



Ford's E-Business Strategy

May 10, 2000

Ed Davis
Brandt Allen





-
- *Why would anyone buy a car on the web?*
 - *What sort of person?*
 - *What sort of car?*
 - *What are the risks?*



What's Ford's E-Business Strategy?



What's Ford's E-Business Strategy?

Will it work?

Does Ford have the power to do this?



We are also working on an e-business strategy that will link the dealer and customer as well as the engineering and manufacturing functions to allow a vehicle to be custom-built through the Internet. We call it order-to-delivery, and it will allow customers to custom order our B-2-C and B2-B initiatives. It will also speed up the purchasing and manufacturing process as well as the delivery process. As the vehicle is built, the customer will actually be able to track its day-to-day progress over the Internet.

John F. Smith, Jr., Chairman and CEO, GM, April 18, 2000



Why so much excitement about these B2B Exchanges and Trading Hubs?

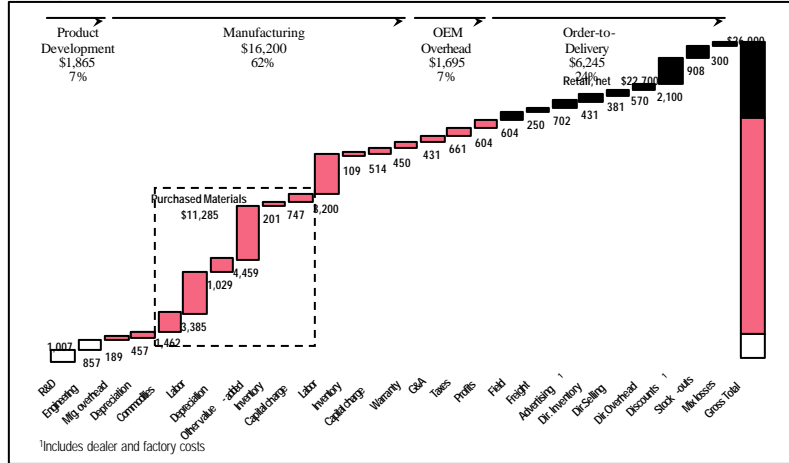


But the going is slow, Forrester Research (FORR), based in Cambridge, Mass., estimates that only about 1 percent of b-to-b trade will be conducted through online marketplaces this year. A separate Forrester survey of 80 executives at large U.S. companies also found that 77 percent had yet to execute a single transaction through an online exchange.

“B-to-B Exchanges: Lots of Wheeling, Little Dealing”
The Standard, May 01, 2000

Automobile Supply Chain Costs for the Typical North American Vehicle

(Dollars per vehicle)



Source: GS Research Analysis



How does the Trading Hub fit the Strategy?

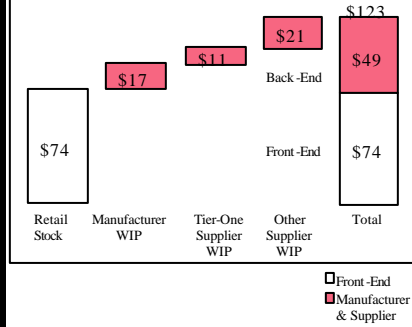
Is this another supplier Squeeze?

How much can you take out of the costs of a car on the back end?

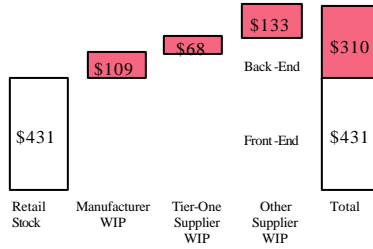


Inventory Carrying Costs Add Almost \$750 to the Price of a Car in North America

Inventory Value (billions of dollars)



Inventory Carrying Cost (dollars per vehicle)



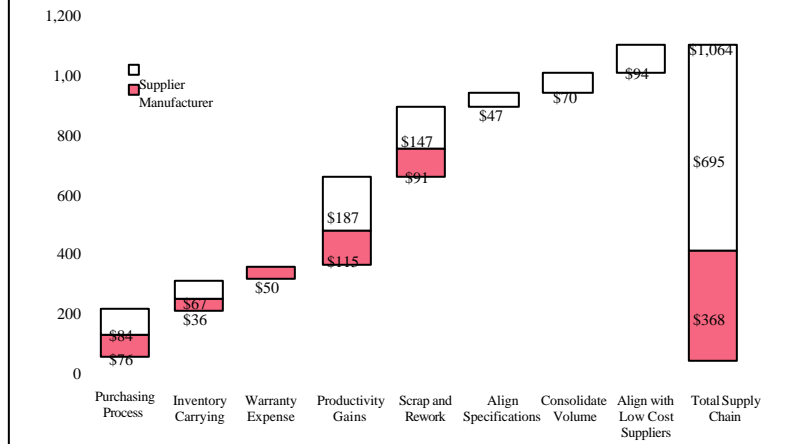
Source: GS Research Analysis



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Potential Back-End Supply Chain Cost Savings

(MM Dollars per vehicle)



Source: GS Research Analysis



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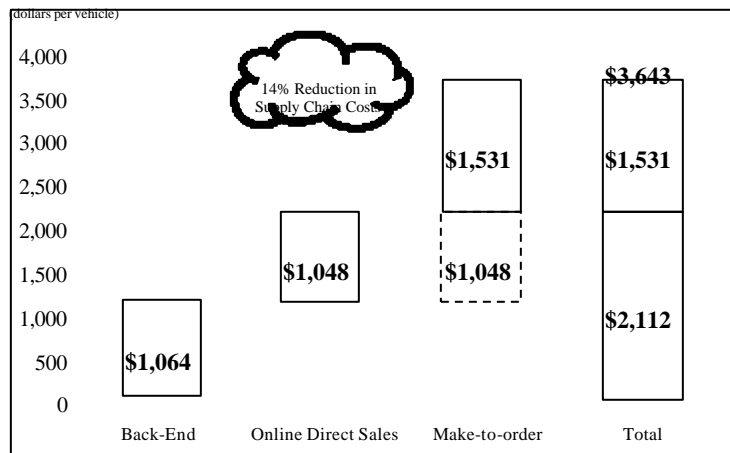


• If the Trading Hub is key to Fast Mass Customization and Integrated Supply Chains,

- Why join with GM and Daimler and slow yourself down?*
- Why would you sell out?*



Savings Potential of Online B2B, B2C and Make-to-Order



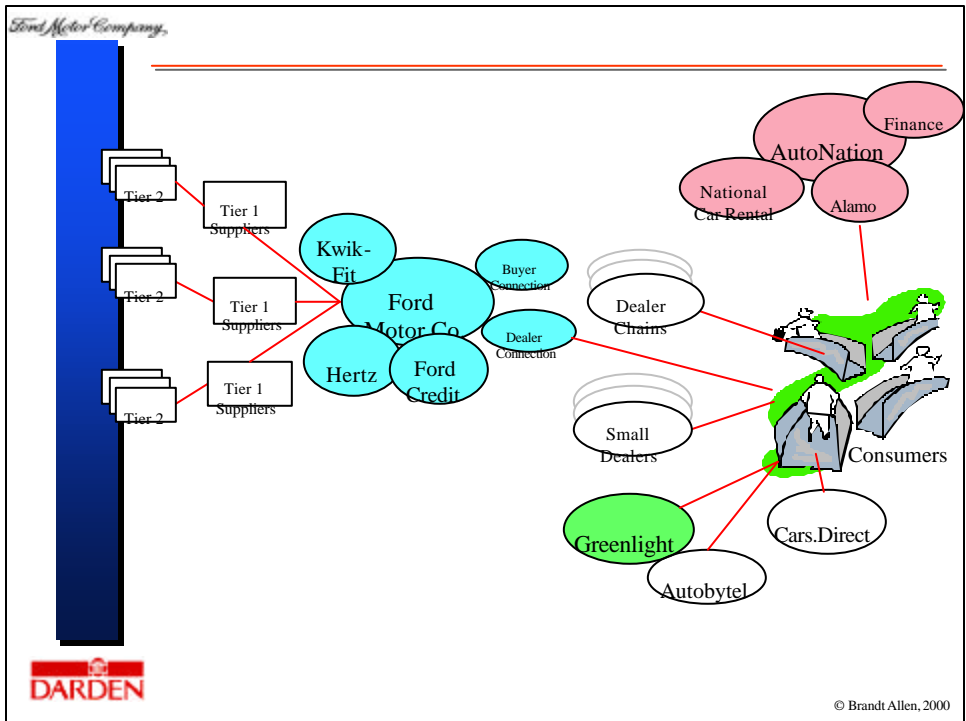
Source: GS Research Analysis

Ford Motor Company

How do the Dealers fit into the new plan?

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How do the Dealers fit into the new plan?

Does Ford need the Dealers? For What?

Are Dealers “Competitively Disadvantaged”?

Can manufacturers get around the franchise laws?

Do they want to?



What should you be doing if you were a dealer?





• *What is Ford trying to do with:*

- *Buyer Connection*
- *Dealer Connection*
- *Owner Connection*



In late March, Ford sent a warning memo about working with such brokers to its dealers, putting the industry on edge. “It has come to our attention... that certain all-makes Internet services are requesting that Ford dealers make available for sale through their services new vehicles at a specific price or agree to pay a fee for any sales negotiated by such service.” James O’Connor, president of the Ford division, wrote in the memo. Specific price requirements and transaction-based fees fall under the definition of auto brokering, an illegal practice in many states.

“Car Makers and Sellers fume over E-commerce rights”
Source: www.redherring.com, May 01, 2000



Address: http://192.168.154.185/.../BuyerConnection.asp

Ford Motor Company **BuyerConnection** POWERED BY Ford Motor Company

Welcome

BuyerConnection is your source for all your new vehicle purchasing needs. You can custom build your dream car or truck, research your vehicle, apply for financing and request a price quote from the dealer of your choice. You can even save your custom built vehicle in the Buyer Garage until you are ready to buy. To get started, simply select your brand and model below, enter your zip code and click on the start building button.

Select Brand:

Select Model:

ZIP:

Start building ▶

Research | Learn more about your selection with these resources:

Buyer Garage | Save a vehicle you're building or call up one you've already built.



Address: http://www.dealerconnection.com

Ford Motor Company **Dealer Connection**

USA 4 x 24 x 2000

BUYER CONNECTION | BUILD YOUR TRUCK | **DEALER CONNECTION**

HOME | OUR PRODUCTS | FORD DEALERS | ABOUT THE COMPANY | WORLDWIDE LINKS

Dealer CONNECTION

Looking for a dealer near you? Just tell us where you are, and what you are looking for.

1. Select a brand of vehicle:
 FORD LINCOLN MERCURY MERCEDES

2. Specify a ZIP code, dealer name, or city and state:

3. Dealer location:

4. Do I need a dealer? Yes No

Locator Sign:
 To speed up your search within your area, we show all the call-in areas matching for vehicles.

SEARCH | SITE MAP | FIND A DEALER

WORLDWIDE LINKS | CAREERS | CONTACT US | PRIVACY

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Address: http://www.ownerconnection.com/ownerlogin.asp

OwnerConnection POWERED BY Ford Motor Company

OwnerConnection™ **Welcome**

OwnerConnection is a large, yet select community of Ford Motor Company car and truck owners who drive Ford, Lincoln, and Mercury brands.™

Log In
Register

ABOUT THIS SITE
YOUR PRIVACY

OwnerConnection is a unique environment personalized to you and your vehicle. It is your parking space on the web and comes with many benefits. This login page will be your entry point. Bookmark it now!

To experience the benefits and useful tools of OwnerConnection, enter the Back door.

Member Log In

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OR Sign in as a member here, you need to register

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Forgot Your Password

PASSWORD

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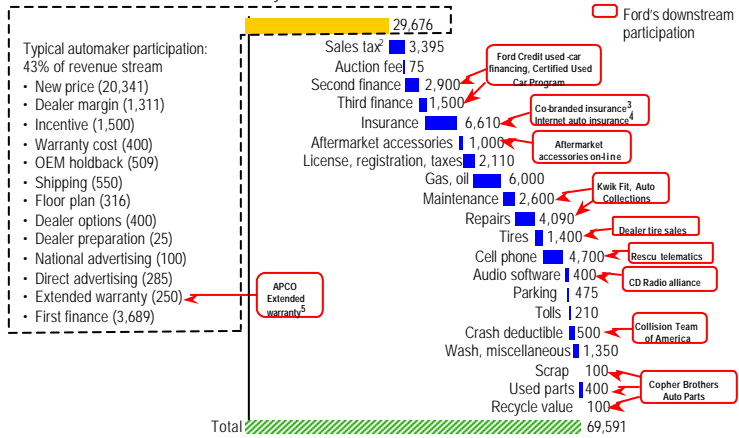
- *Information, Communications, Entertainment, Safety*
- *Concierge Services*
- *Navigation Systems*
- *Satellite Radio*
- *Internet Access*
- *Collision Notification, Stolen Vehicle Tracking*
- *Hands free phones*
- *Remote Vehicle Monitoring*

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Examples of Ford Motor Company's Downstream Participation

Revenue stream for a midsize car over ten years and 100,000 miles,¹ 1995, \$



¹Revenue streams not listed here include driving school, fleet leasing, direct Internet used-car sales, CarClub.com Internet shopping service, Microsoft CarPoint build-to-order alliance, and Ford Concierge Services

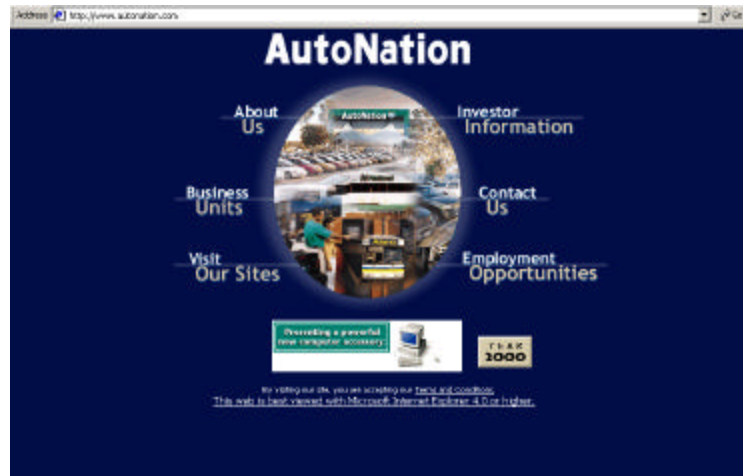
²Assumes 7% sales tax rate and three sales of car in its lifetime

³Service through The Hartford

⁴Service through Insurance Holdings of America

⁵Also offered for non-Ford products

Source: Kelley Blue Book National Automobile Dealers Association; American Automobile Association; Runzheimer International; Federal Reserve System; American Automobile Manufacturers Association; press clippings; Ford Motor Company Web site; McKinsey analysis








- *What are these other players trying to do?*

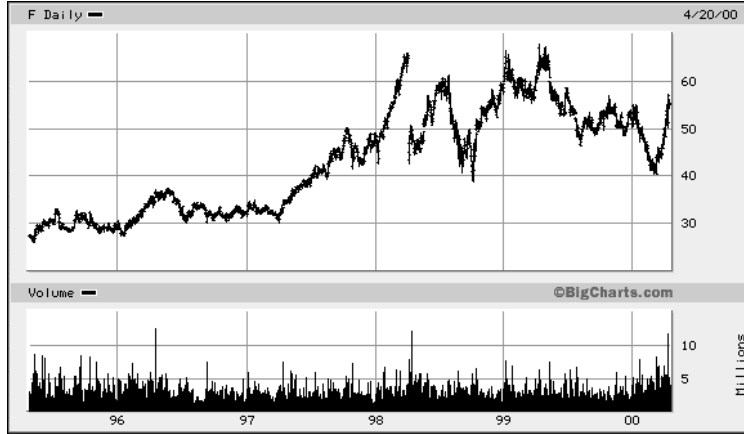
- *AutoNation*
- *AutoBytel*
- *CarsDirect*
- *Greenlight*



- “The auto dealer’s challenge is a warning to web-heads in every industry who dream of cutting out the middleman and selling directly to customers online.”

- WSJ, May 10, 2000

Ford Motor Company



Source: Merrill Lynch Online



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