

Brand Development through Brand Extension and Licensing: Pininfarina Extra

Marco Francesco Mazzù
Luiss Guido Carli

**In collaboration
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Introduction

Year 2012 started as a key defining moment for Pininfarina Group and its future. In the eyes of the management team, the last five years have been full of hitches. A lot of personal energies have been dedicated to guide the organization through a set of diverse and serious challenges: years between 2007 and 2011 were characterized by the Global crisis of the Automotive sector, main historical focus of the group; some investments in partnership with major OEM did not reach the expected pay-off; the group has been forced to rethink its historical focus of activities, and, even more important, the dramatic death of Andrea in 2008, CEO of the Group at that time, forced an unexpected and unplanned change in leadership and internal governance, including the entrance of the first external members to Pininfarina's family in top management position. Despite continuing to succeed with its image in the market, as testified by winning several international "best designer" awards¹, a strong bank intervention has been needed to guarantee company continuity, and sales were not coping up with the expected level to support future growth. In addition, some of the core activities have been divested.

It has been clear to the management, that the historical company focus, and the Automotive market was not anymore enough to support a healthy outlook. Something more should also be done to develop other "*internal jewels*" of the company as Pininfarina Extra (PFE), founded in 1986, and focused on bringing the company's design culture and comprehension of modern life, culture and social paradigms to other categories of industrial design.

However, several growth alternatives were present for PFE, each balancing different opportunities and risks. Would it be better to focus PFE on automotive-related accessories or move it to completely different categories? What would be the product/services that could best fit with Pininfarina heritage and Brand values? Would the development of PFE change the company's BrandTelling? What would be the most appropriate business model (internal development vs. licensing) and which new competencies should be in place? How to ensure that resources dedicated to this business area would have a positive return both in terms of Brand Equity and financial impact? What elements of the Brand Equity could support this bridge and how would the market react?

Every move was apparently a sliding door: every managerial decision, in a moment of scarce resources, could lead to a no-return direction for the company.

1. Red Dot Design Team of the Year to Paolo Pininfarina for the best 2004 Design Team, Palme d'Or 2005 of the Festival Automobile International to Sergio Pininfarina, Trophée d'Honneur assigned by L'Automobile Magazine to Sergio Pininfarina, Prix Européen de Design Automobile 2006 to Sergio Pininfarina, Simon Taylor Award 2006 assigned by the UK magazine Designer to Paolo Pininfarina, Trophée du Design 2009 assigned to Paolo Pininfarina by L'Automobile Magazine, China Awards - Capital Elite Award - Best mark of Made in Italy Design "Italian Personality on the Year" 2011 to Paolo Pininfarina: recognition of the French Chamber of Commerce for his contribution to the success of electric car sharing program Autolib for Paris, Premio Web Italia 2012 to Pininfarina's corporate website.

History of the family and of the group

Origin and initial growth

Born in 1893, Battista Farina, widely known as "Pinin", at age 11, started working in his brother Giovanni's body shop, "Stabilimenti Industriali Farina", growing fast in skills and managerial competencies. During the First World War he personally supervised the construction of the "Aviatic" trainer planes, for which he received a commendation from the Office of Military Aviation. In 1920, he went to the United States, where he met Henry Ford, to experience first-hand the great developments in that country: the period was of great value, not only for new technological information as for the glimpse of the enthusiasm that private enterprise instilled in the American people. The feverish pace of the American life impressed him and encouraged him to take up the challenge of his lifetime.

On May 22nd 1930, Battista "Pinin" Farina founded in Turin the "Società Anonima Carrozzeria Pinin Farina" - a company aimed at designing and building special car bodies for individual customers or in small production runs - thanks to an external endowment and the participation of other minority shareholders, including Vincenzo Lancia among others. His dream was to expand beyond the level of manual craftsmanship, and transform car body manufacturing into an independent industry, giving employment to an increasing number of people. Initial growth was fast: the Corso Trapani site, a plant with around 150 employees on a covered area of 9,250 square meters, equipped with new industrial tools and procedures, counted on a production line able to turn out small series of vehicles at a rhythm of 7-8 vehicles per day. The strategy was clear: embrace the cause of modernity and aerodynamics, as the most natural trajectory to stay true to the "nature" of the object, and to solve the problem of the autonomous and original formal identity of cars. Aerodynamics, as Pinin wrote in his memoirs, was "*the form of speed*". Aerodynamics was no longer a symbolic element or a metaphor; it had now become a real standard of efficiency.

Success in the market could not be faster: Lancia Dilambda, the first official Pinin Farina special, appeared at the 1931 Concours d'Elegance at Villa d'Este. His first accomplishments in the 1930's included the Hispano Suiza Coupé and the Fiat 518 Ardita. At the Paris Motor Show in 1940 Pinin Farina exhibited Lancia, Alfa Romeo, Isotta-Fraschini and Fiat cars. Pinin Farina later created the Cisitalia 202, realized on tubular chassis and manufactured in limited series with aluminum body welded to a skeleton of fine sheet steel (*Annex I*). Its design marked a decisive turn point of the automotive style, also being the first car permanently displayed in a Museum of Modern Art (MoMA) in New York, as "*one of the eight outstanding cars of our time*" and a "*Running Sculpture*", according to the definition of Arthur Drexler. During the Fifties, the company exhibited as a world premiere at the Turin Motor Show, and the Giulietta Spider achieved world-wide success. Company's success and reputation in the market kept growing, as well as expansion: in the same years, Pininfarina started a cooperation with Peugeot and in 1958 opened the new manufacturing plant in Grugliasco. In 1960 the Pininfarina X was presented: a perfect combination of scientific research with an original and revolutionary shape and in the same period the Fiat Abarth Monoposto made its debut.

The first transition

In 1961, at the age of 68, Pinin turned his firm over to his son Sergio, who became the Chairman, and his son-in-law, Renzo Carli, and he officially changed his name to "Battista Pininfarina" with the clearance of the President of the Italian Republic.

The last design personally attributed to him was the 1600 Duetto for Alfa Romeo, but nothing apparently changed in the company, due to the formal quality of the design work of his successors, when he left the scene. Pininfarina's design continued to be the result of a singular balance between a mixture of different qualities, such as design sensitivity, taste, technical research and innovation. This vocation led to the opening of the Studies and Research Centre in Grugliasco in 1966, to support the evolution of Pininfarina positioning into the "*ideal partner involved in every aspect of the product, not just its styling*" to support its institutional capability to carry on a fruitful collaboration with clients. In 1972, the group inaugurated the "*Wind Tunnel*", a major innovation to measure scientifically the relationship between cars and their capacity for aerodynamic penetration, a distinctive element, and a long-term technological entrepreneurial vision in terms of aerodynamic advisory, that later become central in the world car industry (Annex 2). Further investment in research and assets, as the acquisition of advanced equipment and plants, including the setup of a "*Centro di Calcolo e Disegno*" equipped with DEA's Touching Machines, were a decisive milestone in offering clients design automation and a unique service as part of the design process.

In the second half of the Seventies, Sergio Pininfarina became more and more convinced of the need to drastically separate the "*Centro Studi e Ricerche*" from the industrial part to ensure greater visibility to the creative sector, while at the same time ensuring the confidentiality for specific deals, especially relevant with an increasingly range of demanding international clients. In the Eighties, a period of market revival, Pininfarina started to offer its clients an even better, more comprehensive and a tailor-made design service from a center equipped with all facilities needed to develop body design.

A new wave of expansion

1986 was another major turning point in Company's history. Pininfarina was listed at the Milan Stock Exchange, opened a new manufacturing plant in San Giorgio Canavese, presented the Allanté at the Paris Motor Show, and expanded Design activities to other means of transportation and industrial sectors, with the set-up of Pininfarina Extra (PFE) in Cambiano.

Track of success kept growing: with the Mythos concept, Pininfarina was the first independent design company to take part at the Tokyo Motor Show, in 1989, and win the Car Design Award 1990. The Nineties were also marked by geographical expansion and production activity growth. A new branch operating in Germany in the field of car engineering, tooling and model making was opened and, in 1996, Pininfarina became the first independent Italian design house to sign an agreement with the Chinese motor industry, later widening the range of activities with projects for companies:

AviChina (Hafei), Chery, Changfeng, Brilliance, JAC. Manufacturing-wise, the range was made-up of models from Ferrari, Fiat, Peugeot, Bentley, Lancia, and a third manufacturing plant was opened in Bairo.

In 2002, the opening of the Engineering Centre in Cambiano represented another major evolution in company's positioning: having high-quality engineering services on the market provided emphasis on an activity that was no longer dedicated primarily to Pininfarina internal production but structured also for third parties, thus further expanding the range of offering, from styling and niche production, to a flexible task force able to create new turn-key products. In addition, the internationalization process made a step forward through the establishment of Pininfarina Sverige AB in Sweden, a joint venture with Volvo Cars responsible for producing a new generation of convertible Volvo cars, and an engineering center was inaugurated in Casablanca, Morocco, and partnerships with OEMs of emerging markets, China above all, increased.

The Pininfarina design started affirming itself beyond automobile, being awarded the “*Red Dot: Design Team of the Year Award*” for the best design team in 2004 and contributed to the success of Torino 2006 Winter Olympic Games designing and manufacturing the Olympic Torch “*The Torch has a close relationship with the car because for us design is aesthetics applied to function and use*”, said Andrea Pininfarina.

An internal and external shake-up: 2007-2012: economic crisis and organizational changes

In May 2006, the Board of Directors elected Andrea Pininfarina Chairman and CEO and Paolo Pininfarina Deputy Chairman. Sergio Pininfarina was elected Honorary Chairman, thus completing the shift from the second to the third generation.

In addition, and consistently with its vocation towards innovation, Pininfarina announced the development of the first Italian electric car in partnership with Bolloré, thus anticipating big OEMs on the “eco-mobility” theme, and presented Sintesi, a concept which explored solutions for the car of the future. Electric car was witnessing Andrea’s idea that “*to think, draw, design and build cars is not only an enthralling mental process. Nor is simply a business choice. It is also above all a great social responsibility*”. The Group’s revenues increased benefiting from continuing growth in the business of design and engineering services for non-captive customers, but profitability was suffering.

In a nutshell, while the Italian manufacturing activities were about to be confronted with the begin of a challenging situation, the company’s situation was about to change soon.

The global financial crisis, started in 2007 within the subprime mortgage market in the U.S., and rapidly developed into an international one with severe effects on the automotive industry, the historical main Pininfarina’s area of focus. As a result, most carmakers had to drastically cut production and difficulties faced by the conventional contract vehicle manufacturing industry heightened significantly. The situation had multiple effects on the group, which suffered from a drastic loss, closing year 2007 with a negative profit of 114 Million Euro.

The mix of conjunctural elements and the outcomes of some investments in partnership (e.g., Alfa Romeo Spider, Ford Focus CC, Mitsubishi Colt CZC) kept penalizing results and led to an increasing level of debt, creating financial stress, decreasing cash flow, and generating operative losses and extraordinary depreciations. In response to the need of redefining the overall strategy of the Group in terms of market position, manufacturing organization, administrative processes and financial balance, the Company developed a new Industrial and Financial Plan, approved by the Board of Directors on March 10, 2008, and presented in April to the Lender Institutions and the financial markets. The focus was on increasing operational excellence, on the development of the electric car, on a relevant capital increase, and on the entrance of new shareholders. As part of the restructuring, the company downsized its staff from 2,679 to 2,287 units, and in response to the sharp decrease in demand for the engineering services provided by the Matra Automobile Engineering subsidiary, which occurred when carmakers opted to perform internally previously outsourced activities and put on hold existing development programs, the Company chose to divest all of its French operations. Toward the end of September, in view of the significant, sudden and widespread deterioration of conditions in the international automobile market, the Board of Directors found it necessary to revise the Industrial and Financial Plan, finally approved in November 2008. The negative developments affected the Company's 2008 financial statements, causing losses at the operating level, write-downs for the impairment of financial receivables caused by an across-the-board decrease in production volumes, write-downs recognized in connection with the divestment of the Matra operations, an increase in net financial expense that reflected the decrease in interest income caused by a drop in volumes and the other negative development described above.

The most important loss was, however, not economic: in August 2008 Andrea Pininfarina died while riding a Vespa near the company's headquarters in Cambiano, and as chairman of Pininfarina S.p.A., witness to the continuity within the company and the unity of the family, he was succeeded by his brother Paolo. Right before Andrea Pininfarina's death, Pietro Angori, the first top manager ever not belonging to Pininfarina's family, joined the Group.

In 2009 the performance of the manufacturing operations was adversely affected by a significant reduction in orders for the cars manufactured under the Alfa Romeo and Ford contracts and the end of production of the Mitsubishi Colt CZC automobile, in July 2008. The Pininfarina Sverige joint venture experienced a reduction in production activity, caused by lower demand both in the North American and European markets, with a 29.4% decrease in the number of Volvo C70 automobiles. In 2010, the performance of Pininfarina Group was affected by major industrial, strategic and extraordinary events. At industrial level, the production orders for Ford and Alfa Romeo ended in July and November, respectively. This development marked the end of the automobile contract manufacturing operations, which, for many years, represented the Group's most important business in terms of value of production, profit margins and cash flow. The other event includes the outcome of the dispute with Mitsubishi Motor Europe, which had a negative impact of 22.6 million euros on EBITDA, 28.5 million euros on EBIT and an equal amount on the net financial position.

In 2011 the decision to end the Pininfarina Sverige joint venture with Volvo required the Company to recognize an impairment loss of 15.3 million euros to align the carrying amount of the corresponding equity investment with its future realizable value. The combined negative impact of these two factors on the income statement was 43.8 million euros, offset in part by a 10.9 million-euro restatement of the provisions for shutting down the manufacturing activities and other mitigating factors. At the end of 2011, 4 years after the start of the crisis, the Company was in a completely different shape in terms of product/ service offering, financial situation, shareholder composition and leadership team.

2012 started with a different light: Pininfarina reported an increase in turnover thanks to the addition of top global customers to its portfolio; strengthening financial position and shareholders' equity, gave credibility to the Group to keep operating in a challenging international economic context. But that was not enough to give a sense of future stability. The full contribution of all business units would be fundamental to keep a trajectory of healthy growth (*Annex 3-7*).

Pininfarina Extra

In 1986, Pininfarina Extra was created to extend the design capabilities of the company, outside the automotive sector. Paolo Pininfarina took the lead and, in the subsequent 25 years, Pininfarina Extra developed more than 500 projects, with the management always looking after a sort of consistency with the identity and the story and the values of the iconic mother-brand, trying to establish an emotional bond with the target.

A set of opportunistic moves have been developed over the course of the years, producing a wide-spread. As an example, famous and rewarded Luxury products have been: 3M - bravo and encore (multimedia products, 2003), MOTOROLA - IDEN® (mobile, 2004), Snaidero-Venus (kitchen design, 2006), Lange-fluid (sky boots, 2006), Olympic Games torch (2006), Gorenje - black collection (fridge, 2007), Panatta sport - platinum and gold lines (cardio-fitness line, 2009), Newmax - airflow (helmet, 2010). PFE operated also in the field of architecture and interior design, some examples have been Pininfarina Headquarter built in 2003, innovative urban lighting (Schreder Francesca, 2003), hotels (Keating Hotel, 2007), training centers (Cean Training Center, 2007), Pininfarina Museum in 2010 and the Juventus Stadium in Turin in 2011. The production went from private to public infrastructure design and even holy ones (The Private Chapel, 2012). Besides architecture, luxury goods and public infrastructures PFE operated in transports too: Breda/FS ETR 500 (speed train, 1987), Ansaldo Breda - Tram Siro (2002), Aero Toystore - LEARJET 60 (2009), Alenia superjet SSJ-100 (airplane interior design, 2010), Primatist - B62 (yacht, 2011), Schaefer - 620 (yacht, 2011). Examples of different products and projects up to year 2012 are included in *Annex 8-13* and organized in macro-design themes: Architecture and Interior Design, Graphics and Packaging, Industrial Design and Transportation.

The different projects introduced in the market, seemed to create an inner consistent story, throughout the years, a fil rouge to make the material and immaterial qualities of every project compatible, legitimizing the presence of Pininfarina in every field of action. Finding a structured link would be an invaluable corporate asset that could support the development of the company. Thus, an implicit set of elements were linking different products in very different categories: elegance, essentiality, ergonomics and functionality. From helmets to watches, from yachts to planes, and other different projects introduced in the market, seemed to create an inner consistent story, throughout the years, a fil rouge to make the material and immaterial qualities of every project compatible, legitimizing the presence of Pininfarina in every field of action. This is how several projects become icons in their reference sectors. Like the 67-metre (220 ft) long Fincantieri Destriero displacement yacht, designed in 1992 for the Aga Khan, still owning the Blue Riband, i.e., the record for Atlantic crossing. Or the Snaidero Ola kitchen, a project characterized by a strong architectural impact and a three-dimensional system. An extremely innovative kitchen, interpreter of a dynamic and intimately classic dry design.

During pre-crisis period, PFE represented a healthy and growing small unit. In 2005, PFE registered a value of production of 5,6 Million Euro (+30% vs. p.p. and 1,5% of total group), a net profit of 0,8 Million Euro (+25% vs. p.p.), and a set of new products introduced into the market, ranging from refrigerator display, to coffee vending machines from Lavazza, to home appliances for Gorenje. In 2008,

PFE handled about 30 events/product launches, including the Saratoga Smily for dentists, totaling a value of production of 7,3 Million Euro, with a net profit increase of about 1 Million Euro (+8% vs. p.p. and 1,4% of total group) and a positive net financial position. In 2008, years 90% of Group's revenues came from the production of cars on behalf of third parties. The remaining 10% was composed by design and engineering activities. A change in company's priorities was about to come, refocusing on services, and not only Automotive, to became "the real firm". Year 2009 was characterized by the launch of radio adv campaign for Arexons, the presentation of a notebook for Packard Bell, and the cooperation with Alenia. Value of production for the first time drop to 3,7 Million but increased its relative importance within the group (1,8% of total). In addition, both net income and net financial position remained positive. The relative importance of PFE kept raising. In year 2011, activities from PFE generated 4,2 Million in Value of Production (6.8% of total) and 1,1 Million Euro EBIT, partially offsetting the negative EBIT of the company (-8.6 Million Euro) (*Annex 14*).

It became clear to the management that the resilience and the strength of some core value should be exploited more. PFE BrandTelling however was not there yet. The sense of consistency with the identity, the history and the values of the iconic mother-brand was the appropriate one? The emotional bond with the target was referring to Pininfarina? Finding a structured link would be an invaluable corporate asset that could support the development of the company.

In addition, every product attempt to blend the most advanced features of scientific, technological and engineering research with attractiveness that should accompany the things consumers use every day. The historical heritage of being a reliable and competent partner to firms wishing to use design as a strategic asset for their product development process and a tool of communication to improve their position in the market could then be applied to Pininfarina Extra?

Desing market and competitive environment

Despite the design sector includes several different typologies of micro-markets, a general decline has been observed both at macro- and at micro-level. From 2010 to 2012, revenues for the “specialized Design Activities” sector in Italy declined from 4,5 billion dollars to 4,3 billion dollars, equivalent to a -4,4% decrease. In a comparable period, from 2008 to 2011, the cumulative revenues of the most important Italian players in automotive design – i.e., Pininfarina, Zagato, Bertone and ItalDesign/Giugiaro – drop of 460 million Euros (*Annex 15*), equivalent to -29%.

At the end of 2012, the automotive design sector could then be considered a pretty mature and competitive market. Pininfarina was then forced to face two types of competition:

- Direct: branded design houses as Bertone, ItalDesign/Giugiaro, Porsche Design and Zagato
- Indirect: progressive strengthening of own “Centro stile” by automotive companies.

Also given the tough post-crisis external boundary conditions, most of the players were attempting to follow a diversification strategy in their own design portfolio. The trajectory identified by Pininfarina management, with the development of Extra, has been seen as a strategic and marketing benchmark by other designers. In addition, several investments have been done by automotive companies to increase their in-house design capabilities, *de-facto* limiting the potential contribution of specialized high-added-value design companies.

Bertone is one of the oldest and most prestigious «made in Italy» firms in the sector of automotive design. From its creation in 1912 to the 1930s, Bertone stimulated the enthusiasm of a demanding public of collectors drivers with its «Fuori Serie» cars. Under the guidance of Nuccio, the founder’s son, Bertone entered the 1960s with great success, riding the wave of the Italian economic boom and developing cars that would enter history as a result of highly skilled tailoring and leading-edge technology. Bertone’s most famous pieces, among others, are Fiat 501 Sport Siluro Corsa (1920) Lamborghini Miura (1966) and Lancia Stratos Zero (1970). The evolution of the automotive sector and the worldwide crisis of 2008 led to the restructuring of the group. In May 2013 the license rights of the brand were granted by Bertone Cento to Bertone Design, a company established in Milan, led by architect Aldo Cingolani. After its bankruptcy in 2014, the Bertone name was retained by some of its former employees who continued as a Milan-based design company, Bertone Design. Bertone Design relaunched with the value of the brand as well as a highly experienced team of professionals, carrying out projects outside the automotive industry, entering in the engineering and transportation sectors with some milestones such as the «Frecciarossa 1000» for Trenitalia (2013), «Project Zero» in collaboration with Agusta Westland, and the new exhibition spaces of the Graniti Fiandre Group (2014).

With its fifty-year experience **Italdesign**, founded in 1968 by Giorgetto Giugiaro and Aldo Mantovani, works closely with car makers starting from the first product definition up to the start of production. Companies in the sector can benefit from Italdesign’s consultancy services for turnkey projects,

covering all the phases through the development of styling, concept and vehicle architecture, series engineering, simulation, prototyping, testing and final production tuning. In addition, Italdesign can provide services for shorter projects covering only a part of the overall vehicle development cycle. Italdesign has been working with all the most important OEMs worldwide over the past 50 years, being recognized as a very innovative partner in terms of styling and engineering. Among the major OEMs, Italdesign has been working in Europe with VW Group (brands VW, AUDI, Seat, Lamborghini, Škoda, Porsche, Bugatti, and Bentley), BMW Group (brands MINI and BMW), PSA Group (brands Peugeot and Citroën), Renault-Nissan Group, FCA Group (brands Fiat, Lancia, Alfa Romeo, Maserati), Ferrari, Iveco, Ford, Lotus, Saab, and Volvo; in Japan with Suzuki, Toyota, Lexus, Subaru, Mitsubishi, Daihatsu, Isuzu, Mazda. Since 1981, the Giugiaro Design section has been operating within the Group: a division dedicated to industrial design and transport. In 2003 Giugiaro Architettura was founded, which operates in the field of civil and industrial architectural design, interior architecture, interior design of yachts, exhibition set-ups, urban furniture and urban and landscape planning.

Porsche Design was founded in 1972 by Ferdinand Alexander Porsche, who joins the family enterprise as a designer in 1958 with the first great challenge of designing what would become the Porsche 911. The designer's instinct for technology and materials, and most of all his purist aesthetic become ever more refined. The early 1970s are a time of transition for the company. Porsche KG becomes a joint stock company under the name Porsche AG and the family withdraws from day-to-day operations. Ferdinand Alexander Porsche retains his seat on the Supervisory Board, but the bylaws require him to relinquish his position as head designer. In 1972, driven by the need to create over the potential for profit, he founds Porsche Design in Stuttgart. The Porsche Company is among the first to commission a project: a new timepiece to recognize the service of its long-time employees. Porsche produces car accessories from the 50s, with a series of suitcases, bags, t-shirts, calendars, car models and buttons offered in the "Porsche Boutique". In the following decades, numerous classic accessories such as watches, sunglasses and writing tools were created and marketed worldwide. At the same time, many industrial products, appliances and consumer goods - even trams for the city of Vienna - have been designed under the "Design by F.A. Porsche" brand. In 1994, the merchandising division of Porsche AG finally acquired the name "Porsche Selection", which in 2004 was changed to "Porsche Driver's Selection". In 2012 Porsche Design opened several concept stores all over the world.

Zagato was founded in Milan by Ugo Zagato, in 1919, with the aim of transferring the notions of aeronautical technology, learned during the war period, to the automotive sector, when he worked for the "Fabbrica Aeroplani Ing. O. Pomilio". The first realization was a body that recalled the shape of an airplane carlinga, applied to the chassis with wooden side members of a Fiat 501. The Zagato bodies were immediately distinguished by advanced design, light weight and excellent aerodynamics. The great intuition of Ugo Zagato, already in the first half of the twenties, was to abandon

the use of wooden structures, replacing them with shaped and essential steel reinforcements, surmounted by light aluminum bodywork. From his studies came special versions of series models of various car manufacturers, both Italian as Lancia, Maserati and Alfa Romeo but also foreign as the Aston Martin. Notoriety came with the Alfa Romeo bodywork in the '30s, as the 6C 1500 Compressor of 1929, the 6C 1750 Gran Sport (1932) and the 8C 2300 but Zagato had a real boom in the 50s and 60s, especially in the Gran Turismo field. Since the 1970s Zagato, under the guidance of the founder Elio Zagato, with the reduction of orders from the major car manufacturers, began to also be interested in industrial design. Zagato's most recent operations include the design for ATM Milano (2001 Compasso d'Oro Award) of the Eurotram on a Bombardier Flexity Outlook basis. It was also presented at the Geneva Motor Show in 2007 with the Diatto Ottovù concept. In 2012 he collaborates with BMW for the realization of the BMW Zagato Coupé concept, built on a Z4 basis and presented at Villa d'Este.

In addition to designer with a strong automotive heritage, a set of "iconic designer" coming from different fields, could be considered as direct competitors of Pininfarina Extra. Among others, **Philippe Starck**, a French designer known since the start of his career in the 1980s for his interior, product, industrial and architectural design including furniture. He started his style revolution by designing nightclubs in the late 70's. When he was chosen in 1983 by President Mitterand to be one of the designers to re-imagine the private presidential apartments in the Elysées Palace, the young Starck stepped into the spotlight. Some thirty-five years later, he is a confirmed French design legend, still stage center. His hotels, restaurants, cafés, nightclubs, boutiques, private homes, museums, even wine cellars are each divertingly distinct. What's so much fun about following Starck is that there's always something new and surprising. By applying his prolific work to all domains, products of our daily life (furniture, lemon squeezer, electric bikes, individual wind turbine), architecture (hotels, restaurants that aspire to be stimulating places) and naval and spatial engineering (mega yachts, habitation module for private spatial tourism), he has continually pushed forward the limits and criteria of design, becoming one of the most visionary and renowned creators of the international contemporary scene.

Beside the direct competition of design-companies, the evolution of the market over the years has been characterized by more and more automotive companies, which decided to develop internally the exterior and interior design of their cars, determining, as a matter of fact, a reduction of Pininfarina's potential market. Therefore, Pininfarina faced the risk to decrease its penetration in some of its own historical clients, such as Ferrari and Alfa Romeo. The Design of **Ferrari**, from the early 2010s, relies on in-house design from the Centro Stile Ferrari, in collaboration with Design International (London) and Studio Planning (Bologna). The Center is spread over four levels, for a total surface of 5,600 square meters. In the basement there is the "garage". On the ground floor, the reception and, for 80 percent of the space, the modeling: the workings (from clay modeling to resins) requires the most extensive surface. On the first floor there are the offices and open spaces of de-

signers and virtual modelers. On the last level, the presentation room, dominated by a giant screen and connected seamlessly, once the sliding windows are open, to a terrace.

Alfa Romeo historically has a business division that deals with the design of car models produced by the "Biscione" house. The first company division of Alfa Romeo that dealt with the design of automobiles was the Carrozzeria Design Office, established in the forties and active until 1957. The Carrozzeria Design Office then changed its name to "Centro Stile" in 1957, a name it retained until 1990, when the name "Alfa Romeo" was added. The "Alfa Romeo Style Center" was founded by some young designers on the initiative of Giovanni Battista Razelli, who at the time was CEO of Alfa Romeo. The milestones of the history of design are the 156, the car that uplifted the company in 1998, and the subsequent 147. In 2011, the style center of the Biscione house was transferred to Turin. The last two Alfa Romeo cars designed at Arese were the MiTo and the Giulietta.

Other more recent examples regard Lamborghini and BMW. The first opened "Lamborghini Centro Stile" in 2004, after being partner of Giugiaro in the past. At the head of its famous international designers have alternated: Luc Donckerwolke, Walter De Silva, Manfred Fitzgerald and Filippo Perin. The latter bought in 1995 DesignWorks, a global creative consultancy, established independently in 1972 by Charles Pelly. It was instrumental in the design of the BMW XL Sports Activity Vehicle and the BMW 5 Series. Other development projects at Designworks have included, among others, the BMW electric car, BMW 850 seat, BMW E46 3 Series, BMW Z8, BMW 7 Series interior, BMW Zeta show car, BMW E46 3 Series, and BMW 100- and 1200 Touring motorcycles. Designworks has worked with a wide range of clients including, HP, Microsoft, Starbucks, Coca-Cola and Boeing Business Jets.

Competitive strategy

This unique combination of emotional experiences makes Pininfarina one of the most desired and exclusive lifestyle brands in the world. Elegance, Purity and Innovation are the values that characterizes Pininfarina's business (*Annex I6-I7*).

Given the nature of its product, competitive strategy has extensive leveraged on co-branding, where Pininfarina's value should either enhance or "merge and mirror" with partner's company value. In general, in case of co-branding, launch and promo plans are the results of the cooperation between partners. Consequently, the strategic and tactical decisions related to marketing and branding, the selection and sequencing of activities that will be included in the delivery plan as well as the definition of the expected returns on marketing investments, have to be balanced with plans to characterize the contribution of own Brand, while avoiding being diluted in a product-only or partner-only proposition. A defining element for designers in the development of their marketing plan is the trade-off and balance between affirming own identity and grant enough flexibility to support the product launch and grant market success.

A core challenge in designing launch promo activities is on one hand then creating the myth and delivering its values, and on the other hand showcasing its creations to the main stakeholders. The product associated to Pininfarina's design is then the most important communication vehicle, through which the brand is delivered. Value extraction and pricing strategy would then reflect the high-end positioning built over-time and the high quality delivered by its products and its Italian lifestyle, luxury and elegance heritage, Made in Italy expertise and creativity.

Recreating a unique BrandTelling to support a premium perception is then a crucial part of the marketing plan. To this end, Pininfarina group utilizes content marketing and brand journalism techniques to promote its brand throughout the different areas and sector of interest. Examples are, in the digital arena, the relevant presence on social media such as Youtube, in which the company shares video of its products and display its core values (e.g. sustainability) and, on traditional touch-points, the several high-end books about the history of the Group. Another important showcase for Pininfarina's products BrandTelling is connected to trade shows and industry events such as the Geneva Auto Salon during which the brand gets in contact with the most important stakeholders in the automotive sector.

Alternative scenario

The main issue for Pininfarina derives from exploiting the maximum potential of Pininfarina Extra (PFE) to support a new healthy growth trajectory for the Group, balancing the willingness to enter new categories and new industries with the capability of maintaining own Brand identity and, moreover, leveraging its unique history and heritage.

Four different topics should be analysed in advance to select the ideal future product range within PFE:

1. Should PFE focus on automotive industry only, with complementary products specific for the industry (e.g., car-accessories or drivers-accessories only?)
2. Should PFE focus only in Automotive's analogous categories (e.g., Transportation), where the historical heritage of aerodynamics, "speed" should be combined with aesthetics for the maximum impact?
3. Should the Brand expansion happen leveraging core-values (aesthetic values of Italian design, luxury, elegance, essentiality, aerodynamics and innovation) then opening-up to Brand extension in multiple categories?
4. Should Brand Expansion be organized into logical "major categories", or should it be left open to opportunistic ideas of valorization of previous sectors as electronics, sporting goods, furniture, equipment and machinery, consumer products, graphic design and packaging, residential, hospitality, sport and commercial structures, and transportation design?

Subsequently, the Group must decide if the Brand extension should be done internally (direct production of some categories) or if it would be better to give it in outsourcing (for example using licensing).

Once the decision of what should be done to achieve a Brand extension has been taken, it is necessary to decide how to proceed in terms of marketing tools to be used. In order to ensure the maximum contribution from PFE to support a healthy growth for the Group, there are several questions to address:

- On which identity and positioning elements should the PFE brand equity be built? How to link it with the mother-brand?
- How to manage the necessary stretching of the Mother-Brand? Would it be important to focus on some specific categories? And to organize and group the categories together?
- How to support growth acting on organizational levers, e.g., restructuring the organization, introducing new talents, and growing new competencies?
- What would be the best marketing model to support growth? Should licensing be adopted? How to control then licensee and how to ensure performance? How to control the risk of Brand dilution and how to avoid it?

Annex

Annex 1 – Cisitalia 202, MoMA museum, New York



Annex 2 - Pininfarina Wind Gallery in Grugliasco (TO)

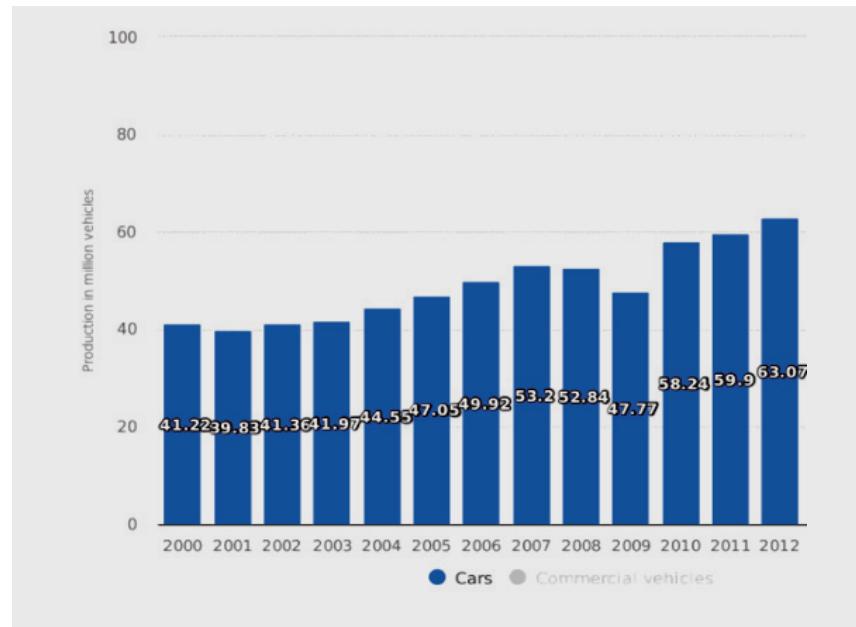


Source: Google Image

Annex 3 – Financial Income Statement in thousand € (from 2007 to 2012)

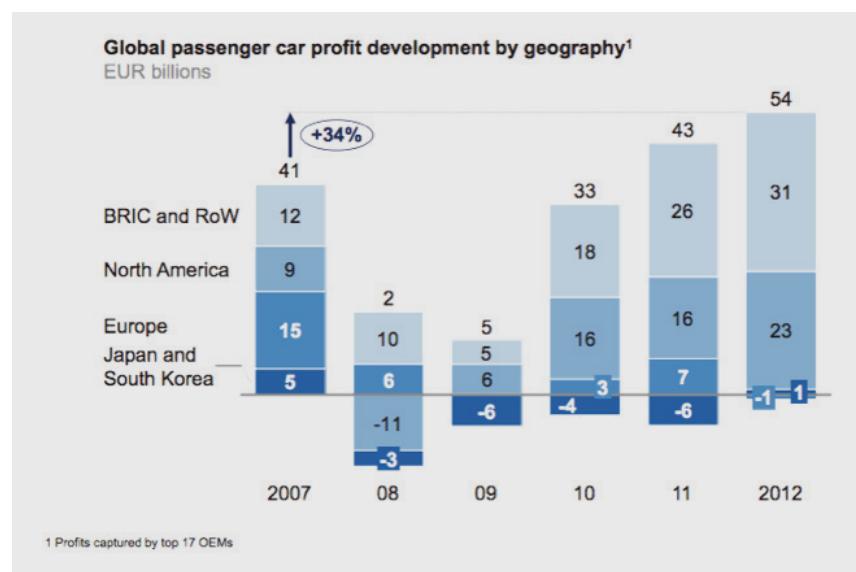
535,688	-20%	201,615	-62%	204,633	1%	62,01	-70%	70,15	13%
-160	-3386%	4,658	-103%	2,453	-47%	8,931	264%	3,181	-64%
-407,261	-21%	-140,138	-66%	-161,758	15%	-24,519	-85%	-33,045	35%
-6,608	-37%	-4,324	-35%	-4,132	-4%	-54	1207%	42	-178%
121,659	-17%	61,811	-49%	41,196	-33%	46,368	13%	40,328	-13%
-114,714	-11%	-58,884	-49%	-47,455	-19%	-41,656	-12%	-44,842	8%
6,945	-62%	2,927	-58%	-6,259	-314%	4,712	-175%	-4,514	-196%
-34,974	-18%	-15,134	-57%	-12,389	-18%	-4,789	-61%	-3,34	-30%
-149,773	90%	-23,664	-84%	-1,35	-94%	-8,613	538%	-323	3650%
-177,802	72%	-35,871	-80%	-19,998	-44%	-8,69	-57%	-8,177	-6%
-21,619	103%	3,074	-114%	676	21891%	-2,069	-100%	-3,674	78%
-2,09	-163%	2,231	-207%	-12,895	-678%	0	-100%	44,835	-
-201,511	82%	-30,566	-85%	-32,217	5%	-10,759	-67%	32,984	-407%
-2,615	-32%	-180	6783%	-859	377%	-726	-15%	-121	-83%
-204,126	78%	-30,746	-85%	-33,076	8%	-11,485	-65%	32,863	-386%

Annex 4 – Worldwide automobile production from 2000 to 2012
(in million vehicles)



Source: Statista

Annex 5 – Automotive profits from 2007 to 2012



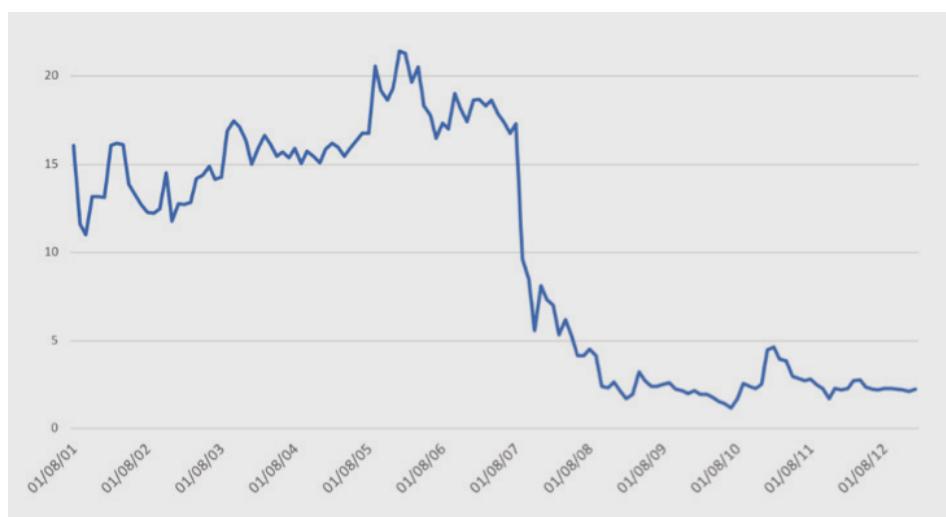
Source: HIS Automotive; McKinsey 2013

Annex 6 – Global automobile production and changes from 2006 to 2012

YEAR	PRODUCTION	CHANGE
2006	69,222,975	4,1%
2007	73,266,061	5.8%
2008	70,520,493	-3,70%
2009	61,791,868	-12,40%
2010	77,875,705	26.0%
2011	79,989,155	3.1%
2012	84,141,209	5.3%

Source: OICA, International Organization of Motor Vehicle Manufacturers

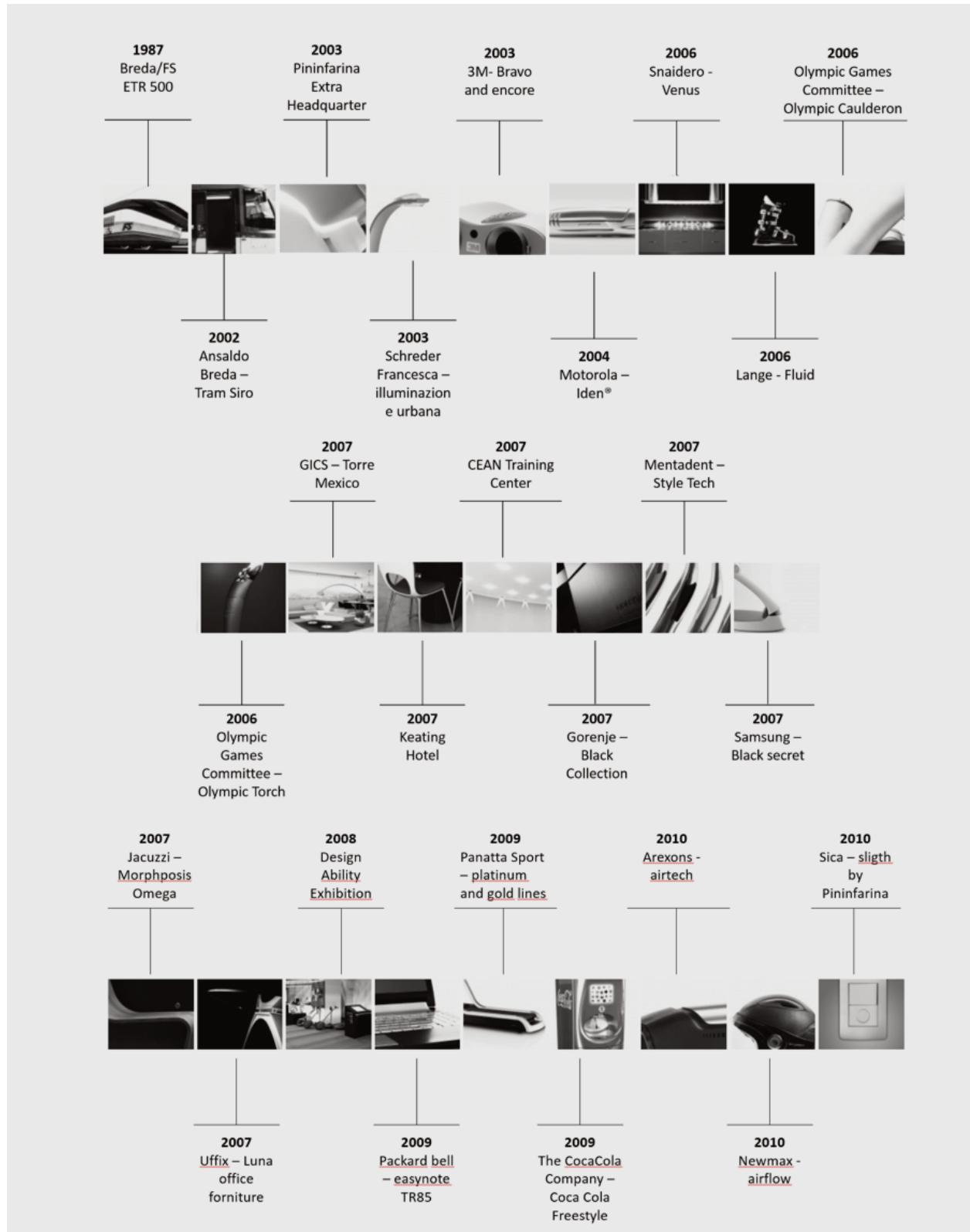
Annex 7 – Pininfarina Historical Price trends from 2002 to 2012



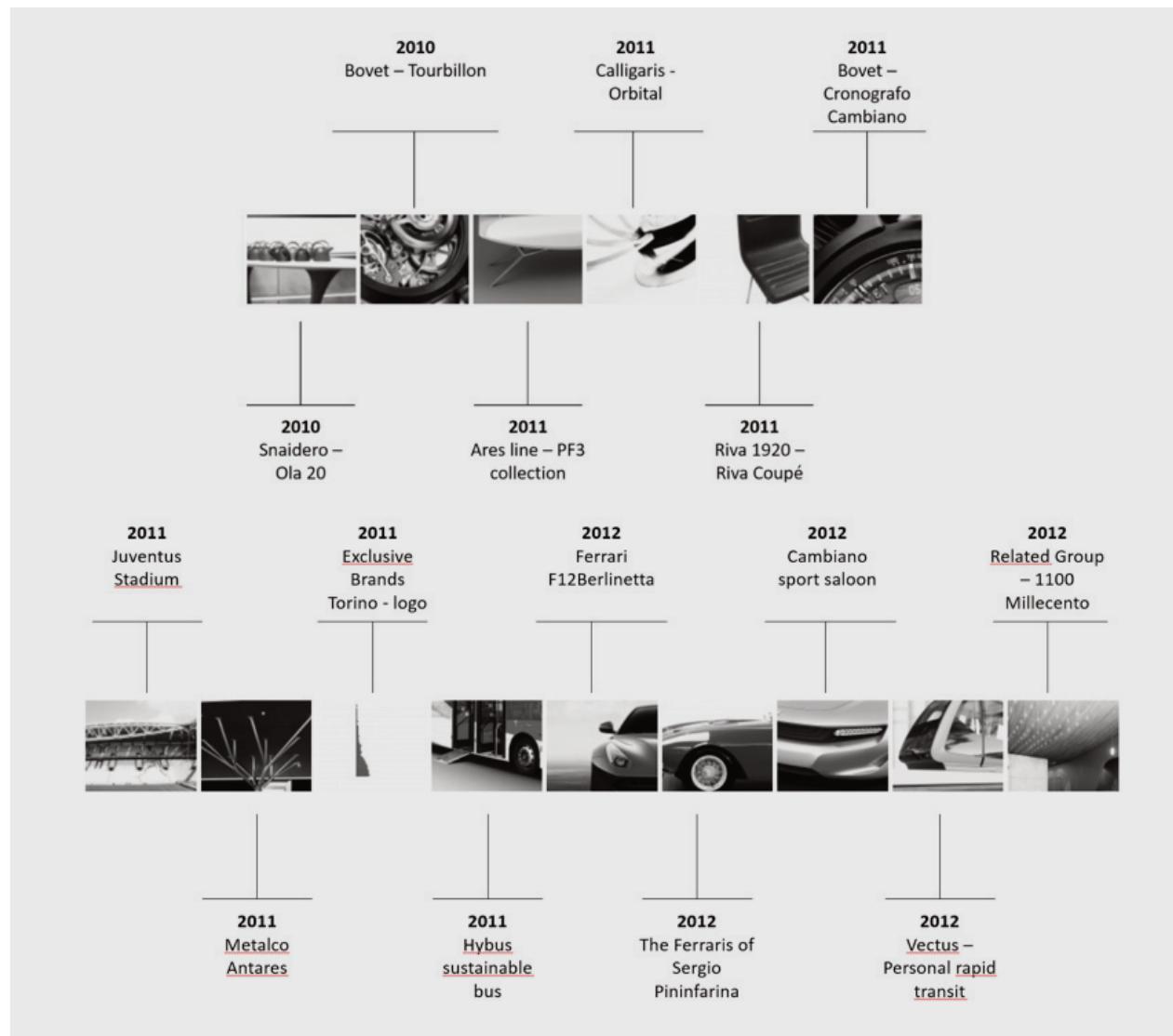
Source: Bloomberg

PININFARINA EXTRA

Annex 8 – PFE products timeline



Annex 8 – PFE products timeline



Source: Pininfarina website

PININFARINA EXTRA

Annex 9 – Tourin 2006 Olympic Torch,
designed by Pininfaina



Source: Pininfarina website

Annex 10 – Lange Fluid, 2006



Source: Pininfarina website

Annex 11 – CocaCola Freestyle automatic distributor designed by Pininfarina, Good Design Award 2011



Source: Google Images

PININFARINA EXTRA

Annex 12 – Alenia Superjet SSJ100, Interior design by Pininfarina Extra, 2010



Annex 13 – Juventus Stadium VIP lounge designed by Pininfarina Extra, 2011

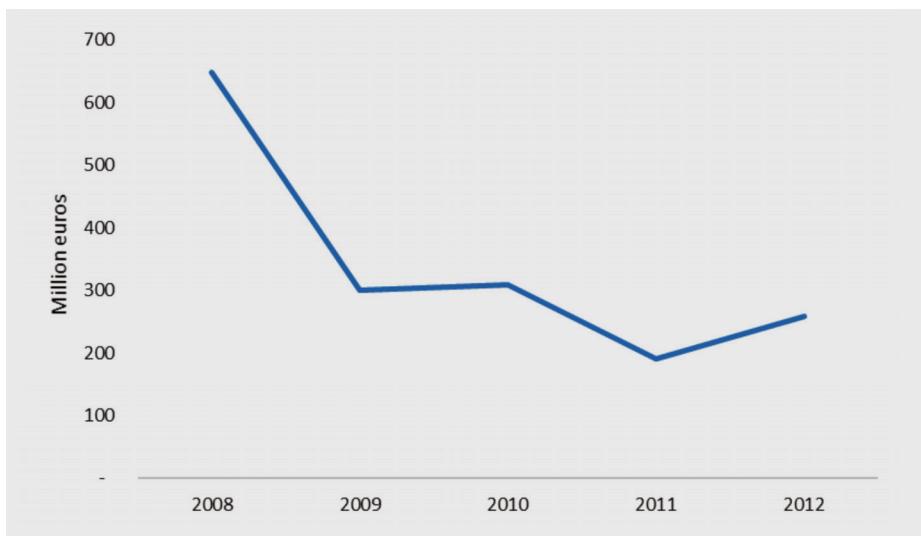


PININFARINA EXTRA

Annex 14 – PFE key financial indicators in thousand € (from 2006 to 2012)

A 4	NA -92%	1100 700	NA 846%	1100 700	0% 0%	900 600	-18% -14%
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Annex 15 – Design key players revenues from 2008 to 2012, million euros



Source: Aida Bureau Van Djik

Annex 16 – Pininfarina's Mission and Values

Mission - Pininfarina is a design house of international repute, a symbol of Italian style in the world. With over 80 years of experience, it is a flexible partner able to offer competitive products and services based on the values of the brand: purity, elegance and innovation. Its activities focus on design, engineering services, conception and production of unique cars or in very small series.

Values - Elegance, Purity and Innovation are the values that have always characterized Pininfarina's business, as confirmed in the words of the men who have forged the history of the company. Battista Pinin Farina: "You ask me what Italian style means. It means sense of proportion, simplicity and harmony of line, such that after a considerable time, there is still something which is more alive than just a memory of beauty". Sergio Pininfarina: "The beauty of the shape is the result of a deep engagement aimed to reach the highest quality and the design is itself the meeting point between shape and technology, taste and functionality. Nothing seems to be more adapt to the so-called Italian genius than this permanent tension to harmonize beauty and functionality". Andrea Pininfarina: "The challenge is to maintain the highest quality. We are going to need to strip away from cars everything that is not essential over the next few years, and to return to functionality. To reach this it is necessary to combine creativity and innovation". Paolo Pininfarina: "Pininfarina has always had the passion for new technologies. Design is the instrument to humanize innovation".

Annex I7 – Brand positioning model

