

M5L21. Ford Motor EV Strategy

Slide #1



In this topic, we will discuss Ford Motor Company's business strategy with an emphasis on its electric vehicle division.

Slide #2

Ford Motor Company's annual report presentation to describe the company's business priority.



(a) high revenue, (b) high sale volume, (c) low profit margin

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 was 142 billion dollars, and its profit was around 9 billion dollars.

The profit margin of Ford Motor is only 6.7%.

On this chart, we can see that Ford is a typical high revenue, high sale volume, but low profit margin type of business.

Slide #3



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 will not go through all the details of this complicated dashboard.

I just want to emphasize three points.

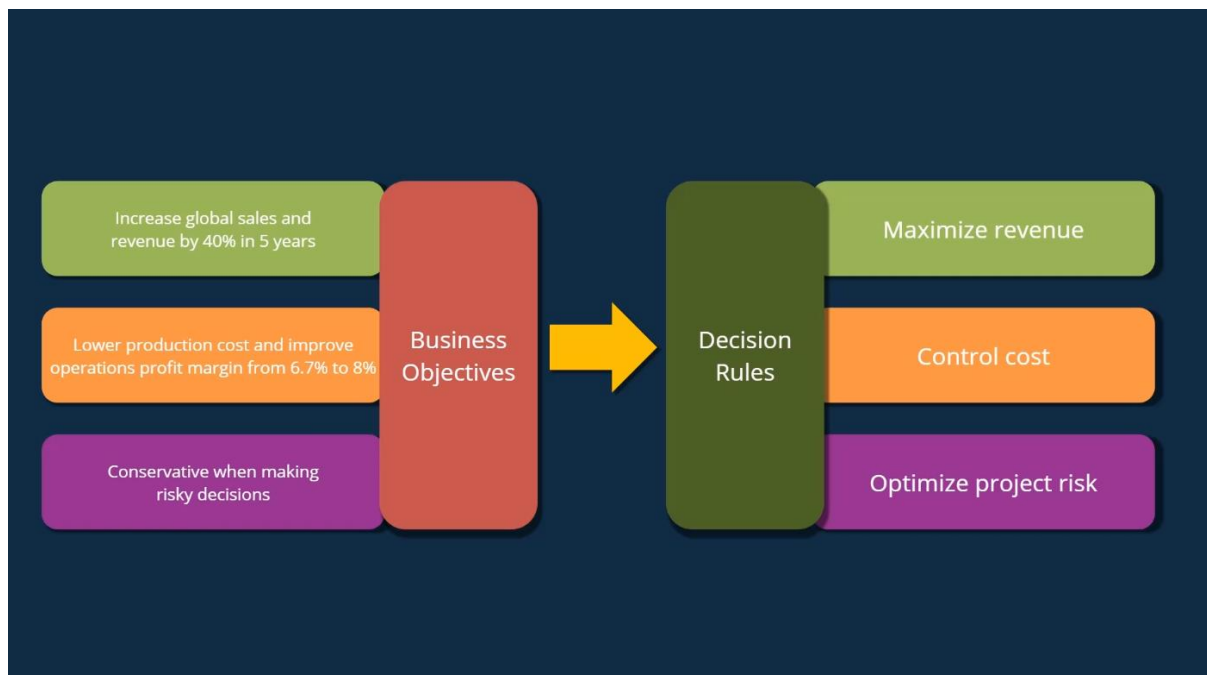
By 2020, Ford Motor projected annual global sales to increase 45 to 50% to approximately 9.4 million vehicles.

Its automotive operative margin was projected to improve from 6.7% to around 8% during the same period of time.

The company predicts that the 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.

Slide #4



We can translate the business objectives into decision rules.

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 five years.

The second decision rule is to control cost.

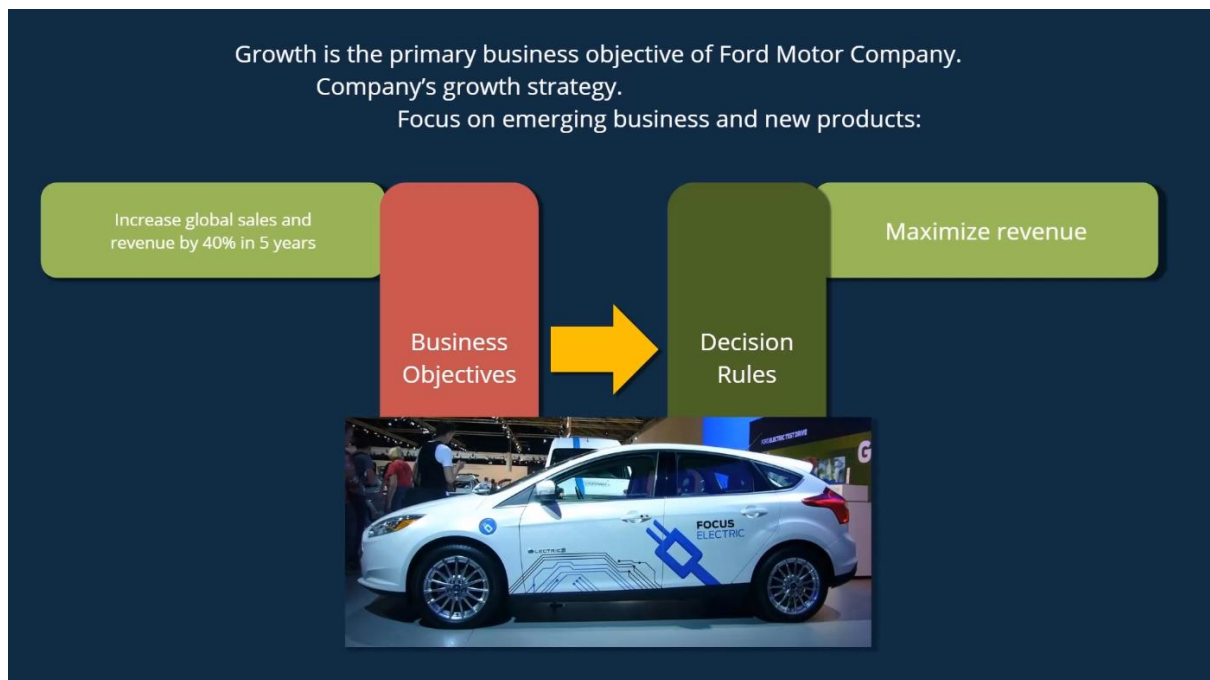
This rule is consistent with the company's strategy to lower production costs and improve operations profit margin from the current level of 6.7% to 8% target.

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.

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Growth is the primary business objective of Ford Motor.

We'll 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.

Slide #6

Ford views EV as the great emerging opportunity
provide significant future growth opportunity

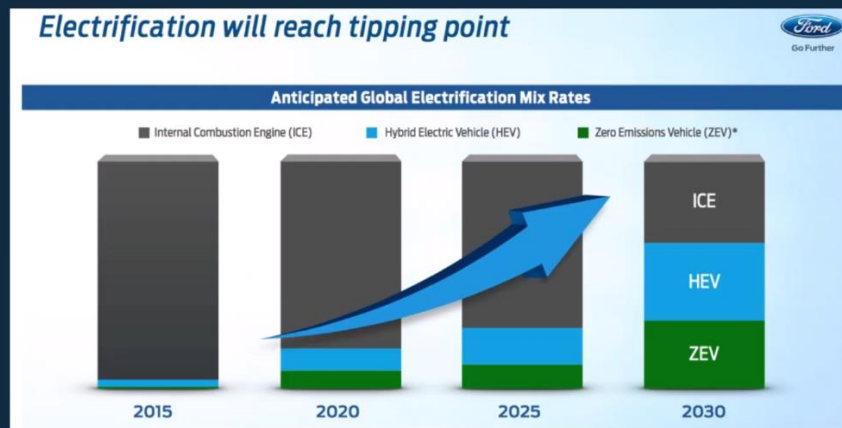


Hybrid electric vehicle (HEV) + Zero emission electric vehicle (ZEV) = 2/3 global market

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 two-thirds of the global vehicle market share.

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

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

The share of zero emission vehicles and hybrid vehicles will increase significantly to about 10-15% in the next 5 years.

By 2025, the ratio will increase to about 25%.

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

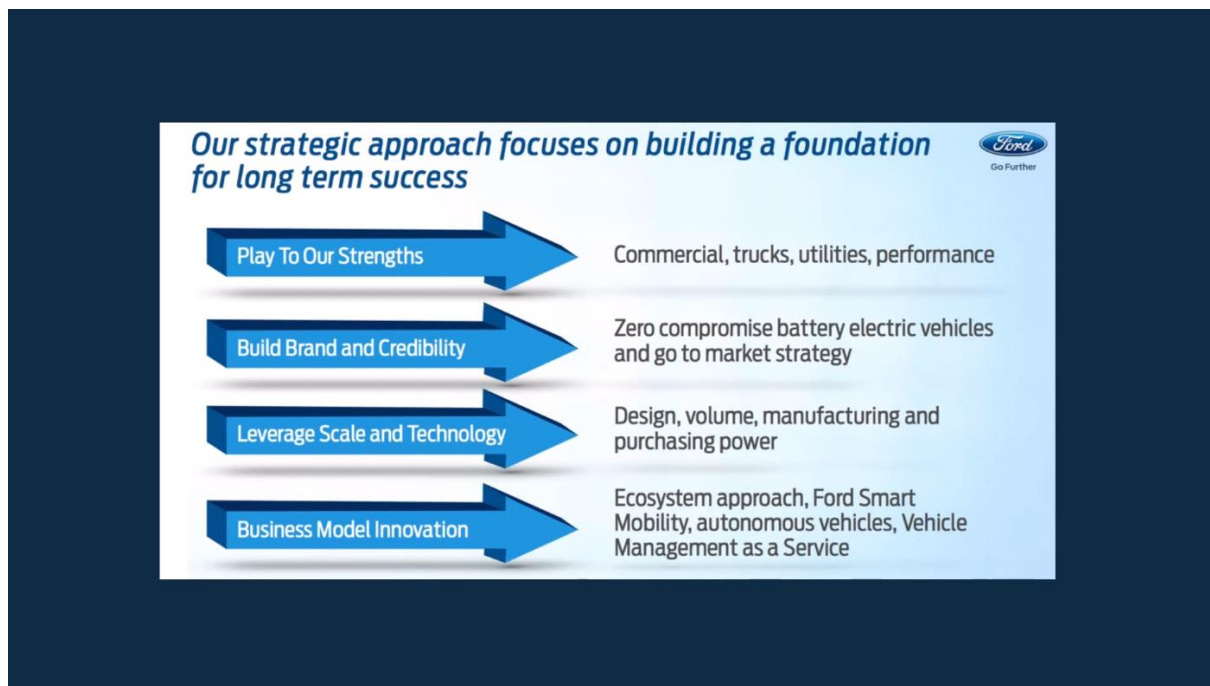
Hybrid and zero emission vehicles will take about 70% of the total global market.

Slide #8



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

Slide #9



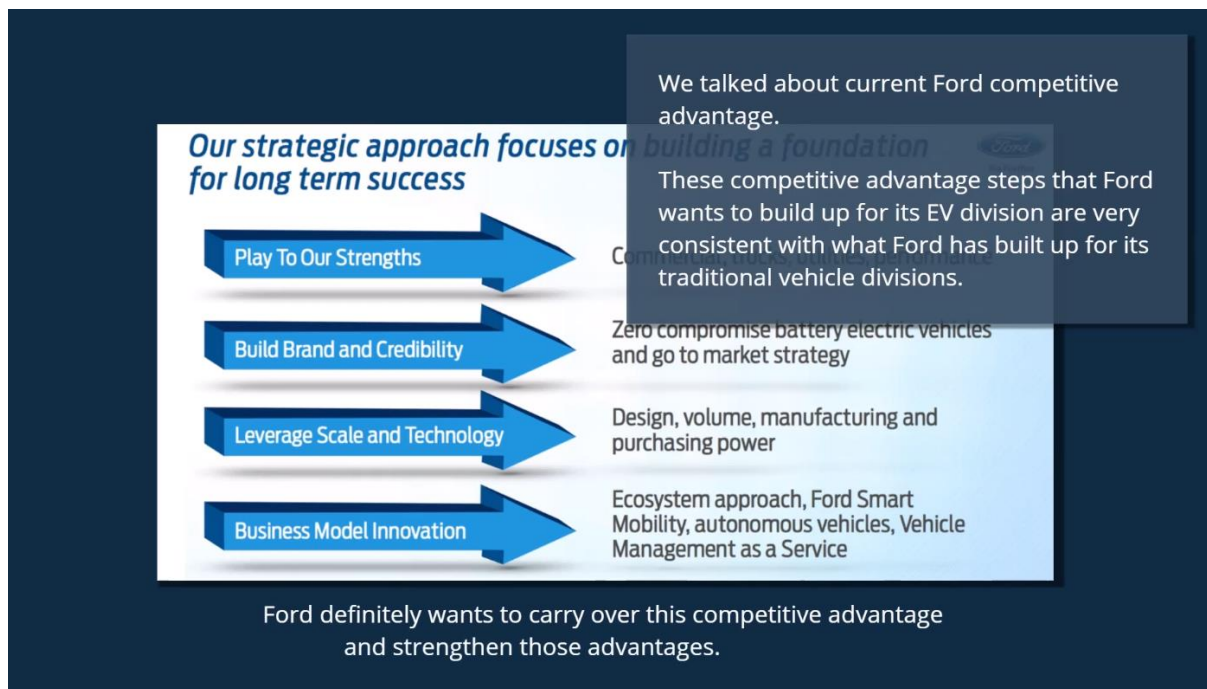
First, at the product level, the company will focus on electric commercial, truck, utility, and performance vehicles, which are the primary profit generators of Ford.

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.

Third, Ford Motor will also exploit economies of scale and innovation to control production costs of new electric vehicles.

Fourth, it will also develop a supplier ecosystem to acquire software resources that the company needs for new electric and autonomous vehicles.

Slide #10



In the previous lecture, we talked about the current Ford Competitive Advantage.

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 division.

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