

**Ford's EV Strategy is Survival – A Marketing Analysis of the Ford+ Plan**

**Paper Two – An Analysis Using Marketing Concepts**

**from Class, Lectures, and the Textbook**

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### **Introduction**

Chief Executive Officer at Ford Motor Company, Jim Farley, is leading this iconic American company through a holistic transformation from a traditional internal combustion engine (ICE) auto manufacturer to a future as a leading market competitor in electric vehicle (EV) sales. Since he became president and CEO of Ford in October 2020, his focus has been on launching the customer-focused Ford+ turnaround plan to drive growth and value creation. On March 2, 2022, Farley announced that under the Ford+ plan, Ford would reorganize consumer vehicle operations into two separate business units, Ford Blue and Ford Model e (Wayland, 2022). Ford Blue will oversee the traditional operations of its ICE cars and trucks, and Ford Model e will be responsible for EV operations including the design and creation of future EV technologies like batteries, e-motors, and inverters (Wayland). This paper will explore how marketing plays a critical role in the implementation of a new business unit that is launching new products. Concepts such as incremental innovation in developing new products, organizational rearrangement to support new products, brand revitalization, growing the core product lines, competition pricing, and an analysis of price objectives are explored in this document as they relate to the implementation of the Ford+ turnaround plan announced by CEO Jim Farley, on March 2, 2022.

### **Increment Innovation to New Ford EV Products**

The electric vehicle market is going through a major growth period as the battery electric vehicle (BEV) sales increased worldwide by 78% year-over-year from March 2021 to March 2022 with 666,000 units sold as the world transitions away from ICE-based vehicles (Duggan, 2022). As presented in the book Marketing Management by Kotler and Keller, within a rapidly

changing market, continuous innovation is a necessity. Yet, the book also points out that most new products are an improvement on existing products. It further explains that most established companies focus on incremental innovation by creating products for new customers by developing a variation of a core product. Ford's CEO, Jim Farley, is following this incremental innovation approach to fulfilling the demand for EVs by developing EV versions of its most widely sold ICE vehicles: the Ford F-150 truck and the Ford Mustang sports car. As a result, the two new Ford EV products that have been launched over the last two years are the F-150 Lightning and the Mustang Mach-E which are both fully electric vehicles based on designs from its flagship product lines. This incremental approach to product introduction as opposed to a more disruptive approach that Tesla has taken allows Ford to leverage its legacy business (Ford Blue) as a 'profit and cash engine' to provide the additional capital to fund Ford Model e operations. Farley stated that the new EV business will "produce as much excitement as any pure EV competitor, but with scale and resources that no start-up could ever match (Wayland)." To that end, Ford will increase its investment in EV production and other technologies to \$50 billion by 2026, and it will spend \$5 billion dollars this year alone which is more than double the investment since 2021 (Wayland).

### **Organizational Rearrangement to Support New Products**

This Ford+ approach of reorganizing a company to effectively manage the product development process is presented as a technique for developing more successful products in the book Marketing Management (Kotler & Keller, 2022). Organizational rearrangement can help track return-on-investment for capital budgeted for new product research and development, and it can help develop product managers, venture teams, or cross-functional groups that are focused on developing and pushing new products to market. In Ford's case, the Ford+ plan's

reorganization of the company is expected to streamline its growing EV business and maximize profits (Wayland). In addition to the creation of separate business units making it easier to track return on investment, it allows Ford to put in place a new leadership team that will develop the Ford Model e product lines. The importance of the success of this new business unit is clear in who has been selected to be on the leadership team. Ford Model e will be led by Farley in addition to his role as president and CEO of Ford. Former Apple and Tesla executive, Doug Fields, Ford's Chief of Advanced Technology and Embedded Systems Officer, will be the Chief Electric Vehicle and Digital Systems Officer. Also, on the Ford Model e leadership team are former Boston Consulting General Manager, Marin Gjaja, as the Chief Customer Officer; former Ford North America Chief Operating Officer, Lisa Drake, who will be the Vice President of EV Industrialization; and Darren Palmer will move from the General Manager of Battery Electric Vehicles to Vice President of Electric Vehicle Platforms (Howard, 2022).

Ford's marketing efforts to sell the Ford+ plan and the Ford Model e venture as an endeavor that builds value for stockholders further extend to promoting the team members. For example, Fields is quoted as saying in a recent Ford press release, "Designing truly incredible electric and software-driven vehicles — with experiences customers can't even imagine yet — requires a clean-sheet approach," next to a picture of Fields in his overalls working on his Ford 351 Cleveland engine of his De Tomaso Pantera. Ford presents the Ford Model e-business unit's Chief of Advanced Technology officer's vision of the future while at the same time reinforcing that Fields is part of the Ford brand as an iconic American car company.

### **Brand Revitalization**

Ford has incredible market strength because of its brand position as an iconic American car company. Years of building the top-selling pickup truck, F-150, and the iconic American

sports car, the Mustang, have built Ford's brand equity as part of American culture. As the book points out, though, new developments in the market environment (in this case the shift away from fossil fuel sources) require a company to revitalize its brand. Strategies range from reinforcing core brand traits to reinventing them to meet the new market demands (Kotler & Keller). The challenge is to strike a balance between the two, and that is exactly what the Ford+ turnaround plan attempts to do. Ford's Ford Blue business unit is getting 'back to basics' by "strengthening the F-Series, Ranger, and Maverick trucks, Bronco and Explorer SUVs and Mustang with investments in new models (Howard)."

"The Ford Blue team will be hellbent on delivering leading quality, attacking waste in every corner of the business, maximizing cash flow, and optimizing our industrial footprint," Farley said (Howard). Meanwhile, the Ford Model e business unit is pushing incremental product innovation to meet the changing market environment. Farley continues, "Ford Model e will be Ford's center of innovation and growth, a team of the world's best software, electrical and automotive talent turned loose to create truly incredible electric vehicles and digital experiences for new generations (Howard)."

Both Ford Blue and Ford Model e (along with their previously created business-to-business division, Ford Pro) are working together to build value for Ford's stakeholders and customers. As Fields is quoted as saying, "We are creating an organization that benefits from all of Ford's know-how and capabilities, but that can move with speed and unconstrained ambition to create revolutionary new products (Howard)." This theme of getting the best of both worlds (experience, and innovation) is echoed by all of Ford's current top employees. Although Ford has tried to revitalize its brand in the past with mixed results, this time around the company-wide organizational changes to support EV research and development, production, distribution, and

sales represent tremendous growth potential for Ford's stockholders. Stockholders have tended to agree with this optimism about Ford's growth potential as Ford's stock price increased 8.4% on the day the Ford+ plan was announced, March 2<sup>nd</sup>, 2022 (Wayland).

### **Growing The Core**

Another strength of the Ford+ plan is that it grows the core business. It achieves this by offering EV versions of its most iconic product lines: the F-150 truck and the Mustang sports car. Although Tesla dominates the EV market in the United States, the Mustang Mach-E was the third most sold EV vehicle in America in the first quarter of 2022 (Merano, 2022), and Ford has received more than 200,000 reservations for its EV F-150 truck, Lightning (Tucker, 2022). These numbers predict a strong start to the new Ford Model e business unit. To meet demand, Ford has plans to ramp up production to be able to sell 600,000 EVs annually worldwide within the next 2 years (Klayman, 2022). This marketing approach of growing the core product line also strengthens brand loyalty as it allows members of the brand community to also participate in the benefits of innovative EV technologies' impact on the automobile market. Basically, Ford enthusiasts will not have to go elsewhere to own an EV.

### **Competitive Pricing**

The strength of the Ford+ plan is to leverage the capital and marketing experience of its legacy automobile manufacturing business unit against the investments required to ensure the successful launch of its new EV product lines. This advantage can be seen in Ford's ability to set competitive prices for its Mustang Mach-E and the F-150. The starting price for Mach-E is \$43,859 (Singh, 2022), and the F-150 Lightning will cost anywhere from \$39,974 to upwards of \$95,000 (Tucker). It is important to have a pricing policy when setting the price of a new product, and there are five steps in the process of determining a pricing policy: Price Objective,

Determine Demand, Estimate Costs, Analyze Competition, Select a Pricing Method, and Select the Final Price (Kotler & Keller). Setting price points on new vehicles is an incredibly complicated task that requires deep market analysis and experience. This is where Ford will have a competitive advantage. It can not only bring its economy of scale and production experience to keep its EV car prices competitive, but it has years of sales data to show what works when communicating value to its customers.

### **Pricing Objective**

The Ford+ plan is the next corporate revitalization effort in a long line of efforts by the previous CEOs to relaunch the Ford brand, yet there is a different sense of urgency behind Farley's efforts to remake Ford at this time to ensure its future success. This urgency can be reflected in a straightforward analysis of Ford's price objective. The five major pricing objectives in the first step of the price-setting process of a new product are survival, maximum current profit, maximum market share, maximum market skimming, and product-quality leadership (Kotler & Keller). Although it is traditional for vehicle manufacturers to be pricing products to maximize market share, some automobile manufacturers use product quality to set pricing objectives which the F150 truck product line has been for Ford. At this time though, the pricing objective for CEO Farley and the Ford Motor Company has a sense of survival. The EV car market is going through a tremendous growth phase and the success of Tesla to dominate EV sales in the U.S market (75% of EVs sold in the U.S. market for the first quarter of 2022 are manufactured by Tesla [Merano, 2022]) has created a sense of urgency for traditional American car companies to respond to the changing auto industry as it moves away from fossil fuel vehicles. You can further sense this urgency directly from Ford's CEO Farley when he states, "Today, our corporate structure is holding us back. It does not allow us to focus. We need the

ICE business to be cash-generating and serving those iconic brands. We need our electric business, the digital business, to be about innovation (Wayland).”

The Ford+ approach of breaking off the EV product lines into their own business unit clearly reflects this urgency by creating a separate business unit whose market success, return on investment, and financial records can be easily compared to other exclusive EV manufacturers. Ford+ is a plan to play the long game in the EV car market. The Ford Model e product lines will project well into the future, while the Ford Blue ICE product lines will eventually fall away or move to complete EV production. So, yes, if Ford wants to build automobiles for the next hundred years, its price objective for the new EV product lines is tied to its future survival.

## **Conclusion**

Marketing has evolved to play an important role at all levels of a modern business organization. Ford CEO, Jim Farley’s Ford+ turnaround plan clearly reflects how important marketing will be as he leads this iconic American company through a holistic transformation from a traditional internal combustion engine (ICE) auto manufacturer to a future as a leading market competitor in electric vehicles (EV) sales. Using proven marketing concepts such as incremental innovation in developing new products, organizational changes to support new products, brand revitalization, growing the core product lines, competition pricing, and defining price objectives the Ford+ plan has excited both stakeholders and stockholders. As Farley stated, “We’re announcing one of the biggest changes in our history today (Wayland).”

The Ford+ plan to reorganize this flagship American car manufacturer to build a value chain that supports the development, production, and sale of its new electric vehicle product lines will require a commitment to a company-wide marketing strategy. If the Ford+ marketing



strategy is successful, Ford will ensure its survival as a cornerstone American automobile manufacturer of the world economy for decades to come.

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