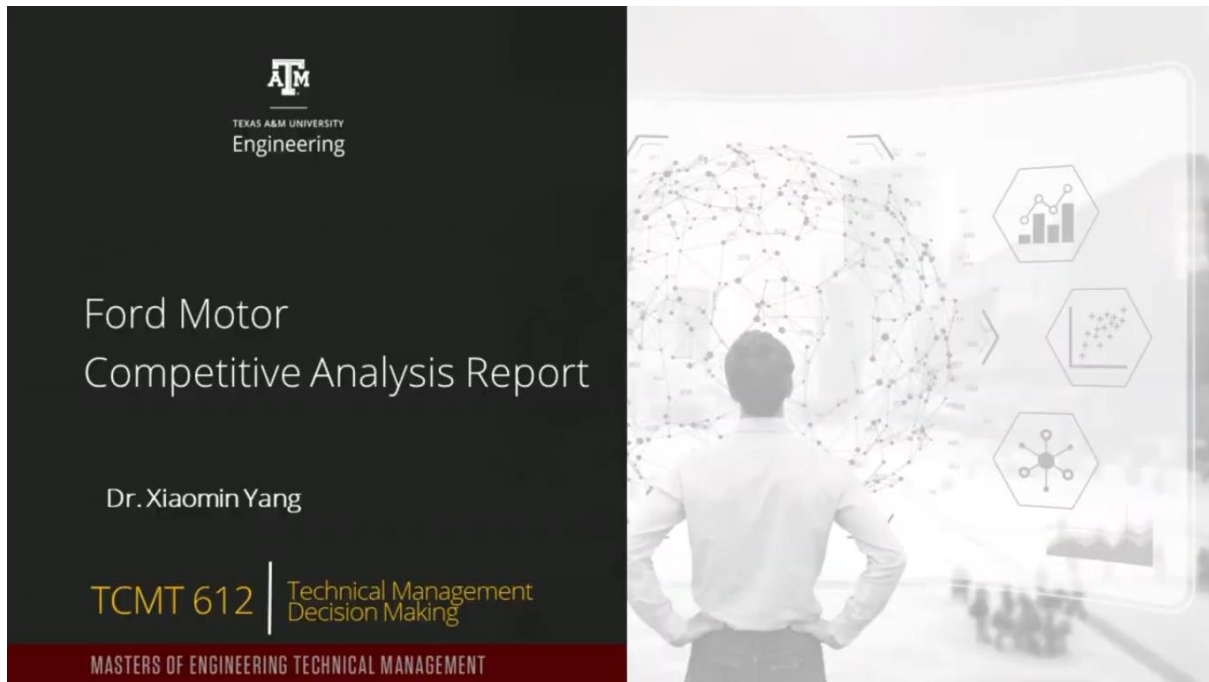


M5L6. Ford Motor Competitive Analysis

Slide #1



Let's review an example of the profitability analysis of the auto industry for Ford Motor following the Porter's Five Forces framework.

Slide #2

Automotive Industry Analysis for Ford Motor Company

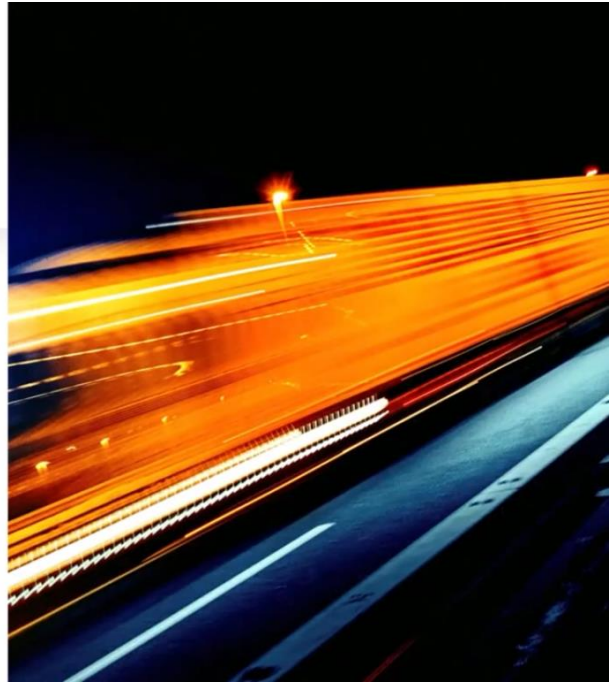
Business

Ford Motor Company was incorporated in Delaware in 1919. The company acquired the business of a Michigan company, also known as Ford Motor Company, which had been incorporated in 1903 to produce and sell automobiles designed and engineered by Henry Ford.

Ford is a global automotive and mobility company based in Dearborn, Michigan. With 183,000 employees and 70 plants worldwide, the company's core business includes designing, manufacturing, marketing, and servicing a full line of Ford cars, trucks, and SUVs, as well as Lincoln luxury vehicles.

To expand its business model, Ford is aggressively pursuing emerging opportunities with investments in electrification, autonomy, and mobility. The company also provides financial services through Ford Motor Credit Company LLC ("Ford Credit").

2



We all know about Ford.

This is a brief description of the company's business.

Please take a couple of minutes to read it.

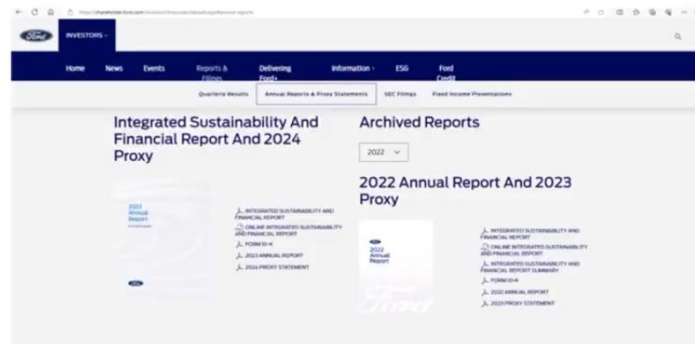
Slide #3

Sources of Public Information

10-K report

- Annual financial reports
- Strategic plans
- Business reviews
- WSJ articles

3



The competitive strategy analysis is based on public information that Ford released on its shareholder website.

Every year, a publicly traded company releases its annual report, called 10-K, to the U.S. Securities and Exchange Commission, which is an independent federal government agency responsible for protecting investors and maintaining the fair and orderly functioning of the securities market.

A company's 10-K report includes the financial statement, strategy statement, competition, operations, risk, and so on.

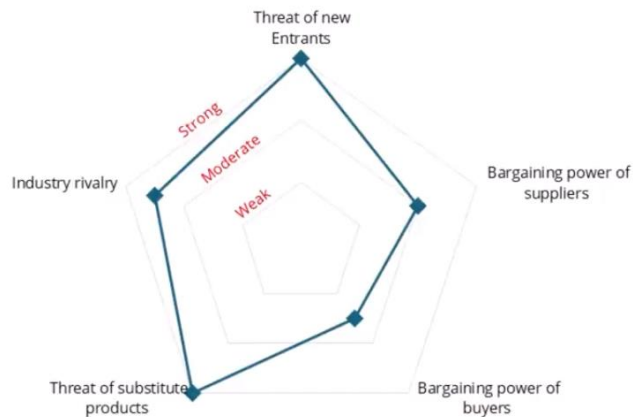
It is a valuable source of information that we can use to evaluate a company.

As a public company, Ford also posts its strategy plan on its investor relationship website.

In addition, business reviews and the wall street journal articles provide context information about the recent global electric vehicle business trends.

Slide #4

Summary of Five Force Profitability Analysis of Ford Motor



4

This is a summary of the five forces analysis of the auto industry, specifically for Ford Motor Company.

Typically, the strengths of the five forces are displayed in a radar chart.

In clockwise order, the five forces are threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products, and industry rivalry.

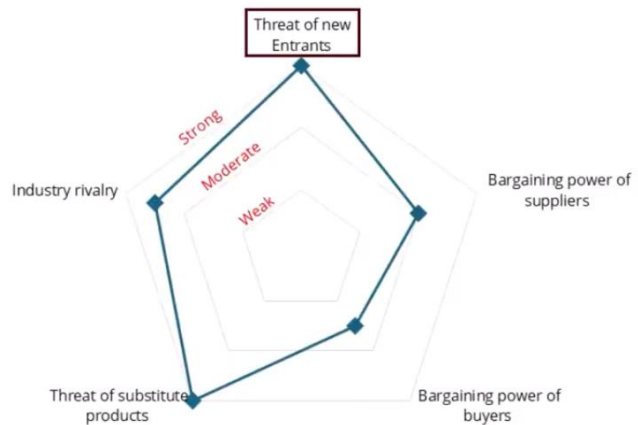
Each force is assessed as weak, moderate, or strong.

The stronger the force, the greater the competitive pressure faced by a company in the auto industry, which correlates to lower profitability potential for Ford Motor Company.

Slide #5

Threat of New Entrant (Strong Force)

Electric vehicles removed most of the traditional barriers.



5

The threat of new entrants is strong.

High capital investment, significant economies of scale, exclusive dealership networks, and strong brand value establish high barriers for new companies entering the conventional auto industry.

However, the introduction of electric vehicles has begun to change the landscape, disrupting the traditional dynamics of the auto industry.

Electric vehicles require fewer mechanical parts and can be simpler to design and manufacture than traditional combustion engine vehicles.

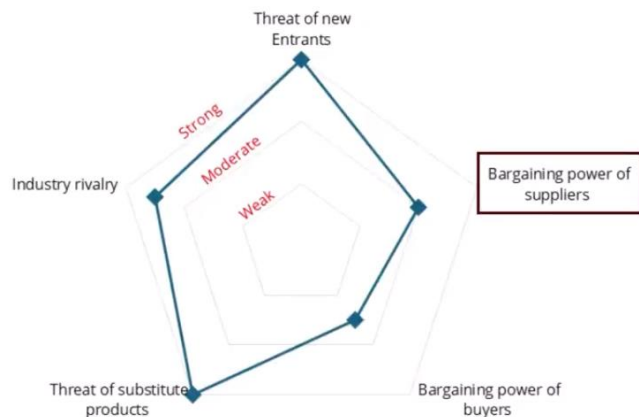
This shift reduces some of the capital and technical barriers that previously deterred new entrants.

The evolving technology and market dynamics around electric vehicles are creating new opportunities and challenges for established manufacturers.

Slide #6

Bargaining Power of Suppliers (Modest to High)

- Single sources suppliers



6

The bargaining power of suppliers in the auto industry varies from modest to high. Several factors contribute to this dynamic.

Many automakers depend on single source suppliers for critical parts and materials.

This reliance can put manufacturers at a disadvantage, giving suppliers significant leverage over pricing and terms of supply.

The presence of powerful auto employee unions is another critical factor that elevates the bargaining power of suppliers.

These unions play a significant role in shaping labor costs and conditions.

Because unions can negotiate aggressively for better wages and benefits, they impact the overall cost structure of the industry, potentially limiting companies' flexibility in managing labor expenses.

These elements together enhance the negotiating power of suppliers and can pose challenges for automakers in controlling costs and maintaining profitability.

Slide #7

Bargaining Power of Buyers (Modest)



7

The bargaining power of buyers in the auto industry is considered modest.

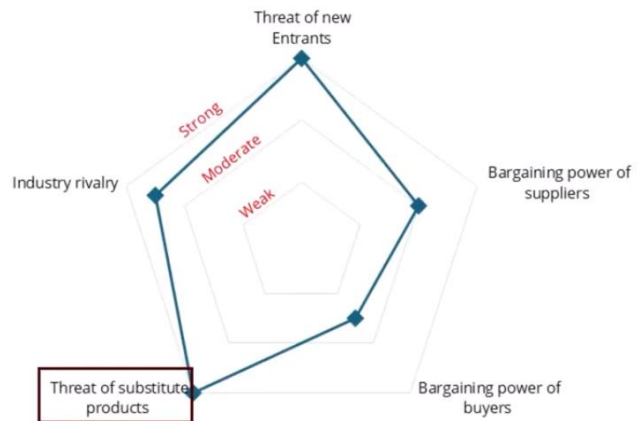
While buyers generally face minimal financial constraints when switching between brands or models.

It is notable that loyal customers, particularly of pickup trucks, tend to be less price sensitive, showing strong brand loyalty, despite price fluctuations.

Slide #8

Threat of Substitute Products (Strong Force)

Traditional auto manufacturers are pushed to innovate and adapt due to competition from other markets around the world.



8

The threat of substitute products for the auto industry is strong, particularly from the growing electric vehicle market.

Although electric vehicles currently cannot match the performance levels of traditional internal combustion engine vehicles in some aspects, such as range and refueling time, the landscape is rapidly changing.

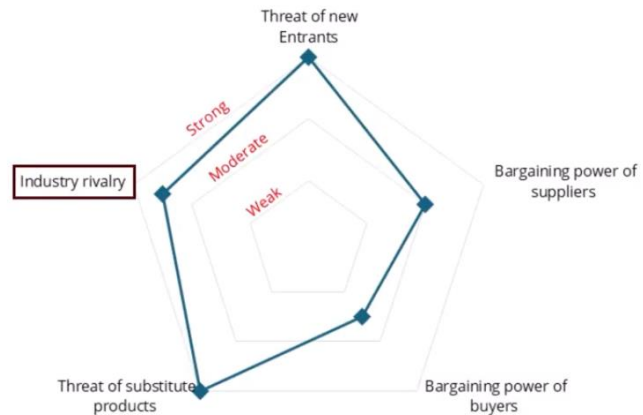
Affordable EV models from Chinese manufacturers are entering global markets at an aggressive pace, offering competitive pricing that is attracting consumers worldwide.

This shift is pushing traditional auto manufacturers like Ford to innovate and adapt as these cost-effective substitutes are likely to capture a significant share of the market, appealing to an increasingly environmentally conscious consumer base.

Slide #9

Industry Rivalry (Strong Force)

Increased head-to-head competition on price and market share resulting from industry excess capacity, high fixed cost, low market growth and new EV companies.



9

The automotive industry is facing strong competitive forces due to increased rivalry over price and the market share.

This heightened competition is driven by excess capacity, high fixed costs, and low market growth which forced companies to aggressively compete to maintain profitability and consumer base.

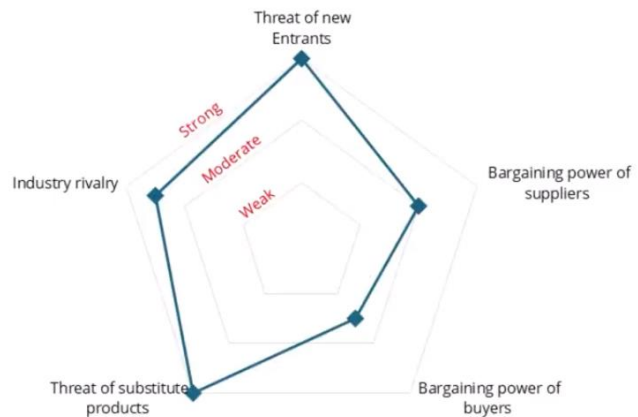
Furthermore, the entrance of new electric vehicle companies has added more pressure to the industry.

These newcomers are not only contributing to technological innovation but are also capturing the attention of a growing demographic of environmentally conscious consumers and challenging established players to adapt swiftly to these evolving market dynamics.

Slide #10

Conclusion

Auto industry is very competitive, and the profitability of a company like Ford is highly sensitive to the forces.

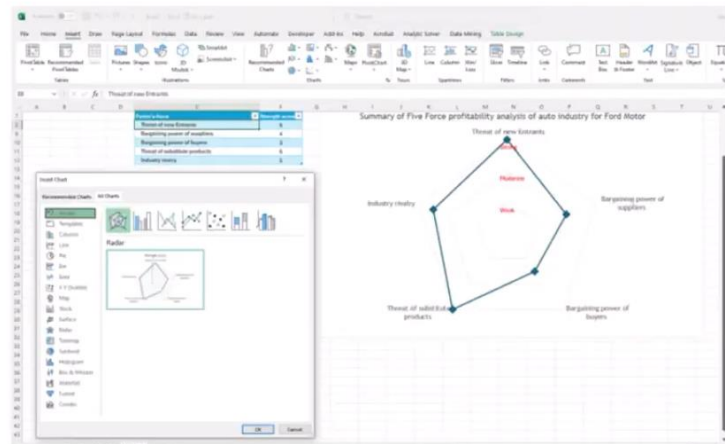


10

The auto industry is highly competitive and the profitability of a company like Ford is greatly influenced by several key forces.

1. The growing threat of new entrants, particularly from EV companies.
2. The bargaining power of suppliers, which ranges from modest to strong, including the influence of autoworker unions.
3. A strong threat from substitute products, specifically electric vehicles.
4. Fierce competition among automakers.
5. Fortunately, loyal customers of pickup trucks are less price sensitive, which helps drive Ford's profitability.

Slide #11



You can easily create a radar chart using the standard radar chart function in Microsoft Excel.

The accompanying screenshot illustrates how to set up and visualize your data in this format, allowing for a clear comparative display of multiple variables.

Slide #12

Insights from Five Force Analysis: Profitability Analysis

- I. Business environment
- II. Underlying sources of industry's profitability
- III. Company's strategic direction



12

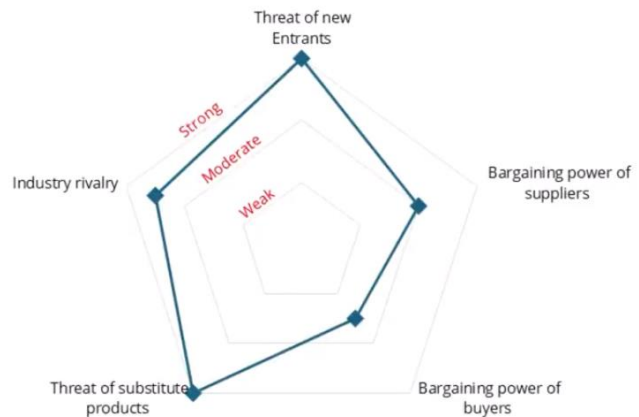
Profitability analysis offers managers insights into their business environment, pinpointing the core factors that drive industry profitability and shaping strategic direction.

For Ford Motor Company, a detailed five forces analysis could be instrumental in refining its competitive strategies.

Slide #13

Insights from Five Force Analysis: Profitability Analysis

- Diversify supply chain
- Strengthen brand loyalty



13

Key recommendations might include diversifying supply chains to reduce supplier bargaining power and expanding into electric vehicle production to address the rising threat from substitutes and new entrants.

Ford could also focus on strengthening brand loyalty, especially among pickup truck buyers, to sustain its market share against intense industry rivalry.

Moreover, proactive innovation and strategic partnerships could help Ford adapt to market shifts and sustain its competitive edge in electric vehicle product lines.

Slide #14

Strategic Recommendation for Ford Motor



1. Market expansion



2. Strategic locations
for plants



3. Electric vehicle
capability development

14

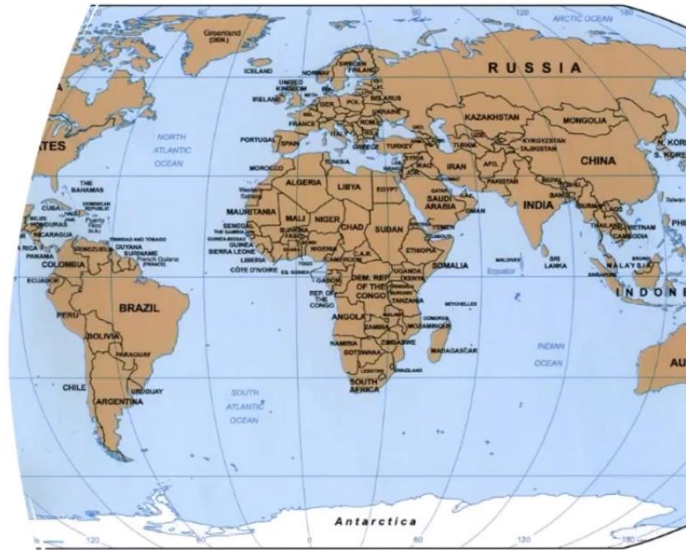
To expand its market reach, Ford should strategically locate new manufacturing plants in emerging markets and key logistic hubs.

Additionally, investing in the development of electric vehicle capabilities is crucial, enabling Ford to adapt to shifting consumer preferences and regulatory environments, focusing on sustainability.

Slide #15

1. Market Expansion

Expand its presence in the rapidly growing markets.



15

To capitalize on rapid growth opportunities, Ford should expand its presence in markets like India.

This can be achieved by establishing local manufacturing facilities, tailoring vehicle models to meet regional preferences and needs, and investing in local distribution and marketing networks to build brand visibility and loyalty.

Slide #16



16

2. Manufacturing Locations

- Build manufacturing plants in locations where employee labor unions are less powerful
- Invest in manufacturing robots

Ford should consider building manufacturing plants in regions where employee labor unions have less influence, potentially reducing operational costs and enhancing flexibility.

Additionally, investing in manufacturing robots can further streamline production processes, increase efficiency, and maintain high quality standards while minimizing labor disputes and costs.

Slide #17

3. Electric Vehicles

Identify opportunities to acquire new electric vehicle capability and capacity to compete with new, disruptive entrants.

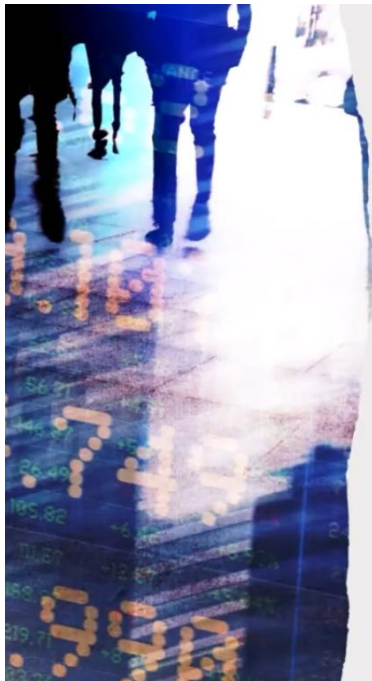


17

To effectively compete with disruptive new entrants in the electric vehicle market, Ford should identify opportunities to acquire innovative EV technologies and expand its production capacity.

This strategy would enable Ford to integrate advanced electric capabilities quickly and broaden its competitive edge in the rapidly evolving automotive landscape.

Slide #18



Five Force Analysis - Summary

- **Application in Business Strategy:** Guides decisions on competitive positioning and market entry.
- **Potential Limitations:** May not adequately account for fast-paced industry changes. The alternative framework, dynamic capabilities, is particularly effective in fast-evolving environments.

18

The Porter Five Forces Analysis Method evaluates an industry's competitive forces to determine market attractiveness and potential profitability.

It assesses threats from new entrants, substitute products, bargaining power of buyers and suppliers, and industry rivalry.

This strategic tool aids in understanding market dynamics and guiding business strategies.

However, it may not adequately account for rapidly changing industry trends.

The alternative framework, dynamic capabilities, is particularly effective in fast evolving environments.

We will discuss this further in the human-machine interaction module at the end of the semester.