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TOPIC :-Case study on Ford Motor Company

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Introduction

The current report provides an in-depth analysis of the motor vehicle industry based on the Ford Motor Company case study. It also analyzes Ford Motor Company using SWOT analytical tool. Moreover, strategies that could be adopted by Ford Motor Company for the next five years have been provided. The study is divided in several sections with the first section being the motor vehicle industry analysis.

The industry analysis explores the industry structure, major environmental changes, competitors, and Ford’s competitive position in the industry. The second section gives an environmental scan with major focus on the major opportunities and threats. The third section explores the company’s key strengths and weaknesses. The last section gives viable strategic recommendations which can be adopted for the next five years.

Industry Analysis

The motor vehicle industry is very competitive and characterized by changes in vehicles design and technology (CLLES 7. Just like any other industry, the motor vehicle industrial structure and landscape have been changing and reshaping operationally, functionally, and geographically.

The increase in competition has been as a result of new emerging automotive and vehicle industries in South American, Eastern and Central European, and Asian countries (CLLES 7). The industry’s major structures are the motor vehicle and the motor vehicle parts sections.

These two sections provide employment to more than one million people in U.S. The motor vehicle industry is a loosely connected industry and diversified in terms of supply chain structure, employment levels and compensation. Lastly, the market is characterized with excess capacity which is a major structural problem.

The industry was highly affected by the 2007/2008 global financial crisis. Major players such as Chrysler and General Motor were majorly affected that it took the intervention of the government to bail them out.

However, based on the case study, Ford Motor Company was the only major company which was not affected by the financial crisis. The company has been described by as the only automaker company which has survived the major crises that have hit the motor industry without financial bailout by the government (The New York Times 2012).

The major competitors of Ford Motor Company are BMW, Chrysler, Toyota, General Motors, Honda, Nissan, Mercedes Benz, and Hyundai-Kia among others. In U.S, General Motors (GM), Toyota, and Honda are the main competitors of Ford (Canis and Yacobucci 6). Different automakers use different strategies to increase their competitive advantage.

Based on the case study, Toyota uses lean production to increase its effectiveness and efficiency in production. Toyota’s lean production encourages just-in-time scheduling, flexible production, teamwork, and quality production. In addition, the company avoids material wastage and inventories. Another company like Hyundai produces quality products to meet the demands outside Korea.

For instance, the company has recently established a production line in Alabama, U.S to near KIA to benefit from economies of scale (Canis and Yacobucci 6). In addition, the company offers the longest warranties which are geared towards the attraction of customers from the Japanese and US cars. In general, all the major competitors have brand product portfolio which are part of product diversification and cost differentiation.

General Motors which is the largest competitor of Ford Company has adopted a new strategy which has been borrowed from Toyota Company (Ferrell & Hartline 30). The new strategy is based on new auto designs which meet the expectations and demands of emerging market segments.

The company has acquired the Toyota’s design which involves synchronization of production, platforms, and parts from different parts of the world. This new globalization strategy encourages flexible manufacturing. Based on checks and benchmarking carried by Henry (91), the competitors in the automobile industry are grouped in four groups.

The first group is of high price and low range automobiles and it consists of Rolls Royce and Bentley. The second group comprises of Ferrari, Ashton Martin and Porsche while the third group contains BMW, Mercedes, and Lexus. The last group is composed of Ford, Renault, Honda, Volkswagen, GM, Nissan, Toyota, and Daimler Chrysler (Henry 91).

The Lexus, BMW and Mercedes group produces highly priced and quality products but of a lower product range. The Last group produces a broad range of products which have considerably low prices and quality compared to other groups. In this group, competitors compete in the market based on reliability, price, and the design of their products (Henry 92).

Ford is the second largest automaker after General Motor. The American automaker has found its niche in car and truck production. The company has a strong brand which has improved its competitive advantage. Product diversification has been the major competitive advantage thus increasing its competitive position in the industry.

To maintain its competitive position, Ford brands product portfolio comprises of Ford Ikon, Ford Fiesta, Ford, Fusion, Ford Endeavor, and Ford Figo. Its survival under numerous financial crises has increased the confidence and trust from different stakeholders especially consumers (The New York Times 2012). In North America, Ford remains as the largest market shareholder.

However, the company receives high competition in new emerging markets in Asia and Europe. Nonetheless, the American automaker has continued to defend its position in the industry and in 2008, it closed the gap that existed between itself and Toyota. The company was able to sell over 55,301 vehicles compared to Toyota in 2009 (Canis and Yacobucci 6).

Based on the current statistics, Ford has a market share of 15.5% after GM which has a market share of 19.8 percent (Canis and Yacobucci 6). The fall of GM and Chrysler was beneficial to Ford as many buyers between 2008 and 2009 preferred Ford cars thus increasing its financial and competitive position in the market.

As other companies market shares declined, that of Ford increased. To remain competitive, the company has provided new models which are affordable, competitive, and environmentally friendly.

**Environmental Scan**

Environmental scan has been carried through the use of SWOT analysis to give the major opportunities and threats that Ford Company has.

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| --- | --- |
| Key Strengths | Key Weaknesses |
| * The company has adopted Toyota’s lean production strategy thus reducing waste and inventories. * Ford is a world renowned and strong brand which has several brand product portfolios. * Its brand portfolio such as Ford Fiesta and Ford Focus gives the company a competitive advantage. * Ford is one of the earliest car manufactures in the world. Therefore, the company has been well established and embraced a market share of more than 15 percent. * Being the second largest manufacturer of motor vehicles and seller of vehicles, Ford has the financial capacity and capability to invest in new technologies. * Ford has a flexible manufacturing strategy that is based on modern technology for the production of sophisticated engines. * Ford produces cars and trucks which are sold in different markets in the world. * Brand portfolio diversification and differentiated markets has allowed the automaker meet the high level of competition and production costs. * Ford products are found in the six continents thus increasing its presence in global markets. | * Ford depends on outsourcing of material components to achieve flexibility and costs reduction. * The automaker relies heavily on the U.S market which has become saturated with cheap and fuel efficient Japanese cars. For instance, more than 80 percent of 2010 sales were from North America (Schwed 2010). * The company has experienced a surge in sales especially in 2008 during the financial crisis. * Emergence of European and Japanese manufacturers in U.S and other major markets has led to reduced sales. * Ford has filed in tapping all major emerging markets especially when compared to other automakers such as GM and Toyota. * Ford still manufacture big cars which are not fuel efficient despite the fact that market trends have changed over the decade. |

**Financial Condition**

The company is in a better financial position compared to other players such as Chrysler and GM. In 2008, the company survived the U.S and Europe financial crises (The New York Times 2012). In addition, as other companies’ market share reduced, Ford’s market share increased to 15.5% while that of GM’s dropped to 19.8 % (Canis and Yacobucci 6). In 2009, Ford increased its sales by 55,301 vehicles compared to Toyota.

In 2011, Ford increased its small cars sales in U.S by 25 percent (Ford Motor Company 2012). The annual operating profits of Ford increased in 2011 and as a result, the company announced an operating pre-tax profit of $8.8 billion (Ford Motor Company 2012).

In a third year in a row, the company has announced improved annual operating profits which show that the company is in a better financial position. According to Ford Motor Company 2011 annual sustainability report, the company has increased its annual automotive gross cash which is a sign of financial progress (Ford Motor Company 2012).

The revenues of Ford have grown from USD 119.3 billion in 2011 to USD 128.2 billion in 2012 (Bloomberg Businessweek 2012). In addition, the company has reduced its sales pegged on income tax expense to -0.90% from -0.505 thus leading to a bottom line growth of USD 20.2 billion from USD 6.6 billion (Bloomberg Businessweek 2012).

Because of its financial position, the automaker plans to invest $16 billion in the U.S production plants with the objective of designing, engineering and producing upgraded vehicle components. Therefore, Ford Motor Company financial position is strong despite the recession and economic downturns.

Recommendations

Based on the industry and company analysis, some suggestions have been provided which can be applied for the next 5 years as part of strategic plan management. First, Ford needs to expand its market operations in emerging economies in Africa, Middle East, and Asia so as to reduce overreliance of the U.S market. This would expand its market share and meet new demand in new market segments.

Second, the company needs to diversify its products to meet the demands and expectations of consumers in the 21st century. Ford needs to carry out market and consumer demand research to determine the major emerging market trends and patterns. Product diversification can be achieved through the production of more fuel efficient and environmentally clean cars which are small in size.

This would meet the demand in the new segment of environmentally sustainable and green fuel motor vehicles. Ford can adopt the strategy adopted by Toyota of producing a variety of cars annually which fit different market segments. For example, it can design cars that meet the income capacity of consumers in developing nations.

**Conclusion**

Drawing from the case study analysis, Ford is the second largest American based automaker in the world. In addition, the company operates in a very competitive and saturated market. As a result, the company faces high level of competition from major players such as BMW, GM, Toyota, Honda, Chrysler, and Mercedes Benz among others.

When grouped, Ford lie at the lowest group which produces broadest range of cars which affordable prices. The company is a strong brand which is globally known. Its financial capacity and presence has increased its market share. The major weakness of the company is that it highly depends on the U.S market. Financial crisis in Europe and U.S have threatened its performance and market share.

Financially, Ford is stable and in a better position. The company has increased in sales and revenues as well as pre-tax operating profits in a consecutive period of three years. it has been recommended that the company ought to increase its presence in emerging markets and produce diversified products