

Marketing and management sustainability analysis: ford case study



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Background to The Company

The second-largest U. S.-based automobile producer Ford Motor Company is headquartered in Dearborn, Michigan, Detroit. Henry Ford was the founder of the company who incorporated it on June 16, 1903. Ford is a seller of cars and commercial vehicles with major brands Ford and Lincoln. Lincoln includes mostly luxury cars. The company is managed and controlled the Ford family, which has least ownership but maximum voting power. Although the company became public in 1956, the Ford family reserved 40 percent voting rights with the help of special Class B shares. Ford is listed on the New York Stock Exchange. Additionally, being the second principal automobile company in the US after General Motors, Ford is the fifth-largest automobile manufacturer in the world according to the 2015 estimate of vehicle production. In 2018, the company earned revenue of US\$160. 3 billion with a net profit earning of US\$ 3. 6 billion. In Australia alone the company sold 1 million units of automobile each in 2017 and 2018 and held a market share of 6. 6 percent and 6 percent respectively (Annual Report 2018).

The key strategies of the companies are competitive pricing, controlling production according to seasonality of demand, not allowing backlogs to accumulate during any period, maintaining wide supplier base to meet the raw material needs, a keen eye on cost management, ensuring sound execution of Corporate Governance Principles together with Code of Ethics for Senior Financial Personnel, Code of Ethics for the Board of Directors, and Code of Corporate Conduct for all employees.

Key Principles of Sustainable Marketing and Management Practices (500)

Like any other business operations marketing also has its share of impact on behaviours involving its objective of channelizing goods and services to their target customers that should be changed. Marketing is perceived as the source of many problems that directly relate to the sustainability issue.

A key concept is sustainable marketing with an underlying philosophy of promoting credibility and responsibility to develop better consumption practice, better relationships and making businesses more reasonable. Sustainable marketing also encourages efficiency, motivates creativity, endorses and preserves cooperation. On an operational level, sustainable marketing aspires to impact customer behaviour to produce positive social change through which the companies can generate a new long-term profit. It also means creation of brands that incorporate commercial and social future of the company.

Marketing has undergone a three-step evolution within the framework of sustainable development. The first phase dates to the 1970s. It includes ecological marketing, which focuses on ecological problems, like pollution of air and water, exhaustion of natural resources, and derogatory impact of fertilizers and pesticides on agriculture and environment. The second stage is the 1980s when the concept like environmental marketing came into vogue. The idea centred around developing modern, technologies that are environment friendly and “ clean”. The third stage represents the present era of sustainable marketing, envisioning a responsible economic and social development. The focus of sustainable marketing is to meet the needs of

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today's consumer at the same time making room for consumers of next generations and the opportunity of fulfilling their needs.

A related theoretical concept that has developed to deal with environmental issues in marketing activities is known as Green Marketing. Broadly speaking, green marketing is " a pre- and post-production philosophy that aims to fulfil the demands and needs of customers and sustain in long term the company's future in a social and environmentally responsible manner" (Szuster 2008).

Green marketing is more than just about promoting or selling a company's product by exploiting the environmental concern of the consumers. Rather, it is dealing with the issues that have a direct or indirect effect on quality of life of people, and which could even be threatening to life. Green marketing is a balanced approach to different aspect of business namely social, economic, technological, and physical and to societies which allow organizations to operate and progress. It mainly emphasizes on sustainability which is a long-term concept involving qualitative development instead of growth which is short-term and quantitative and can be unsustainable. The concept considers consumers as real humans with emotions and feeling in place of imaginary ' rational economic' entities (Groening, Sarkis & Zhu 2018). Green marketing promotes fulfillment of genuine customer needs rather than merely stimulating some superficial desires. The theory acknowledges that the society and the consumers many times have conflicting multiple needs and accepts that the current nature of the economy, which is based on large scale and long-distance operations, is not sustainable (Polonsky 2015). In the future, the economy will revert to small and local ventures. The theory also <https://assignbuster.com/marketing-and-management-sustainability-analysis-ford-case-study/>

believes that embracing eco-friendly performances a company can improve its products as well as have a good impact on the environment.

Explanation of The Theory – The Concept of Sustainability (500)

Ford has taken many steps from its understanding that mobility energies human progress. From this very understanding, the he company feels responsible to deliver positive changes to the society.

In 2010, Ford targeted that it will lower its global CO2 emissions per vehicle it produce sat leastby30% within the year 2025. The company achieved the milestone eight years early. The Ford Sustainability Report for 2017-2018 draws attention to their continuing efforts to follow business practices that are responsible and efficient.

Mobility solutions

With an eye to women empowerment through increasing their access to mobility, Ford introduced a unique program in Jeddah, Saudi Arabia in 2018. The ground-breaking program was collaboration with Effat University of Jeddah. It was named “ Driving Skills for Life ‘ For Her’”- a never seen before initiative to impart driving lessons for women in the wake of the royal verdict that lifted the prohibition on women driving cars and getting a driving license in the Kingdom. The program taught vital skills required for new drivers and provided other necessary driving tips from experts and developed a deep understanding of safety in the process of driving to more than 250 students who were amid the first to graduate from the program.

Electrification

Ford has pioneered a pan-European joint venture named IONITY in collaboration with Daimler AG, BMW Group, Volkswagen Group along with Porsche and Audi. The objective of the undertaking is to develop a network of fast-charging stations for electric vehicles. IONITY aims at building 400 stations for fast charging in prime locations in Europe by the year 2020. These stations will have a charging capacity of 350 kW. The work for construction of 20 stations spread across multiple European countries started in 2017, and within a year the first charging station became operational in Germany. These stations are considered to be major contributors to address the issue of climate change.

Products and operations

The company has taken another innovative step to reduce its manufacturing greenhouse gas emissions by producing around 300 parts from renewable ingredients. It used eight materials that are sustainable in nature in production of vehicles, namely rice, wheat, soy, castor, tree cellulose, kenaf or hibiscus, coconut, and jute. With less consumption of energy, less generation of waste and less dependence on fossil fuels, Ford managed to achieve a 228 million pound curtailment in CO₂ right from 2011 when it first switched to soybean-based foam.

Transparency in the supply chain

As a customer of almost 1, 200 Tier 1 production dealers who are supplying around 40, 000 parts per vehicle, the company understands the importance of accountable sourcing of raw materials in their complex material supply

chain. The company has acknowledged this as one of the most vital issues in their recent human rights assessment.

In 2017, Ford partnered with other top automotive companies to initiate Drive Sustainability. Automotive Industry Action Group (AIAG) extended the Automotive Industry Guiding Principles to Enhance Sustainability Performance in the Supply Chain. The organizations also introduced Practical Guidance that includes expectations from supplier in relation to responsible sourcing of materials. The document is also issued to intensify awareness and reliability in the supply chain of automotive industry.

Analysis of The Situation

The sustainability marketing has earned Ford a very good reputation in the automobile industry as a responsible organization. The following are the results that Ford has achieved during last few years through its sustainability marketing endeavours.

Financial Health	2015	2016
Adjusted pre-tax profit, \$ billion	10.8	10.4
Customer and Products		
Ford U. S. corporate average fuel economy, combined car and truck fleet, miles per gallon (higher mpg reflects improvement)	30.0	29.8
Ford U. S. CO ₂ tailpipe emissions per vehicle, combined car and truck fleet, grams per mile (lower grams per mile reflects improvement)	296	308

Ford Europe CO ₂ tailpipe emissions per passenger vehicle, grams per kilometre (100% of vehicles)	118.	119.
	133	964

Operations

Worldwide facility energy consumption per vehicle, kilowatt hours per vehicle	2244	2133
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Worldwide facility CO ₂ emissions per vehicle, metric tons	0.72	0.69
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Supply Chain

Total supplier sites trained/retrained in sustainability management (cumulative, since 2005)	3156	3302
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Source: Ford Sustainability Report 1017-18.

Conclusion

As a major automobile company Ford has impressed the world with its proactive sustainable marketing. However, it is yet to reap financial benefits from its efforts as can be seen from the dwindling profits level in the year 2017. There are other economic factors which are strong enough to supersede its sustainability endeavours and come in between the company and seem to prevent the company from reaping the financial benefits of sustainable marketing. Keeping that part aside, from rest of the data it is apparent the company has achieved a milestone so far as sustainability is concerned. It has proved its dedication and commitment towards

sustainability concerns unquestionably. It can be hoped that in the near future the company will be rewarded for its honest and sincere efforts.

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