

Environmental Analysis of Automobile Industry

– Ford



Abstract

This report was created to discuss the challenges that face Ford Motor Company in the automobile industry. In the report, I will show with help from the relevant business models how the market is shaped.

The PESTLE analysis will show the impact of all forces which affect Ford. SWOT analysis is used to give a better understanding of the strengths, weaknesses, opportunities and threats that shape the company. Also, I discuss the impact of the ongoing Covid-10 pandemic on Ford and the sustainability strategy of the company.

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1. Introduction

Ford Motor Company was founded on 16th June 1903 by Henry Ford with the headquarters in Dearborn, Michigan. Henry Ford builds the first experimental model in Detroit, behind his home. The most successful model in the early days of the company was Model T which had a great demand (The Editors of Encyclopaedia Britannica, 2021)

Nowadays, Ford Motor Company operates in three areas:

- ✓ Automotive is all about developing, manufacturing, distributing and services for both Ford and Lincoln.
- ✓ Mobility which develops Ford's autonomous vehicles.
- ✓ Ford Credit segment with all related financing activities (Reuters, 2021)

2. Industry overview

The automobile industry suffers from the ongoing Covid-19 pandemic and car sales worldwide had to suffer also from this with only 66 million automobiles sold in 2021. Pre-pandemic figures show that the sales reached 80 million (Carlier, 2021). The worldwide market share is led by Toyota with 8.5 percent, second by Volkswagen with 7.8 percent. The top 5 manufacturers is continued with Hyundai with 5.4 percent, Ford with 5.1 percent and Honda with 4.8 percent (Carlier, 2021).

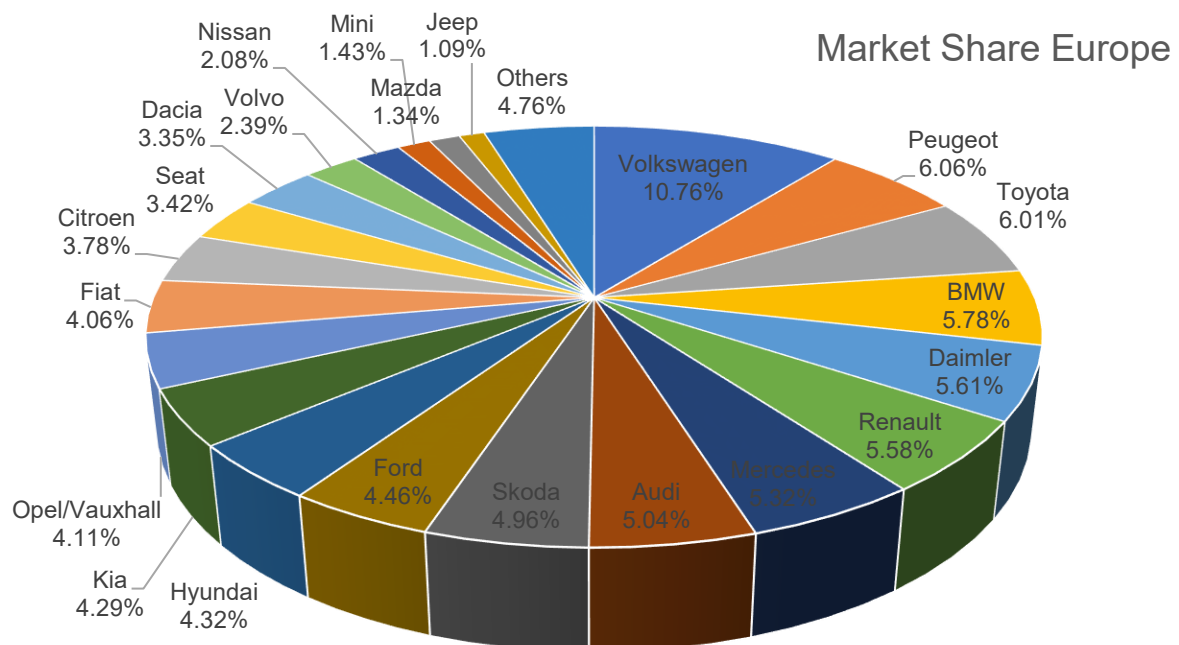


Figure 1 Market share January-November Europe (acea.auto, 2021)

In Europe, Volkswagen is leading the market followed by Peugeot and Toyota. Ford has only 4.46 percent of the European market.

In the United Kingdom, the market has a different structure, with Volkswagen leading followed by Audi, BMW, Ford and Toyota.

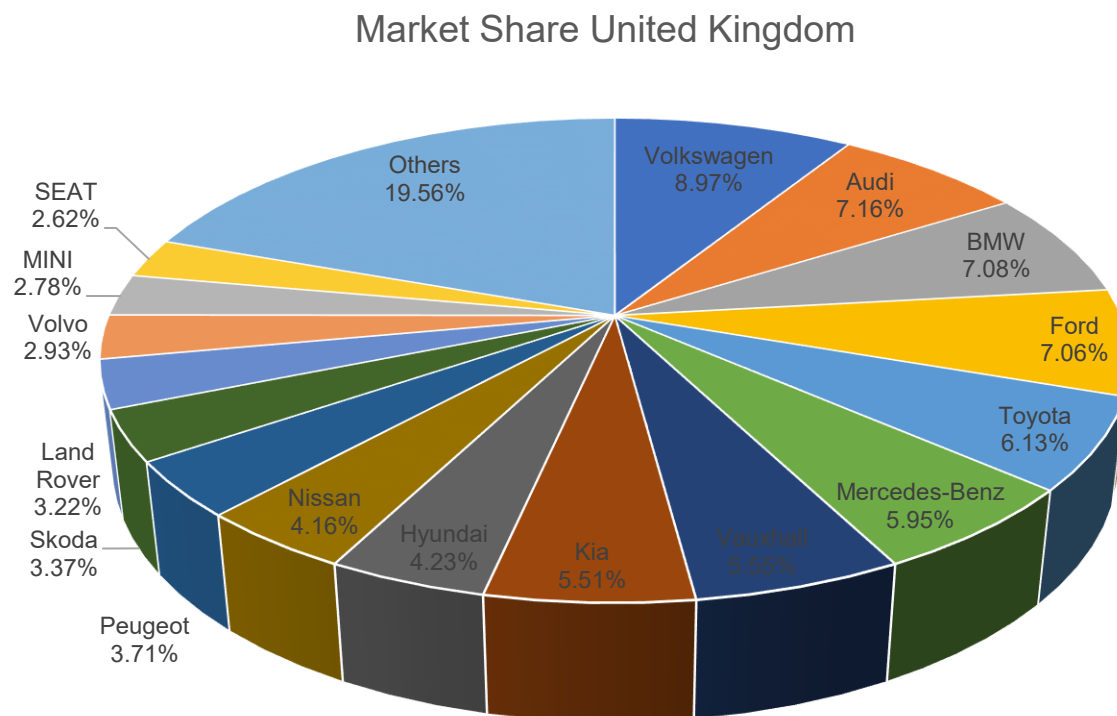


Figure 2 Market Share Year-to-date UK (SMMT, 2021)

Covid-19 had multiple effects on the automobile industry across the globe with disruption on the supply chains. The United Kingdom has seen a huge drop in production in 2020, going down by 29 percent, the lowest since 1984 (Jolly, 2021) that is caused mainly by the Covid-19 pandemic and the effect of Brexit.

3. PESTLE Analysis

Ford is a recognizable brand across the globe, is a force amongst the automobile industry and because has operations spreading around the globe the macro-environment forces will influence the efficiency of the company.

PESTLE analysis is an important tool when used gives a better understanding of the industry overall. The analysis includes political, economic, social, technological, legal and environmental factors.

Political factors affecting Ford:

- With the Brexit deal, Europe started to be unstable which make Ford focus more on Asia.
- The increased governmental efforts to develop the transport infrastructure will increase also the demand for cars.
- The incentives to promote electric cars across the globe is an opportunity for all the automobile industry to gain market.

Economic factors affecting Ford:

- The growth of the United States economy, which is the biggest market for Ford will be an opportunity.
- The trade agreements will help Ford to increase sales but also with the risk of increasing the competition.
- The demand for cars with fewer emissions or less consumption of fuel will change Ford strategy.

Social factors affecting Ford:

- The increasing demand for electric cars can be an opportunity for Ford but not at the same level as Tesla.
- The market is saturated with cars which make it for Ford harder to stand out.

Technological factors affecting Ford:

- Ford and Google will collaborate to integrate Google apps into the cars (Wilson, 2021)
- Autonomous cars are the next evolution for cars and Ford is aimed to invest by 2025 around \$7 billion in self-driving technology (Ford, 2021).

Legal factors affecting Ford:

- Environmental regulations will be a challenge because each country has different commitments.
- There is an increasing demand for greater safety of cars related to passengers and pedestrians

Environmental factors affecting Ford:

- The global demand is going more and more towards more friendly cars with lower emissions or electric cars
- Ford has a few models although is behind Tesla, Toyota or Volkswagen.
- More countries are adopting yearly increases for CO₂ taxes to support the Paris Accord.

4. SWOT

The SWOT analysis is a strong tool that identifies the strengths that Ford can use to overcome the weakness, take advantage of opportunities and see the threats.

Strengths:

- ✓ Ford is a strong brand that is present in around 200 markets around the world and has about 202 000 employees across 65 plants across the globe (Ford UK, 2021).
- ✓ Wide range of products, from small cars to vans.
- ✓ Ford has a strong budget for research and development, in 2020 spent \$7.1 billion and for comparisons Tesla only \$1.49 billion (stockdividendscreener.com, 2021).
- ✓ Ford has a strong line of credit to facilitate customers to buy cars.

Weakness:

- ✓ Although, they have a strong research and development department the innovation reach market slow
- ✓ Ford is heavily dependent on the United States market which is providing \$5.56 billion from a total of \$5.76 billion worldwide revenue (Ford, 2021).
- ✓ An underperforming luxury brand, Lincoln.

Opportunities:

- ✓ With a high budget for research and development, Ford has the opportunity to lunch a product full autonomous in the next period, leading the market.
- ✓ The Covid-19 pandemic will increase the demand for commercial vehicles.
- ✓ China is a market where Ford should increase its presence, before the Covid-19 pandemic here were sold 33% of all vehicles sold worldwide (Accenture, 2021).

Threads:

- ✓ Ford has aggressive competition from producers like Toyota, Tesla, Volkswagen in the race for the lowest emission car.
- ✓ The Covid-19 pandemic had and still can have a big impact on the business or the supply chain.
- ✓ The cost of the raw materials is a challenge due to the movements of goods in the Covid-19 context.

5. Porter's value chain

Each company has activities that are performed to develop, design, produce, deliver and support its products. All these activities represent the value chain of the company. The value chain divides all company activities into primary and support activities (Porter, 2008, pp. 36-38).

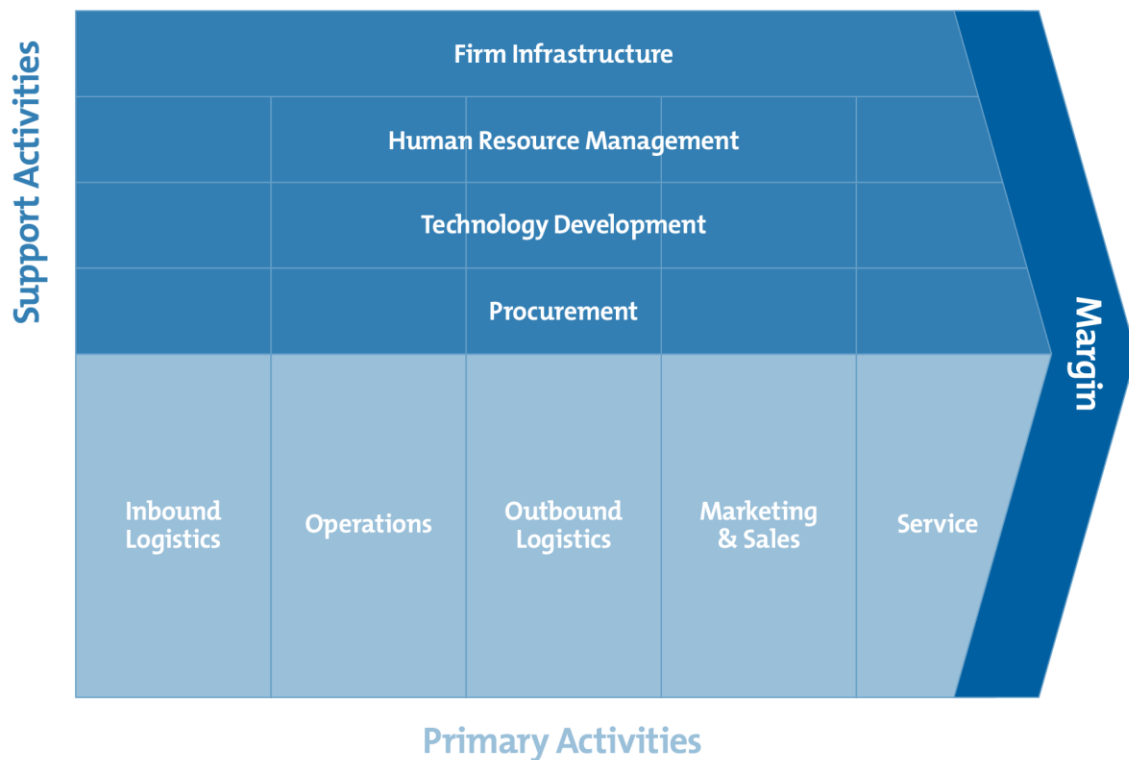


Figure 2 The generic value chain (*The Mind Tools team, 2021*)

Primary activities

The primary activities are in charge of delivering the goods and they are grouped in five main areas: inbound logistics, operations, outbound logistics, marketing and sales and service.

Inbound Logistics

Inbound Logistics are activities that are concerning activities that include receiving and handling materials, stock control and distribution across the business.

Ford assembly plants are around the globe and all the raw materials are collected from different suppliers also around the world. All the materials are delivered with help from third-party logistics partners which include also DHL. DHL is an important logistics partner for Ford

which help the company to maintain the supply chain across the globe, this includes even the movements of prototype products (Henderson, 2020).

The global supply chain is heavily impacted by the ongoing Covid-19 Pandemic which affected the transport of goods through containers by increasing the prices and the fact that many ships are waiting outside port due to a lack of staff (Northam, 2021).

Operations

Operations are the activities that include the manufacturing process of goods. It's changing the inputs, raw materials, into outputs, the goods.

Ford has a worldwide presence that includes research and development centres and 65 plants across the globe (Ford UK, 2021). The company is divided into five business units – North America, South America, Europe, China and International Markets Group (Ford, 2021).

This area is heavily impacted by the shortage of semiconductors across all industries which made Ford partnership with GlobalFoundries to make its own chips (Sorkin, et al., 2021).

Outbound Logistics

Outbound logistics refers to the storage and distribution systems that are maintaining the supply chain effectiveness.

After assembly, all vehicles from Ford are transported to the dealerships using a mix of transport solutions to be able to optimize the time spent from plant to dealership. This is done to maintain environmental sustainability.

Marketing and Sales

Ford Motor Company is attracting consumers with a pull and push strategy because they have a strong dealership matrix but also is promoting its core values strongly. The total cost of marketing companies which include all marketing programs, brand promotions and presence on auto shows, was in 2020 around \$2.8 billion a drop from \$4.3 billion in the pre-pandemic period (Statista Research Department, 2021).

Secondary activities

The secondary activities, or the support activities, have a role in each of the primary activities (Porter, 2008, p. 38). The four secondary activities are procurement, human resource management, infrastructure and technological development.

Procurement

Ford has suppliers across the globe from which is obtaining the raw materials. Being a big brand has the power to negotiate the best deals but also is supporting the local economies which secure them a continuous supply of goods and services through responsible and sustainable sourcing.

Human resource management

Ford has around 202 000 employees across the globe (Ford UK, 2021). The human resource is a competitive advantage for a company that wants to be successful and in the Covid-19 context, the competition among the industry for the best people is higher. Also, in the latest report, the forward-looking statement "*Ford's ability to attract and retain talented, diverse and highly skilled employees is critical to its success and competitiveness*" shows that the human resource is invaluable (Ford, 2021).

Infrastructure

Ford Motor Company is managed at a global and regional level. Each business unit has leaders that oversee the operations. The company is also managed with specific departments from manufacturing to marketing, finance, human resources, quality, sustainability, environment and safety, etc.

Technological development

This activity is one of the most important for Ford because will give a competitive advantage and will help to grow in the automobile industry with new technology incorporated in their vehicles. Also, implementing new technology in the manufacturing process will increase productivity and will help the supply chain. In 2020 Ford invested almost \$7.1 billion in research and development (stockdividendscreener.com, 2021).

6. Sustainability

The main purpose of Ford Motor Company is to "*help build a better world, where every person is free to move and pursue their dreams*" which make them commit and help in all challenges that the world faces (Ford Motor Company, 2021). The company aims to earn trust with the core values, to drive progress by preserving human rights, protecting the health and safety of all and increasing access to goods. Also, Ford wants to have a positive impact on society and the environment by being carbon neutral by 2050, investing around \$22 billion to electrify all vehicles, using 100 percent renewable energy in manufacturing by 2035.

Ford is taking a big responsibility and doing this will have a positive impact on all local communities and the surrounding ecosystem.

7. Conclusion

Ford Motor Company is a business with a long history as a carmaker. Although the Covid-19 pandemic had an impact on the automobile industry they remain a strong brand due to the value chain built over time. The partnership with GlobalFoundries and Google will give a better positioning in the market for Ford and will give a boost of technology on their vehicles.

In the last years, also because of the Covid-19 pandemic, Ford breaks the conventional way of business in the automobile industry by partnering with others to gain expertise and to be more efficient in a smaller line of time.

8. Recommendation

There are a few recommendations that after this report Ford should take:

- Increase the partnerships with companies that have more expertise to be able to deliver more electric vehicles.
- Focus more on the chinese market with a push and pull marketing strategy.
- Deliver better cars through the Lincoln brand to remain in the same core values as Ford.
- The research and development department should deliver faster innovations to the market.

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