Ford E-Business Strategy

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Introduction

Henry Ford established the Ford Motor Company in June 1903, Henry Ford along with his eleven associates invested $28,000 to open a small manufacturing plant in a Detroit wagon factory (Rothman 2001). The case informs that after almost 90 years from the beginning of company in the early 1999 Ford announced its e-business strategy. That’s how Ford aimed to become a consumer centric company from a dealer centric company by taking the e-commerce initiative to transform itself.

Question No. 1

Ford and benefits of sound E-commerce Initiative

* Cost management: e-commerce initiative would allow Ford Motor’s Company to save cost in different departments by implying the effective supply chain management as the one shown in Fig 1.
* Mass production: The e-commerce initiative would allow the Ford Company to determine the rise in demand which would allow Ford to predict the number of cars in needs to produce.
* It allows the company to open a direct network for its customer
* It also helped the Ford Motors to transform its push strategy in to a pull strategic company.
* E-commerce initiative benefitted Ford to enhance its supply chain management as Ford has and still has a vast network of suppliers all around the world not only in the U.S market.(Darden University 2000)

The research of Darden University (2000) Informs that in September 1999 when the CEO of Ford Motors, Nasser announced the e-commerce initiative. It was his vision that the announcement of e-commerce initiative would help the company to transform its old push strategy into a new pull strategy, at the same time Nasser also had the picture of the day when a customer would just press a button for his desired car which would allow the company to make what the customer wants, that’s how the build to order system came in the Ford Company. E-commerce experts argued that e-commerce would help the leading automobile manufactures to take their company to a new level of progress.(Darden University 2000)

Figure1: Supply Chain Management Cycle Model Darden University (2000)

Figure 1 supply chain management model can be used by any company to connect all of its suppliers to reduce the cost in different departments.

Impact of E-commerce in Automobile Industry

According to Helper and McDuffie (2000) the impact of e-commerce can be defined from a customer’s perspective. For example a customer can choose a car from the convenience of his home by logging on to the websites ford.com or buildyourowncar.com thereby reducing his search costs and saving him time.

Specifically a customer can, with the use of these websites:

* Choose the design for his car.
* Make his choice clear to the companies.
* Conveniently pick and choose his options from the myriad designs and options provided on these portals

Effects of e-commerce initiative in long term

Due to advancement in e-Commerce technology, a customer can order a car via a website from the convenience of his home. According to Helper and McDuffie (2000) the effect and impact of e-commerce in the technological era has enabled a customer to directly reach out to the company and tell the company what he wants in his car from the type of seat to inbuilt GPS navigation system, this customization became possible because automobile industries chose to change its approach from push strategy to pull strategy. It has also been argued by (Darden University 2000) that in the late 90s when Ford announced its e-commerce initiative, that it was the right move despite it would make its dealer unhappy but at the same time customers were not happy approaching the dealers and today it has showed exceptional results for the companies who took the technological approach.

Question No. 2

Issue within the Organization

Implementation of e-commerce has always been an issue for the employees, and the organization. People are always hesitant of something superior which might take their place. People within organization don’t want to accept the modern information system and there are reasons which have been discussed Mukopadhyay and Mishra (2000) and are still discussed in old system organization. The reasons of which organization people have been resistant towards technology are as follows:

* The fear of losing their job to a computer system
* A system can retrieve the exact data we want but a system can’t think
* People are used to the old system and it is difficult for them to cope up with something which is technologically advanced

Issues while implementing e-business strategy

It has been argued by the research of (Mukhopadhyay and Mishra 2011 ) that in late 90s, dotcoms which were quite rapidly gaining advantage in market capitalization and their size also posed a huge threat to the brick and mortar business. In many ways these dotcoms showed the sign that it’s rewriting the rules of business.

The major challenges the company will face while implementing e-business would be

* Getting customers via website routes: just finding the customers who visit the site is like winning half the battle. The biggest challenge was to make them buy from the websites. Mukopadhyay and Mishra (2000)
* Building customer loyalty: Trust and loyalty comes as a second challenge for any company when there are so many sites available for the similar products with attractive offers. Mukopadhyay and Mishra (2000)
* Fulfillment: the just in time factor comes as another challenge with e-business strategy, a customer won’t be pleased with the company if the deliveries are not in time, which will pose a threat to the market image of the company. Mukopadhyay and Mishra (2000)

Technological Issues

The technological issues a company is likely to face would be

* Cost maintenance: of all the IT systems that were going to be used by the firm.
* Extensibility and reusability of the systems.
* Industry acceptability: If the officials within the company would be willing to accept the systems instead of the traditional system they are used to
* Implementation of technology needed by the firm, like different models and link them with each other.

Question No. 3

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| --- | --- | --- | --- | --- |
| S.No | e-business initiative taken | Description | Benefits | Challenges |
| 1. | AutoXchange | A B2B joint venture with oracle to exchange information with suppliers. | Allowed reduction of suppliers and inventories. | Convince the suppliers to use the internet technology |
| 2. | Covisint | An online marketplace or private exchange. | Transformation of old push system to a streamlined pull system | Forming a chain of information among all the suppliers and link it with other automotives for effective exchange of components |
| 3. | FSN (Ford Supplier Network) | A network place to share information with the suppliers over web. | To enable use of collaborative tools, demand management. | To forge a strong bond with its dealers, employees and customers. |
| 4. | MyFord.com | Website of the company to provide information to its customer | An initiative which allowed ford to connect itself with its customers. | It became a threat for the dealers the middleman role was finished with this initiative. |
| 5. | BTO | The build to order initiative | Enabled ford to build the car with the specifications desired by the customer for their satisfaction and goodwill of the company | Ford is still facing trouble in effective use of this initiative while Nissan has emerged as the biggest threat in specific to this initiative. |

Table: The various e-business approaches taken by Ford

Impact of e-commerce initiative

The case informs that some analyst said that although Ford took the first step to imply build-to-order (BTO) in late 2000 it was not completely operational till 2002. Ford faced many challenges implementing BTO in the auto business and still it’s not completely operational. Meanwhile in the same year 2002 Nissan emerged as a major competition to Ford. Nissan claimed to be the first major automaker company to introduce web-enabled build to order manufacturing, what ford has not yet able to do and aims to make it happen.

Evaluation of Ford’s e-business strategy

It has been discussed in the journal by Sharma et al (2011) that today if a company needs to be connected to all of its suppliers and customers the company needs to have a scalable ERP system which can be afforded by the company and is easy to use. Oracle has been the major player when it comes to ERP systems and as studied it the report given for assignment in the mid 1999 oracle helped Ford open a joint venture Autoexchange which allowed Ford Motors to do B2B that is online business to business. As earlier discussed in the report who has made the most out of e-business strategy other than Ford, Nissan motors comes in contrast as it started later than Ford Motors but has been able to emerge as a major competition to Ford when it comes to web enabled build to order car company.

What Ford Can Do?

In the journal of Sharma et al (2011) SAP ERP has been argued as a world class fully integrated system which fulfills all the core business needs of a company in all areas of marketing and industrial sector. It allows the firm to manage its finances, human capital, logistics, procurement etc. what else a SAP ERP system could provide a firm is as follows:

* It can help a firm to get a more tightly link system to measure business operations and improve visibility of all the process that are happening.
* It allows the firm to manage its finances more efficiently which allows the firm to save cost.
* It allows the firm officials to easily access all the reports and enterprise information’s.
* It allows the firm to make effective use of the software designed, to innovate ways of development through adaptability.

Question no. 4

Framework Used By Ford

Fig 4.1: integration model of ERP with other technologies (Source Sharma 2011)

The above model is the evolve form of ERP system, the initial ERP systems contained the modules like financial, manufacturing, planning etc. With the development of SRM, PDM, CRM and PLM technologies the interface of ERP systems began to evolve and became more effective and efficient. Sharma et al (2011)

* SCM (Supply chain management): supply chain management is a strategic and systematic approach in business used for one purpose that is to improve the performance of an individual company in a long run and the supply chain as whole. Sharma et al (2011)
* PDM (Product data management): it is method of the software which is used to track and control the data of particular products. The data tracked by this tool is usually technical data used for manufacture and development of product. Sharma (2011)
* PLM (Product life cycle management): it is a succession of strategies used by the firm management as the product goes through its life cycle. The advertisement and pricing of product are supposed to change as the product succeeds to go to next stage of succession. Sharma H et al(2011)
* CRM (Customer relation management): it is a new type of management system which is completely focused on the improvement of customer relation with the firm. CRM is more concerned with the market and customers compared to ERP. Sharma et al (2011)

The ERP System Used by Ford Motors:

Fig 4.2: Source Sharma et al (2011) Integration model of ERP and e-business

Online purchase

Financial personal logistic

Supplier relationship management

Inventory Management

Supplier

Planning and Production Management

Online sale

ERP System of Ford

Sales and service

Customer

SCM

Business Intelligence

Business Analytics

Project Management

Service Management

The main focus of an e-business is to increase the efficiency and effectiveness of cross enterprises and external processes. While ERP system supports the business strategy, new strategic approaches are made accessible through e-business which takes ERP system to one level higher than basic ERP system model. ERP system allows the company to connect with all its partners’ suppliers and everyone related to company through web technology, which allows the company to effectively circulate the data. This allows the business to see the process which would allow the firm to cover different business and enterprises process at a new and systematic level. Sharma et al (2011)

The tools which can be used by Ford Motors:

* Third party software can be integrated in the ERP system by the use of business application programming interface (BAPI). This open interface is standardized. Thus a user can apply ERP through browsers and email exchange using BAPI and user can also take this software modules to mix and match with non ERP software application. Sharma et al (2011)
* Depending on the users requirement the module can be changed and there is no need to upgrade the system to enhance a certain function. Thus it would allow the user to change the module he requires instead of installing or upgrading to a whole new module. Sharma et al (2011)
* The new system which is developed by integrating ERP system can be split into five different layers that are database layer, application layer, network layer, operating system layer and physical layer and e-business also requires the reassembling and integration of all modules of application layer. They also need support of the database layer and operating system layer. Access of database connectivity and operating system provides a solid foundation for integration. Sharma et al (2011)

Conclusion:

The tools and methods discussed in the report would be helpful for a company like Ford as it is a large scale company which has its branches all over the world the integration of ERP system above in the report would act like a tree and all the partners and suppliers, customers everyone related to Ford Motors would be connected in this ERP system like branches which would allow the company to make effective and efficient use of all the resources.

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