# M5L6. Ford Motor Competitive Analysis

## Slide #1Ford Motor Competitve Analysis Report

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

## Slide #2Automotive Industry Analysis for Fod Motor Company

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 #3Sources of Public Information

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 #4Summary of Five Forces Profitability Analysis of Ford Motor

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 #5Threat of New Entrants (Strong Force)

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 #6Bargaining Power of Suppliers (Modest to High)

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 #7Bargaining Power of Buyers (Modest)

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 #8Threat of Substitute Products (Strong Force)

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 #9Industry Rivalry (Strong Force)

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 #10Conclusion

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 #11Radar Chart

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 #12Insights from Five Force Analysis: Profitability Analysis

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 #13Insights from Five Force Analysis: Profitability Analysis

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 #14Strategic Recommendation for Ford Motor

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 #151. Market Expansion

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 #162. Manufacturing Locations

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 #173. Electric Vehicles

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 #18Five Forces Analysis - Summary

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.