

Ford's clarity of focus

The car-maker is better-placed than many rivals due to judicious streamlining of its brand portfolio

Ford chief executive Alan Mulally is famous for one of the first decisions he made after joining the automotive company in 2006. Barely three months into his tenure, Mulally borrowed big, using his company as collateral. At the time, the decision raised eyebrows, but it is now widely regarded as a masterstroke. The \$26bn he raised, when financing was still cheap and available, has enabled Ford to avoid bankruptcy or the need to seek government handouts. It has also led to a growing recognition that, compared with ailing rivals Chrysler and General Motors, Ford is in much better financial shape for the long haul.

Mulally certainly deserves credit for his savvy financial decision-making, but it is his brand strategy that is at the heart of Ford's positive outlook. Ford is a salutary example of one of the hardest lessons of brand management – one that I continue to struggle to get through to MBAs and executives. It is not about creating brands any more, it's about culling them. While this is not a difficult lesson to explain, to accept that you should kill off some, perhaps most, of your brands to help your company grow is a counterintuitive step many marketers simply cannot contemplate.

Yet Ford illustrates the perils of pluralism and the potential salvation that comes from reducing the brand portfolio. Once upon a time, when cars were still a relatively new invention, Ford enjoyed that most focused and parsimonious of brand architectures –

a branded house. However, acquisition and expansion ensured that, like most companies, Ford grew this portfolio and gradually lost its focus. One of Mulally's first decisions at Ford was to sell off many of these additional brands – Land Rover, Jaguar and Aston Martin have all been divested, and Volvo is now up for sale, too. They are all fine brands, but not part of Mulally's vision for Ford, and were, therefore, a dangerous distraction from the core business.

Managing a brand portfolio is like learning to juggle. You start with the simple task of throwing a tennis ball into the air and catching it. If you add a cricket ball, the challenge becomes significantly more difficult. If you keep adding more disparate items – a shuttlecock, a brick, a football – the task eventually becomes impossible and all the items crash to the floor. Unlike GM,

'To kill off some, perhaps most, of your brands to help your company grow is counterintuitive'



which continues to struggle with its seemingly impossible juggling act of managing a dozen brands, from Hummer to Chevrolet, Ford decided to discard its distractions and focus on managing one brand well.

Mulally was not finished there, though. When he arrived, Ford was manufacturing 97 distinct models. Using the same focused approach, Mulally has whittled that down to 40.

When I go to work for a client that has not reviewed its portfolio, I always cite the 80/20 rule – 20% of their products are probably accounting for 80% of their profits. Mulally's decision to immediately cut 60% of its portfolio suggests that Ford was experiencing a similar ratio in its operations. Fewer models means better economies of scale and significantly improved profitability, as well as enabling better marketing support for the remaining products and a more coherent segmentation, targeting and positioning approach.

Mulally is likely to be one of the few chief executives to garner a positive press during the recession. As his star rises, his clever move to refinance ahead of the credit crunch will probably be cited in most accolades. Delve a little deeper, though, and the resurrection of Ford is actually the story of a company that learned, just in time, that less is more in modern marketing.

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30 seconds on... focus at Ford

- Alan Mulally joined Ford from Boeing, where he had worked for 37 years. William Clay Ford Jr, great-grandson of founder Henry, wanted an outsider to tackle the many challenges facing Ford.
- At one of his first big meetings with his new employees in 2006, Mulally was asked whether Ford would be able to remain in



Ford Fiesta among smaller European models to be rolled out in US

business. 'I don't know,' he replied. 'But we have a plan, and the plan says we are going to make it.'

- In an attempt to transfer some of its international success to its domestic market, Ford will soon start selling European favourites, like the Fiesta and Focus, in the US to satisfy demand there for smaller cars.

- In the first quarter of this year, Ford lost \$1.4bn – not bad compared with rivals GM and Toyota, which lost \$6bn and \$8bn respectively.
- Mulally is bullish about Ford's prospects. 'Not only do we have sufficient liquidity to finance our plan, but we are staying absolutely on our product transformation,' he said.