



Automobiles

Fiat Positions Maserati To Replace Ferrari

► Marchionne: It will be the company's most coveted luxury brand

► "If we push the volume out, we will pay the price"

Ferrari's power, prestige, and profits have helped bankroll many of **Fiat Chrysler Automobiles'** more pedestrian brands—Chryslers, Dodges, and Jeeps. Chief Executive Officer Sergio Marchionne is betting that the company's Maserati sedans will fill the luxury gap when Ferrari is spun off later this year.

"Maserati becomes the most coveted, exclusive brand that we have," Marchionne says. He plans to add a sport-utility vehicle and a coupe to its lineup and open 21 more dealerships across the U.S. Maserati's reputation for performance is well-established, and luxury autos are selling briskly in the U.S. But the market is crowded, with **BMW, Mercedes-Benz, Lexus,** and **Audi** the four top-selling brands in the U.S.

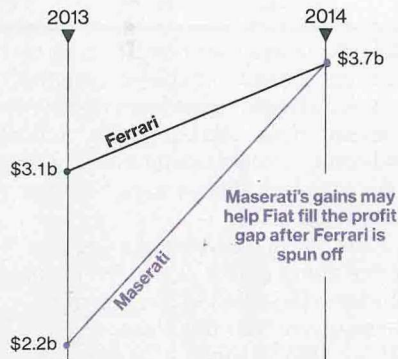
Fiat bought 50 percent of Ferrari ►

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Companies/Industries

High-End Drag Race

Sales of luxury brands at Fiat Chrysler



DATA: COMPILED BY BLOOMBERG

◀ in 1969 and gradually increased its stake to 85 percent. Fiat bought Maserati from Ferrari in 1993.

Marchionne announced a Ferrari spinoff late last year to raise cash to help pay down some of Fiat's debt.

Maserati's always been seen as very high-end and out of reach, which could be a problem. The brand "seems unattainable often even by those that are in the luxury category," says Alexander Edwards, managing director of Strategic Vision, a marketing research firm in San Diego. Maserati's entry-level sedan, the Ghibli, starts at \$69,800, more than its two closest competitors: A comparable BMW 5 Series costs \$49,950, and Mercedes's E-Class starts at \$52,650. Introduced in 2013, the Ghibli at first sold well in the U.S., but in recent months dealers have aggressively discounted the model. "Margins have just gone down the drain since its introduction last year," says dealer Mark Akbar of AutoNation.

Maserati more than doubled global shipments, to 36,448, in 2014. But it's stumbled recently: This year through April, sales fell 9 percent from a year earlier, to 7,306. Maserati's first-quarter profit fell 39 percent, to \$40 million, which the company attributes to a slowdown in China.

To broaden its appeal—global sales didn't crack 10,000 until 2013—Maserati, which sells four models, will add the Levante SUV in 2016 and the Alfieri coupe sometime later. SUVs make up about half of luxury car sales in the U.S.

Marchionne sees the brand as the linchpin of his €48 billion (\$53 billion) plan to turn Maserati, Alfa Romeo, and Jeep into global brands and boost net income fivefold. The money will go to designing and building new models and expanding into new markets. Marchionne has pledged to raise

Maserati profit margins to 15 percent from 10 percent and almost double global sales by 2018, to 75,000, the number at which Marchionne plans to cap production. "If we push the volume out, we will pay the price, and that's something we can't afford," Marchionne says. "You need to let the market take cars as they come."

Increasing profit will be crucial to Fiat generating sufficient cash to develop cars and technologies—a tall order, analysts say. Expanding the number of U.S. dealers will help. "They've got a hell of a lot to build on," says Joe Phillippi, president of Auto Trends Consulting, in Short Hills, N.J. "But it's incredibly expensive to play the game. Marchionne can't afford to stumble."

—Mark Clothier

The bottom line Fiat Chrysler's CEO has pledged to double global sales of Maserati, to 75,000, by 2018.