

Macro and micro environment analysis of ford motors



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Introduction

Ford Motor Company (Ford) is the largest automotive manufacturers in the world, operating in 200 markets across six continents. The brand includes Ford, Lincoln, Mazda, Mercury and Volvo. Ford also sells luxury sport car Aston Martin. The company primarily based in the US and Europe and employs 246, 000 people as on Dec 2007. The goal of Ford is to build products that are immensely desirable so that they get profit. They also do this by increasing number of new product from around the world. On 2007 fiscal year, the company recorded \$172, 455 mill revenue, increase of 7. 7% over 2006. But however, the net loss was \$2723 mill in 2007, compared to \$12, 613 mill in 2006, with operating profit of \$5631 mill in 2007 as comparison of \$8, 190 mill in 2006(datamonitor).

Macro and Micro Environment Analysis

Industry Analysis:

Overall the industry is segmented by the type of vehicles; Motorcycles 5. 8%, Passengers cars 69. 5% and light truck 24. 7%. The faces tough competition with Daimler, Chrysler AG, Fiat, General Motor, Honda, Nissan, Mitsubishi, Toyota, Suzuki. In which Ford motor company has the market share of 9. 4% (datamonitor, 2009).

The industry fluctuated over 2004-2007 affected by global economic downturn and declined in 2008. However, the performance is predicted to accelerate with compound annual growth rate of 4. 4% for 5 yr period of 2008-2013 to a value of \$1, 831 billion by end of 2013.

Despite US Govt. providing billions of dollars to Ford's rival GM and Chrysler, Ford is OK with the situation. Despite its loss in 2008 and dwindling cash supply, Ford is widely expressed in media as financially stable[1].

PEST Analysis:

Political: The Company has to go with rules and regulations formulated by the government such as CO2 Tailpipe Regulation. Companies get respect from government for powered IWO wheelers. Ford has to go through the European Union vehicle approval.

Economic: Depression hits the Automobile industry. Ford, GM and Chrysler face problem in this situation. Factors such as Central London congestion charge, call to become all gas guzzlers, European union reduced pollution certificate and London low emission zone affect the manufacturing of the Ford cars.

Social: There has been growth in road traffic slowing. Society is concerned with 'more green cars to be sold'. Road safety for everyone should be considered by Ford.

Technology: New technologies like using bio-fuels and digital radio should be considered. Ford has invested in car safety. Similarly, Ford also invested in CO2 reducing technology.

SWOT Analysis:

The company's strong brand portfolio gives it a competitive advantage.

Strengths: Ford has a strong brand portfolio and engineering capabilities.

Ford has wide network of distributors and dealers and high employee

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productivity. Ford operates in an industry which has customer who highly value brands who believe strong portfolio of established brand gives competitive advantage which helps in brand equity. This helps in launching new product range and penetrating in new automobile markets.

Weaknesses: Ford faces continued decline in market share in US from 20.5% in 2003 to 15.6% in 2007 similarly in UK 19.5% (0.3% down from previous year in 2006). This was due to increased competition, industry moving away from traditionally stronger segment, reduced vehicle sales, daily rental companies, and discontinuation of company's vehicle lines. Likewise Ford got 3 complaints on leaking fuel or oil ignition. Several product recalls inadequate quality assurance and quality control system and declining operating efficiency and weak returns (datamonitor).

Opportunities: Ford Company has the opportunity to expand in India and China. Company launches new models often now and then according to the choices of customers. They can produce hybrid vehicles. They face increasing demand of dual fuel vehicle.

Threats: The profitability of the business relies on performance of the economy in which the company operates. If EU and US shows economic slowdown continuously the company's business will face negative impact. Similarly, sluggish light vehicle produced in the developed market also acts as a threat. The company also need to consider EU vehicle regulations.

Porters Five Forces Analysis:

Buyers in the automotive industry are large with significant financial power.

Buyer's power of dealers is affected by brand strength of top market players.

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An increase in raw materials costs put pressure in both market players and suppliers. Barriers of government regulations high fixed costs exit barrier puts new entrants into difficulties. Competition arises as a result of economic downturn.

Buyer Power: Buyers in this industry have financial strength, if its high, they can make large purchase and put pressure to reduce prices. But Brand strength weakens buyer power. Retailers like distributor have one market player and thus buyer power is reduced. Overall the buyer power is moderate.

Supplier Power: Supplier of raw material, assembled and semi assembled, energy like- steel, aluminium. The power of suppliers is strengthened further by the necessities of the automobile industry requirement of raw materials of high quality. Reliance of supplier is minimized by different companies. The power over all is moderate.

New Entrants: Small firms are unlikely to enter in this industry which needs intellectual property. Entry is further made difficult by getting distribution channels. Similarly, company has to meet government requirements and invest on continuous development. The threat is moderate.

Substitute: Used cars acts as substitutes. However, affordable power diminishes used cars. Awareness of environmental issues and climate change might lead people to walk, cycle and use public transport. The companies are making hybrid(petrol, electric) cars. Overall the threat is weak.

Rivalry: Competition in this industry remains fierce, among the top 4 market players 38% of market value. Toyota, GM , Daimler and Ford. High fixed price exit barriers raw materials costs lead to unpredictable production costs and post pressure on market players. Most company produce diverse range of cars . The rivalry is very strong.

Marketing strategy option for Ford Motors

Social Responsibility and Ethical Marketing Communication:

Ford emphasises on being a good corporate citizen, by focusing on the global community by understanding environmental issues and investing on people. Similarly, organise programmes to promote tolerance and equal opportunities and support social and environmental protection programmes.

In 2006, Ford was the first automotive manufacturer to produce dedicated hydrogen fuel V-10 engines. (datamonitor). Ford introduces new vehicles which offer fuel economy and reduced environmental impact. In Britain, from April 2009, the government encourage the manufacturer to produce cleaner cars, and Ford should adopt the policy and motivate customers to opt for least polluting cars[2]. In short- run, they focus on clean diesel engines, hybrids, flexible fuel vehicle ethanol vehicles and turbo charged direct injection ' Eco Boast'- Superior performance, which provide 20 % better fuel economy, 15% fewer CO2 emissions.

In the long run Ford has invested in plug in hybrids, fuel cells, hydrogen internal combustion engines, advanced technology. Ford believes that these are right and responsible things which would give customers better goods.

Target Markets and Segmentations:

Ford has broken down its diverse markets into two manageable segments, Financial and Automotive services. Inside these more segments on geographic and organisational structure. Similarly Ford attracts younger demographic.

Automotive: Ford segments its customers based on the car types- passenger cars, trucks, buses and vans, sports vehicles, accessories, after sale parts, maintenance and vehicle repair services. This business division consists of design, development, manufacture, sale and service of trucks, cars and service parts. Hence make small, medium, large and premium ranges.

This segment is further divided into geographically, Ford North America, Ford South America, Ford Europe, Premier Automotive group, ford Asia Pacific and Africa Mazda. Each has their own manufacturing process, like- Ford North America- design, develop, manufacture and service vehicle ad parts. They have servicing as maintenance and light repair, collision, vehicle accessories and service warranty.

Financing Service Segments: These include financing products to and through automotive dealers. Three categories- retail financing, purchase retail instalment sale contracts and retail lease contract from dealers and offering financing to commercial customers. Similarly, they offer loans to dealers to finance the purchase of vehicle inventory.

External marketing communication:

Ford develops advertising, sales promotion, sponsorship and merchandising programs[3]. Fords advertising policy is do best by building and selling the

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most innovative cars and trucks[4]. Ford adopted ' Bold Moves' campaign, a form of transparent marketing(via webisodes , the assessment of past and present performances), emotional appeals (interview with employees) and product oriented work with an emphasis on drivers than steel metal.

Ford has done Sync campaigns[5]which deals with TV and radio commercials, print and online advertisement, a promotional tone and dealership training which targets Black and Hispanic consumers.

- Chris Brown appeal young urban consumers.
- Give radio commercials
- Online sync with chrisbrown. com- launched Nov 12, 2007.
- Columbian Rocker Jaunes
- Multicultural marketing communications
- Emphasis on digital promotion.

Ford adopts mantra of ' Change or Die' which has reached the parent company of its largest advertising agencies[6]. The company hires best talented employees, consultants and contract workers, who are devoted to administrative, media and brand experience service. Using ad agencies for delivery would promote the most stunning product. Mark Fields, Ford's President of America, focus on customers' needs and brands. Ford spends \$757. 5 million to advertising in US media on 2005.

Automakers like Ford, GM are the biggest budget cutters in media and advertising. Ford cut their spending on Hispanic media more deeply in fourth quarter which fell 31. 2% last year to \$46 . 7 million, but according to RNS it is still continuing a long tradition as the executive car sponsor for Univision

blockbuster' Sabado Ginate' show. In April 4, in this show the Host Francisco drive the new 2010 ford Fusion to the studio and hosted Ford Fusion game to give away a new car to a winner in the studio audience[7].

In UK, Ford sponsors events like UEFA champions- football tournaments and charities. They sponsor various events and organisations from family fantasy, Disneyland Paris to 60 year old musical and military prowess, the Edinbrugh Tattoo. The sponsorship focus on all the target markets form children to elderly, which shows that company is building image in the community as a form of goodwill for the company itself.

Recently Ford Company launched Ford Focus, the commercial is beautifully made. The Ford Focus Orchestra- in which musicians are shown playing the instrument made from the real car parts. The main aim of this advertisement is to show customers that all the car parts are important and has best quality. The journey made with this car would never make you feel long with the experience of comfort cabin with striking exterior and improved technology.

Primary Survey Analysis:

Customers:

As research done on the customers of Ford Cars, most customers are influenced by friends and family. They are likely to buy cars which are recommended by peers. Thus company can focus on giving best service and product to all target customers and also positive word of mouth communication (message is transmitted from the sender to many receivers, Pickton and Broderik).

Similarly, customers look after the style and comfort of the cars, like size- 4 wheelers, small for single individual. What they look for is the use of cars like vans, trucks and their storage, capacity, fuel, engine, warranty. So, what Ford needs to understand is the needs and wants of the customers.

Likewise, customers are influenced by the advertisement in the cars and magazines. Advertisements which use celebrities are likely to influence more customers. Ford uses cars in James Bond movies, science fiction drama Fringe[8]. Ford can adopt celebrity endorsement, using celebrity as a spokes person for project (Pickton and Broderick).

Customers are also influenced by the established brand name. They look after the brand loyalty and its strength in the market (Allan K).

Sales person influence the most when customers visit showrooms, the form of direct marketing- persuading and informing customers at the spot. Therefore, Ford can invest in best customer service personnel and give training to employees.

Recommendations

Klara Roberts argues that even though all the promotional activities Ford have done so far, will not help sales grow[9]. There are more marketing communications mix (internet advertising, direct marketing and e-commerce, sales promotions, sponsorship etc.) to be adopted to communicate directly with target markets (Seminik R. J.).

Managing Corporate Identity: Ford can maintain the image of being dynamic, goal- orientated, attention-getting, active and pioneering . According to the

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Chris Fill, 2002, Ford has many stakeholders and small corporate gap and hence can adopt incremental process in maintaining this gap. Similarly, Ford should try to be a good corporate citizen, by managing corporate identity among various stakeholders, like- employees, local community and government. All the promotional and marketing activities done by the companies are based on maintaining corporate image.

Push Promotional Strategy: Ford can adopt this strategy, a form of promotional effort by the manufacturer or suppliers to encourage trade channel members to promote and sell their products (Pickton and Broderick). Sales forces, internal part of communication, can be targeted as the main form of push strategy.

Pull Promotional Strategy: Ford can also adopt pull strategy, a form of promotional effort to end customers and consumers to demand more by adding benefits and other activities (Pickton and Broderick). Such as discount promotion- a process of discounting the price for the product so that customers are encouraged to buy however this involves financial aspects (Hans and Duncan) . Similarly, they can improve on their weaknesses to minimize product recall and improve product efficiency which adds benefits.

Relationship Marketing: Ford can put its emphasis on relationship marketing, between various stakeholders. They can focus on delivering more to the target customers by being more specific. As researched on the consumers, they are affected by the positive word of mouth marketing. Ford should focus on customer relationship management (positive communication and long term customer relationship management, Hans and Duncan). Even though

they give services like financing, service and maintenance, they can add more features like style and safety.

Brand Strategy: Most customers considers brand before making purchase decision. What Ford can invest in establish long term brand image by using more of communications mix which are explained further. This will help as a source of competitive advantage and create entry barrier. Brand strategy helps in improving the product by introducing innovative technology (Semenik). Similarly, Ford can also look for brand future, by adjusting in future changes in legislation, technology consumer patterns (Pickton and Broderick).

Business 2 Business Marketing: This form of marketing acts as a lead generator, brand awareness and relationship development. If Ford fails to recognize the trade customers, they loses the first line customers. The agencies should change their cultures break down barriers and generate new marketing initiatives and creative ad content.

Promotional Mix/ Intergrating Marketing Communication Mix: Analysing Ford Company, we can see that they have adopted various forms of promotional mix such as advertising, sponsorship. However, they can invest more on these factors and decide on what to adopt (Kotler and Keller).

Advertising Expenditure: Ford can also expend on intermedia (options for deciding media such as cinema, TV, press & posters, magazines etc). Ford can target TV commercials (Ford Orchestra) as lots of people see TV everyday during free period. Buying a car is high involvement product where more risk is involved in buying decision (Hierarchy of Effects Model). People
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look for the best advertisement and are influenced by the positive aspects of commercials. Thus Ford could be more focused on creative advertising procedures.

Public Relations: Ford can make an effort in this field by having sound relations with employees during the time of redundancy and closure, which is happening at the current economic downturn. Similarly, Ford can invest in ethical marketing, doing best for the public, like donations, conserving environment. All these helps in dealing with the negative publicity and crisis management and develop to make the corporate image (Pickton and Broderick) and helps brand signatures(Kotler and Keller).

Internet Advertising: In Sept. 2008, Google was criticised for charging companies like Ford, for their share of profit in return of internet advertising[10]. There are various negative consequences that are faced by company in internet advertising such as fraud and scam. However, Ford can invest in internet advertising through websites which acts as an agent for the car companies.

Personal Selling and Sales Management: As a research done on the customers, they are influenced by the presentation of customer service advisors. Similarly, the role of distributor is very important as they act as the main source to deal with the sales and marketing effort (Pickton and Broderick).

Future Marketing communications: The form of media is always changing. The generation of use of media depends on the innovation and technology (Broderick and Pickton). Firstly, there was a use of newspapers, then radio, <https://assignbuster.com/macro-and-micro-environment-analysis-of-ford-motors/>

television and internet. Future is based on the electronic marketing, known as ecommerce. Ford needs to go along with the change in media adaptation by the consumer and thus invest in communication via such medium.