

TCMT612_05M_102T_Ford-Motor-EV-strategy

1. Main

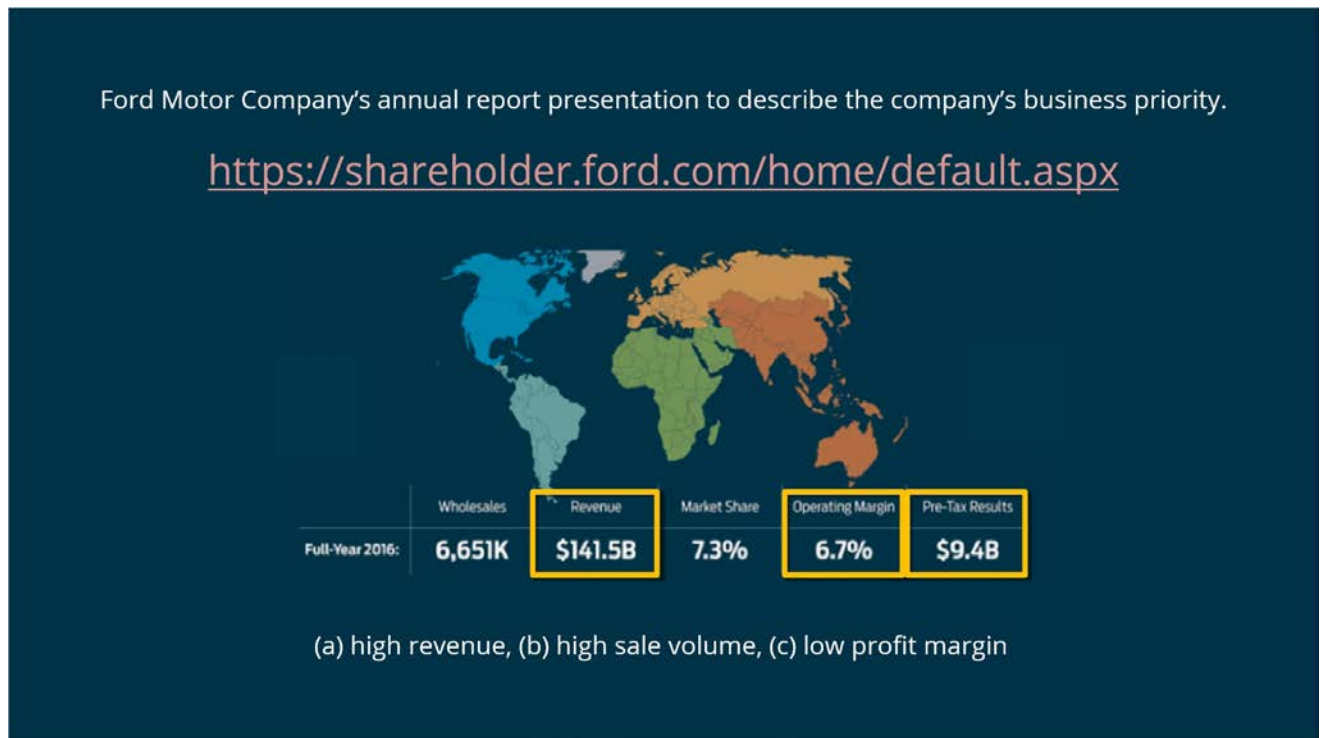
1.2 Topic title



Notes:

In this topic the professor describes Ford Motor Company's business strategy with special emphasis on its Electric Vehicle Division.

1.3 Corporate environment



Notes:

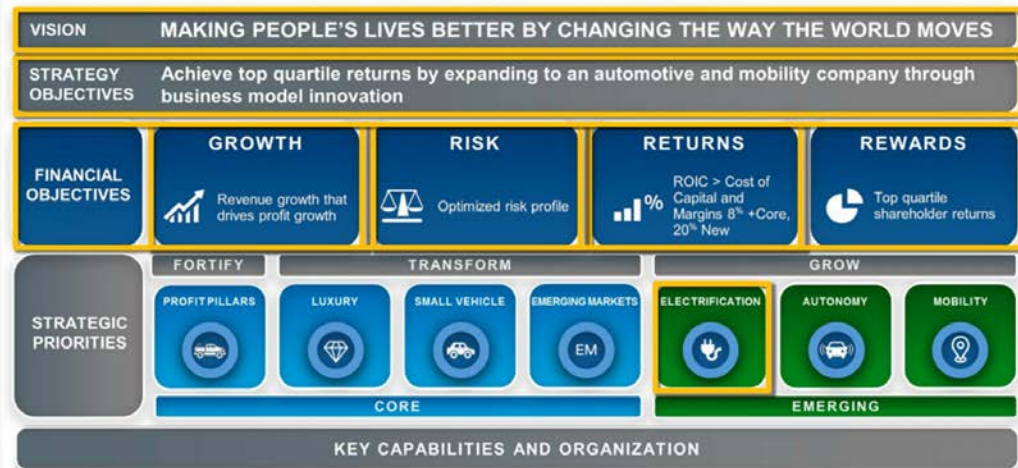
I am using the company's annual report presentation to describe the company's business priority.

We can find those business reports on the Ford's shareholder relationship website. In 2016, Ford's revenue is \$142 billion, and its profit was around \$9 billion.

The profit margin of Ford Motor is only 6.7%.

So, on this chart, from the numbers we can see that Ford is a typical high revenue, high sale volume, but low profit margin type of business.

1.4 Corporate strategy

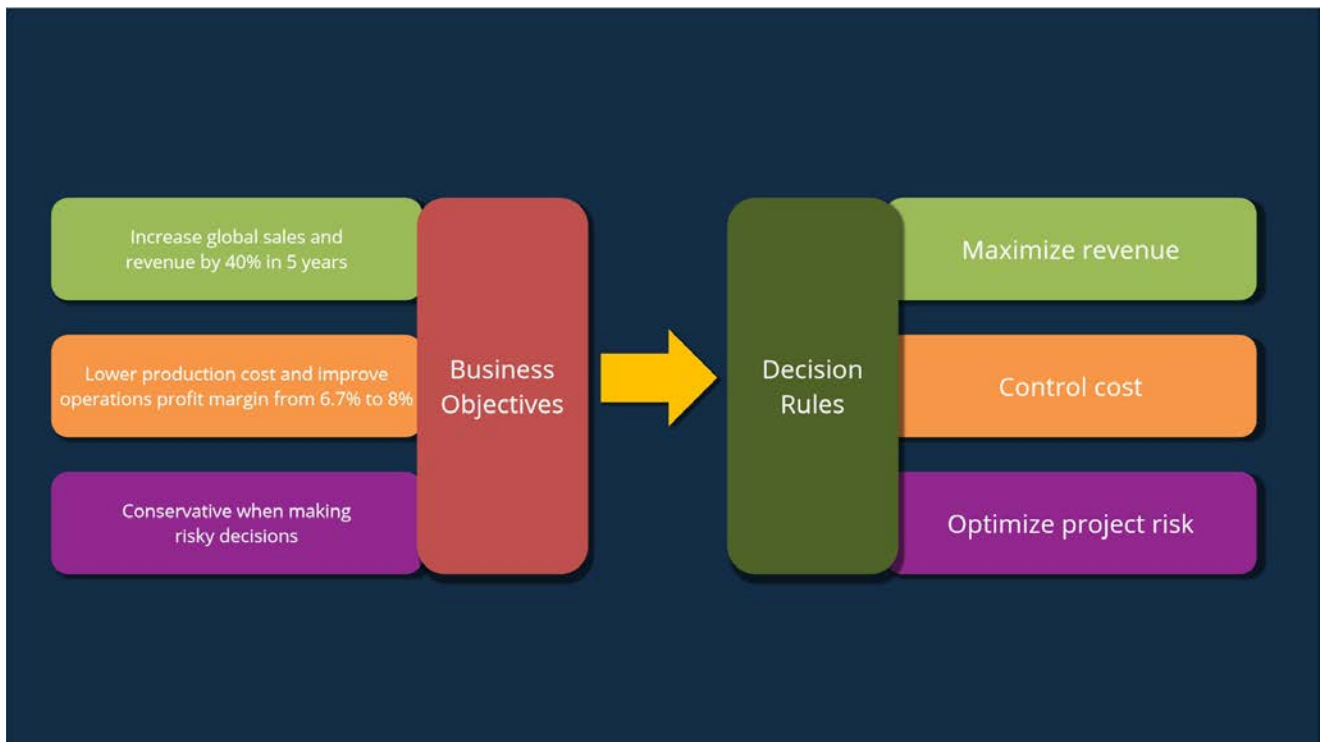


Notes:

This slide is the corporate strategy presentation that the company posted on its shareholder website. This dashboard illustrates Ford's vision, strategy, and long-term objectives. I am not going to go through all the details of this complicated dashboard. I just want to emphasize three points.

- (1) By 2020, Ford Motor projects annual global sales to increase 45 to 50% to approximately 9.4 million vehicles.
- (2) Its automotive operative margin is projected to improve from 6.7% to around 8% during the same period of time.
- (3) The company predicts that auto market will go through a significant change, as electric vehicles may revolutionize the 100-year old industry again. So, the company sets its priority to optimize its risk profile.

1.5 Objectives & decisions

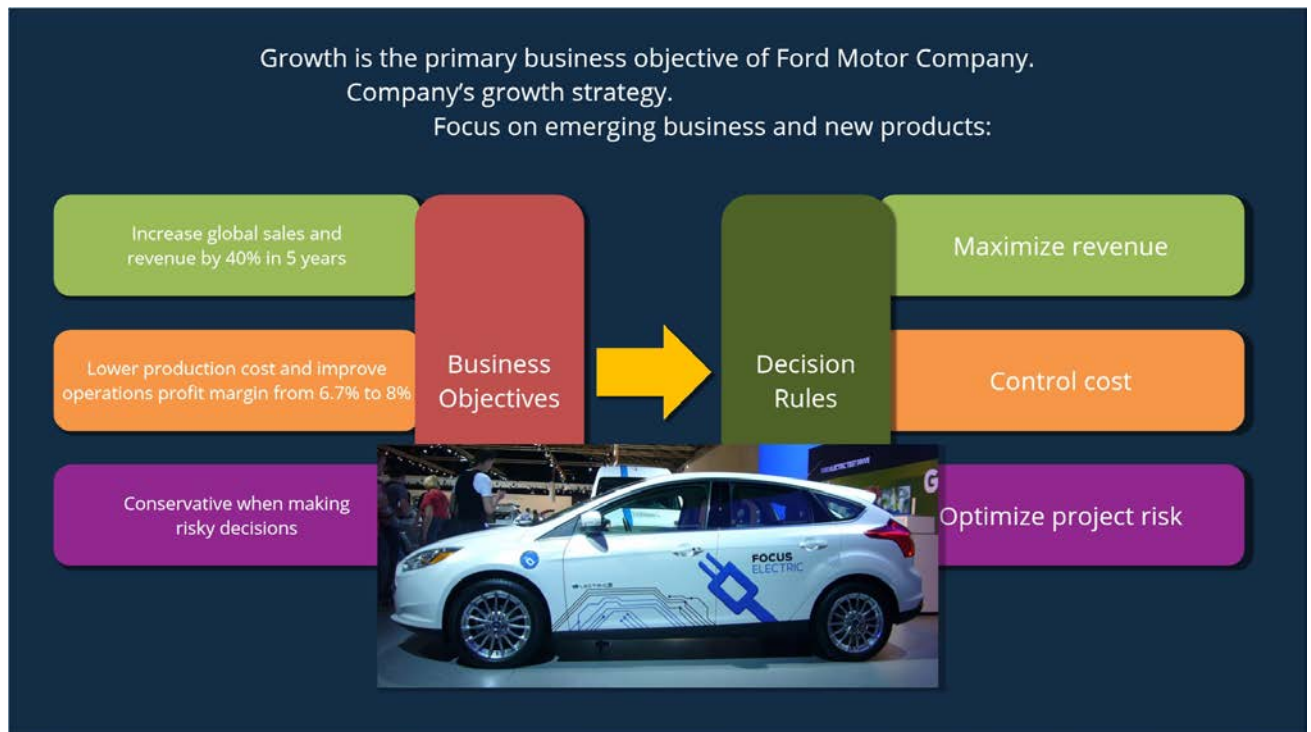


Notes:

We can translate the business objectives into decision rules.

- (1) First rule is to maximize revenue. This rule matches the company's objective to increase the global sales of its vehicles and revenue by 40% in 5 years.
- (2) The second decision rule is to control cost. This rule is consistent with the company's strategy to lower production cost and improve operations profit margin from the current level of 6.7% to 8% target.
- (3) The third decision rule is to optimize project risk. Low margin operations are typically conservative when making risky decisions. We need to consider the risk as a part of our decision rules.

1.6 Objective #1



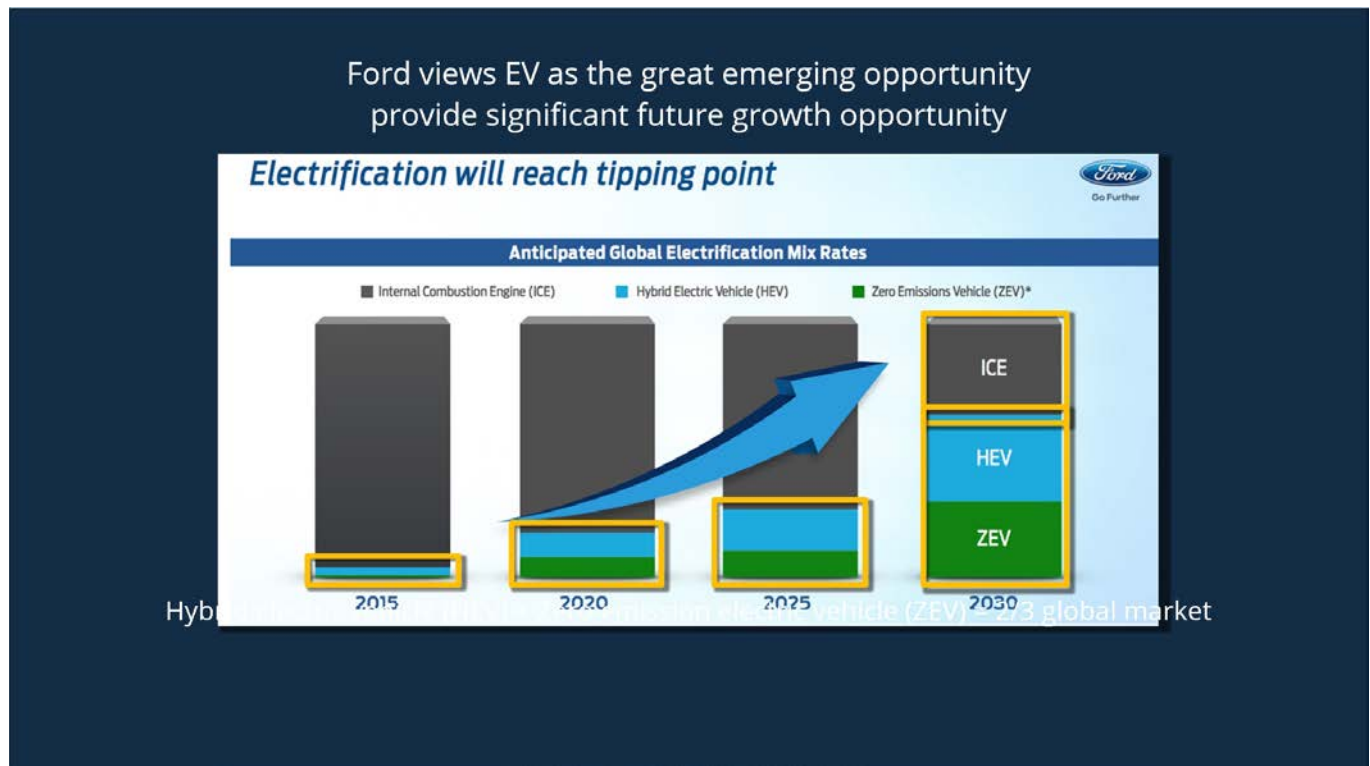
Notes:

Growth is the primary business objective of Ford Motor.

We take a closer look at the company's growth strategy.

Our focus is on emerging business and new products, particularly the Electric Vehicle Division of Ford.

1.7 EV market



Notes:

Ford Motor views the electric vehicle as the great emerging opportunity that will provide significant future growth opportunity.

The company forecasted that the hybrid electric vehicle and the zero emission electric vehicle will take 2/3 of the global vehicle market share.

This is the anticipated global electrification mix rates published by Ford.

We can see, in 2015 electrical vehicles only count for a fraction of the total market.

The share of zero emission vehicle and hybrid vehicle will increase significantly to about 10 to 15% in the next five years, and by 2025 the ratio will increase to about the 25%.

By 2030 the internal combustion engine of traditional vehicles will only account for 30% of total global vehicle market.

Hybrid and zero emission vehicles will take about 70% of the total global market.

1.8 EV strategy

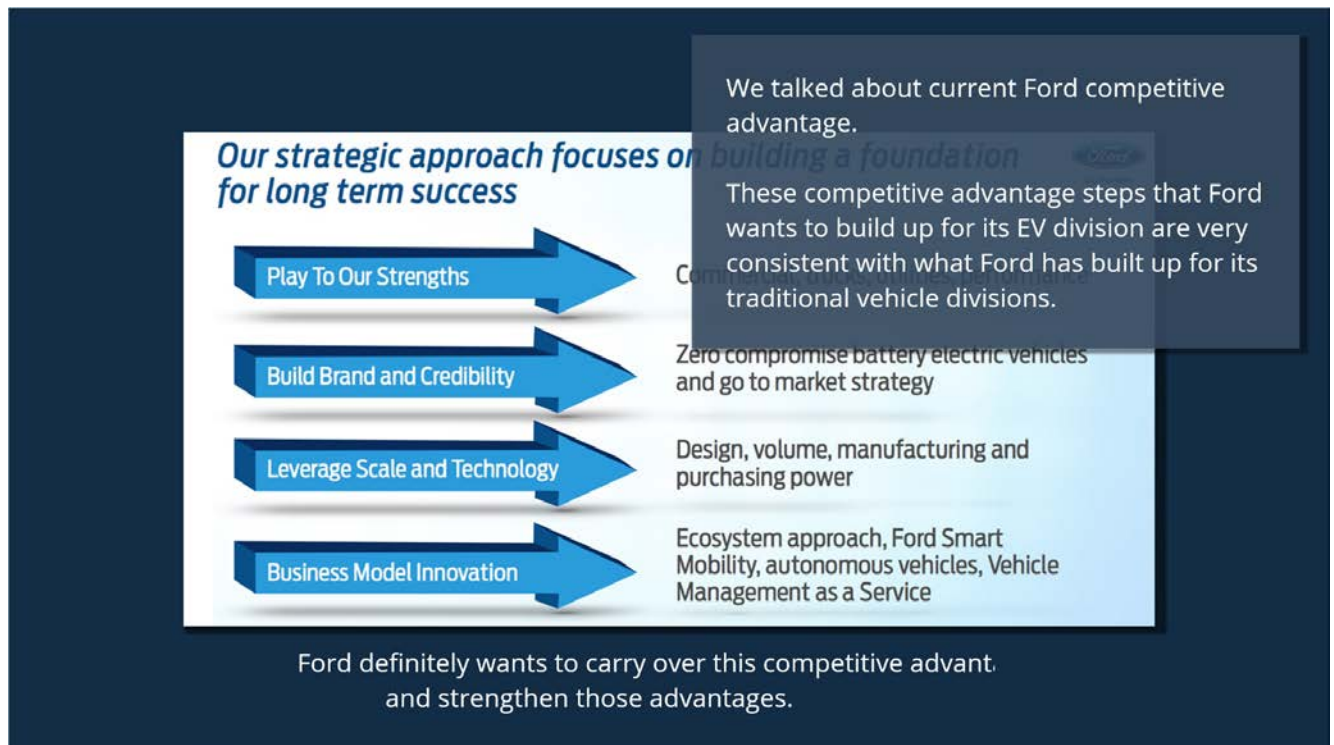


Notes:

The company wants to create long-term electric vehicle competitive advantage in four major areas.

- (1) First at the product level. The company will focus on electric commercial, truck, utility, and performance vehicles, which are the primary profit generators of Ford.
- (2) Second is to build a brand in zero emission vehicles, and adopt a fast-follower type of go-to market strategy to target specific customer segments.
- (3) Third, Ford Motor will also exploit economies of scale and innovation to control production costs of new electric vehicles.
- (4) Fourth, it will also develop a supplier ecosystem to acquire software resources that the company needs for new electric and autonomous vehicles.

1.9 Consistency



Notes:

In the previous lecture we talked about the current Ford competitive advantage, and if we look at the information on this chart and our previous presentations, we can tell that these competitive advantage steps Ford wants to build up for its electrical vehicles division are very consistent with what Ford has built up for its traditional vehicle divisions.

So, Ford definitely wants to carry over this competitive advantage and they strengthen those advantages.