

Analysis of the failure in ford edsel marketing essay



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EXECUTIVE SUMMERY

This report mainly contains an analysis of the failure in Ford Edsel which is a brand of a car that produced by the Ford Motor Company in 1958, 1959 and 1960 model years. This report put its effort to discuss and explain that what key mistakes are done by the Ford during the manufacturing and introducing Edsel. In this report, keys of the failure such as poor decision making skills, Aim of Ford which they couldn't achieve, reliability, poor quality control system, Internal politics, the role of McNamara, poor advertising, difficult name of the product (Edsel) and poor market analysis are discussed in detail with examples.

This report reveals that new development plan for a new product of the ABC Company that focusing new generation in the market. Theories that we can be used for the planning and developing a new product theoretical reasons for unexpected situations which some companies may face are also included at the first in this report. Information about the history of the Edsel models, working system of the Ford Motor Company and Controlling system also discussed briefly. Data about the production which they forecasted and produced and sales which they expected and sold also analysed in the

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report. Reasons for failure of Edsel are discussed in detail deeply. The lessons can learn from these reasons and applications that can be used for developing and designing a new Hybrid Car in ABC are discussed in this report clearly at the each point of failure. At the end of the report, self-conclusion by me as a newly appointed team manager and references can be found.

Report

As a newly appointed team manager in The ABC Company which is in the automobile industry I am responsible for designing, developing and manufacturing our next generation products. As we all know due to rapid changes in customer's desire, technology and the competition from companies in the industry we should develop our product and service steadily. Normally a firm can be obtained a new product by developing new product such as product improvement, modification and new brand which is developed by the firm through own research.

As we are planning to introduce new Hybrid Car with new developed technology and new attractive design that focusing on new generation for the market, we should concentrate on key factors such as,

Who are aimed from the product?

What are benefits they are expecting?

Position in the market for this product

What are the different advantages take from the product over the competitors?

Organizations organising their processes to develop their product with the intention of achieving higher market share, improve the profit or reducing cost. But some companies may face unexpected situations when they are developing their products. There are some reasons for those failures of new products such as, overestimation of market share, actual product is not designed, incorrect positioning in market price, poor advertisement, poor market research and findings, unfavourable variation in the actual cost than expected and the harder completion from competitors than expected.

Here I am going to discuss about plan to develop product through the example of Ford Edsel which is a brand for cars produced by Ford Motor Company in 1958, 1959 and 1960 model years. Edsel has become synonyms for the commercial failures since the Edsel can never achieve a gain by selling Ford Edsel cars for the American customers and The Ford Motor Company had to face a loss of millions of dollars for the manufacturing, developing and marketing.

If I explain the history of the Ford Edsel they have produced four models: the larger Mercury-based Citation and Corsair, and the smaller Ford-based Pacer and Ranger in model year 1958. However, they have sold only 63, 110 Edsels in the United States and 4, 935 units sold in Canada in the first year that is below the expectations. Then, in the second year Edsel fielded only two product, for the 1959 model year, the Ford-based Ranger and the Corsair and other larger Edsels based on Mercury were not continued. In the 1959

model year, they have sold 44, 891 Edsels in the U. S. and they have sold 2, 505 units in Canada. As an end of the Ford Edsel, they have produced only 2, 846 cars for the 1960 model year and the total sale was approximately 84, 000 which under half of the break-even point that the Ford Motor Company forecasted. However, the Ford had to loss \$350 million (\$2. 45 billion in 2009 values) on the venture.

Source: The Big Failure of Edsel; (Online), Available from: <http://hubpages.com/hub/Edsel-The-Big-Failure> (Accessed on 03rd March 2011)

Source: Edsel159; (Online), Available from: <http://www.edsel.com/pages/edsel59.htm> (Accessed on 03rd March 2011)

Here I would like to mention about the knowledge and experience that we can take out from the failure of Ford Edsel as a lesson that can apply for the designing and development of the product in ABC. As I summarised the history of Ford Edsel, it is very clear that there was a big commercial failure on their development. We can find different theories in efforts to describe the failure of Ford Edsel.

As I mentioned earlier Edsel is synonyms with the commercial failure and it is the best example for marketing disaster it provided a vivid illustration of just how not to markets its products to marketers. It is very famous that the main reason for the failure is despite investment of \$400, 000, 000 on its product development. We can say that Edsel had a right aim but they have moved their target.

Because of the mistake they made of pricing within the market segment of Mercury, the public had a problem in difficulty to understand what the Edsel was. Actually, as a brand positioned in between Mercury and Ford, the Edsel was perceived to fit into marketing plan of Ford. But their products were so expensive. As an example the car which is arrived in 1958 was least expensive model than Mercury's Medalist modal and also Pacer and Corsair modals in Edsel which are in middle of the price range were really expensive than Mercury counterpart. When we considering, this mistake of the Edsel we should analyse the price segment in the industry before setting the price for new product. First of all we have to set the price for our new car by analysing the price of our existing products and the prices of the same cars in Toyota, BMW, General Motors, Honda and etc.

Additionally, I realised the Edsel has produced a wrong car in the wrong period of time. The beginning of the recession in late 1957 is one of external factors that operating against the Edsel. If there was not a recession in late 1957, the ford Edsel has been arriving to shrinking market. In the basic stages of development in " E" car, early 1950s, Ernest Breech committed management successfully for the medium pricing segment that obtained unbeatable opportunity as an effective assessor at that time. However in 1957, they introduced Edsel while market was changing drastically and while independent manufactures that are in medium pricing segment were wandering towards bankruptcy. Indeed, total sales of manufacturing companies were at lower level even they didn't introduce new model for the market. At that period customers moved to buy fuel-efficient vehicle such as Volkswagen, Beetles and they achieved sales exceeding 50, 000 over a year

from 1957 in US. They equipped powerful engines and brisk acceleration, but still it was required premium fuel. The fuel economy of Edsel was poor even by standards in 1950s. By considering this situation they had, we should concern on current recession in the economy. As we are in high recession, I hope that we can achieve good market share in the industry by introducing Hybrid Electric car since the presence of Hybrid electric car is focusing to achieve better fuel economy or better performance than conventional vehicles. It is very clear that Hybrid electric car will be better solution as today's people are struggling with increasing price of fuel.

One of reasons for failure of Edsel is reliability; some mechanical errors in the models that initiating in the factory as a result of poor quality control system and confusion of parts that used for other Ford models. In 1958, the first year of Edsel models, Edsels assembled in Mercury and Ford factories. Citation and Corsair models which are longer-wheelbase produced along with Mercury products while models of Pacer and Ranger that are shorter-wheel base producing along with Ford products. Never there was a separate factory dedicated only for Edsel production. Sometimes, the workers, who assembling accurately Fords and Mercury had to adjust tools and parts to assemble Edsel once the hourly quota of Fords and Mercury reached, therefore, the diverse Edsel models proved that difficult to achieve desired quality control system. Actually, Number of Edsels left from assembly lines in completed. Therefore we can say that reliability is the one of reasons for the failure of Edsel. To eliminate this problem we can apply techniques such as, Total Quality Management, Lean Production Method and etc.

One of the reasons to failure in Edsel is the difference of the image made by the media or advertising that used incomplete and blurred pictures to imply that Edsel is a revolution in car designing. Actually we can say that Edsel was comprised with few wonderful innovations but on the other hand it was a combination of parts that already exists and it was an over-priced car. Therefore we have to be very careful when we designing to develop this Hybrid Electric car. We must ensure that our new Hybrid car can be competed other hybrid car and it is comprised with improved or new technology which is not using for existing products.

One of the keys for failure in Edsel related to the name that that name of son of original Henry Ford. If the Advertising agencies Foote, Belding and Cone asked to come about a name for the newly produced car but they introduced Ford with a lists 6, 000 instead of proposing of a name. It might be a classic failure if that bit was true and may by that agency should use market research. The chairmen of the Ford, Ernest Breech decided the name Edsel when various avenues unable to produce a name. Therefore, before deciding a name for the new Hybrid car of ABC limited, it is very essential to do a market research. When setting a name of the new product we must ensure that it is stringer to attract the customers and it's indicate uniqueness of the product.

In addition to those reasons, the role of McNamara and internal politics within the executives is also affected to this failure apart from ta car and planning of the Ford. Henry Ford appointed Robert McNamara to help Ford after the Second World War. The Skills of McNamara cost cutting and cost controlling facilitated to develop from its collapse which was occurred due to <https://assignbuster.com/analysis-of-the-failure-in-ford-edsel-marketing-essay/>

the war. By itself McNamara ultimately supposed a great deal of power in Ford. As a result of his power he did so many mistakes without better prediction. Therefore we have introduce rules, policies and procedures to follow by the senior management and should suggest a committee to inspect and to evaluate the production process and management system for the eliminating this type of politics and conflicts.

CONCLUSION

This report discussed the reasons for the failure of Ford Edsel in the model years 1958, 1959 and 1960. As this report we can summarise the reasons for this big failure in in introducing a new brand, Edsel as, they produced wrong car at the wrong time, they had right aim but their target moved, Edsel was a difficult name to place in the market, reliability and internal politics and role of McNamara. Because of this reasons they couldn't achieve what they expected. In addition to that they lost large amount of money on their investment. In this situation we can take lesson out as we are going plan a development in our new Hybrid Car for the next generation. According to lesson from the Failure of Edsel we should do better and accurate market analysis, set saleable price, manage better quality control system, introduced new or improved product with high technology, create better image through the media and advertisements, set a unique and attractive name for the product and introduce good management system that can be managed the conflict of the ABC organization.