



Ford of Europe

– how web technology helped achieve an unprecedented profit turnaround

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“E-ENABLEMENT IS PART OF FORD OF EUROPE’S TOOLKIT AND A VERY IMPORTANT ONE. WITHOUT IT WE COULDN’T OPERATE AND WE CERTAINLY COULDN’T TURN AROUND OVER A BILLION DOLLARS IN ONE YEAR, WHICH IS BY FAR AND AWAY THE BIGGEST TURNAROUND IN FORD’S CORPORATE HISTORY.”

David Thursfield, President and Chairman, Ford of Europe

THE E-BUSINESS PRIZE

Global priorities

The Ford Motor Company is the second largest motor manufacturer in the world, producing nearly seven million vehicles every year around the globe and generating annual revenues of over \$160 billion.

In 2000 Ford set out its vision to be ‘the world’s leading consumer company for automotive products and services’, and established customer satisfaction and taking advantage of e-business opportunities as its two main global priorities.

Nick Scheele, Chief Operating Officer, Ford Motor Company, says: “It’s not about giving old facades a lick of paint. What we needed to do was to ‘upgrade the thirty-year-old machine.’”

According to Scheele, there is a substantial prize for success: “At the moment the European industry is about \$120 billion a year, that’s the total sales revenue. We all have, in the industry, about eight weeks’ worth of supply – sometimes greater – between the factory and the customer.

EXECUTIVE SUMMARY

Background

In 2000 the Ford Motor Company set out its vision to be ‘the world’s leading consumer company for automotive products and services’ and set its two main global priorities as customer satisfaction and e-business.

Challenge

By the late 1990s Ford of Europe was struggling with problems of cost, quality, customer satisfaction and corresponding profitability. An e-transformation kick-started by the parent company’s e-business priority, would contribute to the turnaround required.

Solution

Ford of Europe identified priority e-initiatives in the B2C, B2B, and B2E domains. Clear leadership, top down management and a ‘ruthless execution’ approach have produced industry-leading Internet projects in each domain, bringing tangible and intangible benefits to the business and its employees. Cisco’s support and advice have been extremely valuable.

Results

Ford of Europe has achieved a billion dollar turnaround between 2000-2001, with web enablement making a significant contribution. Specific examples include:

- Ford Journey web site: (20 per cent incremental business and higher value sales).
- E-feasibility project: (saved \$27 million on one new car launch).
- Employee e-enablement: (driving up productivity).

Ford of Europe is now the most successful Ford region in financial terms and its turnaround has been cited publicly by CEO, Bill Ford, as the most impressive in the Ford Motor Company’s history.

Suppose we could cut that down to just two weeks by knowing what customers wanted, building the right car and delivering it. That saving translates to about \$600 per car. That’s why we’re interested.”

European e-transformation

Ford approached its e-business priority on a global basis, with centrally driven objectives and overall timelines but with individual business groups and regions responsible for constructing and delivering their own web enablement plans.

This created momentum and helped achieve a company-wide spirit of innovation while taking account of local culture and market dynamics and ensuring business ownership.

Ford of Europe (Ford’s second largest region in terms of sales) had encountered significant problems in the late 1990s. Richard Thwaite, Director of IT and e-Business Infrastructure, Ford of Europe, explains: “The key business drivers behind our web enablement relate to the significant financial problems in our European operations back then. We needed to transform the business in

KEY FACTS

The Ford Motor Company is the second largest motor manufacturer in the world. Ford was the best selling brand of cars and trucks in the US for the 15th year in a row, capturing five of the top 10 best selling vehicles. US market share across all brands was 22.8 per cent (compared to 23.7 per cent in 2000). Among Ford's Premier Automotive Group (PAG) brands, Jaguar and Volvo set all time sales records in 2001 – as well as setting new US sales records for the third year in a row. The following figures are for the Ford Motor Company for the year 2001.

- Revenues were \$162.4 billion – 5 per cent down on 2000
- Vehicle unit sales were 6,991,000 – a 6 per cent decline on 2000
- Net loss was \$5.45 billion, including unusual charges and other items

Europe is Ford's second largest region (after the US). Relevant 2001 figures across all brands in Europe are as follows.

- Revenues were \$31.93 billion – 11 per cent higher than in 2000
- Profit was \$266 million – reversing a loss of \$35 million in 2000
- Vehicle unit sales were 2,161,000 – up from 1,882,000 in 2000
- Market share 10.7 per cent – compared to 9.9 per cent in 2000

Ford of Europe (i.e. Ford branded vehicles only) contributed the following to the 2001 European total.

- Revenues were over \$20 billion
- Vehicle unit sales were over 1.3 million

a significant way – relating to the areas of quality, cost and customer satisfaction.

“To address those areas we categorised and prioritised our e-initiatives into three domains: B2C, the customer facing and dealer facing activities; B2B, our supply chain and product development areas; and B2E, our employee processes and the culture of the organisation.”

Return to profit

That approach to e-transformation – addressing B2C, B2B and B2E opportunities – has played a significant part in returning Ford of Europe to profit. Richard Thwaite continues: “The benefits that we are seeing from the e-business transformation are not only in tens of millions of dollars flowing through to the bottom line but also – and perhaps more significantly – in providing us with more products faster and with greater customer satisfaction.”

David Thursfield, President and Chairman, Ford of Europe, adds: “We’re moving from ‘push’ manufacturing processes to very lean, very dynamic ‘pull’ business models. We’re creating virtual worlds where our engineers and our suppliers can collaborate. And we’re web enabling our day-to-day employee activities not only to realise productivity gains but also to bring about a far-reaching Internet culture shift.”

POWERFUL NEW MODELS

Fast Ford Journey

A prime example of Ford of Europe's B2C approach is the [Ford Journey](#) web site – the first time in the UK that a volume car manufacturer has sold direct to the public over the web.

Since it was launched in October 2000 the site has attracted over one million unique visits of five minutes average duration. Ford has captured full details on 25,000 of those visitors,

A customer can configure and buy or finance a car – at any time, day or night – in just 14 mouse clicks, with automatic links into back office legacy applications such as stock systems, dealer lists, Ford Credit and invoicing systems. A car ordered in this way is available from a chosen dealer just ten days after completion of the web transaction.

The benefits to Ford are significant:

- Incremental sales – research has shown that some 20 per cent of the sales achieved through Ford Journey is business that Ford would not have otherwise achieved.
- Increased value – cars configured online tend to have a richer mix of options, estimated at in excess of \$400 per unit.
- Better customer data – the site enables the collection of unfiltered data about customers' developing needs and choices.
- Positive pre-sales – some 8,000 customers have visited the site and then gone on to purchase a Ford car from a dealer.

Steve Parker, Director, Ford Motor Company Limited, says:

“There is a strong brand effect – the fact that the site is very slick and highly-automated enhances the customer experience – and 90 per cent of customers who use the site get exactly the car that they want first time. We obviously cannot quantify the effects of not doing this but our competitive position is clearly improved by Ford Journey.

“Proposed legislative changes in Europe – such as block exemption – will heighten the public's interest in non-conventional sales channels and it's very important to be ahead of the game.”

Online collaborative environment

An exciting initiative in the B2B domain is Ford of Europe's [e-feasibility](#) project. Product development engineers, manufacturing process engineers, and suppliers from around the world can work as a virtual team in a three-dimensional online collaborative environment.

E-feasibility enables a 3D view of a new model to be created. Component and vehicle assembly, vehicle ergonomics, tooling, and robot programming can all be visualised and simulated up to nine months before the first prototype is produced. This saves significant time and money by helping identify and thus eliminate potential problems before physical realisation is attempted.

The system was first used on the new Ford Fiesta model where the benefits gained are estimated to have reduced prototype costs by 15 per cent. Time to market for this model was improved by five months of which two months directly resulted from e-feasibility. There was also a 35 per cent reduction in quality 'demerits' resulting in savings in warranty costs.

Richard Thwaite says: "E-feasibility has enabled us to save at least \$27 million on the development cost of this one new model alone. That level of saving will increase over time and help us to improve the quality of the final product, contributing to customer satisfaction. The goal is nothing less than a flawless launch."

Employee productivity

Turning to the B2E environment, David Thursfield says: "The benefits of web enablement to the workforce as a whole are enormous. The impact that it will have on the performance of the company will be substantial."

The Ford intranet is the second largest in the world and is accessed daily through a single portal (my.ford.com) by around half of the Ford workforce. The portal is customisable by employees to match their particular needs and Ford has put many of the tools that employees need in their daily working lives online.

Through my.ford.com employees can access Ford's 'HR Online' web site, then use the intranet at any time from any place to view HR-related information and conduct transactions related to things like:

- pay slips
- company benefits
- company car ordering
- travel and other expenses
- job vacancies
- personnel assessments.

More and more HR-related transactions such as these are being automated, increasing the capabilities available for employee self-service whilst at the same time increasing accuracy and

reducing cost. It is anticipated that such e-HR initiatives will save the company \$4 million per annum.

Richard Thwaite says: "Through e-working we will not only create an Internet culture in the company but we will allow our people to be far more productive – taking away the low value routine and giving them time to work on high value added tasks."

MAKING IT HAPPEN

Leadership matters

E-transformation was very much a top down exercise for Ford of Europe. Richard Thwaite explains: "The Ford of Europe chairman took a very 'hands on' approach. In half-day sessions with the Ford of Europe senior management team we took their views on how we could transform the business using web technology. We then mapped those views onto the value chain and carefully prioritised our key web initiatives."

An e-board was created consisting not only of Ford executives but also of senior representatives from IBM and Cisco to share their own perspectives and experiences. Below the e-board, working groups were formed to translate the high level concepts into practical detail.

External experience counts

David Thursfield explains Cisco's role: "Cisco have been great friends and mentors to us in Europe. They've helped us to develop our IT model by using their own experience, superimposed onto the motor industry. We have similar cultures and we're very pleased with the partnership that we've developed over the past two years."

Nick Scheele says: "One of the key things that Cisco brought to Ford was the concept of ruthless execution – that's what lives in my mind. It says do it [e-transformation] in bite-sized pieces and you'll be successful."

THE BILLION DOLLAR TURNAROUND

Between 2000-2001, Ford of Europe achieved a turnaround of over \$1 billion, with the tangible benefits achieved through its e-transformation projects contributing greatly to this success.

Nick Scheele says: "The issues that confronted us in Europe two years ago are similar to those that confront us globally today. The factors that made the European turnaround a success are the same as those that will make the global turnaround a success. They are: define and focus the strategy; communicate that strategy; and then focus, focus, focus on delivery and communication to all stakeholders.

"Web technology truly is an enabler for everything we're trying to achieve. Customers, dealers, suppliers, our own employees – we use and need this technology to communicate and to link with all of them."

David Thursfield concludes: "E-enablement is part of Ford of Europe's toolkit and a very important one. Without it we couldn't operate and we certainly couldn't turn around over a billion dollars in one year, which is by far and away the biggest turnaround in Ford's corporate history.

"Is it a panacea? Obviously not. You need to put many other things in place as well. But without a very strong IT infrastructure you're building on sand."



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