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**Bus 10A: Functions of the Capitalist Enterprise**

**Final Paper Outline**

For our company analysis, we will be overviewing Ford Motor Company, which competes in the Automobile Manufacturing Industry. Ford’s mission statement today describes the companies vision quite simply: “People working together as a lean, global enterprise to make people’s lives better through automotive and mobility leadership.” Ford’s core values include people, products, and profits.

Ford was founded in 1903 by Henry Ford, who produced the Model-T which was the first mass produced automobile. Throughout the 20th Century, Ford competed in the top of the Automobile industry with the two other major American motor companies, GM and Chrysler. However the beginning of the 21st century saw a downfall in the sales of American motor companies, as GM, Chrysler, and Ford all saw a sharp decrease in revenue. This was due to the fact that foreign companies, such as Honda and Toyota, began making longer lasting cars that sold for less money. American consumers had an incredibly low outlook on domestic vehicles, seeing that Honda and Toyota began to expand and produce SUV’s and pickup trucks. Amid the economic crisis in 2008, President George W. Bush enacted a plan to save the “Big three” from bankruptcy. Ford, at the time, was the most financially stable and did not require immediate government aid, however, Ford benefitted dramatically from the “Cash for Clunkers” promotion, which promoted sales of newer models. Since 2013, Ford has seen a 53% decrease in its stock value, as higher quality cars from other brands have become more affordable. The American auto industry’s inability to produce competing fuel efficient vehicles has dug them a hole and set them back from the industry lead.

**Five Forces**

Threat of New Entry: (weak to moderate)

* High economies of scale for producing and distributing (weak force)
* High barriers to entry- high Capital investments in developing and marketing (weak force)
* Specialist knowledge required (moderate force)
* Incumbents’ advantages in technology, location, and brand awareness (weak force)

Bargaining Power of Customers: (moderate)

* Customer has medium to high switching costs (moderate force)
* Many customers; Each customer purchase in small volume (weak force)
* Many substitutes in the industry (Toyota, General Motors, Honda, and etc.) (strong force)
* Buyers are price-sensitive (Strong force)

Bargaining Power of Suppliers: (weak) (Production materials, Non-production materials)

* Large population of suppliers, each one produces similar products (Weak force)
* Industry participants face moderate switching cost (Moderate force)
* Low forward vertical integration (Weak force)

Direct rivalry among existing competitors: (High)

* Many number of direct competitors in medium value segment (Strong force)
* Industry’s fast growth in innovating and developing (strong force)
* High barrier to exit (strong force)

The Threat of Substitutes: (High)

* Large number of substitutes available (Toyota, General Motors, Honda, and etc.) (Strong force)
* Buyers switching cost is moderate (Moderate force)
* Similar products in price and quality (Strong force)

**Analysis of Five Forces/Solution**

Electric Cars

* Currently, Ford does not have any cars that do not run on gas (inability to produce fuel efficient vehicles)
* With the emergence of this trend, customers will abandon Ford and search for more eco-friendly alternatives

High Prices

* Ford is priced higher than their competition
* Already competing in the economy class, so they must attract to average car consumer

Brand Image

* Must improve quality of vehicles
* Many safety hazards/recalls over the last few years
* Try to expand/promote sedans and SUV’s

**Sources**

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