US market, a decline in Italian and German markets, two of most important in Europe, and a decrease of 5% market share in Chinese market. The volume sold during the first two months of this year has tumbled by 46%, 22%, 26% and 61% in Italy, USA, Germany and France respectively. Even though Stelvio had a slow start as its registrations fell by 18% in Italy, 14% in Germany, and 48% in France through February¹⁶⁵, it gained weight within the brand, counting for 39% of total Alfa Romeo volumes. Its sales increased by 112% with USA almost becoming its largest market, only 755 units behind Italy. These results confirm once again that SUVs drive the growth.

¹⁶⁴ <https://fiatgroupworld.com/2019/03/18/alfa-romeo-is-the-rinascimento-over-global-sales-2018-analysis/>

¹⁶⁵ <https://fiatgroupworld.com/2019/03/18/alfa-romeo-is-the-rinascimento-over-global-sales-2018-analysis/>

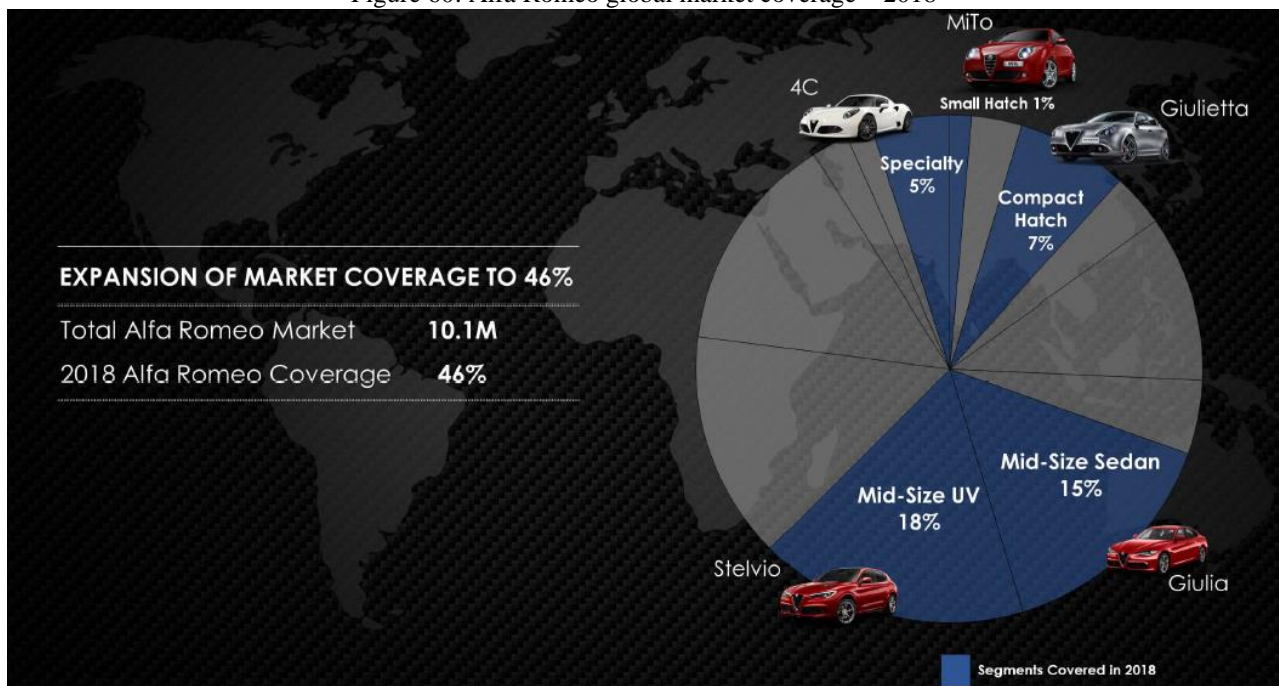
Figure 59: Alfa Romeo Global sales Top10 markets 2018



Source: Fiatgroupworld.com

3. *Poor distribution channels and service centres:* Alfa Romeo faced numerous issues in managing its distribution channel, as well as in customer service, where the overall dealer and customers satisfaction went down dramatically.¹⁶⁶
4. *Small portfolio:* Alfa Romeo product portfolio is present in mid-size sedans segment with Giulia and mid-size Utility Vehicle with Stelvio.

Figure 60: Alfa Romeo global market coverage – 2018



Source: Alfa Romeo strategy 2018-2023, p. 31

¹⁶⁶ <https://www.mbaskool.com/brandguide/automobiles/4900-alfa-romeo.html>

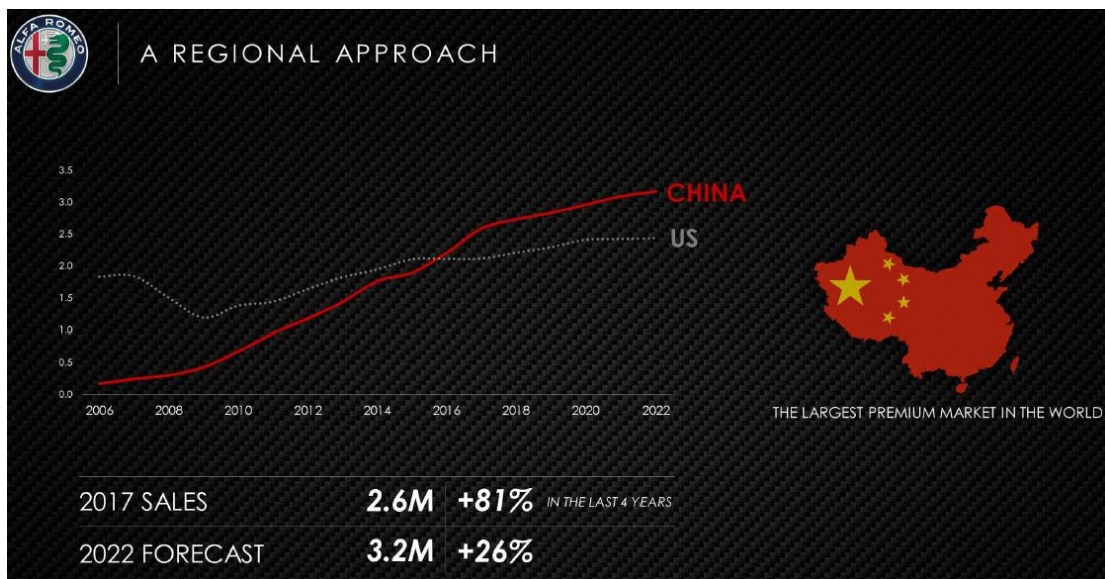
This can be seen also in Figure 60: the actual market coverage is 46%, with big gaps in important segment such as C-SUVs. The demand for the Giulietta, Mito and 4C fell by 20% counting for 33% of the brand's total volumes. As the company delays the new generation of Giulietta, Alfa Romeo is likely to have a short range of products once again. The Alfa Romeo Tonale confirmed only recently to be launched in the upcoming future, but not before the second half of 2020, leaves Alfa Romeo with model portfolio in a dramatic need for growth.

5. *Cost control:* Alfa Romeo has always been focused on maintaining consistency in all its designs, while spending exorbitantly both in material and research, as well as high investments in advertising and promotion.¹⁶⁷
6. *Pricing:* Alfa Romeo was extremely conscious about the quality in each aspect of its design and invested hugely in integrating the right designers for each of the parts, resulting in a necessity to build high price positioning. The premium positioning though together with low demand for the cars, are definitely one of the biggest weaknesses the brand is facing today.
7. *Unable to maintain its image:* Alfa Romeo was unable to retain its historical image of quality and performance and many of its most recent models failed, due to poor quality, assistance and distribution, to be consistent with the image the brand had created over 110 years.

OPPORTUNITIES

1. *Expand into growing markets:*

Figure 61: China sales from 2006 and previsions for 2022, compared with USA sales



Source: Alfa Romeo Strategy 2018-2023, p. 33

¹⁶⁷ <https://www.mbaskool.com/brandguide/automobiles/4900-alfa-romeo.html>

the Asian markets are among the fastest growing in the world and offer attractive opportunities for the leading auto brands with China and India currently the most important markets.¹⁶⁸ As we can see in Figure 61, China exceeded the US in sales, and the gap is expected to further grow in the coming years.¹⁶⁹ China is by far the largest premium market in the world, but Alfa Romeo does not yet have a strong position in this market. The brand should look for entering these growing markets with specific models to increase their reach and establish itself as a truly global brand.

2. *Autonomous technology*: automated driving is a major area of focus for all the large and global vehicle brands. Most of the large brands including Alfa Romeo should invest heavily in automated driving. Apart from being the most desired innovation, this is also an important area in terms of branding. Automated driving is one of the most exciting areas of technological innovation and a major opportunity for the early entrants.
3. *Electric & hybrid vehicles*: The demand for electric and eco-friendly vehicles has continued to grow in the recent years. FCA, and hence Alfa Romeo, has recently grown its focus on research and development in this area.¹⁷⁰ Moreover, the brand is investing in growing its range of electric and hybrid vehicles. Growing demand for electric and zero emission vehicles gives the company extra scope for investing in such projects. It will not just help grow demand and popularity but also create higher sales and revenue. Yet, today Alfa is still far behind its competitors, and should leverage on FCA-PSA merger to equip existing and new models with alternative and eco technologies.
4. *Digital Marketing*: While Alfa Romeo has been investing in advertising its engine capabilities, there is a lot more scope in terms of marketing and branding. Apart from social media and its own website, the brand should explore more digital channels to make its marketing strategy stringer and more attractive. It could use digital tools as well as virtual reality to create superior customer experience with higher impact on customer journey.
5. *Change in trends*: The market for premium/luxury cars is expected to grow in the coming years. The prime reasons for this are the change of lifestyle, more disposable income, and increase in the propensity to spend.¹⁷¹

Consumers are more confident about the quality of luxury vehicles and so are willing to invest in them. Dealers are also willing to push these vehicles and increasing scope for exports are also favourable towards luxury cars sales.

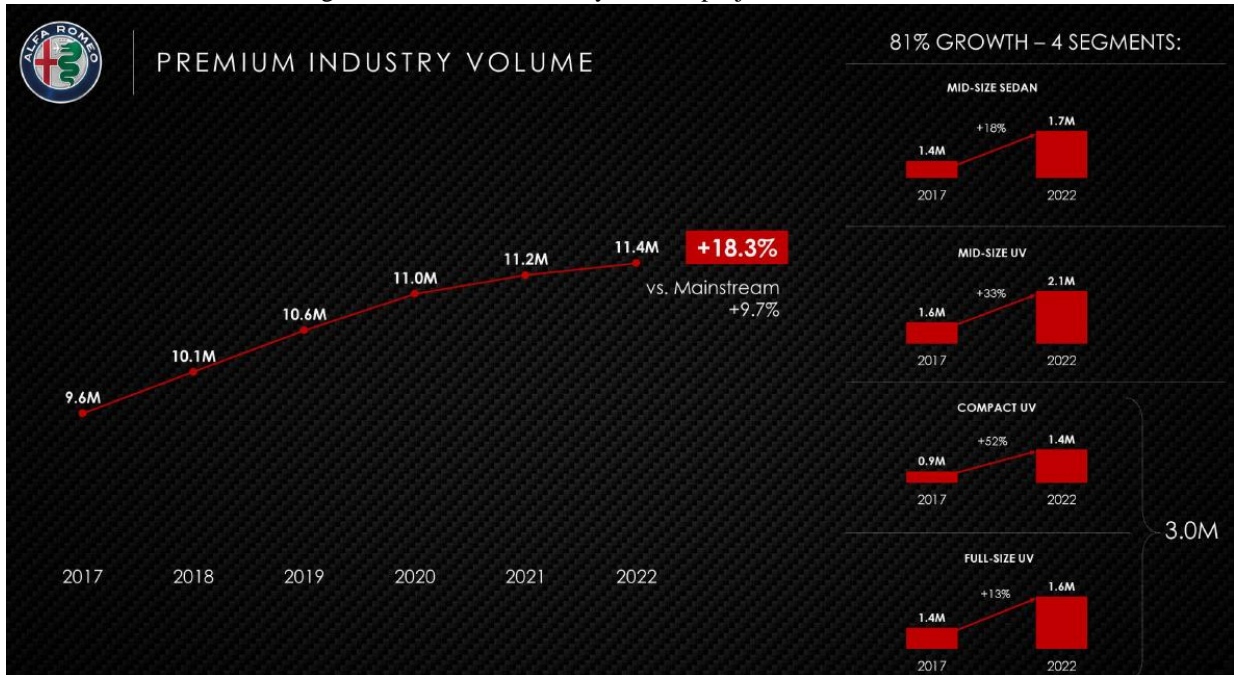
¹⁶⁸ <https://notesmatic.com/2018/12/fiat-chrysler-automobiles-fca-swot-analysis/>

¹⁶⁹ Source: Alfa Romeo strategies 2018-2023, p. 33

¹⁷⁰ <https://notesmatic.com/2018/12/fiat-chrysler-automobiles-fca-swot-analysis/>

¹⁷¹ <https://www.marketing91.com/swot-analysis-of-alfa-romeo/>

Figure 62: Premium industry volume projections 2017-2022



Source: Alfa Romeo strategies 2018-2023, p. 28

As we can see in Figure 62, the growth of this segment will be 9.7% higher than the mainstream. Moreover, we can see that, within the segment, the Compact Utility Vehicles will have the best results, growing by 52% in 2022.¹⁷²

6. *Governments subsidies:* governments are announcing subsidies on the sale of environmentally friendly goods in this sector.¹⁷³ Jeep can focus on these environmentally friendly products and make use of this opportunity.¹⁷⁴ Alfa Romeo should take advantage of that, by investing in these sustainable powertrains.
7. *Grow brand communities & target groups:* as for Jeep, Alfa Romeo has strong base of loyal customers, called “Alfisti”. This is due to the brand long history and racing successes. However, with consumer preferences constantly changing, Alfa Romeo should explore new target groups and tackle especially racing, performance and Italian style fans, which can be found within new millennials, target to grow in the upcoming years.

THREATS

1. *Increasing fuel costs:* economic and political contingencies led to an increase in price of fuels worldwide. This is also a consequence of the global warming, and the foreign policies which promote

¹⁷² Source: Alfa Romeo strategies 2018-2023, p. 28

¹⁷³ <https://notesmatic.com/2018/12/fiat-chrysler-automobiles-fca-swot-analysis/>

¹⁷⁴ <https://www.marketing91.com/swot-analysis-jeep/>

the use of alternative fuels. Exactly as in case of Jeep, Alfa Romeo should take care of the environmental sustainability and invest in alternative technologies in order to be able to be a relevant competitor in the next years.

2. *Competitive challenges:* The company faces stiff competition from brands like BMW, Audi, Mercedes Benz and Bentley. Competition has continued to intensify over the recent years and each of the major vehicle brands is investing heavily in research and development. Apart from automated driving and zero emission cars, almost all brands are investing in techniques involving digital advertising, celebrity marketing, sponsorships as well as direct marketing. Growing competition has led to erosion of customer base in several key markets. Alfa Romeo would need to focus on customer engagement and retention strategies to grow its customer base.
3. *Governments regulations:* Regulatory challenges for the automotive industry have grown a lot during the recent years.¹⁷⁵ Climate change conditions are making difficult for countries to carry on with the traditional fuel vehicles. As relevant to Jeep, also Alfa Romeo along with each automobile manufacturer must meet a specific sales-weighted fleet average target for CO₂ emissions as related to vehicle weight. That is, in order to promote the sale of ultra-efficient vehicles, and automobile manufacturers, that sell vehicles emitting less than 50 grams of CO₂ per km, earn additional CO₂ credits from 2020 to 2022. In December 2018, the European Institutions agreed on new CO₂ emissions targets starting from 2025 and 2030: 15% reduction from 2021 levels in 2025 (both passenger cars and LCV) and a 37.5% reduction for passenger cars in 2030 from 2021 levels.¹⁷⁶ Moreover, after the VW emissions scandal and the heavy fines which OEM had to pay, auto brands are now highly cautious about compliance and safety. From product quality to passenger safety, emissions and labour, there are several areas where they have to remain legally compliant. This has led to growth in the operational costs of auto brands, also due to rising fines. The result is: even higher pressure on sales growth. While the regulatory challenges cannot be ignored, it is important to remain compliant for the health of brand image.
4. *High costs of technology:* There are a lot of changes in technology and innovations happening every day. New age technologies like artificial intelligence and machine learning are creating disruptive changes in the automobile industry and this is proving to be costly for automakers.¹⁷⁷
5. *Electric vehicles:* as mentioned previously, electric vehicles are the engines of the future. In a more and more polluted world, traditional fuels are no longer an option and OEMs are working on developing always improved and more sustainable powertrains.

¹⁷⁵ <https://notesmatic.com/2018/12/fiat-chrysler-automobiles-fca-swot-analysis/>

¹⁷⁶ FCA report 2018 p. 40-41

¹⁷⁷ <https://www.marketing91.com/swot-analysis-of-alfa-romeo/>

Alfa Romeo is still far behind its competitors in this sector, with no alternative fuelled vehicles in the portfolio yet. The introduction of Tonale model in 2020 will surely help to improve the situation, but the brand will struggle to fill the gap with its competitors.

3.5 Balanced Scorecard analysis

Balance scorecard analysis has been conducted and completed during an interview with Magdalena Jablonska - Marketing Director Fiat & Abarth Brands, and Fabrizio Martinello – Marketing Director Alfa Romeo & Jeep Brands in Germany.

Figure 63 and Figure 64 illustrate balanced scorecards for both Alfa Romeo and Jeep:¹⁷⁸

Figure 63: Alfa Romeo Balanced scorecard

ALFA ROMEO	Performance					Importance		
	Very Strong	Strong	Neutral	Weak	Very weak	High	Medium	Low
Marketing								
Brand image		Strong				High		
Market Share				Weak		High		
Customer satisfaction			Neutral			High		
Customer retention cost			Neutral				Medium	
Product quality	Very Strong					High		
Service quality				Weak			Medium	
Price strategies efficacy				Weak			Medium	
Promotion efficacy					Very weak		Medium	
Salesforce efficacy			Neutral			High		
Innovation efficacy				Weak		High		
Geographic coverage				Weak			Medium	
Finance								
Margins		Strong					Medium	
Commercial offer				Weak		High		
Trading profit				Weak		High		
Organization								
Competent leadership			Neutral			High		
Motivated workforce				Weak		High		
Flexibility		Strong					Medium	

Source: Personal elaboration after interview to FCA managers Magdalena Jablonska and Fabrizio Martinello

¹⁷⁸ It is important to notice that Importance of different voices are the same for both Alfa Romeo and Jeep. This is because

Figure 64: Jeep Balanced Scorecard

JEEP	Performance					Importance		
	Very Strong	Strong	Neutral	Weak	Very weak	High	Medium	Low
Marketing								
Brand image								
Market Share								
Customer satisfaction								
Customer retention cost								
Product quality								
Service quality								
Price strategies efficacy								
Promotion efficacy								
Salesforce efficacy								
Innovation efficacy								
Geographic coverage								
Finance								
Margins								
Commercial offer								
Trading profit								
Organization								
Competent leadership								
Motivated workforce								
Flexibility								

Source: Personal elaboration after interview to FCA managers Magdalena Jablonska and Fabrizio Martinello

As we can see, Alfa Romeo is performing very good especially in product quality, but also regarding brand image, financial margins and organization flexibility. On the other hand it struggles in different fields, such as market share, price, promotion, innovation and salesforce efficacy, along with commercial offer and trading profit in financial sector.

Regarding Jeep, the company has very strong brand image, and good market share, product quality and geographic coverage. In finance sector it has good margins, while in organization sector it has good competent leadership and organizational flexibility. On the other hand, as Alfa Romeo, Jeep has weak performance in price, promotion, innovation and salesforce efficacy, while in financial field it has weak trading profit performance.

3.6 Strategy proposals for Alfa and Jeep

Once analysed Alfa Romeo and Jeep business environment with the SWOT analysis and a study on the Porter's 5 forces in the automotive industry, it's now important to present a proposal for strategies for both brands. The focus will be done on short- mid- and long-term strategies.

3.6.1 Short-term strategies

Regarding short-term strategies, there are several actions that can be profitable for Alfa and Jeep:

- Taking into consideration high product inventory (4 months of sales for Jeep and 4 months of sales for Alfa Romeo), there is a strong need to put in place tactical actions, such as additional stock incentives, improved financing offers, options for free, trade-in offers, in order to decrease the ageing stock and allowing for new and more customer suited vehicles to be sold. The right speed of stock rotation allows also for handling and storage costs decrease, improving at the same time profitability.
- Considering both brands' strong communities and loyal customer base, it should be wise to leverage on them in order to reach for new customers. The marketing investment should be done for Ambassadors program, for Pier -to -Pier programs, where every loyal customer receives incentive for bringing a new customer to the showroom. As the household income is increasing in recent years, both premium brands would be definitely benefiting from such investments, with potentially fast results as an outcome.
- An important advantage of Alfa Romeo is its great engines' performances: Alfa Romeo cars won many prizes and awards over the last years, for great performances, and the latest ones for overall models with Giulia and Stelvio "Quadrifoglio". Alfa Romeo should promote these awards in order to communicate a better quality compared to competitors and build a new mindset of "German quality in Italian design". Jeep, on the other hand, have a strong image of adventurous and rugged brand, ideal for its-off road capabilities. These make the brands quite distinctive from competitors. It is then important to promote brand qualities at the best, focusing on their history and great performances. Both brands, having a very strong history and roots, should emphasize it in their story telling and communication language. Alfa should then focus on its historical racing team reputation and great engines performances, while Jeep should instead focus on its history and off-road capabilities and adventurous spirit. To achieve this, it should be wise to invest in focused and geo-localized marketing campaigns and innovative methods to motivate customers. Having a strong IT-system it is easier for Alfa and Jeep to coordinate the workforce in order to achieve best results. This will also give the possibility, especially for Alfa Romeo, to focus on growing markets, where the brand share is relatively low.
- Both brands should also use their presence on social media to attract the increasing social media users to their individual brand websites. Another idea could be to focus on new technologies, such as virtual reality and create a new customer experience by letting, for example, people drive an Alfa Romeo F1 car with VR glasses or a Jeep into the desert. High investment in digital marketing should also be done in order to improve return and hence improve cost control and diminish prices to better compete in the segments of presence.

- Alfa Romeo and Jeep should increase incentives to their work force to motivate them and make them feel they are part of the important re-launch plan. This is an easy and relatively low-cost solution in a short run, which will give definitely over expectation results in the future.

3.6.2 Mid-term strategies

- Jeep can increase sales in volume by selling current model line-up at lower prices, offering higher discounts. It has disadvantages in terms of margins and profitability of individual models and at brand level (it is impossible to go back to higher pricing once decrease has been done), however advantage lies in visible boost in sales results.

Alfa Romeo on the other hand should expand and search for initiatives to enter new markets where the brand presence is non existing today. Today, global presence is low, and it failed to gain a strong position in most relevant markets. It should also revise its price positioning and customer offer creating an affordable alternative to luxury expensive competitors.

- Cost management is one of the factors which Jeep brand should take into consideration. High renting costs are not allowing for other spendings. Considering the current low interest rate and subsidies by governments, company should finance ownership of the properties, to visually reduce the costs and allow for awaiting investment projects.
- R&D is definitely an area where Jeep should evaluate its mid-term activities. The brand should than increase its spending in research and development in order to growth, adjust to local realities all over the globe, and maintain its position as a relevant competitor.
- Alfa Romeo product portfolio is a disadvantage to the brand today. Models going out of production, aging problem of the remaining ones make it difficult to boost sales and become global. Since there is a strong need and customer demand, the brand should take the opportunity and revise its product line up, focusing on most important segments, and with most crucial investments.
- Bargain power of suppliers is not a big threat for Jeep and Alfa. They should hence take advantage from their higher bargain power compared to suppliers: if the costs or products are not suitable for Jeep or Alfa, they can easily change suppliers thanks to low switching costs, which could potentially improve and solve quality issues and reduce technological gaps. Moreover, both brands should have multiple suppliers within its supply chain management, especially for different geographic locations. This way it can ensure efficiency and maximise its power to suppliers. Finally, as the auto industry is an important customer for its suppliers, Jeep and Alfa Romeo can benefit from developing close relationships with institutional customers and invest in B2B relationships.
- Bargain power of buyers is another relatively weak force within the industry. Jeep and Alfa Romeo should focus on innovation and differentiation to attract more buyers. Product differentiation and quality of products are important for industry customers, and both brands can attract a large number of

customers if focused on those two factors. Increasing differentiation will allow both brands to ask for a premium price, while making it harder for customers to compare the product with competitor's ones. They also need to build a larger customer base, as the bargaining power of buyers is weak. This is true especially in high potential markets like China, where both brands have to increase their market share. They can do this through marketing efforts aimed at enhancing brand loyalty.

- As presented in Chapter 2, there is a clear lack of market coverage in B and C segments. Product portfolio focus in lower segments, both in Alfa Romeo and Jeep, should bring to both economies of scale to get a cost advantage and sell at lower prices to the price conscious buyers, while expanding their customer base and reaching new targets.
- Many brands in various industries nowadays are facing disruptive technologies and new methods of mobility, creating a threat of substitute products stronger than ever. In addition to the traditional competition, new models and technologies, car- and ride-sharing platforms such as Car2go or Uber, are having more and more success, especially in high-developed societies. In order to deal with this threat, Alfa Romeo and Jeep should then focus on providing greater quality in its products. As a result, buyers would choose their products, which provide greater quality at a lower price as compared to substitute products that provide greater quality but at a higher price. They can also focus on differentiating its products. This will ensure that buyers see their products as unique and do not shift easily to substitute products that do not provide these unique benefits. It can provide such unique benefits to its customers by better understanding their needs through market research and providing exactly what the customer needs and wants.

Additional solution could be to invest in the new market areas, also in an environmentally friendly perspective, and create its own sharing platform (such as Mercedes with Car2Go) or partner with other existing ones. As part of FCA family, both Jeep and Alfa Romeo can take advantage from "Enjoy", a car sharing platform made by a partnership between Fiat and Eni Fuels.

3.6.3 Long-term strategies

- Even if the threat of new entries is a relatively weak force in automotive industry, Alfa Romeo and Jeep should still take advantage from economies of scale, fighting off new entrants through its cost advantage. This will be useful especially for fighting existing competitors, since automotive industry is a "Red Ocean" environment, with high competition and need to exploit existing customers. Special focus should be done on innovation to differentiate from the competitors and new entrants. This is true especially for new technologies regarding alternative fuelled vehicles and engines, with the goal to reduce emissions. It is true that technology cost is one of biggest expenses in auto manufacturers balance sheet and both Alfa Romeo and Jeep have not invested enough so far in this area, but filling

this gap will allow both brands to better control their costs overall and improve price/quality ratio of products thanks to low-cost structure, skilled workforce and the governments' subsidies.

- Knowing that competition among existing brands is extremely strong in automotive industry, both Jeep and Alfa Romeo should focus on differentiating each and every product, through industrial collaborations, unique designs, industrial storytelling, materials impossible to imitate, all this to reduce the gap versus competitors and become market leaders.
- Jeep should use its strong distribution network to reach out for new customers, while delivering the best service to the existing once. Moreover, both Jeep and Alfa Romeo, should use their strong financial position to invest in intellectual property rights.

Quality of every touchpoint, from product itself, to service, to people, to aftersales, to communication and offer, should be in the core of every activity of every day for both brands.

3.7 Expected results

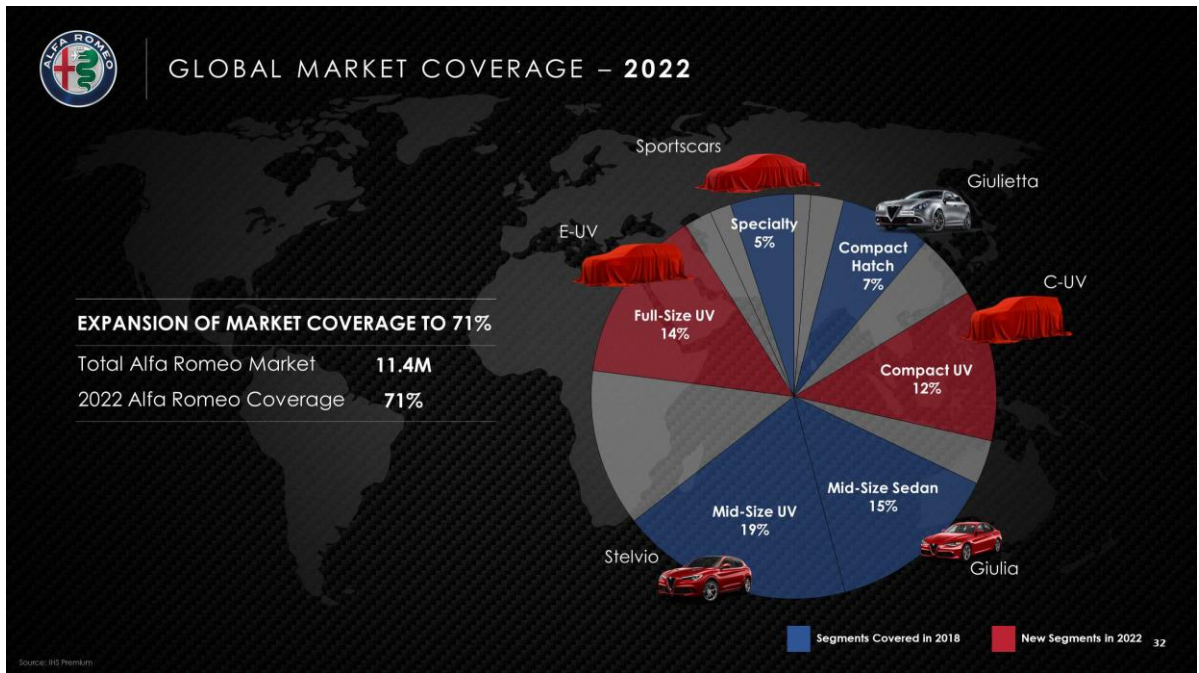
Based upon the development of short-, mid- and long-term strategies, results are to be expected, especially regarding 5 key metrics:

- *Productivity and Profitability:* The right speed of stock rotation allows handling and storage costs to decrease, improving at the same time profitability. Right incentives system for employees can boost productivity by 60-80%.
- *Customer base:* both brands' strong communities and loyal customer base could still improve with the suggested marketing activities. Product differentiation and quality of products are important for customers, and both brands can attract a large number of customers if focused on those two factors. Moreover, a strong use of social media in order to attract and understand customer dynamics, especially regarding Millennial generation, can allow Alfa Romeo and Jeep to always be able to attract new customers and in customer journey transform them to loyal customers. The loyalty thus should improve by 5 percentage points per year (from index of 4,5% to 9,5-10% first year)
- *Market coverage:* higher investments in R&D, along with the introduction of new electric and hybrid vehicles, will increase Alfa Romeo and Jeep market coverage.
- Alfa Romeo, thanks to the introduction of a completely new Compact Utility Vehicle model, together with a Full-Size Utility Vehicle, is expected to boost brand's market coverage up to 71% in 2022.¹⁷⁹

Figure 65 shows that expected growth:

¹⁷⁹ Source: Alfa Romeo strategy 2018 - 2022

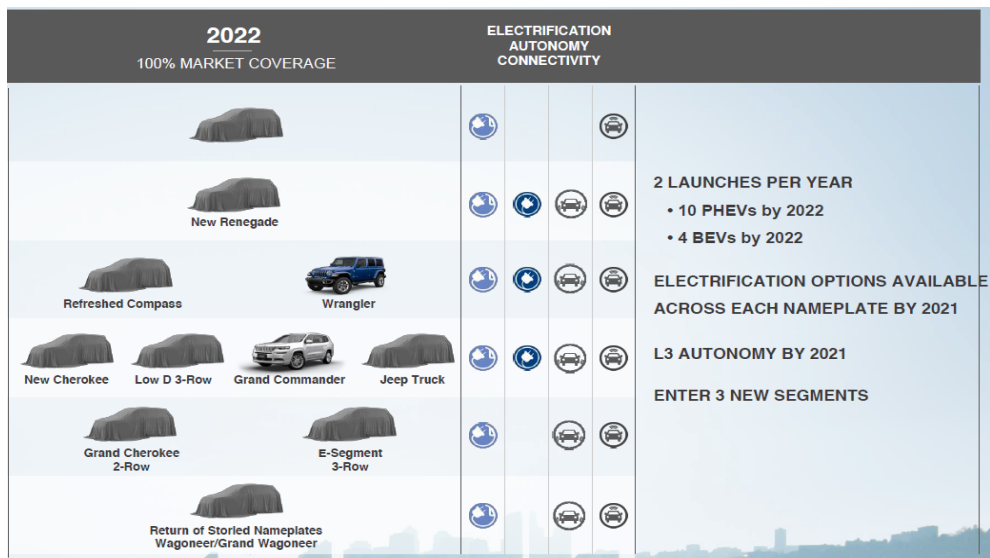
Figure 65: Expected Alfa Romeo market coverage growth



Source: Alfa Romeo strategy 2018-2022

Regarding Jeep, the brand is planning to introduce several different models and to facelift the one already in range.

Figure 66: Expected Jeep market coverage growth



Source: Jeep strategy 2018-2022

In particular, as showed in Figure 66, a new model will be introduced in A SUV segment , while a New Renegade and a New Cherokee will cover respectively the B SUV segment and the D SUV segment. The Compass will have a refresh, and will be introduced other electric models for E SUV segment.

These introductions and refreshes will boost Jeep's market coverage up to 100%, serving every segment in the industry.¹⁸⁰

- *Margins*: Increasing differentiation will allow both brands to ask for a premium price, while making it harder for customers to compare the product with competitor's ones, this will help both Alfa Romeo and Jeep to improve margins +20% annually. The right focus on markets with high demand, like China and USA, can further improve margins, if right price positioning applied (Figure 49).
- *New markets*: today customer tastes are more dynamic than ever. New trends of sharing mobility are disrupting traditional market and investments in these technologies can definitely improve companies' overall financial position, in addition to diversify investments, filling the gap with major players (e.g. Mercedes Benz).

¹⁸⁰ Source: Jeep strategy 2018-2022

CONCLUSION

The valuable internship experience in FCA Germany AG in Frankfurt, gave me a new perspective not only on automotive sector, but also on business management.

The high competition and high level of innovation make this industry one of most complex and of the most worth exploring. Thus, the idea of comparing marketing performance of two brands of FCA group: Alfa Romeo and Jeep in Italy and Germany (two of most important markets in Europe), became a study, which than became a strategic proposal for both brands.

In Chapter 1, Italian and German automotive industries have been analysed. Despite both countries having well developed industries, with strong history and tradition, the German one is far more developed than the Italian one. The gap between the two industries can be explained by different levels of investments, competition and governmental subsidies, that influence also Alfa Romeo and Jeep performance in the two markets. In fact, key indicator – market share presents in most effective way the gap between two realities.

In Chapter 2, Alfa Romeo and Jeep were introduced, with a focus on Stelvio and Renegade models. These two models were chosen because they represent the first SUV model for Alfa on one hand, and one of most sold models for Jeep on the other hand. What is more, both models are Sport Utility Vehicles (SUV) and hence fall into one of the most important segments in the industry nowadays, with high margins and market share.

The two models were analysed in their portfolio context, in order to have a clear idea of the overall brand market coverage and gaps in the current offer.

The outcome shows that market coverage is not very high since the lack of models in different segments. Moreover, it also confirms that both Alfa and Jeep did not achieve a strong position in Chinese market, which is one of the most growing ones.

Finally, Chapter 2 ends with an analysis of main competitors and their model portfolio. Out of all relevant competitors, BMW, Mercedes and Volkswagen were chosen, based on their considerable market share both in Italy and Germany, and successful brand management and trend setting for future. In Chapter 3, the market analysis has been conducted, using different marketing tools to come up with a clear idea regarding the market and the actual performance of Alfa Romeo and Jeep. High competition in the sector forces OEMs to continuously upgrade and uplift their products, in order to provide customers with always most differentiated and innovative offer as possible. For this reason, a Product Life Cycle analysis was conducted: analysing brand's models position in the curve, it is possible to see where the models are in their life cycle, and then develop strategies that suit the brands' needs in order to succeed. After the Product Life Cycle analysis, a SWOT analysis has been developed, to analyse brand's competitive positioning in its business environment. This tool has been used in order to study Jeep's and Alfa Romeo's Strengths, Weaknesses, Opportunities and Threats. The SWOT analysis indicated areas of improvement, which were then built into short- mid- and long-term for both Alfa Romeo and Jeep.

The last tool used was a Balanced Scorecard. This tool is used to rate company's performance in different aspects of business, weighted by their importance in the industry.

Highlighted importance of electric and alternative fuels innovation is crucial in the industry nowadays, as well as reduction of pollution and other environmental challenges, which make it difficult for everyone to grow.

This is a strategy of primary importance for companies nowadays, especially for Alfa Romeo and Jeep brands, which remained quite behind.

Other suggested strategies are the increase in marketing and R&D expenses, growth of the loyal customers and communities, leveraging on strong history and tradition footprint in their fields. The importance of product portfolio and market coverage for both brands, but especially for Alfa Romeo, has been strongly underlined, as well as expansion to new markets.

Finally, long-term strategies should be investigated especially in direction of new technologies and new ways of mobility. To have some insights and suggestions regarding particularly Balanced Scorecard rates, I conducted an interview with managers from FCA, in order to have a better insight to business, challenges and potential future directions.








This study has, of course, various limitations: data restrictions for public use (contribution margin, trading profit), unavailability of the most updated sales and market share data (data sources mainly from 2018, and half 2019). Some of the analysis conducted are effective tools, but can be overlapping, can be a starting point without showing the potential end result. Considering the pace of changes in automotive industry and limitations mentioned, this study reserves possibility to adapt the strategic statements to most updated and most relevant market data.

Finally, due to the merge of FCA and PSA, the reality can change in the near future for both Alfa Romeo and Jeep brands. This merge will surely boost investments in R&D, and also favour the introduction of new electric and alternative-fuelled vehicles, closing the current gap and bringing both brands the new successful chapters they deserve.

APPENDIX

Car segments: Car segmentation is one those topics in automotive world that generates many discussions. There are so many segmentations, according to the auto makers, specialized press and consumers. It's also influenced by the region/market and many times by the price of the car. That's why benchmarking becomes a difficult task. The distance between segments is quite small and sometimes it's difficult to know in which segment some cars should be part. Classic methodology categorizes cars in 6 sub-segments, as listed in Figure 67:

Figure 67: Car segment classification










SEGMENT	DESCRIPTION	EXAMPLE
A – CITY CARS	City-cars or those minicars with length up to 3,80 m. Normally they are 3 or 5 doors.	 500
B – SMALL CARS	Sub-compact cars or small cars. Those with length between 3,80 m and 4,25 m. They can be configured in 3 doors, 5 doors, sedan or Station Wagon.	 RENAULT Clio
C – MEDIUM CARS	Compact cars or those with length that goes from 4,25 up to 4,60 more or less. It's possible to find them with 3 doors, 5 doors, sedan and Station Wagon.	 GOLF
D – LARGE CARS	Mid-size sedans or Station Wagons. Their length is between 4,60 m and 4,80 m and they are configured as 4-door sedans or Station Wagon.	 GIULIA
E – EXECUTIVE CARS	Large sedans or Station Wagons. They are even larger than the mid-size (4,80 – 5 m length). Most of them are Germans and belong to the “Premium” category.	  5-series
F – LUXURY CARS	Luxury sedans. These are the most luxury cars available in the market with length higher than 5 meters. They include the regular offer, the sporty ones and the ultra-luxury.	 Maserati Quattroporte

Source: Personal elaboration

Body types: Automobiles' body styles are highly variable. Some body styles remain in production, while others become less common or obsolete. The same car model might be available in multiple body styles comprising a model range. Moreover, the distinction between body style and classification can be particularly narrow.

In Figure 68 are listed nine categories of body types:

Figure 68 Car body types

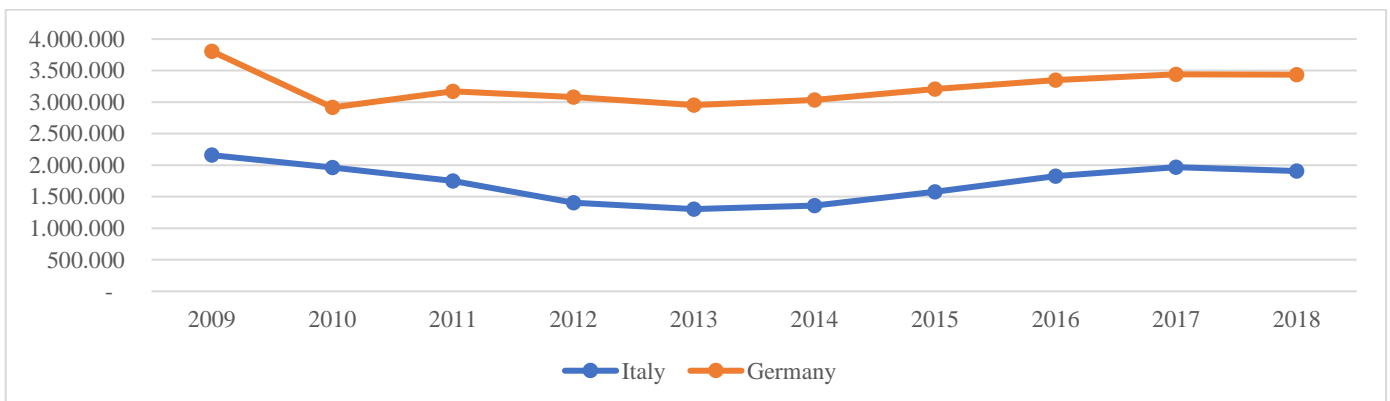
BODY TYPE	DESCRIPTION	EXAMPLE
4X4 or 4WD	Vehicle with a drivetrain that allows all four wheels to receive power from the engine simultaneously.	 WRANGLER
CABRIOLET or CONVERTIBLE	Flexible textile folding roof or rigid retracting roof of variable design allowing driving in open or enclosed modes.	 124 spider
COUPE'	A 2-door, often longer than equivalent sedan	  E-class
CROSSOVER or SUV	Vehicles that blends features of city cars with features of a SUV.	  T-Cross
HATCHBACK	Rear door including the back window that opens vertically to access a storage area not separated from the rest of the passenger compartment. 3 or 5 doors.	 RENAULT Clio
MULTI-PURPOSE VEHICLE or MPV	A large car or small bus designed to be used on and off-road and easily convertible to facilitate loading of goods and carrying people.	 

ROADSTER	Two-seat sports car convertible.	 MX-5
SEDAN	Cars designed for comfortable seating of 5 passengers. Sedans come with larger trunk sizes which can be used for carrying larger amount of luggage. Features include larger overall dimensions and wheelbase.	 GIULIA
SPORT UTILITY VEHICLE or SUV	Derivative of a pickup truck 4WD vehicle, but with fully enclosed passenger cabin interior and carlike levels of interior equipment. These are the taller cars that may use a 4x4 or 4x2 transmission. This segment includes also the crossovers.	 STELVIO
STATION WAGON or SW	A car with a full-height body all the way to the rear; the load-carrying space created is accessed via a rear door.	 A5
LIGHT COMMERCIAL VEHICLE or LCV	Derivative of a pickup truck 4WD vehicle, but with fully enclosed passenger cabin interior and carlike levels of interior equipment. These are the taller cars that may use a 4x4 or 4x2 transmission. This segment includes also the crossovers.	 FIORINO

Source: Personal elaboration

Italy and Germany automotive industry comparison: Figure 69 shows the gap between Italian and German industry in terms of registration:

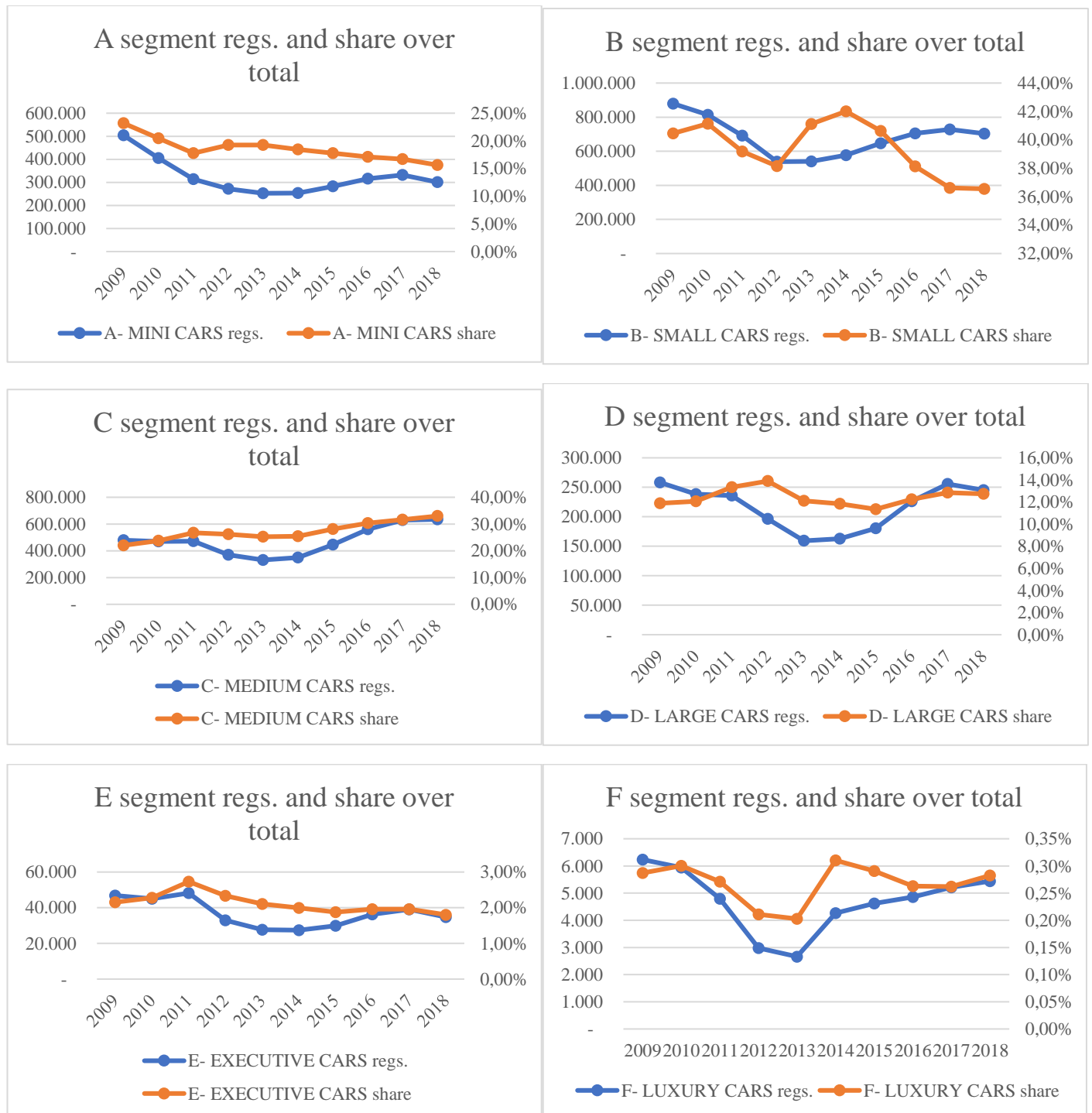
Figure 69: Italian – German registration trend 2009-2018 (in million units)



Source: Personal elaboration over UNRAE and KBA data

Italian car segments' share: As we said in Chapter 1, segments' share in Italy changed over the last five years, with B segment (small cars) losing its leadership, taken over by C segment (medium cars). In Figure 70 we see the trend of each segment over the last ten years, from 2009 to 2018¹⁸¹:

Figure 70: Italian car segments registrations and share over total



Source: UNRAE annual report, 2018

¹⁸¹ Source: UNRAE annual report, 2018

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SUMMARY

The presented project is the outcome of research and analysis conducted during a professional placement in FCA Germany AG. Comparing brand performance in domestic market with highly competitive foreign market as the German one, can offer interesting insights to better acknowledge the differences between high and low competitive market environment. Hence, the study will then have two main objectives:

3. Elaborate a strategy for Alfa Romeo and Jeep to maintain brands' sustainability
 - Short, mid and long-term actions for performance growth
 - Brand image, positioning, pricing, communication and commercial approach.
4. Measure the possible outcomes of the final strategy to market in order to maintain profitability
 - Evaluate the incremental percentage growth of models in the new strategy proposal

Italy and Germany automotive industries

Considering Italian and German automotive industry, we see that both are well developed, and within the top 5 in Europe: Germany is ranked 1st in revenue. Italy is 4th. Germany and Italy hold the same rank position also regarding turnover.

Regarding manufacturing, Germany and Italy are still in top positions in Europe, 2nd and 3rd respectively.

Finally, Germany holds the 1st place for average turnover per enterprise.

Italian automotive industry

- With 1.91 million new registered passenger vehicles sold in 2018, Italy is the fourth largest European automotive market after Germany, United Kingdom and France.
- Segments' share changed over the last five years. If in 2009 B segment (small cars) hold the highest share, today it's the C segment (medium cars) the most favoured. A segment (city cars) was the third largest segment but faced a decade of slow and constant decline in registrations and was taken over by D segment (large cars).
- Foreign brands represented over 73% of the Italian automotive market. Major foreign competitors, all manufactured abroad, were PSA and VW, respectively with 15.15% and 14.46% of the market. Ford had 6.8% of the market. Italian manufacturers had a 26.4% market share of the passenger vehicles market, with FCA registering a 26.1% MS.
- In 2018 the number of cars produced was 10% less than in 2017, with and export share of 57%. Regarding components manufacturing, in 2018 the Italian parts and components have been among the most important in the world, exported products worth \$24bn worldwide. Italian firms imported \$18bn of automotive parts and components, registering a growth of more than \$1.4bn.

The car park in Italy reached 39,018,170 vehicles in 2018, which are on average 11 years old, and with a density of 637 vehicles over 1.000 habitants. Italy has one of the highest rates in Europe, in large part due to the lack of suitable public transport infrastructure, especially in the South.

- Regarding fuel mix, 52.4% of the vehicles sold were diesel, 35.9% gasoline, and 11.7% run on alternative fuels (6.6% LPG, 4.6% hybrid, 2% CNG, 0.3% electric). The forecasts for 2019 are not positive either and the market is expected to shrink further by 3%, due to the new eco-incentive system that awards the purchase of non-polluting, but quite expensive, models while impacting negatively on more polluting, but cheaper, models.
- The sharing mobility movement is growing in Italy, with over 3,5 million users between carsharing and carpooling platforms in 2017. The market is however far larger, with potential demand of 18,1 million users, representing a great opportunity for companies to invest in this business.
- In recent years, electric and especially hybrid cars grew in the Italian market. However, Italian electric charging station network is still quite underdeveloped. There are many projects focused on extending the recharging network for electric vehicles.

German automotive industry

- With 3.4 million new registered passenger vehicles sold in 2018, Germany is the largest European automotive market, followed by United Kingdom, France and Italy.
- The highest increase was registered by Sports Cars (+20.84%), but within high MS segments the SUV segment registered the most positive results, with an increase over last year of +5.17%. Especially the Small SUV segment registered a period of steady increase over the last years, managing to overpass the Medium Car segment in late 2017 and becoming the most important segment in the market. C segment is still at the second place, with around 750.000 units sold in 2019. The lowest results came from F segment of Luxury cars (-7.90%), D segment of Large cars (-4.44%) and E segment of Executive cars (-4.01%).
- New registrations of German brands are quite different to Italian reality. The best results are coming from Smart (+11.9%; 2017: -1.5%) and Mini (+8.1%; 2017: +6.1%). Also, Ford (+2,3%), Volkswagen (+1,5%) e BMW (+1,2%) improved from previous year. After a high increase of last year, Tesla (2017: +74,6% / 2018: -42,8%) and Alfa Romeo (2017: +42,0% / 2018: -10,8%) registered great losses.
- With 5.645.581 cars produced in 2017, Germany today represents the third country in the world and the first in Europe regarding domestic production of automobiles, following China and Japan. Germany can rely on the strongest market in Europe, with 3,4 million registrations in 2018, and on a strategic geographic position that allows to deliver components and complete cars all over Europe

within 24 hours. The car park in Germany reached around 64,8 million cars on January 1st 2019, which are on average 9,5 years old, with an increase over 2018 (9,4 years old).

- New diesel registrations continued to decrease, with a share of 31,7%. On the other hand, gasoline registrations grew, with a share of 61,6%.

Of course, diesel and gasoline engines are the most common, but electric and hybrid vehicles registered significant increase in 2018 over previous year.

- The number of people using car sharing has grown rapidly in recent years. Compared to the previous year, 80 additional cities and communities now offer car sharing. Though, it remains a small portion of overall motor-vehicle transportation. In 2017, total km provided by car sharing, were about 0.1% of total motor-vehicle passenger-km in Germany.

Brand and model image, volume positioning

ALFA ROMEO - STELVIO

Since its foundation in 1910 in Milan, Alfa Romeo made elegance and exclusivity its primary focus. With over a century of history and many successes in automobile sector, the brand is worldwide recognised as one of the Italian most famous brands.

First with Giulia, and more recently with Stelvio, Alfa Romeo created two models that fully capture the original spirit and distinctive character of the brand. Both models, in their “Quadrifoglio” line, broke the previous record on Nürburgring circuit for their segment (2016 Giulia; 2017 Stelvio).

Giulia and Stelvio are part of the new Alfa Romeo and are set to expand the brand’s global presence. Their results so far have been relatively positive, even if various commercial and performance parameters show otherwise. The monthly performance results of Giulia confirm that premium car market is very tough.

Premium SUVs became popular with the arrival of the first-generation Mercedes ML in 1997. It took Alfa Romeo 20 years to join this booming segment, and this of course has had consequences and impact on continuous battle for market share. Being launched two years ago, the Stelvio is in its Growth stage, regarding PLC (Product Life Cycle). The growth stage is typically characterized by a strong growth in sales and profits, and because the company can start to benefit from economies of scale in production, the profit margins, as well as the overall amount of profit, will increase. This makes it possible for businesses to invest more money in the promotional activity to maximize the potential of this growth stage.

JEEP – RENEGADE

Founded in 1941, Jeep brand is a global icon, known all over the world for its SUVs and off-road capability. In recent years, under FCA’s brand portfolio, Jeep had very ambitious goals and opened a new chapter of its legendary history, with new possibilities to further develop its potential.

In terms of the brands performance, it is clearer than ever than Jeep is the cornerstone of the FCA group. It was the first time since the creation of Fiat Chrysler Automobiles that Jeep outsold Fiat, becoming its top selling and most important brand. In 2018 one in three of the vehicles sold by FCA was a Jeep.

Renegade is the mid-size SUV developed based on FCA technology. The Renegade is an entry model in Jeep product portfolio in terms of both prices and dimensions. Moreover, it's the first Jeep not produced in North America, being indeed manufactured in Melfi, Italy and in Brazil.

Being launched in 2014, the Renegade is obviously in its maturity stage. During the maturity stage, the product is established and the aim for the manufacturer is to maintain the market share they have built up. This is probably the most competitive time for most products and businesses need to invest wisely in any marketing they undertake. They also need to consider any product modifications or improvements to the production process which might give them a competitive advantage. This is true also for Renegade, which had various restyling and upgrades in 2018 and 2019, with new connectivity system, guide assistant technologies and some aesthetical improvement.

Strategic Management tools

In order to perform and develop a successful strategic model for both Alfa Romeo and Jeep, different tools will be used:

- *Product Life Cycle (PLC)*: it describes the course that a product's sales and profits take over its lifetime. PLC is usually depicted as a bell-shaped curve and classically divided into four stages: introduction, growth, maturity and decline.
- *SWOT analysis*: is a strategic planning technique used to help a person or organization identify strengths, weaknesses, opportunities, and threats related to business competition or project planning.
- *Balanced Scorecard*: The Balanced scorecard is a strategy performance management tool. A structured report that can be used by managers to keep track of the execution of activities by the staff within their control and to monitor the consequences arising from these actions.

FCA Automobiles

FCA Automobiles is a global automotive group engaged in designing, engineering, manufacturing, distributing and selling vehicles, components and production systems worldwide. It operates in more than 40 countries and sell our vehicles directly or through distributors and dealers in more than 135 countries under the Abarth, Alfa Romeo, Chrysler, Dodge, Fiat, Fiat Professional, Jeep, Lancia and Ram brands. In 2018, invoices reached 4.8 million vehicles, resulting in Net revenues of €110.4 bn and Net profit of €3.6 bn, of which €3.3 bn was attributable to continuing operations.

FCA activities are carried out through the following five reportable areas: NAFTA (North America), LATAM (Latin America), APAC (Asia) and EMEA (Europe and Africa).

NAFTA represented 53% of the group's total sales in 2018, followed by EMEA with 30%. Asia counted for only 4.7% of global sales. Even if the drop posted by EMEA region (-5.8%) was absorbed by the increase in NAFTA (+5.0%), it was not the case for LATAM and APAC, where the increase of the first one (+10.2%) was offset by the big drop of the last one (-29.1%).

FCA in Italy and Germany

Italy and Germany are two major markets within EMEA region, holding 50% and 10% MS in the region respectively. FCA is the absolute leader in the Italian market. The company is leader in the market, with 26% MS. Within FCA family, FIAT is the most successful brand, holding more than 50% MS within the group. Alfa Romeo and Jeep increased their MS, thanks to the introduction of new models. On the other hand, Lancia registered a significant decrease over the period. Fiat Panda and Fiat 500 have been the most sold cars in the A segment; Jeep Renegade and Fiat 500X have been the two most sold models in small SUVs segment, while Jeep Compass has been the most sold among compacted SUVs and Alfa Romeo Stelvio among medium SUVs. However, although the company's leading position in the market, FCA is joining other automakers in reduction of the nameplates in small segment mainly due to increasing development costs, together with raising challenges to reach emission targets.

While groups' strong position in Italy is quite straightforward, due to the company's roots, its Market Share in Germany is a result of much more challenging and complex competitive environment, where domestic brands are the definite leaders. In this market Alfa Romeo reached a total of 4.146 total registrations, with a 0,1% MS. Its sales are essentially made by Stelvio and Giulia. Also, Jeep is struggling for achieving higher market share, but still sells much more than the "biscione" brand, with a 0,5% MS. Within FCA's portfolio, Fiat is the leading brand in Germany, with 2,5% MS in 2019. If compared to the main German manufacturers, FCA is called to face "Red ocean" market. FCA's German competitors are Audi (7,4% MS), BMW (7,7% MS), Mercedes (9,4% MS) and Volkswagen (18,5% MS).

Brand portfolio overview

ALFA ROMEO - Alfa Romeo is an important brand for FCA in the SUV segments. The brand covered actually 46% of the market in 2018. The brand serves:

- B segment of Small cars with its MiTo model, discontinued though in late 2018.
- C segment of Medium cars with Giulietta. Alfa Romeo plans to give it a thorough refresh in the next few years as part of its full-line makeover. Moreover, a small C-segment crossover will join the range.
- D segment with two models: Giulia in the medium sedan segment and Stelvio in medium SUV segment. Even though the current Giulia has only been on the market since 2015, already Alfa Romeo is planning a refresh. Just like the Giulia, Alfa Romeo Stelvio will get a refresh by 2022.
- F segment of speciality cars with 4C in both Spider and Coupe body types.

The company's goal is to increase the market coverage up to 71%. This is going to be achieved through entering in E SUV segment with the launch of a new Electric Utility Vehicle. The second E-segment option will be larger than the Stelvio and will probably include a third-row seats. Moreover, the company is planning to launch a new model also for C segment and upgrading both the Giulietta, Giulia and Stelvio models with

new engines and increasing electrification in entire portfolio. Finally, the 8C is going to be reintroduced in the F segment.

JEEP - Jeep brand is one of major FCA brands in SUV market. The company is present in:

- B segment of Small SUV's with Renegade model and planning a "New Renegade" model for 2022. In 2020 it enters the road to electrification with a plug-in Hybrid version.
- In C SUV's segment the brand is present with two models: the Compass and brand's icon Wrangler. The new Compass has been on the road for less than a year now, but Jeep is already planning a mid-cycle makeover. The new version should be launched before 2021, with only a few light updates, and will come with an electrification option.
- D SUV segment is covered with the new Cherokee and the Grand Commander models. Jeep Cherokee went through a makeover earlier in the year, but an all-new version is also on the way, including electrification option to be launched before 2022.
- E SUV's segment with the Grand Cherokee model.

In 2018 Jeep reached an 80% of market coverage. This is going to change as the strategic plan of the company is to implement the market coverage up to 100%, introducing a new model for the missing segments.

A new future

On December 19th 2019, Fiat Chrysler Automobiles and Peugeot S.A. ("Groupe PSA") signed a Combination Agreement for a 50/50 joint venture of their businesses. This agreement will create the 4th global car manufacturer in volume terms and the 3rd in terms of revenue. The goal for both FCA and PSA is that the new joint venture will give birth to a group leader in the market with teams, competences, resources and dimensions able to catch and take benefits from new opportunities offered by the sustainable mobility trend.

Thanks to FCA's strong presence in North and Latin America and PSA solid grounds in Europe, the new group will have a geographic presence much more balanced, with 46% of revenues from Europe and 43% from North America. It will be present on a global scale, with a portfolio of iconic and complementary brands covering every principal segment in the market, from luxury to premium, from mainstream passenger vehicles to the SUVs, from trucks to LCV. Another benefit derived from the merger is that PSA gains access to North America and FCA gets some oxygen in its troubled European business. However, it is not clear what role will play PSA brands in the FCA line-up in USA, considering the fact that two of the four Chrysler group brands struggle to survive, and Fiat and Alfa Romeo might have overlaps in the product portfolio.

Competitors overview

VOLKSWAGEN - Volkswagen is the flagship brand of the Volkswagen Group. It is part of a family made of twelve brands, selling passenger cars together with Audi, Bentley, Bugatti, Lamborghini, Porsche, SEAT and Škoda. With over 10 million cars sold in 2018 and a total revenue of €235,8bn, the group is the largest in the

world. Volkswagen's passenger car brand covers 100% of car segments, with a special focus over Large SUVs, large, small and medium cars. In 2018 it sold 3.7 million passenger cars, while produced 6.3 million vehicles. In the Italian and German markets, the brand has a strong position, being leader in German market with 17,9% MS and 2nd in Italian one with 9,22% MS, overtaken only by Fiat.

MERCEDES-BENZ - Mercedes-Benz is a German premium car make which produces cars in the medium and higher-class segments. The main products of Mercedes-Benz used to be vehicles pertaining to the segments large, executive and luxury cars. The company is also known for its sports cars and cabriolets. Finally, it holds also Smart brand, with a strong position in the A segment.

Mercedes-Benz core segments are Large Cars, Executive Cars, Small SUVs and Large SUVs while, out of these segments, Mercedes registered good results for Executive Cars. Especially for Large SUVs, the company is able to charge a really high premium price (100% more than the average vehicle in the segment).

In Germany, Mercedes-Benz is leader in the premium segment while in Italy the company rose its market share up to 4,46%.

BMW - BMW is a global brand that operates in more than 150 countries. All brands BMW owns focus on the premium customer segment. The company owns three of the most famous premium vehicle brands in the entire industry including BMW, Rolls Royce and Mini Cooper, allowing a strong presence at the two extremes of car segment categorization in A and F segments. In addition, the company further strengthened up its position as pioneer in electric mobility. However, are the C, E and D segments the most important for the company, holding respectively 35%, 24% and 23% revenue share in 2018. In Germany BMW is one of market leaders, with a market share of 9,3%. In Italy BMW is ranked 14th, with a market share of 3,2%.

Automotive industry Porter's Five Forces Analysis

The Porter's five forces are as follows:

- *Threat of New Entrants:* In the auto manufacturing industry, this is generally a very low threat. The automobile industry has grown highly competitive and the entry and exit barriers have also grown higher. The product differentiation is strong, as much as there is a strong emphasis on advertising and customer services as well. Another barrier is that the capital requirements within the industry are high, making it difficult for new entrants to set up businesses as high expenditures need to be incurred. Finally, government policies require strict licensing and legal requirements to be fulfilled before a company can start selling and manufacturing any kind of vehicle.
- *Bargaining Power of Suppliers:* In the car industry this refers to all the suppliers of parts, tires, components and electronics. The number of these suppliers in the automotive industry is significant compared to the buyers. So, the bargaining power of automotive parts and technology suppliers generally remains low.
- *Bargaining Power of Buyers:* The bargaining power of customers in the automobile industry has grown a lot due to several factors. Apart from higher level of competition in the industry, other factors like

growing control in the hands of the customers, changing taste of buyers as well as higher availability of information has led to consumers considering several factors before making their final purchase choice. Businesses have grown their focus upon quality, aftersales service, marketing and customer relationship management. Moreover, the growth of digital technology has also led to brands investing in web-based marketing.

- *Threat of Substitute Products or Services:* Threat of substitutes in the automobile industry comes from several sources including competing brands, competing services like ride sharing services or other sources of transportation including trains and planes. There are several competing brands in the market which make and sell similar products and services. Product quality and technology are the primary differentiators in the automobile industry and help mitigate the threat from substitute brands. The threat of substitutes also arises from ride-sharing services like Uber or car-sharing services like Car2Go.
- *Rivalry Among Existing Firms:* competition in the automobile industry is a significant challenge for each player and one of the most significant factors affecting market share. This means that companies will engage in competitive actions to gain position and become market leaders. The industry is also known for its high fixed costs. This makes companies to push to full capacity and have to reduce their prices when demand decreases. This is true also because of political reasons, since the production gives job to thousands of workers. Moreover, the exit barriers within the industry are particularly high due to high investment required in capital and assets to operate. This makes firms within the industry reluctant to leave the business and continue to produce even at low profits. All these factors make the rivalry a strong force in this model.

Marketing Mix

JEEP

- *Product:* Jeep products are famous for design and off-road capabilities. Jeep sells its products under 2 segments: Small SUVs and Large SUVs. In each of these, there are two or more different models. All its products are sold under the brand name of Jeep. The brand sells its products with a lot of variety available and highly differentiated. Its products are considered unique and with appeal and character and are perceived to be of higher quality than competition. Therefore, customers are willing to pay a higher price for them.
- *Price:* Jeep follows a competitive based pricing strategy. This is because the data on competitors is easily available due to a large number of competitors that exists within the industry. Jeep has a large range of SUVs, most of which are premium priced products.
- *Place:* As Jeep is a subsidiary of FCA, its car production and distribution take place under the direct management and supervision of the group. It has a large sales and distribution network through which it sells its products in more than 135 countries around the world. The company produces cars in more

than 102 manufacturing facilities located around the globe. Jeep can sell directly to customers through company retailers, or can sell to external retailers that sell to the final customer.

- *Promotions:* Jeep uses multiple media channels to promote its products. It uses both traditional media and online and social media advertising. Moreover, the brand is also strong in its Below-the-Line activities, like for example participation in various trade exhibitions and events all year round. Finally, there is strong use of personal selling, with a large sales force to increase its presence in retail stores.

ALFA ROMEO

- *Product:* Alfa Romeo product portfolio includes Giulietta, a five-door small family car; 4C, a small two-seated sport car; Giulia, an executive car and Stelvio, Alfa Romeo's first SUV. Alfa Romeo Tonale, the next electric-powered C-SUV, will arrive in late 2020.
- *Price:* Alfa Romeo known for exclusivity and quality sports cars, charges premium prices for its models, priced even higher than its competitors such as BMW, Audi and Porsche. Its high price reflects its performance as well as the beauty which it offers in its products. Thus, Alfa Romeo follows a value-based pricing strategy.
- *Place:* As Alfa Romeo is a subsidiary of FCA, its car production and distribution take place under the direct management and supervision of the group. It has a presence in 52 countries.
- *Promotion:* Alfa Romeo has positioned itself in a niche market, where the investments in advertising and sponsoring are crucial. The company sponsors a number of sporting events, as well as car-shows across the world. Alfa Romeo has also been promoted through motorsports shows such as Top Gear. The communication is focused always on the quality and Italian design roots. And the media channels choice lays mainly on selective print media advertising, TV advertisements, in-store channels and a dedicated YouTube channel.

Product Life Cycle analysis

The product life cycle has 4 very clearly defined stages, each with its own characteristics:

5. *Introduction Stage:* This stage of the cycle could be the most expensive for a company launching a new product.
6. *Growth Stage:* The growth stage is typically characterized by a strong growth in sales and profits. This makes it possible for businesses to invest more money in the promotional activity to maximize the potential of this growth stage.
7. *Maturity Stage:* During the maturity stage, the product is established and the aim for the manufacturer is now to maintain the market share they have built up. This is probably the most competitive time for most products and businesses. Companies also need to consider any product modifications or improvements to the production process which might give them a competitive advantage.
8. *Decline Stage:* Eventually, the market for a product will start to shrink, and this is what's known as the decline stage. This shrinkage could be due to the market becoming saturated or because the

consumers are switching to a different type of product. While this decline may be inevitable, it may still be possible for companies to make some profit by switching to less-expensive production methods and cheaper markets.

A vehicle is a complex and innovative product. Its development - from design to production logistics - takes up to 5 years. Its product cycle, or the time it is kept in production, comprises up to 6 years. Manufacturers and their suppliers plan and allocate production capacity well ahead to accommodate production and renewal of their car portfolio. To be able to adjust automobiles to new legal requirements, the car industry needs sufficient lead time-ahead. During the development phase, changes to a prototype are limited to implementation of readily available new technologies within the technical and economic constraints of the car's concept. The possibilities for change become more limited in the execution phase. During the typical production life of a car, investments in capital and innovations need to be recovered. Modifications are only opportune in case of relatively minor requirements, such as software changes.

From the model analysis and individual evaluation, it is reasonable to state that both Alfa Romeo and Jeep are in maturity state of the lifecycle, except Stelvio which is placed in growth phase.

SWOT analysis

JEEP

Strengths:

- *Cost structure and distribution:* Jeep has a large number of outlets in almost every state, supported by a strong distribution network. Moreover, it has a strong financial position.
- *Skilled and diversified workforce:* Jeep has invested extensively in the training of its employees that has resulted in employing a large number of skilled and motivated employees.
- *Social Media & website:* Jeep has a strong presence on social media.
- *Product Portfolio:* Jeep has a large product portfolio.
- Jeep, and FCA in general, has a *well-established IT system* that ensures efficiency in its internal and external operations.
- *Brand image & awareness:* The image of Jeep is very strong, and it has built a good reputation and word of mouth in the consumers' minds over the years.
- *Design & towing and off-road capabilities:* Jeep is associated with ruggedness and reliability. Its vehicles have been established for excellent towing capabilities, 4×4 and all-wheel drive performances.

Weaknesses:

- *R&D:* Jeep is spending way less than a few players within the industry that have had a significant advantage as a result of their innovative products.
- *High product inventory:* The purchase and sales process are much longer than the industry average, meaning that Jeep builds up on inventory adding unnecessary costs to the business.

- *Rented property costs and cash flow:* a significant proportion of the property that Jeep owns is rented rather than purchased, impacting the cost structure of the brand.
- *Market Research:* Jeep has not conducted market research over past 2 years. As a result, it is making decisions based on 2 years old data, while trends and customer needs may have evolved over time.
- *High employee turnover rates:* Although Jeep has skilled and diversified workforce, the company is facing problems with a higher employee turnover rate compared to competitors.
- *A few products have a high market share, while most of the products have a low market share.* This dependence on a few products only makes Jeep vulnerable to external threats.
- *Same design over the years:* Yes, people recognize Jeep from its design that is considered an icon in the sector. However Jeep is using its design for a long time and this may build a negative perception of low innovation.

Opportunities:

- *Internet, E-commerce and Social Media:* there has been an increase in the number of internet users all over the world. This means that there is an opportunity for Jeep to expand their presence online.
- *Technological developments:* technology comes with numerous benefits among many business areas. Operations can be automated to reduce costs. Technology enables higher customer data quality, which then allows for improvement of marketing efforts and sales offers.
- *Increase in average income and governments subsidies:* In recent years there has been an increase in average household income along with an increase in consumer spending following the recession. This will result in growth in Jeep's target market with new customers that can be more easily attracted.
- *Autonomous technology:* technological developments are continuously evolving. These technologies will allow manufacturers to gain access to an all new kind of possibilities in terms of business and Jeep, as much as it is a long-term reality, should definitely take part in this trend.
- *Electric and hybrid vehicles:* The demand for electric and hybrid vehicles is rising due to stringent emission regulation standards and the growing demand for low or zero-emission vehicles.
- *Expansion into growing markets:* trade barriers have been reduced on the import of goods, which reduces the costs incurred for production. Moreover, increased globalisation does not limit Jeep to one market, but allow for extending its operations to other countries, entering into world most growing economies and leverage on global opportunities.
- *Growth of brand communities & target groups:* It is fundamental to explore new target customers, with new generations evolving in preferences, in ways of commuting, ways of spending free time. Jeep should be looking forward to having a right mix of product portfolio, to tackle the millennial generation.

Threats:

- *Competitive challenges:* These challenges reduce the effectiveness of marketing investments by Jeep and pose a threat as customers are attracted to new technologies, decreasing Jeep's overall market share.
- *Change in consumer tastes:* Challenges have continued to grow day by day and apart from technological factors, there are economic factors affecting these trends. This puts pressure on companies to constantly change their products to meet the needs of the core end users.
- *Regulations on international trade:* regulations keep changing, and this requires compliance by companies that operate globally.
- *The rise in prices of fuel* has increased in the input costs for Jeep. These costs have also increased as other industries that provide inputs for this company also have suffered from increasing fuel prices, thereby charging more.
- *Electric vehicles:* although electric vehicles represent a great opportunity for many businesses and for different reasons, the entrance and efficiency of these new engines in the automobile industry has become a looming threat to every car brand in the world, including-Jeep.

ALFA ROMEO

Strengths:

- *Design:* Alfa Romeo has always designed cars which were unique in their styling, form, and substance.
- *Best engines and performances:* Alfa Romeo cars have powerful engines that won many awards.
- *Brand image and communities:* during the year Alfa has achieved great results in growing a strong brand community.
- *Racing History:* The company had many historical successes in racing competitions.
- *Premium characteristics:* Alfa Romeo makes feature premium characteristic cars.
- *IT systems:* As much true for Jeep, it is also true for Alfa Romeo, being both part of FCA family: the company has a well-established IT system.

Weaknesses:

- *Lack of presence in many markets:* Europe is the biggest market with 69% of sales, followed by the more profitable US market that holds 21% and Asian markets, the most profitable nowadays, with only 8%.
- *Declining Market Share in key markets:* Despite the good results in US market, the company saw a decline in Italian and German markets, two of most important in Europe, and a decrease of 5% market share in Chinese market.
- *Poor distribution channels and service centres:* Alfa Romeo faced numerous issues in managing its distribution channel, as well as in customer service, where the overall dealer and customers satisfaction went down dramatically.

- *Small portfolio:* Alfa Romeo product portfolio is present in mid-size sedans segment with Giulia and mid-size Utility Vehicle with Stelvio.
- *Cost control:* Alfa Romeo has always been focused on maintaining consistency in all its designs, while spending exorbitantly both in material and research, as well as high investments in advertising and promotion.
- *Pricing:* The premium positioning though together with low demand for the cars, are definitely one of the biggest weaknesses the brand is facing today.
- *Unable to maintain its image:* Alfa Romeo was unable to retain its historical image of quality and performance and many of its most recent models failed.

Opportunities:

- *Expand into growing markets:* the Asian markets are among the fastest growing in the world and offer attractive opportunities for the leading auto brands with China and India currently the most important markets.
- *Autonomous technology:* automated driving is a major area of focus for all the large and global vehicle brands.
- *Electric & hybrid vehicles:* The demand for electric and eco-friendly vehicles has continued to grow in the recent years. FCA, and hence Alfa Romeo, has recently grown its focus on research and development in this area.
- *Digital Marketing:* Apart from social media and its own website, the brand should explore more digital channels to make its marketing strategy stringer and more attractive. It could use digital tools as well as virtual reality to create superior customer experience with higher impact on customer journey.
- *Change in trends:* The market for premium/luxury cars is expected to grow in the coming years.
- *Governments subsidies:* governments are announcing subsidies on the sale of environmentally friendly goods in this sector and Alfa Romeo should take advantage of that.

Threats:

- *Increasing fuel costs:* economic and political contingencies led to an increase in price of fuels worldwide.
- *Competitive challenges:* Competition has continued to intensify over the recent years and each of the major vehicle brands is investing heavily in research and development.
- *Governments regulations:* Regulatory challenges for the automotive industry have grown a lot during the recent years. Climate change conditions are making difficult for countries to carry on with the traditional fuel vehicles. From product quality to passenger safety, emissions and labour, there are several areas where they have to remain legally compliant. This has led to growth in the operational costs of auto brands, also due to rising fines.
- *High costs of technology:* New age technologies like artificial intelligence and machine learning are creating disruptive changes in the automobile industry and this is proving to be costly for automakers.

- *Electric vehicles:* Electric vehicles are the engines of the future, but Alfa Romeo is still far behind its competitors in this sector, with no alternative fuelled vehicles in the portfolio yet.

Balanced Scorecard analysis

Balance scorecard analysis has been conducted and completed during an interview with Magdalena Jablonska - Marketing Director Fiat & Abarth Brands, and Fabrizio Martinello – Marketing Director Alfa Romeo & Jeep Brands in Germany.

Alfa Romeo is performing very good especially in product quality, but also regarding brand image, financial margins and organization flexibility. On the other hand it struggles in different fields, such as market share, price, promotion, innovation and salesforce efficacy, along with commercial offer and trading profit in financial sector.

Regarding Jeep, the company has very strong brand image, and good market share, product quality and geographic coverage. In finance sector it has good margins, while in organization sector it has good competent leadership and organizational flexibility. On the other hand, as Alfa Romeo, Jeep has weak performance in price, promotion, innovation and salesforce efficacy, while in financial field it has weak trading profit performance.

Strategy proposals for Alfa and Jeep

Short-term strategies:

- There is a strong need to put in place tactical actions, such as additional stock incentives, improved financing offers, options for free, trade-in offers, in order to decrease the ageing stock and allowing for new and more customer suited vehicles to be sold.
- Considering both brands' strong communities and loyal customer base, it should be wise to leverage on them in order to reach for new customers.
- Alfa Romeo should promote its awards in order to communicate a better quality compared to competitors and build a new mindset of “German quality in Italian design”. Jeep, on the other hand, have a strong image of adventurous and rugged brand, ideal for its-off road capabilities. It is then important to promote brand qualities at the best, focusing on their history and great performances.
- Both brands should also use their presence on social media to attract the increasing social media users to their individual brand websites. Another idea could be to focus on new technologies, such as virtual reality and create a new customer experience.
- Alfa Romeo and Jeep should increase incentives to their work force to motivate them.

Mid-term strategies:

- Jeep can increase sales in volume by selling current model line-up at lower prices, offering higher discounts. Alfa Romeo on the other hand should expand and search for initiatives to enter new markets where the brand presence is non existing today.

- Considering the current low interest rate and subsidies by governments, company should finance ownership of the properties, to visually reduce the costs and allow for awaiting investment projects.
- The brands should increase its spending in research and development.
- Alfa Romeo should revise its product line up, focusing on most important segments, and with most crucial investments.
- Bargain power of suppliers is not a big threat for Jeep and Alfa. They should hence take advantage from that.
- Bargain power of buyers is another relatively weak force within the industry. Jeep and Alfa Romeo should focus on innovation and differentiation to attract more buyers. Increasing differentiation will allow both brands to ask for a premium price, while making it harder for customers to compare the product with competitor's ones. They also need to build a larger customer base through marketing efforts aimed at enhancing brand loyalty.
- Companies should bring to both economies of scale to get a cost advantage and sell at lower prices to the price conscious buyers, while expanding their customer base and reaching new targets.
- In order to face industry's disruptive technology problem, Alfa Romeo and Jeep should focus on providing greater quality in its products. Additional solution could be to invest in the new market areas, also in an environmental, friendly perspective, and create its own sharing platform or partner with other existing ones. As part of FCA family, both Jeep and Alfa Romeo can take advantage from "Enjoy", a car sharing platform made by a partnership between Fiat and Eni Fuels.

Long-term strategies:

- Even if the threat of new entries is a relatively weak force in automotive industry, Alfa Romeo and Jeep should still take advantage from economies of scale. Moreover, special focus should be done on innovation to differentiate from the competitors and new entrants.
- Alfa Romeo should focus on differentiating each and every product, through industrial collaborations, unique designs, industrial storytelling, materials impossible to imitate, all this to reduce the gap versus competitors and become market leaders.
- Jeep should use its strong distribution network to reach out for new customers, while delivering the best service to the existing once. Moreover, both Jeep and Alfa Romeo, should use their strong financial position to invest in intellectual property rights.

Expected results

- *Productivity and Profitability:* The right speed of stock rotation allows handling and storage costs to decrease, improving at the same time profitability. Right incentives system for employees can boost productivity by 60-80%.
- *Customer base:* both brands' strong communities and loyal customer base could still improve with the suggested marketing activities.

- *Market coverage*: higher investments in R&D, along with the introduction of new electric and hybrid vehicles, will increase Alfa Romeo and Jeep market coverage.
- *Margins*: Increasing differentiation will allow both brands to ask for a premium price, while making it harder for customers to compare the product with competitor's ones, this will help both Alfa Romeo and Jeep to improve margins +20% annually.
- *New markets*: New trends of sharing mobility are disrupting traditional market and investments in these technologies can definitely improve companies' overall financial position, in addition to diversify investments, filling the gap with major players.

Conclusion and limitations

This study has various limitations: data restrictions for public use (contribution margin, trading profit), unavailability of the most updated sales and market share data (data sources mainly from 2018, and half 2019). Some of the analysis conducted are effective tools, but can be overlapping, can be a starting point without showing the potential end result. Considering the pace of changes in automotive industry and limitations mentioned, this study reserves possibility to adapt the strategic statements to most updated and most relevant market data.

Finally, due to the merge of FCA and PSA, the reality can change in the near future for both Alfa Romeo and Jeep brands.