# Ford motor company and oligopolistic market structure

Business, Company

The United States (U. S) has one of the largest automotive markets in the world. The U. S automobile industry consists of three main firms, such as General Motors, Ford, and Chrysler. According to data compiled from Statista, General Motors is the largest market shareholder with 17. 02% industry's total sales. Ford remains as the second largest with 14. 44%, follows by Chrysler with 12. 98% of market shares (Statista, 2019). It makes a three-firm concentration ratio of 44. 44%. Each of these manufacturers holds a significant market share to control market prices and any non-price activities. But, they do not hold enough power individually to eliminate other competitors or to be considered a monopoly. In other words, they have to be interdependent upon one another, and plan out a range of possible options based on their rivals' potential reaction. In this paper, the Ford Motor Company is examined as a part of the automotive industry, and it fits into this oligopolistic market structure. With about 175, 000 employees, and more than 65 auto plants worldwide, the Ford Motor Company has an important position to control market prices and maximize profits based on customers' demand. Being among the leaders of the automobile industry, it has to compete with those firms in the same market. And, the influence of this oligopoly can be seen in the development and introduction of new vehicle models into the market.

With implementing emissions standards for automobile industry, automakers nowadays are required to meet certain emissions targets in order to sell cars in the U. S. It means vehicles on average should get more miles per gallon as a way to reduce the greenhouse gas emissions (Evarts, 2019). So, Ford Motor Company recognizes the importance of changing on environmental policies, therefore improving fuel efficiency and adapting technology to keep its product lines prevalent among customers. For instance, Ford hybrid cars are some of the most fuel-efficient, and the technology helps to keep emissions low. With advance technology, vehicles are manufactured to be more efficiently and suit customer needs than before. Thus, Ford Motor Company enhances profitability of its operations. And, demand for these automotive products is also based on preferences of consumers. With a plenty of options in the market, consumers tend to choose for other models of vehicles that can affect sales and profitability. It has been recorded recently that sale of smaller passenger cars has been declined; meanwhile sales of more comfortable SUVs and larger pick-up trucks have been increased in the U. S (Edwards, 2019). Automakers studied the shift from less profitable cars to more expensive vehicles that will be more profitable for them (Lebeau, 2019). In fact, there are more people moving towards into the cities and living in large town versus rural areas. With better transit systems, it pushes people to drive less or give up cars. So, car demand is also in decline. It would be somewhat elastic in that situation. However, the demand for automobiles in rural areas would be inelastic because there are a few alternative modes of transportation out there.

The price companies set for their vehicles have a very significant effect on how consumer behaves. It is understandable that any increase or decrease of the Ford vehicles price also has an impact on consumer buying behavior and demand. If consumers believe that the price Ford is selling is lower than its competitors could cause an increase in sale volumes and profitability. And if the customers have the choice to get the same product from any other competitors at a lower price, the supply of Ford vehicles can be impacted largely. Moreover, the cost of production plays an important role in determining supplying of these vehicles. If the cost of operation is too high, the supply of these vehicles would be low. The reason is that the consumers will likely pay for the cost. With increasing in price, it eventually results in low demand. In this oligopolistic market, the company has to check on the prices set by competitors to determine the costs and the average industry price mark-up. Moreover, tracking consumer behavior is very important. It has been reported that these automotive firms have too many factories that make models of cars consumers don't prefer any more. In fact, 70 percent of new-vehicle transactions are trucks, SUVs and crossovers; meanwhile just 30 percent are cars (Flex, 2018). With the growing popularity of SUVs and pick-up trucks, Ford Motor Company is in the process of reorganizing its manufacturers. For instance, it has to be backing away from less profitable models. Some of auto plants have changed from small cars to SUVs or pick-up trucks. By focusing on these auto plants specific, Ford can increase growth and profitability. In addition, the company can cut production costs to increase profit margin. This can be reached through elimination of inefficient divisions or subsidiary companies. In fact, the plan can result in fewer jobs at few remaining auto plants that make cars (Isidore, 2018). Analysis of income elasticity provides Ford Motor Company with an opportunity to determine its pricing strategy. Such as, an increase of consumer income raises demand for Ford vehicles, whereas decrease of income causes a reduction in demand. For an expected slowdown in demand for car, higher interest rates and higher monthly auto loan payments are factors that impact some potential consumers to rethink their plans (Lebeau, 2019).

In conclusion, Ford Motor Company is a part of the automotive industry that operates within an oligopoly market structure. This market structure is characterized interdependent firms. So, the company needs to use its resources efficiently. In order to maintain a competitive edge, Ford Motor Company has to understand price agreement and maintain profits through a rigorous program dedicated to research and development. Then, Ford can go ahead of innovation in the automotive market. On the other hands, with a very difficult market environment, there is the possibility of eliminating the production of less profitable vehicle models, and resizing the company.

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