

Current market conditions



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Current Market Conditions When people speak of the last hundred years a few major events come to mind being the Great Depression, World Wars I and II, the Berlin wall, hippies, Martin Luther King Jr. , and the advent of amazing technologies such as Automobiles. Ford Motor Company has survived through all these things in the past 90 years. With the economy in the current state of recession and uncertainty one thing that remains is Ford. The market structure, price, and technology of Ford are proven, tried and tested.

The competitors, the overall supply and demand of Ford and the impact of government regulations are blue prints to success. Ford Motor Company's success to following standards of the consumer, market, and the government can help companies become successful in an unstable market.

Market Structure Theoretically speaking four different market structures exists in today's world. Monopoly, oligopoly, imperfect competition and perfect competition are those four market structures.

Monopoly and perfect competition are the two extreme cases, in monopoly the market is governed by one seller, while in perfect competition, many sellers exist but none of them has any power to control the market. Oligopoly and imperfect competition are the two common market structures and examples for them are easy to find in the real world. Oligopoly market structures usually consists of a very few firms in a given market and thus these firms enjoy quite a strong control over the market.

Ford Motor Company was founded in 1903 and quickly became one of the dominant players in the American auto industry. As such, the company is

referred to as an oligopoly. An oligopoly has very high entry barriers, which make it very difficult to compete with the already established companies. Because of close competition, automakers produce vehicles that are similar, but also unique to that particular manufacturer. Any real competition has been prevented due to the strategy of keeping the auto industry in an oligopoly market structure. Oligopoly's have considerable control over their prices, but each must consider the possible reaction of competitors to its own pricing, output, and advertising decisions" (McConnell 2004). Due to the situation in this industry, Ford will set its prices in conjunction with the other three automakers. A drastic change in price of their products would turn into a price war, which would not be beneficial to either company. In the 1960s GM used its size to hinder Ford and Chrysler from setting lower prices (White 1975).

Ford Motor Company maintains its market share by controlling several other auto brands. These include Lincoln, Mercury, Mazda, Volvo, Jaguar and Land Rover. The size of Ford and its subsidiaries allows the company to advertise its products and develop new technologies. Impact of new companies entering the market Some companies may view competition as a negative; driving down sales, because consumers have more choice more selection. Ford has had an increasing number of competition entering into them market.

The standard American made cars such as General Motors and Chrysler have always been competition for Ford, but new companies have entered into the market in recent years, this is due to globalization. Globalization has brought many new car manufacturers into the American market. Consumers have

more choices and are better educated when it comes to their choices. Those consumers have become more refined, pickier and their needs and wants in cars. As a result Ford needs to stay current with their products and stay competitive with foreign and domestic competitors (Chalhoub, 2007).

Automobile Prices As heard in the news lately, the automobile industry has been struggling with many firms asking for financial assistance from the U. S. government. Ford Motor Company, which is also hurting financially, has not yet sought this bailout help (CNBC, 2009). While each firm appears to be suffering through this crisis, all have remained competitive with their pricing, including Ford. The price of a vehicle is the cost at which the vehicle will be purchased, expressed in monetary terms (Investorwords, 2009).