

Porter Five Forces

Eryn Brown

Northwood University

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Ford is one of the leading automobile makers in the world. It uses porter's five forces analysis as a way of keeping a competitive advantage over other companies in the same industry. The following analysis will dissect Ford motor company in terms of Porter's five forces analysis.

The threat of New Entrants.

The company faces a weak threat of new entrants because the cost of investing in a startup automobile company is very high. Apart from the high capital requirements, the cost of doing business is very high, and also creating a reputable brand like Ford will be very expensive. That being the case, a company like Ford will make substantial capital investments to develop and maintain its business and facilities. With such high costs of starting up, it creates a barrier to entry for new firms that are seeking to join the industry. Additionally, Ford has invested heavily in research and development, which it will keep on redefining the standards of the industry (Keenan, 2017). In other terms, Ford will keep introducing new and innovative products in the market, making it a customer-preferred choice. In such a case, it will be hard for a startup automobile company to enter this market and achieve profitability.

Bargaining Power of the suppliers.

In the case of Ford, this can be termed to be a moderate force. To start with, the number of suppliers in the market is moderate. Therefore, that leads to a significant but limited bargaining power for the firms that supply Ford inputs. Additionally, given that the number of suppliers is not much, they have a limited influence on the prices. Also, in terms of forward integration, the suppliers do not pose any credible threat. Furthermore, Ford had started to produce some of the material it uses in the process of manufacturing cars. Whatsmore, the products which are sourced from the supplier are fairly standardized, and hence that creates low

switching costs for Ford. With all that in mind, it means that the bargaining power of the consumers should be considered to be a moderate force.

Bargaining Power of the Buyers.

It can be termed to be a moderate force in the industry that Ford operates. That is because the switching costs for the buyer can be termed to be moderate. That means the even though customers have the ability to switch to other firms, they will do it less frequently, given the fact that cars are big-ticket items. Moreover, each purchase that is made by a client contributes only a small portion to the revenues which are generated by Ford. Hence, a single client does not have a significant influence on the level of profitability for the company. Lastly, it is the moderate availability of substitutes, which means that customers can opt for other rival companies and make a purchase. Even so, clients will make such a switch less frequently. For the above reasons, the bargaining power of the buyers emerges to be a moderate force.

Competitive Rivalry.

In the case of Ford, this can be termed to be a strong force. That is attributed to a variety of factors. To start with, there is a high level of competition from other companies such as Toyota (Gibbs, 2020). That is caused by the fact that in the automobile sector, the barriers to the exit of a firm are very high. Therefore, it will be easier for a firm to keep on competing aggressively with Ford. In addition to that, Ford will have to compete with a sizeable or moderate number of well-established firms. That poses a significant level of threat. With that in mind, it makes Ford invest in the production of high-quality products and sell them at a level that shows cost awareness. Nonetheless, the automobile industry is prone to cases of disruption, which means that companies like Ford will often have to overproduce. Given there are several

prominent firms in this industry, it implies that Ford will have to reduce the price at which it sells its cars so that it can find a way of reducing the excess stock.

Threat of Substitutes

It can be referred to as a moderate force in the case of Ford. For starters, there are moderate substitutes for the products which are produced by Ford, for example, public transport and the use of bicycles. Despite that, such substitutes are not available in all places and times. Secondly, there switching costs to the substitutes are moderate. That is because while the client will sometimes make use of the alternatives mentioned above, it will not be frequent given that, in most cases, they will be paying off their car loans. Lastly, the substitutes for Ford will have low performance in terms of their convenience and safety. For example, public transport will not be available in all places. Therefore, customers will still revert to the use of Ford products. For the above reasons, the threat of substitutes will be termed to be a moderate force.

References

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