



'We have to change



Ford Motor Co is changing the way it does business by embracing advanced technologies and the Internet to deliver the products and services that our consumers want faster, better and more effectively.

– Ford corporate statement

The second largest auto maker in the world is moving fast to leverage the Net, in the process turning the conglomerate upside down. So far, the Net foray has been the strongest in the US, given the fact that there are more Net and car users there. But, the process could encompass Ford's worldwide network. Different pieces of its strategy are being pieced together, from wiring its work-

force to completing the circle of its Internet strategy or creating the world's largest Internet-based virtual marketplace along with GM and Daimler-Chrysler.

To keep its workforce with the times, for instance, Ford entered into a partnership with a company to offer PC, colour printer, and Internet access to all eligible employees for \$5 a month. This will

phenomenally'

—Vinay Kamath—

ensure that its employees are better connected to both family and work while improving their technological skills and more importantly, become more in touch with consumers who use the Net. The consumer in the Net age, Ford believes, will be an entirely new animal and Ford has to learn to deliver products to these consumers in their language.

In an interview to Praxis on a visit to Chennai, John Larson, Director, Asia Pacific Operations, Process Leadership, Ford Motor Company, spoke on the cataclysmic change that Ford is going through. Excerpts:

What is the crux of Ford's Internet strategy?

What we have done within Ford is create a new group solely responsible for e-business. We've bought in a new president from General Electric; he's Brian Kelly, and he's launched a programme called Consumer Connect, and his job is to create global joint ventures and set up relationships with companies to improve the way we interact and provide information, and to improve interaction with consumers, not only through the Web, but also through the phone system or through printed material which we wish to send out.

But, as I said, this is very new to Ford. In the past we believed that dealers had the responsibility to sell our cars, but the dealers didn't trust the manufacturers because they were afraid that we would move their customers from one brand to another and they would lose customers.

The problem is not unique to Ford or North America, but is a global problem. But now the dealers have begun to understand that if they don't get in and

play this Internet business effectively, they are going to lose in the long run and as long as we play fair with them and help them, it will be more effective.

How exactly has this 'Web-enabled corporation' tag enhanced Ford's performance?

One of the things most American manufacturers do is that they make as many cars in their factories, regardless of what the customers want, because the investments in plants are so high and you've got to make as many vehicles as possible in order to keep your variable costs low.

And, the problem with that is, if the customers want more blue vehicles than green vehicles, because of the long lead times in getting your parts and accessories, you can't really change the manufacturing programme that quickly to give the customer what he wants.

So, the direction we are going in is – we want to use the Internet to actually create the order bank of what we are going to build and build it as fast as we can and give it to the customers. So, instead of building these vehicles and forcing demand, we can give customers what they want. Now, we see that as a long transition because people are very used to going to the dealer and buying it off the lot where hundreds of cars are parked. But, that's starting to change as people begin to get used to buying books and clothes on the Web. The same concept or desire will apply for a car – they can find the type of car they want, find out where it is and how fast they can get it.

There's actually a very small number of cars which have actually been

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purchased on the Internet, something like 17,000 cars out of 17 million cars...

Where do the economies of scale come from if you're going to custom-make cars for each consumer who orders on the Net?

What it means is that we need to have all the systems connected end-to-end so if the customer wants a particular feature, the system should be able to figure out which is the best factory to make it in, and also line up all the suppliers to have the right parts and accessories available for the car as it comes on the line. So, what we are trying to do is capture the demand upfront and use it to sequence all of the supply orders all the way through so that as the car goes through the production line, we can build it to that customer's requirement.

Have you done most of the backroom integration needed to make that happen?



"It's a mindset change needed for the manufacturers and the consumers. We see the Web pushing that change."

We are working on it and that's going to take a huge investment in the systems to make it happen. Some of the smaller companies such as Volvo are much better at building what the customer wants and their strategy is if they don't have a strong order bank, they stop production. So, going in with that mentality, they actually are well-positioned in understanding and building what the con-

sumer wants and not just what you have the capability to build. So, it's a mindset change needed for the manufacturers and the consumers. We see the Web pushing that change and if you're not ready to take advantage of it, the consumer is going to go someplace else. It's a very interesting time for manufacturers to be in. We may not have the answers, but you know the direction, so the question is how fast do you get there?

Consumers ordering the kind of car they want; isn't the upheaval going to cost the company heavily? How do you figure out what exactly the consumer wants?

We do a lot of focus groups of different age groups; we did one with teenagers who've grown up on the Internet to see when they turn into car buyers what their thinking will be. And their thinking very clearly is - if I can order clothes on the Net which is designed for my body, if I can download music and so on, why can't I order a car. There hasn't been any history in their minds that that's the way it's always been. Their thinking is, I can buy all these other things on the Net, the way I want them, why can't I buy a car on the Net? It doesn't mean that we are going to give them unlimited options, but we are going to keep a limited number of options and change them as customers demand them.

And, it's pretty much the same all around the world, kids are becoming fearless at using computers... at least today the expectation is all about getting choices and details of the vehicle on the Net. Today, at least 60 to 70 per cent of the car buying population expect to get all the details they want about a car on the Net. In North America we see the numbers small, till about 2005, before it should take off.

What exactly do you offer to your customers in North America on the Net?

What we do really is we offer all information on product features and models on the Net so they can identify the



“E-governance hasn’t been good for us rats. It seems now it’s a virus that eats the files!”

options and the nearest point where it is available. Then we allow them to order a special car with the details put together and they can go to a dealer and actually execute the order. Most states in North America prohibit a manufacturer from actually selling a car directly to individuals.

What’s the impact been on Ford Motor Co?

It’s a huge undertaking and it’s really changing Ford Motor Co from top to bottom, a phenomenal mindset change is taking place. What it means to me is, in

this new world of online purchasing, my job is going to change, can I adapt fast enough to add value to the company? If you read HBR, it’s not just Ford but right across, people are learning new techniques to adapt to the Internet.

The Dell model is normally what people use, but the complexity in a car is much greater. The model holds. Ford really has to change phenomenally in the way we build our vehicles. ■