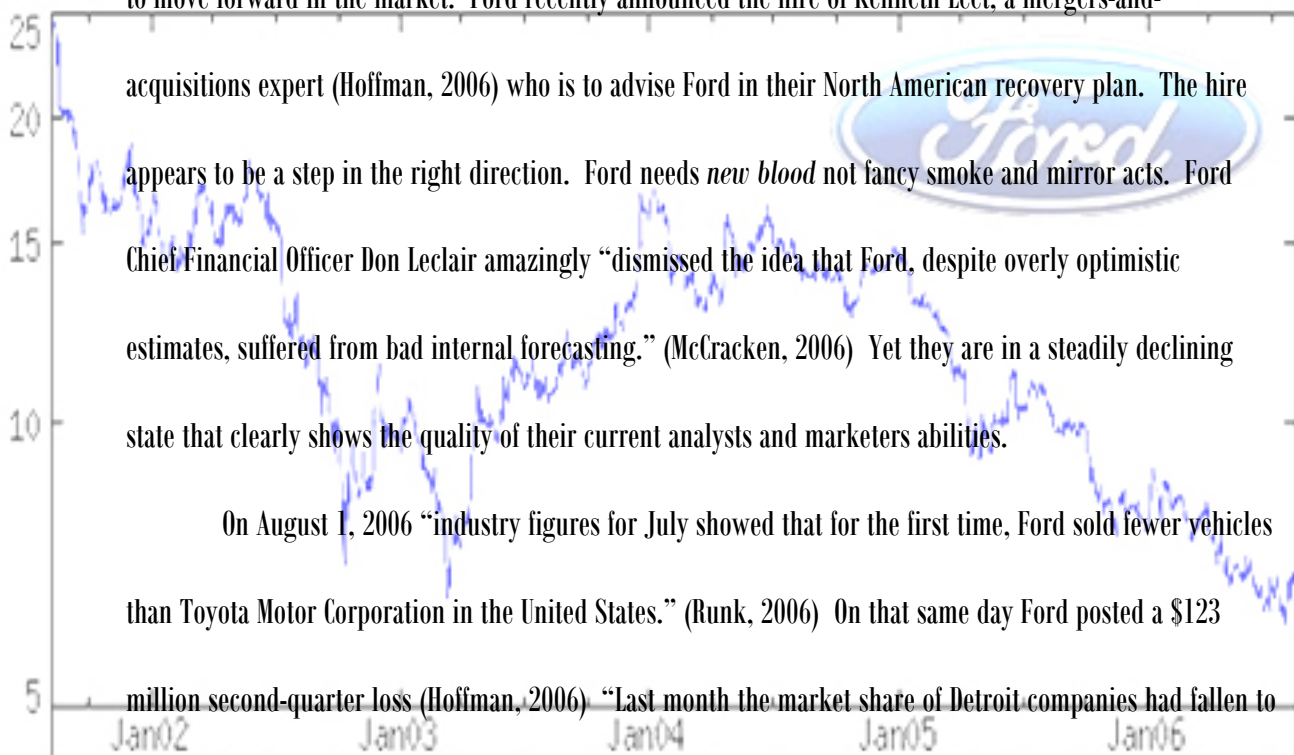


In January Ford introduced the "Way Forward" plan that is intended to focus on their declining market share by cutting jobs and plants all over North America. As they proceed with cut backs they continue to ignore consumer wants and needs. Consumers continue to struggle with high gas prices and become more aware of their need for fuel economy. The retail market in general shows that consumers are demanding more technologically based selling. Ford must acknowledge these facts and utilize them in order to move forward in the market. Ford recently announced the hire of Kenneth Leet, a mergers-and-



acquisitions expert (Hoffman, 2006) who is to advise Ford in their North American recovery plan. The hire appears to be a step in the right direction. Ford needs *new blood* not fancy smoke and mirror acts. Ford Chief Financial Officer Don Leclair amazingly "dismissed the idea that Ford, despite overly optimistic estimates, suffered from bad internal forecasting." (McCracken, 2006) Yet they are in a steadily declining state that clearly shows the quality of their current analysts and marketers abilities.

On August 1, 2006 "industry figures for July showed that for the first time, Ford sold fewer vehicles than Toyota Motor Corporation in the United States." (Runk, 2006) On that same day Ford posted a \$123

million second-quarter loss (Hoffman, 2006) "Last month the market share of Detroit companies had fallen to the lowest in history, just 52 percent. Their lines, laden with pickups and sport utility vehicles, failed to

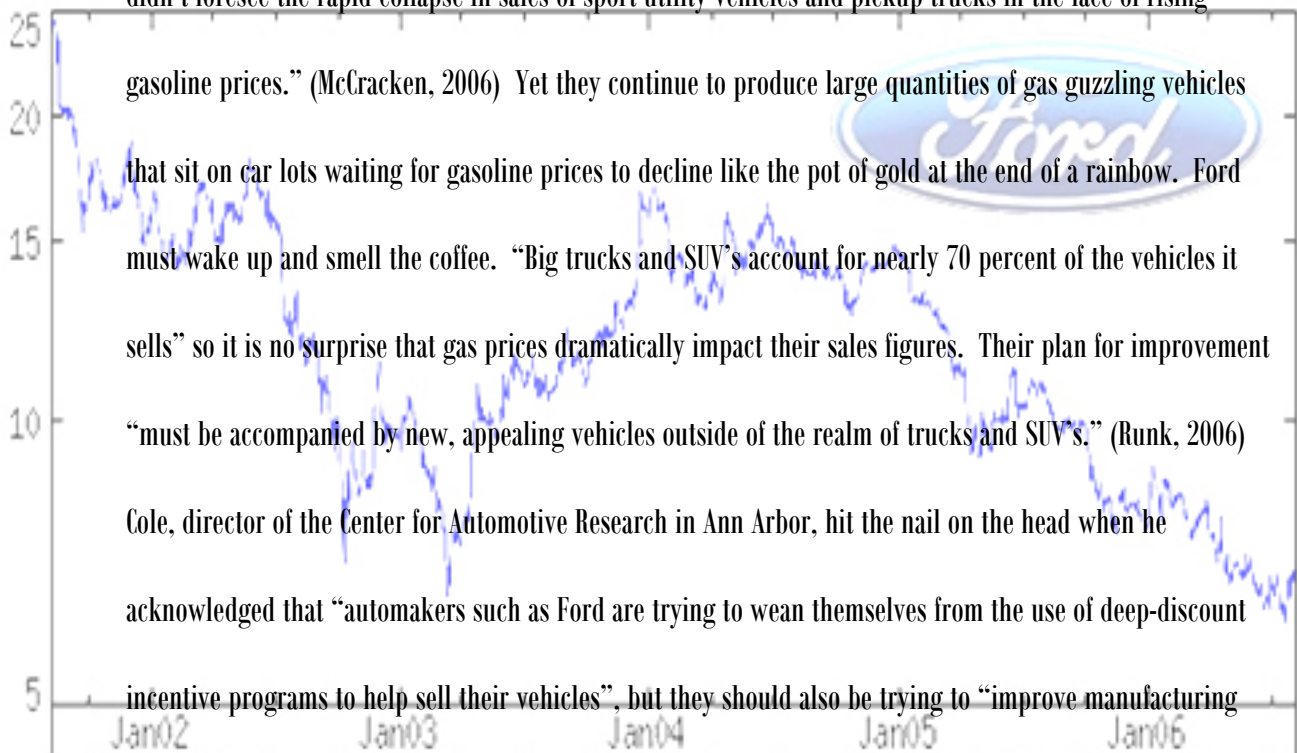
attract American buyers seeking fuel-efficient models amid high gasoline prices." (Maynard & Warner, 2006)

Ford's "Way Forward" plan "calls for shedding 25-30,000 jobs and closing 14 plants by 2012." (Runk, 2006)

Now Ford is 7 months into the plan and still can not make headway. It is obvious that the changes are not

meeting their goals. It is sad to see that they waited until January of 2006 to come up with a plan to reverse

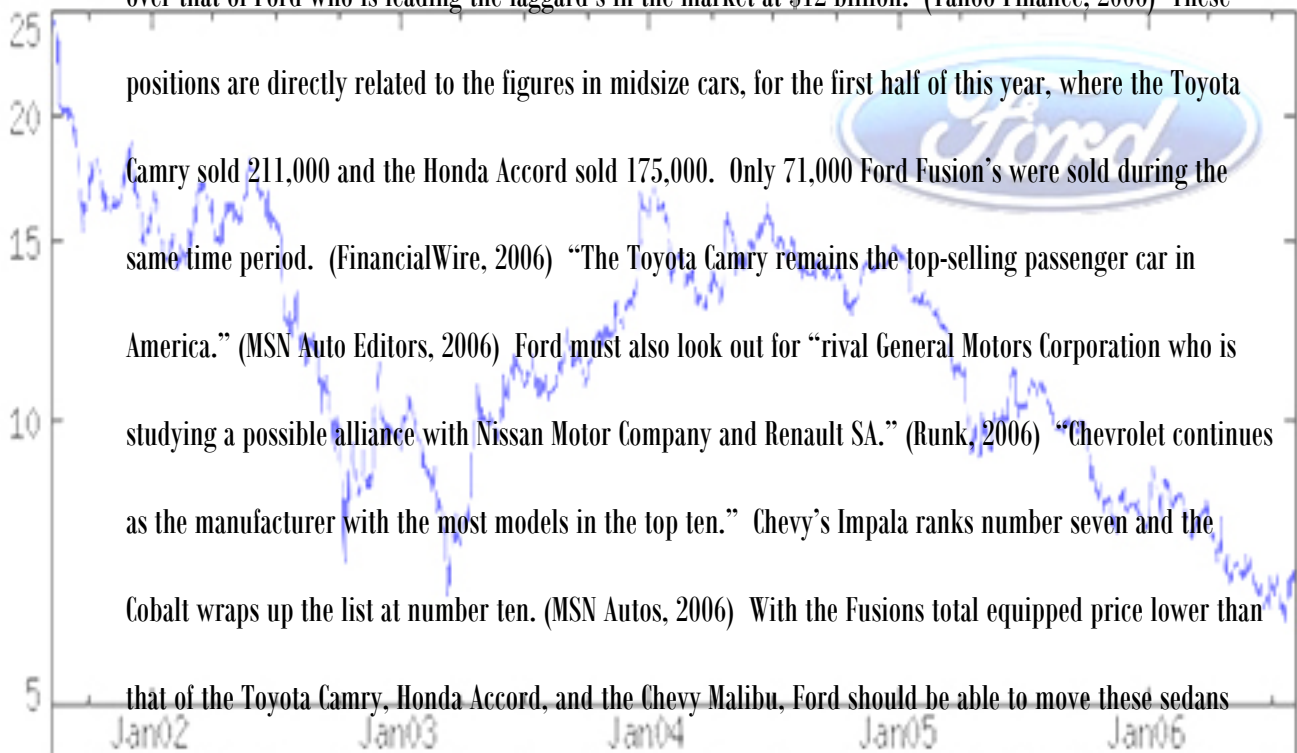
their tailspin. As one of the leaders in the automotive industry, they should be right on top of the competition. When sales start to drop they need people who are right on top of it with problem addressed and solution objectives in hand. Yet Ford stock has been declining since before January of 2002 when shares were going for \$26 compared to January of 2006 when stocks were below \$8 per share. (Yahoo Finance, 2006) Ford "hadn't expected prices of key commodities such as steel or plastic to rise as they did. They also didn't foresee the rapid collapse in sales of sport utility vehicles and pickup trucks in the face of rising



gasoline prices." (McCracken, 2006) Yet they continue to produce large quantities of gas guzzling vehicles that sit on car lots waiting for gasoline prices to decline like the pot of gold at the end of a rainbow. Ford must wake up and smell the coffee. "Big trucks and SUV's account for nearly 70 percent of the vehicles it sells" so it is no surprise that gas prices dramatically impact their sales figures. Their plan for improvement "must be accompanied by new, appealing vehicles outside of the realm of trucks and SUV's." (Runk, 2006) Cole, director of the Center for Automotive Research in Ann Arbor, hit the nail on the head when he acknowledged that "automakers such as Ford are trying to wean themselves from the use of deep-discount incentive programs to help sell their vehicles", but they should also be trying to "improve manufacturing

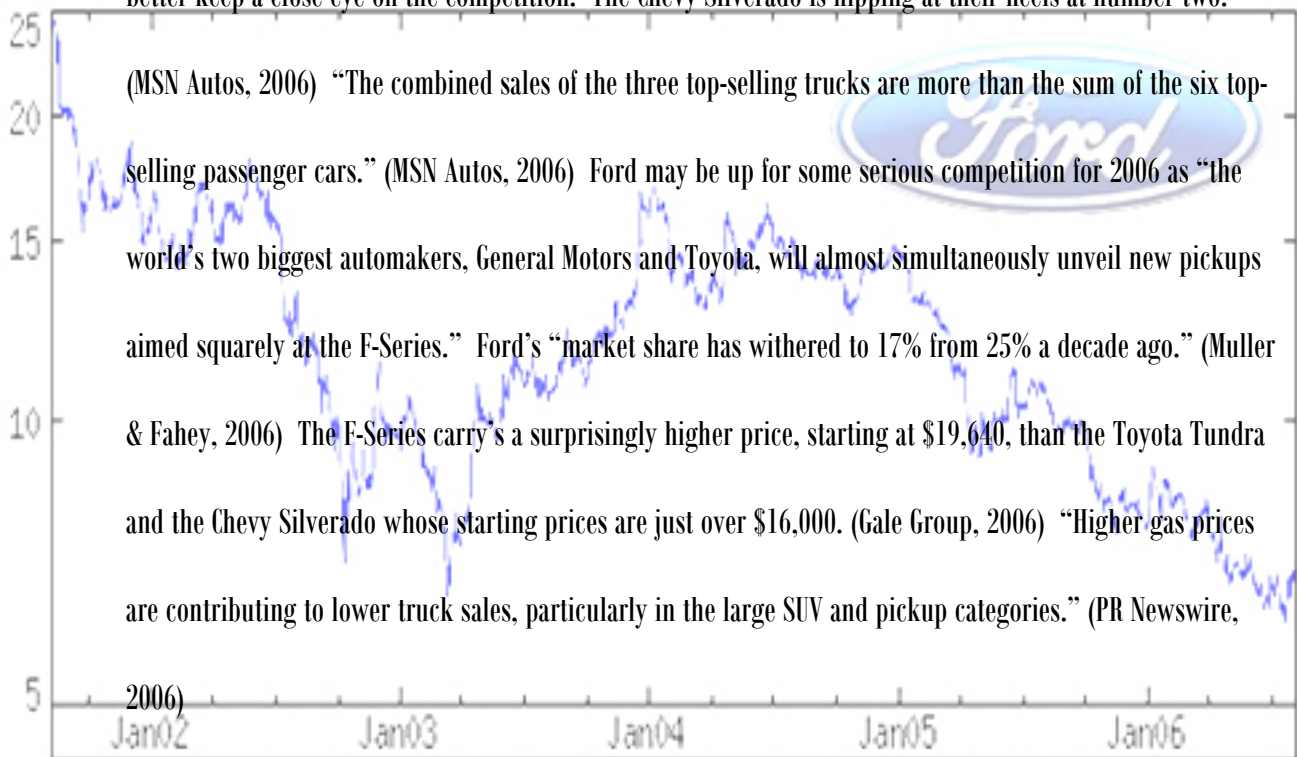
flexibility to quickly meet consumer demand." (Runk, 2006) Cutting jobs and closing plants will certainly save money but it will not save Ford at this juncture. In fact, making these types of repositioning options the focus of rebound can change the way the American public views Ford, answering why consumers are not buying as many Ford's. The hearts of the American public may be sympathizing with their family and friends who will be loosing their jobs.

Ford needs to focus on the family sedan. Almost every family needs a four door car. With the ailing gas price saga Ford should concentrate more on midsize cars where they have been neglecting interest "losing market share to Asian Manufacturers for a decade." "Last month, U.S. sales at Ford, GM and DaimlerChrysler all dropped, while Toyota and Honda made gains." (Runk, 2006) Looking at leaders in the automobile manufacturing market Toyota comes in at \$160 billion followed by Honda at \$56.5 billion. Well over that of Ford who is leading the laggard's in the market at \$12 billion. (Yahoo Finance, 2006) These



positions are directly related to the figures in midsize cars, for the first half of this year, where the Toyota Camry sold 211,000 and the Honda Accord sold 175,000. Only 71,000 Ford Fusion's were sold during the same time period. (FinancialWire, 2006) "The Toyota Camry remains the top-selling passenger car in America." (MSN Auto Editors, 2006) Ford must also look out for "rival General Motors Corporation who is studying a possible alliance with Nissan Motor Company and Renault SA." (Runk, 2006) "Chevrolet continues as the manufacturer with the most models in the top ten." Chevy's Impala ranks number seven and the Cobalt wraps up the list at number ten. (MSN Autos, 2006) With the Fusions total equipped price lower than that of the Toyota Camry, Honda Accord, and the Chevy Malibu, Ford should be able to move these sedans right off the lot. (AIC, 2006) Toyota and Honda have other cars on the top ten bestsellers in America list for the first half of 2006 with the Toyota Corolla at number eight and the Honda Civic at number six. They must find out why they are still being outsold. It may be their lack of powertrain warranty lagging the competition's 60,000 miles at 36,000 miles. (AIC, 2006)

Trucks have always been a good seller for Ford. "The Ford F-Series has been the best-selling truck for the past 28 years and the bestselling vehicle in America for the past 23 years." (MSN Autos, 2006) "The F-Series is Ford's crown jewel, almost single-handedly keeping the company alive." (Muller & Fahey, 2006) "Ford's best selling SUV experienced larger declines. Explorer sales were off 36 percent in June and Expedition sales were off 46 percent." (PR Newswire, 2006) With the F-Series as the crutch of Ford they better keep a close eye on the competition. The Chevy Silverado is nipping at their heels at number two.



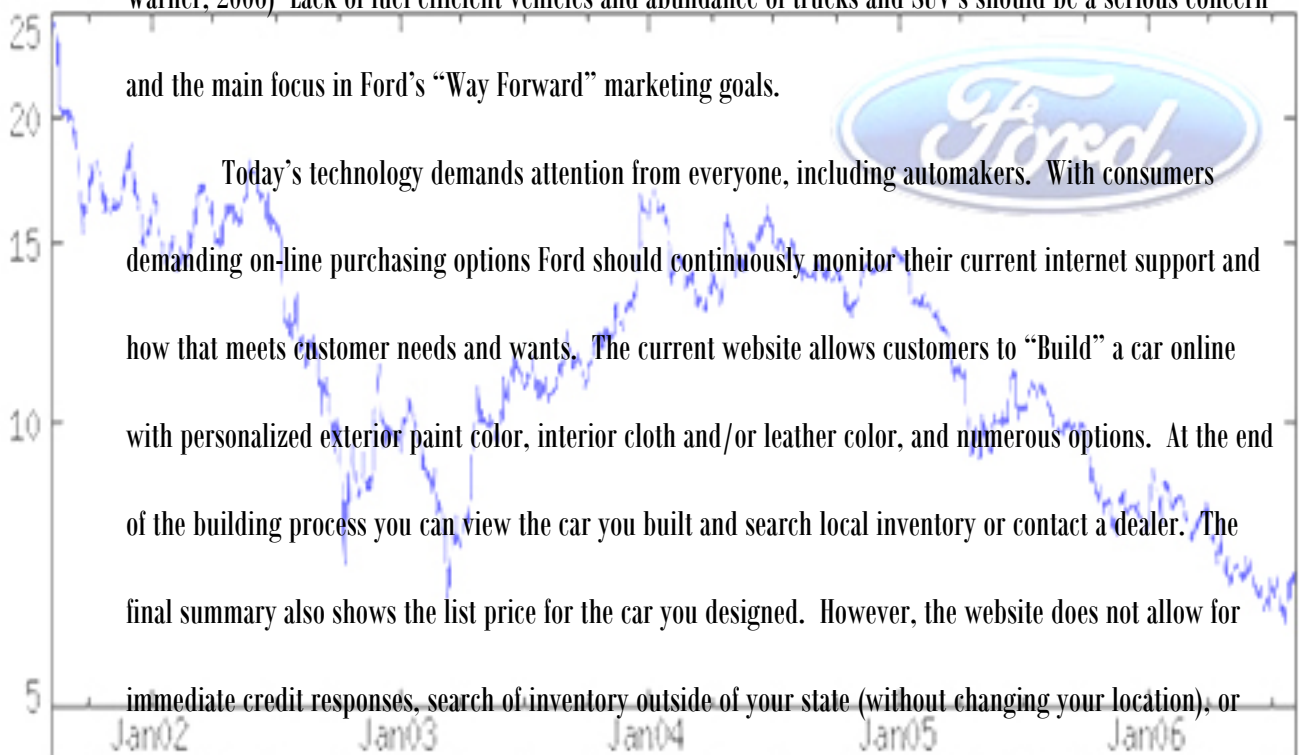
Ford F-150's claim 3 spots in the Top 10 Gas Guzzling Pickups registry. (Autobyte, 2006) With gas prices at record levels, consumers are now seeking alternative's to Ford's Gas Guzzling trucks. "In the first six months of 2006, car sales were up 5 percent and truck sales were down 9 percent. With those kinds of numbers Ford may want to reconsider manufacturing the gas guzzling Expedition. The Expedition is ranked number three on the Gas Guzzling Sport Utility Vehicles list with a highway mile per gallon rating of

seventeen. (Autobytel, 2006) Though it is possible to keep this tank in production considering Toyota's Land Cruiser and Sequoia join it on the SUV gas guzzler list at spots six and seven. (Autobytel, 2006) In the Top 10 Gas Mileage for Cars and Trucks Ford couldn't even get a spot with Honda and Toyota hogging 70 percent of the list. "Higher fuel prices have changed consumer behavior toward more fuel-efficient vehicles." "Toyota and Honda have certainly been the beneficiaries of that. — Ron Pinelli" (Maynard & Warner, 2006) Lack of fuel efficient vehicles and abundance of trucks and SUV's should be a serious concern

and the main focus in Ford's "Way Forward" marketing goals.

Today's technology demands attention from everyone, including automakers. With consumers demanding on-line purchasing options Ford should continuously monitor their current internet support and how that meets customer needs and wants. The current website allows customers to "Build" a car online with personalized exterior paint color, interior cloth and/or leather color, and numerous options. At the end of the building process you can view the car you built and search local inventory or contact a dealer. The final summary also shows the list price for the car you designed. However, the website does not allow for immediate credit responses, search of inventory outside of your state (without changing your location), or

online ordering options. "The information is invaluable because it comes straight from the consumer. It's typically unsolicited, and it's happening in almost real time." (Kassab, 2006) All that is missing is the link of that information to Ford's marketing team. This priceless information could dramatically reduce or even eliminate the excess inventory sitting on car lots year after year. "When Ford launched the new Mustang, the company underestimated the popularity of the interior upgrade package. Similarly, when Five Hundred and



Freestyle were launched, the number of people who wanted the cars in all-wheel drive came as a surprise."

(Kassab, 2006) Ford attempted this interactive website earlier this year in attempts to price the Ford Fusion.

(Kassab, 2006) If only they could make this kind of advancement in the information of all their products and utilize the number of Mustangs built with interior upgrade packages, and Freestyles with all-wheel drive they

could really be on to something. Sure the information gathered can help their current production to deliver

cars and trucks to showrooms that more closely match consumer desires, but that may not be the only

message to take from this online tool. "The migration of consumers online and the number of consumers

who shop online before they buy simply cannot be ignored." (Kassab, 2006) Car lots may be becoming

obsolete. Ford must not be unrealistic about the direction the market is headed, nor should they ignore the

advancements in technology and how that is effecting the purchases of their customers.

In any retail market the answer to your question "What do my customers want?" is out there. The

information is becoming easier and easier to extract with the advancement in technology. The concept of

marketing is common sense. Find out what the consumer wants and/or needs and provide it. If gas prices

are soaring consumers need more fuel efficient vehicles. Utilize what you have at your disposal to find your

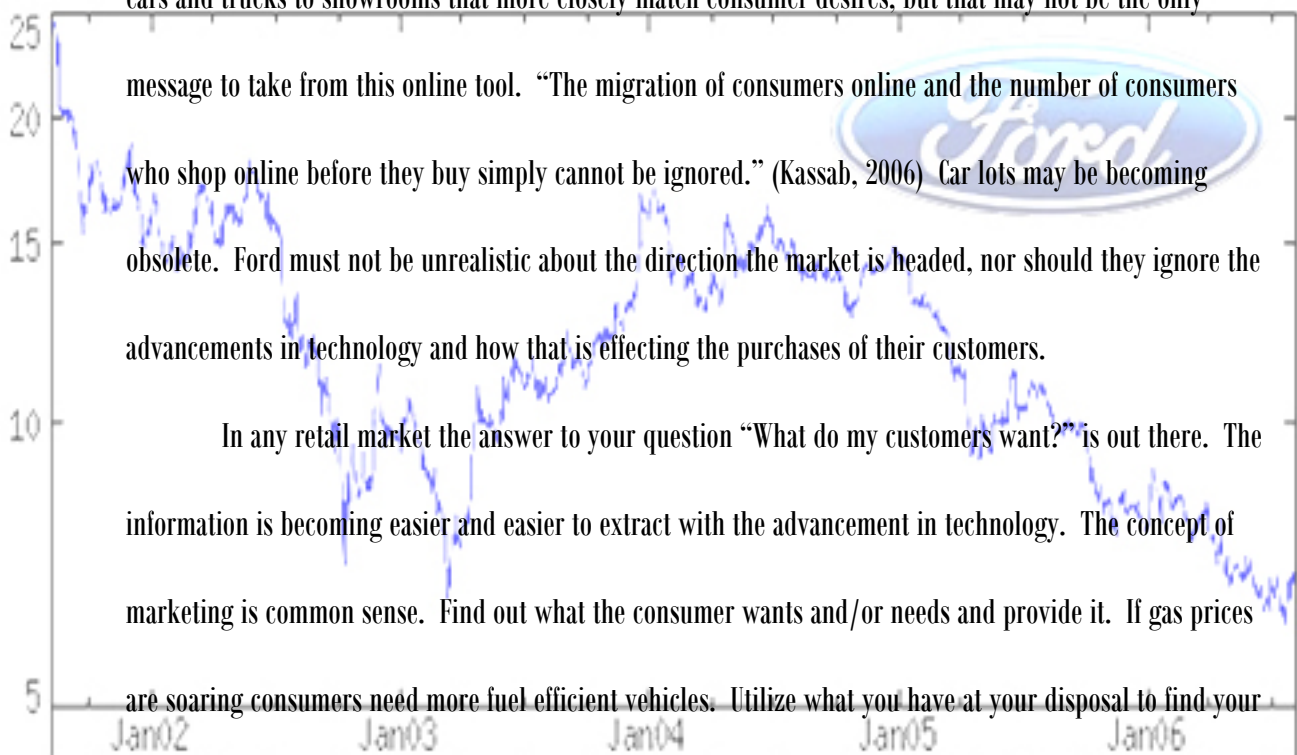
marketing objectives and target them. If consumers are building your car online, track what they build!

Find out why they didn't buy or what frustrated them during their search. If this extraction of information

requires the use of small incentives, offer them. The information will be worth it to your company in the

end! Maybe the day of car lots is coming to an end. Ford may want to consider turning car lots into

displays. If they provide a sample car, based on the most common model and options built online, and



supply that car to the new "showroom display warehouse" for customers to test drive then the day of overstock on lots is over. Each car model could have it's own specialist that is highly educated in the features it offers as well as it's competitors in the market. These showroom cars could be test driven and displayed in a climate controlled, attractive, warehouse and sold the following year as used. This would give consumers the ability to purchase online and order their car exactly the way they want it. The online orders could be delivered directly to the dealer for delivery. That is where the future of automobile appears to be

heading. Ford must be realistic about their place in the market at all times and make themselves aware of the consumers reasoning for putting them there. Understanding that the "way forward" starts with the consumer, is the first step towards success.



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