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Economy

2009 HIGHLIGHTS:

- Posted a pre-tax profit for full-year 2009 (excluding special items)
- Gained market share in the United States for the first time since 1995
- Achieved the highest customer satisfaction and the fewest "things gone wrong" among all full-line manufacturers

Even in the current difficult business environment, our business restructuring plan is beginning to show positive results.



Ford Motor Company has a broad range of economic impacts. Our success as a company directly affects millions of employees, dealers, investors and suppliers. We also have indirect economic impacts on the hundreds of communities in which we operate worldwide.

To sustain our Company, meet our responsibilities and contribute to tackling global sustainability issues, we are continuing to implement our restructuring plan, aligning all of our global operations to focus on four key priorities:

- Aggressively restructure to operate profitably at the current demand and changing model mix
- Accelerate the development of new products our customers want and value
- Finance our plan and improve our balance sheet
- Work together effectively as one team

This section first briefly discusses the current business environment, our recent progress and our materiality analysis. The bulk of the section then addresses our financial recovery plan, including our progress in implementing the above four priorities. (Note that the risks and competitive factors discussed in our Annual Report on [Form 10-K](#) and [Form 8-K](#) may affect the implementation of these plans). The section also includes information on investor feedback and ratings and Ford Motor Credit Company, as well as two case studies: one on the automotive industry's impact on the U.S. economy and one on Ford's new global "C-car" platform.

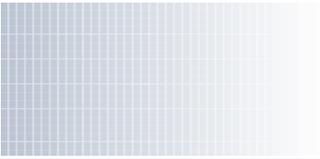
Assessing Materiality

The [materiality analysis](#) used to shape this report confirmed that the Company and stakeholders alike have a high level of concern about Ford's financial condition.

Within this broad topic, the issue of managing downsizing is of concern to a range of stakeholders, particularly in terms of its impact on employees and communities. There is also interest in the impact of Ford's legacy costs and current health care costs on the Company's profitability, and related interest in Ford's participation in public policy concerning health care reform. How Ford has managed downsizing and the Company's new approach to post-retirement health care costs are discussed in detail in this section.

Several new issues rose to the highest level of interest among Ford stakeholders since last year's report. Ford's realignment of its products and capacity to meet changing consumer demand emerged as a key issue this year, as did labor costs and the parity of hourly labor costs compared

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to other automakers. In light of the ongoing financial recession, access to capital and the viability of suppliers and dealers also emerged as key issues. Vehicle quality and Ford's manufacturing, marketing and product competitiveness were also of significant concern to internal and external stakeholders. This section reports on all of these key material issues.

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Progress and Goals

Current Business Environment

In 2009, the global economy fell into one of the worst recessions on record. Global GDP fell by more than 1 percent last year, with the U.S. GDP contracting by 2.4 percent. The severe financial crisis left consumers and businesses in dire condition, with double-digit unemployment in the United States, falling incomes, tight credit due to banking-sector problems and faltering housing wealth due to the collapse of home values.

As of early 2010, there are indications that the massive fiscal and monetary policy stimulus package, along with significant support for ailing financial institutions worldwide, are sowing the seeds of recovery. Economies in Asia are growing strongly, particularly in China and India. In the North and South American markets – including the United States – the recovery has been gradual. These markets are held back by the severe losses incurred by consumers and businesses and a labor market not yet healthy enough to spur job creation and reductions in unemployment.

The auto sector in many markets was assisted by special scrappage programs and other new vehicle incentives intended to stabilize sales and automotive production. Given how important the auto sector is to the core vitality of national economies, this support was important not only for the industry, but also for its customers, suppliers, local communities and all of our stakeholders. The financial crisis contributed to a cumulative 39 percent decline in U.S. new vehicle sales since the peak in sales in mid-2005. Since the first half of 2009, U.S. new vehicle sales have improved from a low point of 9.8 million units (seasonally adjusted at annual rate) in the second quarter of 2009 to 11.0 million units by the fourth quarter of 2009 and 11.2 million in the first quarter of 2010. A further, albeit gradual, recovery in sales is projected during 2010, with full-year sales predicted to reach 11.5-12.5 million units in 2010. Other markets are recovering at different speeds due to differences in vehicle incentive program size and timing and the strength of economic recoveries.

Overall, the business environment has improved, but it is by no means advancing at its potential rate of expansion. Central bank and government policy stimuli remain warranted until more national and regional economies can regain their footing. The auto industry is healing but it remains severely impaired, with sales and production still running at levels last seen during the severe economic downturn of 1981-1982. Sales and production levels are particularly low in the United States compared to pre-recession levels.

Even in these difficult economic conditions, however, we are making significant progress on our restructuring plan.

Progress Since Last Report

Some of our major financial and product achievements in 2009 and the first quarter of 2010 include the following.

- In 2010 Ford reported a first quarter net income of \$2.1 billion, or 50 cents per share, and pre-tax operating profit of \$2 billion, or 46 cents per share.
- We posted a pre-tax profit for full-year 2009 (excluding special items), reflecting our improving performance throughout the year with strong pre-tax profits in the third and fourth quarters. Based on Ford's improving business performance, the gradually strengthening economy and our updated assumptions, we now expect to be profitable with positive Automotive operating-related cash flow in 2010, and we expect continued improvement in 2011.
- In 2009, Ford gained market share in the United States for the first time since 1995. We also gained market share in many global markets, including Europe, Brazil, Argentina, Venezuela, Taiwan and South Africa.

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- Market share increased even further in the first quarter of 2010. We increased our overall U.S. market share that quarter by 2.6 percentage points to 16.5 percent and our retail market share was 14.1 percent. This was the largest quarterly U.S. market share gain since 1977. In Europe we achieved a 9.4 percent market share, and Ford was the bestselling brand in 19 of the European markets we track in March 2010.
- Ford completed the transfer of its UAW retiree health care liabilities to the UAW Retiree Medical Benefits Trust ("UAW VEBA Trust") on December 31, 2009.
- In 2009 Ford committed that every all-new or redesigned vehicle we introduce will be best in class or among the best in class for fuel economy in its segment. Since then, we have followed through on this commitment with vehicles introduced in both the United States and Europe, and we will continue to do so in future product launches.
- In early 2009, Ford began selling the new 2010 Ford Fusion and Mercury Milan. The hybrid versions of these vehicles lead their segments in fuel economy. These vehicles have won dozens of awards, including Motor Trend Car of the Year for 2010 and Car of the Year at the 2010 North American International Auto Show. They have also led sales increases for Ford, posting record sales in 2009.
- The new Ford Fiesta, which went on sale in Europe in 2008, was the bestselling vehicle in all of Europe for the first quarter of 2010. Ford began production of the Fiesta in our Asia Pacific and Africa region in 2009 and will bring the vehicle to the United States in the second quarter of 2010.
- Ford was the bestselling brand of crossover vehicles in the United States in 2009.
- Every consumer metric about the Ford brand – including favorable opinion, consideration, shopping and intention to buy – ended the year at record levels. Favorable opinion was up more than 20 percent from the beginning of the year and intention to buy Ford increased more than 30 percent.
- Ford, Lincoln and Mercury vehicles achieved the highest customer satisfaction and the fewest number of "things gone wrong" among all full-line manufacturers, according to the 2010 first quarter Global Quality Research System survey for the United States. In 2010, the initial quality of Ford, Lincoln and Mercury brand vehicles in the United States improved by 8 percent compared to last year.¹

1. GQRS studies are conducted quarterly for Ford by the RDA Group, a market research and consulting firm.



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Financial Recovery Plan

Since 2006, we have been in the process of a major business restructuring plan. Through this "ONE Ford" plan we are working as One Team unified in pursuing the four key elements of our One Plan to deliver One Goal: an exciting, viable Ford. As reflected in our recent product and financial results, our plan is working.

In this section we detail the key elements of our One Plan:

- [Restructuring Our Business](#)
- [Delivering New Products that Customers Want and Value](#)
- [Financing Our Plan and Improving Our Balance Sheet](#)
- [Working as One Team](#)



We posted a pre-tax profit for full-year 2009 (excluding special items), and we now expect to deliver solid profits with positive Automotive operating-related cash flow for full-year 2010, and continued improvement in 2011.

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Restructuring Our Business

To compete more effectively in today's global marketplace, and particularly in North America, we have been executing a plan to restructure aggressively our Automotive business to address the realities of lower demand, volatile fuel prices and the shifting model mix from trucks and large SUVs to more fuel-efficient vehicles. This restructuring includes right-sizing our production capacity, our workforce and our dealer network. We are working with our partners in the UAW, our dealer network and the communities in which we operate to handle this downsizing responsibly and minimize the negative impacts of these changes.

- [Restructuring Successes](#)
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During 2009, we reduced Automotive structural costs by \$5.1 billion, exceeding our full-year goal by more than \$1 billion.

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Restructuring Successes

We continue to work hard to restructure our business to achieve and maintain profitability by delivering products customers want and value and reducing our cost structure. Though this transition has been painful, it is beginning to pay off. In 2009 and early 2010 we achieved some important results from our restructuring plan. For example:

- We posted a pre-tax profit for full-year 2009 (excluding special items), reflecting our improving performance throughout the year with strong pre-tax profits in the third and fourth quarters.
- Based on our improving business performance, the gradually strengthening economy and our updated planning assumptions, we now expect to deliver solid profits with positive Automotive operating-related cash flow for full-year 2010, and continued improvement in 2011.
- We achieved market share increases in multiple global markets, including the United States, where we had not gained market share since 1995. Full-year retail market share in the United States was up approximately one percentage point over last year, at 15 percent. Market share in our European market was up approximately half a percentage point in 2009.
- During 2009, we reduced Automotive structural costs by \$5.1 billion, exceeding our full-year goal by more than \$1 billion (measured primarily at prior-year exchange, and excluding special items and discontinued operations).
- We continue to deliver new products more quickly. For example, in North America, 45 percent of our vehicle lineup by volume was new or significantly refreshed for 2009. By 2014, we plan to replace or refresh between 140 percent and 160 percent of our lineup by volume in those regions, so that within five years, we will have fully refreshed our product portfolio globally.
- Important customer metrics – including favorable opinion, consideration, shopping and intention to buy – ended the year at record levels. Favorable opinion is up more than 20 percent from the beginning of the year, and intention to buy Ford increased more than 30 percent.
- We have been able to reinstate some salaried employee benefits that were suspended in an effort to help lower costs during our restructuring. This included a reinstatement of the Company's 401(k) matching program effective January 1, 2010. We also reinstated the Salaried Tuition Assistance Plan with revised program guidelines effective March 1, 2010. Also in 2010, merit increase payments were made to employees in the United States, and we were able to pay profit sharing to eligible Ford-UAW employees.
- We continued to streamline our dealer network to increase the viability of our dealers and improve our cost structure. As of March 31, 2010, we reduced the number of dealers by 20 percent since year-end 2005.
- We continued to streamline our supplier network through the Aligned Business Framework program, which strengthens our relationships with core suppliers, increases supplier viability and helps improve our cost structure and quality. We also continue to reduce the total number of production suppliers we use. This has declined from 3,300 suppliers in 2004 to 1,600 at the end of 2009. We have identified about 850 of these as long-term suppliers eligible for new major sourcing, which moves us toward our goal of 750 suppliers.



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Capacity Alignment

We have reduced and realigned our vehicle assembly capacity to bring it more in line with demand and shifting customer preferences. For example, we are transforming some of our traditional truck plants to produce smaller, more fuel-efficient vehicles. Specifically, we are converting three assembly plants from the production of large SUVs and trucks to the production of small cars, to support what we believe is a permanent shift in consumer preferences to smaller, more fuel-efficient vehicles.

In June 2009, Ford received loans from the U.S. Department of Energy (DOE) to accelerate the production of more fuel-efficient vehicles. These loans were part of the 2007 Energy Independence and Security Act – specifically, Section 136, the Advanced Technology Vehicle Manufacturing Incentive Program. This law authorized the Secretary of Energy to make direct loans to eligible applicants for projects that reequip, expand or establish manufacturing facilities in the United States to produce advanced technology vehicles or qualifying components and also for engineering integration costs associated with such projects. Ford is using a \$5.9 billion loan to help it retool 11 factories in the Midwest. We will use \$400 million from these DOE loans to retool the Chicago Assembly Plant to produce the next-generation Ford Explorer, which we expect will get at least 25 percent better gas mileage than current Explorer models. We will also use a portion of this money to retool the Michigan Assembly Plant from a large SUV factory into a modern, flexible small car plant that will produce the global Ford Focus compact sedan for the North American market.

We are also closing plants to reduce capacity. Since 2005 we have closed 12 manufacturing facilities. We also announced that four additional plant closures will take effect by 2011. We have announced that we will close the Cleveland Casting Plant in 2010, our Twin Cities Assembly Plant in 2011 and our St. Thomas (Ontario) Assembly Plant in 2011. We have been working to sell or close the majority of our Automotive Components Holdings (ACH) plants that remain in our portfolio. We closed our ACH component manufacturing plant in Utica, Michigan, in 2009. To date, we have sold five ACH plants and closed another five. We plan to close a sixth plant in Indianapolis in 2011. We are exploring our options for the remaining ACH plants (Milan, Sheldon Road, Saline and Sandusky), and intend to transition these businesses to the supply base as soon as practicable.

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Handling Downsizing Responsibly

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We are keenly aware of the interconnections between our Company and our employees, our business partners and the communities in which we operate. Our investment in manufacturing facilities and our employment of hundreds of thousands of people has helped to build and sustain vibrant, stable communities. We value this contribution, so it is painful to restructure our North American operations. Because of our commitment to our employees and communities, it is critical that we handle the downsizing in a responsible way.

Since 2005, we have reduced employment levels in our Ford North America business unit by about 65,700. As of December 31, 2009, our Ford North America business unit had approximately 70,000 salaried and hourly employees, including employees at Automotive Components Holdings facilities, compared with approximately 135,700 salaried and hourly employees on December 31, 2005. (These employee numbers do not include dealer personnel. Also, 2009 employee numbers have been adjusted to reflect the new accounting standard on the deconsolidation of many of our variable interest entities.) The majority of our U.S. hourly workforce reductions were the result of early retirement offers and voluntary separation packages, including Ford hourly employees at our ACH facilities.

Separation Packages Offered to Ford Hourly Employees

In 2009 and 2010, we offered buyouts to our U.S. hourly UAW-represented employees as part of our continuing efforts to align capacity with demand and improve our competitiveness. The Company has continued to work with the UAW to design and offer attrition packages that help our employees and their families' transition to new opportunities. In 2009, we offered an additional round of special programs to our 42,000 hourly employees. The first round, which expired in June 2009, was accepted by approximately 1,000 workers. Ford determined that to improve competitiveness and further align capacity with demand it needed to offer a second round of hourly buyouts. In December 2009, therefore, Ford offered "1st Quarter 2010 Special Programs." This offer expired on January 22, 2010, and was accepted by approximately 300 people.

The buyouts were completely voluntary. These special programs gave employee two options (amounts are pre-tax):

- Option 1: Under an early termination program, all active employees with at least one year of seniority would receive a lump sum payment of \$50,000, as well as the choice between a \$25,000 voucher towards a new vehicle or \$20,000 cash and six months' basic health care coverage.
- Option 2: Under a special retirement incentive program, all skilled trades employees who are eligible to retire would receive a \$40,000 lump sum payment, while non-skilled employees would receive a \$20,000 lump sum payment. This offer also included either a \$25,000 vehicle voucher or a \$20,000 additional lump sum payment.

In addition, in 2009 the UAW and Ford Motor Company began offering special programs and incentives to surplus employees prior to being placed onto "indefinite layoff" status. At present, these special programs and incentives include the following:

- Special Termination of Employment Program: Employees with at least one year of service receive a pre-tax payment of \$100,000 and six months of basic health care. Retirement-eligible employees must wait 23 months before retiring.

- **Special Retirement Incentive:** This program is for employees who have 30 or more years of credited service under the Ford-UAW Retirement Plan, or are at least age 55 and have 10 or more years of credited service under the Plan, or are at least age 65 and have one or more years of credited service under the Plan. Participants receive a retirement incentive having a pre-tax value of \$50,000 for production (non-skilled) employees or \$70,000 for skilled trades employees.

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Facility Closures

When the decision is made to close a facility, we take an active role in returning the property to a productive use that will be environmentally responsible, return shareholder value and benefit the community. Ford wants to leave a positive legacy in the communities in which we have operated, and we are therefore committed to handling our environmental responsibilities and working with municipal leaders to ensure smooth and successful transitions to new uses.

Our first step with any closed facility is to assess and address any possible environmental issues on the property. The goal of our environmental assessment is to understand the environmental condition of the site and the actions needed to ensure that future use of the site will not pose any risk to human health or the environment. If any environmental issues are discovered, the property is cleaned up to the standard appropriate for its future use, whether industrial, commercial or residential.

We also undertake extensive communications with community leaders, citizens and real estate partners to understand the potential future uses for the property and the community's goals for the property. In some cases, Ford redevelops the property itself, but more often it seeks a well-qualified developer to buy and convert it. Some properties remain in industrial use. In other cases, the surrounding communities have changed since the plant opened, and new uses, such as retail, commercial or residential, are possible and desirable.

Ford also has a corporate responsibility to maximize returns to our shareholders in the disposition of our properties. However, we always work with the community to see the property redeveloped into a productive and beneficial use.

In 2009, Ford reached an agreement in principle to sell the closed Wixom Assembly facility in Wixom, Michigan, to Clairvoyant Energy and Xtreme Power for use as a renewable energy manufacturing park. Xtreme Power will use the site to manufacture large-scale power systems that store renewable energy such as solar and wind power and redeliver that power when needed. Clairvoyant Energy will redevelop a portion of the site to build state-of-the-art, high-efficiency solar panels. These companies plan an initial investment of more than \$725 million to redevelop the 320-acre plant site and its 4.7 million square feet of building space to manufacture solar power and energy storage systems, respectively. Manufacturing activities are expected to begin in 2011. Ford has worked hard to come to a redevelopment plan that will benefit the local community. This plan is expected to create more than 4,000 direct jobs, including at local suppliers, as well as support thousands of indirect jobs.

In January 2009, Ford sold its former Maumee Stamping plant in Ohio to a local manufacturer. And, the ACH plant in Ypsilanti, Michigan has been purchased by Angstrom USA, a global manufacturer of tubular parts supplied primarily to the auto industry. This purchase paves the way for the facility to resume a productive use in the community.

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Working with the UAW

In November 2007, Ford workers represented by the UAW ratified a new collective bargaining agreement with Ford that includes significant innovative features to enhance productivity and reduce costs. The new agreement helps Ford to deliver on its key priorities, as it significantly improves Ford's competitiveness and allows the Company to continue to pursue its restructuring efforts.

In March 2009, Ford-UAW members ratified modifications to the existing collective bargaining agreement that significantly improved our competitiveness, saving us up to \$500 million annually and bringing us near to competitive parity with the U.S. operations of foreign-owned automakers. The operational changes affected wage and benefit provisions, productivity, job security programs and capacity actions, allowing us to increase manufacturing efficiency and flexibility. In addition, modifications to the UAW VEBA Trust allowed for smoothing of payment obligations and provided us the option to satisfy up to approximately 50 percent of our future payment obligations to the UAW VEBA Trust in Ford Common Stock, resulting in savings of up to \$6.5 billion. Further, Ford completed the transfer of its UAW retiree health care liabilities to the UAW VEBA Trust on December 31, 2009. See [Ford's 10-K](#) for more information.

On November 2, 2009, the UAW announced that a majority of its members employed by Ford had voted against the ratification of a tentative agreement that would have further modified the terms of the existing collective bargaining agreement between Ford and the UAW. These latest modifications were designed to closely match the modified collective bargaining agreements between the UAW and our domestic competitors, General Motors and Chrysler. Ford continues to operate under the 2007 UAW-Ford collective bargaining and modifications to that agreement. In addition, Ford has been participating in negotiations with the International Brotherhood of Electrical Workers (IBEW), which represents electricians at the Company's Cleveland manufacturing site.

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Steps to Reduce Health Care Costs

The delivery of high-quality, cost-effective health care is important to the success of Ford. The One Ford Health Strategy complements the corporate ONE Ford vision by targeting a culture of wellness that aligns incentives to help our employees become more informed and engaged in their health. We are providing resources and tools to help people make sound choices and to understand the benefits of being healthy.

Ford aims to build a culture of personal accountability in which knowledgeable, motivated people consistently work safely and make the right health choices to help deliver the ONE Ford plan. The One Ford Health Strategy is based on the following key concepts:

- Benefit designs that encourage healthy behaviors and appropriate use of care
- Tools and social support systems to enable wellness and help people become better health care consumers
- Partnerships for sustained and systemic improvement
- Measurement of results against benchmark companies and programs to ensure competitiveness

The One Ford Health Strategy and its central theme of building a wellness culture are globally focused. Though national systems of care vary from country to country, high-quality, cost-effective health care and a healthy, productive workforce are common goals. In the United States, for example, the Patient Protection and Affordable Care Act (PPACA) recently signed into law by President Obama expands access to care and makes real progress to reform. Though the law also includes various measures intended to manage cost increases, we need to continue to develop ways to control rising costs while providing high-quality services – areas where Ford continues to actively participate in designing solutions.

In the meantime, we are encouraged that the PPACA includes provisions that address three key areas that we had previously identified as essential elements for maximizing the value of health care service through a combination of quality, appropriateness and costs:

- **Wellness and Prevention** – As a country, we must focus on prevention and wellness, and make sure that employers can offer creative incentives that work to engage people in healthy behaviors. We need to shift the focus from paying for sick care to preventing illness. This requires allowing employers greater flexibility for incentives that reward people who meet important health goals or demonstrate meaningful effort, not just agree to participate in a program. At Ford, we are doing our part to spread education and tools that effectively encourage people to take an active part in their health care. Salaried health care plans, for example, now integrate financial incentives linked to engagement in improving health behaviors and in making informed choices as a health care consumer. The PPACA increases employers' flexibility in designing wellness and prevention programs.
- **Health Information Technology** – We need a national technology infrastructure that allows the consolidation of a patient's medical records, so that the most appropriate care is given wherever treatment is provided. To accomplish this, we need electronic medical records at every doctor's office and hospital, and they all need to be connected. We also need tools to improve the accuracy and safety of prescription drug dispensing, such as electronic prescribing (ePrescribing). Ford is a key participant in the Southeast Michigan ePrescribing Initiative, one of the largest employer-driven ePrescribing initiatives. This initiative has helped move Michigan into the top five of ePrescribing states. The PPACA includes a provision that addresses the need for national standard and protocols for health information technology implementation.
- **Understanding What Works** – By studying the cost and quality of health care and its effect on health status, we can deliver more effective care. New innovations in technology and drugs are key drivers of cost increases. Therefore, before new innovations are widely

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implemented, they must be compared to the standard practice to really know whether and how much additional value they bring. The comparative effectiveness study provisions in the PPACA are a good start, but findings must be translated for consumers and combined with cost considerations to help inform their decisions.

We have taken steps to reduce our own health care costs. Effective January 1, 2010, for example, we are no longer obligated to provide retiree health care benefits to hourly UAW employees, retirees and their dependents. Effective January 1, 2007, and January 1, 2008 respectively, Company contributions for U.S. salaried retirees who are not eligible for Medicare are capped at 2006 levels, and Company contributions for U.S. salaried retirees who are eligible for Medicare are capped at \$1,800 per member per year. Since 2005, health care contributions paid by Ford's U.S. active salaried employees have increased each year.

Our focus on prevention and consumer engagement, along with actions relating to the One Ford Health Strategy, are intended to help us control health care cost increases, support the health of our active and retired employees, and reduce our competitive disadvantage related to health care costs.



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Working with Dealers

Our dealers are a critical part of our success and important economic contributors to the communities in which they work. They represent the face of Ford in communities across the United States and provide employment, tax support, community leadership and customer service.

As we have with all of our stakeholders, Ford is taking a proactive, collaborative approach to working with our dealers to appropriately size our dealer network to match our sales, market share and dealer sales objectives. Ford's dealer network revitalization plan focuses our efforts on the largest 130 metropolitan market areas, which represents more than half of Ford's retail sales. Customer convenience factors such as driving distance, location and the appearance of the facility are taken into consideration as part of our analysis. This continues to be an ongoing process. Ford is not mandating dealer consolidations nor competitive cost actions. Instead, Ford and its dealers are working together to continue finding solutions that make Ford and its dealers competitive and best positioned to support customers.

In the United States at year-end 2005, we had 4,396 Ford, Lincoln and Mercury dealers, with 2,242 of those dealers in our largest 130 markets. As of year-end 2009, we had approximately 3,550 Ford, Lincoln and Mercury dealers, a reduction of almost 900 dealers, or approximately 20 percent. We will continue to work collaboratively with our dealers to reduce our dealer network to match our sales, market share and dealer sales objectives.

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[Dealers](#)

[Supply Chain Sustainability](#)



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Working with Suppliers

We have been working hard to strengthen our global supply base. We have instituted a number of business practices with our key suppliers designed to increase collaboration, provide for data transparency and expand the volume of business with select suppliers, while building a more sustainable business model.

We continue to work to strengthen our supply base in the United States, which represents 80 percent of our North American purchases. As part of this process, we have been reducing the total number of production suppliers eligible for major global sourcing. This has declined from 3,300 suppliers in 2004 to 1,600 at the end of 2009. We have identified about 850 of these as long-term suppliers eligible for new major sourcing, which moves us toward our goal of 750 suppliers. We believe that our efforts at consolidation will result in more business for our major suppliers, which is increasingly important with the decline in industry sales volume.

As we move aggressively to global vehicle platforms, our sourcing from common suppliers for the total global volume of a vehicle's components is dramatically increasing. As a result, a smaller number of suppliers will receive a greater volume of the purchases we make to support our global vehicle platforms. Ford has been working with its supply base to encourage global growth. For some suppliers, this means expanding to become global or entering into licensing agreements or joint ventures to extend their reach. It also means that a smaller number of suppliers will receive a greater volume of the purchases made by Ford. This again results in stronger suppliers achieving (and Ford realizing) greater economies of scale, as components are sourced across global platforms for the life of those platforms.

We are also "pre-sourcing" many parts to our [ABF suppliers](#) to help them plan and invest for long-term production volumes. For example, instead of asking for multiple bids from suppliers on components (a practice known as market-testing), Ford is pre-sourcing a greater percent of the commodities for the new Ford Focus with its preferred suppliers, consistent with ABF principles. Pre-sourcing saves time and money for Ford and its suppliers and drives longer-term relationships between Ford and the suppliers who typically provide 65 to 70 percent of vehicle components. Pre-sourcing helps provide suppliers with an ongoing flow of business, which gives them assurance to invest in new facilities around the world to support Ford globally.

In our U.S. operations, we have paid specific attention to strengthening our minority- and women-owned suppliers with purchases of approximately \$3.2 billion in goods and services in 2009. Our consolidation efforts have resulted, and will continue to result, in more business for our major suppliers, which will increase their financial strength.

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Delivering New Products

Our financial recovery depends on our delivering high-quality, innovative and desirable products everywhere we operate, including in both mature and rapidly growing markets. To do this, we must continually improve quality and customer satisfaction, and anticipate and respond to changes in customer demand. We also must align our product development, manufacturing and marketing organizations worldwide to deliver the right products to the right markets as efficiently as possible. (Please see our [Global Products](#) chart for an overview of our product offerings around the world.)

We are committed to introducing new products that consumers want and value, and we are receiving very positive reactions from consumers, the media and independent evaluators in response to the products we introduced in 2009. We plan to build on this strength in 2010. Our global product strategy is to serve all major markets with a complete family of products that have best-in-class design, quality, "green," safety and smart features.

To meet these global goals, in 2010 we will deliver substantially more new or freshened products by volume than in 2009, bringing to market an unprecedented volume of new products with class-leading fuel economy, quality, safety and technology. We plan to replace or refresh 70 percent to 90 percent of our lineups in North America, Europe and Asia Pacific by volume by 2012. By 2014, we plan to replace or refresh between 140 percent and 160 percent of our lineup by volume in those regions, so that within five years, we will have fully refreshed our product portfolio globally.

This section reports on our efforts to deliver the products customers want. Specifically, we discuss our efforts to track changing customer needs, deliver more fuel-efficient vehicles, offer "smart" technologies and ensure customer satisfaction and quality. The section also summarizes our sales highlights for 2009 and discusses our efforts to build customer awareness of our products.

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Understanding Changing Customer Needs

ON THIS PAGE

- ➊ Demand for Fuel Efficiency
- ➋ Ethical Consumption
- ➌ Careful Consumption
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- Delivering More Fuel-Efficient Vehicles
 - Ford's Sustainable Technologies and Alternative Fuels Plan
 - "Drive Smart" Technologies
 - Customer Satisfaction and Quality Customers
- External Web Sites:
- Ethisphere Institute

Consumers' wants and needs are constantly evolving, and we must keep pace with them if we expect to remain competitive, particularly in a difficult economy. Ford monitors global market trends, shifting consumer interests, and social and political developments to identify issues that will likely affect our consumers, our industry and our Company. We rely on a network of internal and external experts – from around the world – to ensure that we get a diverse, comprehensive perspective on consumer trends and how they will affect consumers' future choices about vehicles and mobility. We apply these trend analyses throughout our marketing, product development, research and design organizations to guide future product and technology developments.

Our marketing experts use an intensive research and analysis process to understand who our potential customers are, what they value and what they want in a vehicle. We define a "brand DNA" and hypothetical "target customer" for each of our main brands. Ultimately, each individual product is also assigned its own specific DNA and target customer. The brand DNA and target customer profiles go beyond simple demographic information such as age, gender and income; we build complete profiles of our hypothetical target customers, including what they like to do, what music they listen to and where they shop. This approach helps us pinpoint our aims for each vehicle we produce. Using a fully developed, "invented character" as the focus of our vehicle development brings our market research data to life and keeps everyone on the product development team focused on designing a vehicle that meets customers' needs and desires.

We develop our target customer profiles based on psychological traits and archetypes that transcend national characteristics or customer desires. This is a critical part of our drive to develop truly global vehicles that appeal to customers in multiple markets. Toward this end, we are focusing more on the emotional and psychological elements of how customers choose their vehicles as well as the traditional economic criteria of price and features. In addition to developing vehicles that deliver best-in-class features and price for value, we are focused on developing vehicles that fulfil the dreams and aspirations of the target customer group. We believe this approach not only helps us to understand our customers better, it helps us develop vehicles that capture the imaginations, dreams and loyalty of our customers across the globe. Of course, we are keenly aware that economic pressures will push the boundaries of brand loyalties, forcing us to work even harder to define our potential customers and build vehicles they can afford.

As we contemplate the economic pressures and other external factors that will influence our business, we know that we cannot predict the future. However, we can prepare for a broad range of possibilities through "futuring" exercises that help us ensure we have robust strategies in place, whatever the future might bring. Therefore, in addition to product- and brand-specific market research, we have an office dedicated to tracking shifts in social, technological, economic, environmental and political arenas. This Global Consumer Trends and Futuring team is part of our ongoing effort to identify trends that will impact the future of consumers' values, attitudes and beliefs. The team collaborates with internal subject-matter experts and external thought leaders to ensure that we have a truly global and diverse view of the world. Ultimately, our goal is to see changes on the horizon and respond to them in a way that gives Ford a sustainable competitive advantage in terms of our product portfolio and business strategies. The rest of this section discusses some of the trends that currently guide our discussion regarding consumers and their future needs, wants and desires. These trends include:

- Increasing demand for more fuel-efficient vehicles

- Growing consumer interest in "ethical consumption," or a desire to buy products from companies that reflect one's own environmental and social values
- An increasing focus on "careful consumption," in which consumers have to balance their values, passions and preferences with practical purchases as the global economic recession continues
- Expanding interest in vehicles that help consumers meet their increasing desire for information and connectivity and make the most of their time

Demand for Fuel Efficiency

Rising fuel prices, energy security issues and global climate change have spurred consumer interest in cleaner, more efficient vehicles. In the 2009 New Vehicle Customer Survey, fuel economy was chosen as the feature most influencing drivers' next vehicle purchase decision; it even ranked higher than pricing incentives and advanced safety technologies. Seventy-four percent of respondents ranked fuel economy as extremely or very influential in their next vehicle purchase decision. This was down from 81 percent in 2008. This drop is likely due to lower fuel prices at the time of the survey; average per gallon fuel prices were approximately \$0.99 lower when the survey was conducted in 2009 compared to 2008. As evidence of the overall trend toward more fuel-efficient vehicles, the crossover segment has seen significant growth compared to traditional truck-based SUVs. This shift in demand is visible in the changes in sales by vehicle segment since 2005.

Responding to this increasing demand is at the heart of our financial recovery plan and our product development plans. We recently announced that all of our new vehicles will be best in class or among the leaders in their segment for fuel economy. And we are continuing to design and introduce advanced technologies that improve fuel efficiency, reduce emissions and lessen dependence on foreign oil. Elsewhere in this report we describe our response to the [increasing demand for fuel economy](#) and our plans to [improve fuel economy](#) with advanced technologies.

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Ethical Consumption

Customers are increasingly interested in buying products from brands and companies that reflect their environmental and social values – a trend we call "ethical consumption." Ethical consumers are integrating ethical, religious, political, environmental and other beliefs in the purchasing decisions they make. They want to feel good about their consumption choices. In fact, ethical consumption is often driven by how it makes the consumers feel about themselves and the world around them. Therefore, these consumers tend to buy products from companies with values that they believe reflect their own. As a result, companies have to be increasingly aware of the values they express in their actions, products and communications.

In addition, as many social and environmental issues – like climate change – have worked their way into mainstream consumer consciousness, corporations are being held to a rising standard, shaped by the recognition that seemingly small actions can have personal and environmental health and wellness impacts. Increased access to information and corporate transparency are also driving purchases based on ethical issues.

While people are generally not willing to compromise on performance or affordability, they want products that come from ethical companies and have positive environmental and social impacts. Being a good corporate citizen, and making positive impacts on our stakeholders, communities and the planet as a whole, have been integral parts of Ford's century-long heritage. Ford was recently named one of the world's most ethical companies by the Ethisphere Institute. The fact that this kind of list exists – and perhaps more importantly that publicly traded companies on the list continue to outperform both the FTSE 100 and the S&P 500 – illustrate the relevance of corporate ethics and values to consumer choices. This sustainability report is one of the channels we use to share our story about our commitment to sustainability with our consumers and stakeholders.

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Careful Consumption

At the same time that consumers are increasingly interested in ethical consumption, they are also facing very challenging economic conditions. Therefore we are also seeing a trend toward "careful consumption." Careful consumers have to balance their values, passions and preferences with practicality when making purchase decisions. The careful consumer's purchase decisions tend to

be more planned and considered, and less spontaneous or impulse driven. People who used to pay extra for a wide range of sustainable products may now have to make tradeoffs between buying to meet their social and environmental values and buying what they can afford. People are still considering sustainability in their purchase decisions, but these choices are also being limited by increasingly difficult economic realities.

In these difficult economic times, consumers are increasingly interested in value in terms of style, safety and quality. Also, buyers are holding on to their older vehicles for longer periods of time, increasing the importance of long-term durability.

We are responding to the global financial crisis and the resulting changes toward more careful consumption in many ways. For example, we are developing more fuel-efficient vehicles that will reduce overall operating costs by lowering lifetime fuel costs. We are introducing high-end technological innovations like the SYNC® entertainment and communication system as standard equipment in many of our vehicles. And as always, we are increasing quality and long-term durability.

In addition, in March 2009 we announced the Ford Advantage Plan. This Plan provides customers with car payment support for up to 12 months on any new Ford, Lincoln or Mercury vehicle if they lose their job, as well as zero-percent, limited-term annual percentage rate financing on select vehicles. This is another way we are responding to customers' demands for value and security and helping to reduce the uncertainty involved in making major purchases during economic hard times.

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Information Addiction

We are also seeing a trend we call "information addiction" – an increasing demand for constant connectivity and access to information. As the amount of information and rate of information change increases, being "in the know" is a new status symbol. Having more information and faster access to new information gives people more control, influence and success. As a result, people are more reliant on having constant access to new information.

As information addiction becomes more prevalent, people are demanding access to information and connection to their social networks while in their cars. People are coming to see their car as more than just transportation; they want their vehicles to help them stay informed and connected. This can be driven by an emotional desire for connection and a practical desire for productivity. People who drive to work spend, on average, more than an hour every day in their cars – and they want to be able to use that time productively. Consumers today want to be able to connect with the outside world from within their vehicles, and they want access to the information they need to get things done during their drives.

Ford is responding to these demands by developing and implementing a wide range of cutting-edge, "[drive smart](#)" technologies that increase in-vehicle connectivity, productivity and efficiency, in an effort to make our customers' lives easier. SYNC® is the centerpiece of this effort. It allows our customers to access their phone, MP3 player, navigation and travel information, as well as the internet, from inside their cars. SYNC provides all this using hands-free, voice-activated access to help make in-vehicle connectivity and information sources convenient.

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Delivering More Fuel-Efficient Vehicles

IN THIS SECTION

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- Balancing Our Portfolio Profitably

Consumer demand for more fuel-efficient and cleaner vehicles continues to grow. Ford is taking a multipronged approach to meeting this demand. We have committed to improving the overall fuel economy of our entire fleet. In 2009, Ford committed that every all-new or redesigned vehicle we introduce will be best in class or among the best in class for fuel economy in its segment. Since then, we have followed through on this commitment with vehicles introduced in both the United States and Europe, and we will continue to do so in future product launches. According to the U.S. Environmental Protection Agency (EPA), no automaker has posted a larger fleet-wide gain in fuel economy in the past five years than Ford has. Based on EPA measurements, Ford's combined car and truck fuel economy has improved nearly 20 percent since 2004 – almost double the gain of the next-closest competitor. In addition, Ford's tailpipe CO₂ emissions are declining. In the United States, Ford's 2009 fleet-wide average CO₂ emissions are down approximately 9 percent from 2008.

As of May 2010, many of our vehicles meet the commitment to be best in class or among the leaders in their segment for fuel economy. For example:¹

- The all-new Ford Fiesta, which will be introduced in North America in 2010, will deliver best-in-class fuel economy for its segment with an EPA-rated 40 mpg on the highway, topping both the Honda Fit and the Toyota Yaris. The Fiesta will use the combination of a Ti-VCT 1.6-liter engine, PowerShift dual-clutch transmission and other fuel-economy technologies to accomplish this best-in-class performance.
- The 2011 Ford Mustang with a new Ti-VCT 3.7-liter V6 engine and six-speed automatic transmission will deliver up to 31 mpg on the highway. This vehicle delivers superior performance – including 305 horsepower – and better fuel economy than any other V6-powered sports coupe in the world.
- The 2011 Mustang GT, featuring a new 5.0-liter V8, delivers up to 26 mpg on the highway – better than any competitor – as well as 412 total horsepower and 390 lb.-ft. of torque.
- The next-generation Ford Edge is expected to have unsurpassed fuel economy in its segment of 27 mpg for the 3.5 TiVCT and best-in-class fuel economy with the 2.0-liter EcoBoost engine.
- The next-generation Lincoln MKX FWD V6 is expected to have unsurpassed fuel economy of 25 mpg in the midsize luxury crossover segment and to deliver class-leading power and torque.
- The 2011 Ford Super Duty® diesel truck with a 6.7-liter Power Stroke® V8 turbocharged diesel powerhouse leads its class in fuel economy, towing and hauling. This engine will also have significantly lower tailpipe emissions than previous models.
- The all-new Ford Explorer SUV, which goes in to production later this year, will feature fuel economy that is at least 25 percent better than the current Explorer.
- The 2010 Ford Flex features unsurpassed fuel economy among 6-7 passenger crossover, with an EPA-rated 24 mpg highway.
- The 2010 Lincoln MKT features unsurpassed fuel economy in the full-size luxury crossover segment from both the 3.7-liter V6 FWD, which has an EPA rating of 24 mpg highway, and the 3.5-liter V6 AWD EcoBoost™, which delivers 355 horsepower and 350 lb.-ft. torque and gets an EPA rating of 22 mpg highway.
- The 2010 Ford Taurus SHO with a V6 EcoBoost engine has unsurpassed fuel economy in its segment.
- The 2010 Ford Escape and Mercury Mariner Hybrids lead their segment,² with an EPA-rated 34 mpg city.

RELATED LINKS

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Ford's Sustainable Technologies and Alternative Fuels Plan

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Fuel Economy and Greenhouse Gas Emissions

Fuel Economy of U.S. Ford Vehicles by EPA Segment

Climate Change

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Vehicle Web Sites:

Ford Edge

Ford Explorer

Ford F-150

Ford Fiesta

Ford Flex

Ford Fusion

Ford Mustang

Ford Ranger

Ford Super Duty

Ford Taurus

Mercury Milan

Lincoln MKX

Lincoln MKT

Lincoln MKS

Ford.co.uk:

Ford Fiesta

Ford Focus

Ford Mondeo

- The 2010 Ford Ranger with an I-4 engine leads its segment with an EPA-rated 27 mpg highway.
- The 2010 Lincoln MKX is unsurpassed in its segment with an EPA-rated 25 mpg highway.
- The 2010 Ford Fusion and Mercury Milan Hybrid and gas (S-Series I-4 automatic) versions have best-in-class fuel economy for midsize sedans,³ surpassing the Toyota Camry and Honda Accord. The Fusion and Milan Hybrids are EPA rated at 41 mpg city/36 mpg highway, and the gasoline S-Series I-4 automatics are EPA rated at 23 mpg city/34 mpg highway.
- The 2010 Ford F-150 with a 4.6-liter V8 gets unsurpassed fuel economy in its class, with an EPA-rated 21 mpg highway.⁴
- The 2009 Ford Fiesta EConetic with 1.6-liter Duratorq TDCi Diesel engine is one of the most fuel-efficient five-seat family cars in Europe, and it emits only 98 g/km of CO₂.
- The second generation of the Ford Focus EConetic with a 1.6-liter, 109 PS TDCi engine emits only 104 g/km CO₂ and has fuel consumption of 4.0 l/100 km.
- The second-generation Focus EConetic equipped with optional start/stop technology emits only 99 g/km CO₂ and has fuel consumption of 3.8 l/100 km.

To accomplish our fuel-economy goal, we are focused in the near term on implementing the most cost-effective fuel-efficiency technologies across a large volume of our vehicles, as well as on introducing new products that offer improved fuel efficiency without compromising style or performance. We are concentrating on affordable and near-term sustainable technology solutions that can be used not for hundreds or thousands of cars – but for millions of cars, because that is how Ford can truly make a difference.

For example, we are introducing a wide variety of new engine and transmission technologies, as well as electrical system improvements, weight reductions and aerodynamic improvements that will deliver significant fuel-economy improvements for millions of drivers in the near term. Between 2008 and 2013, we will introduce 60 new or significantly upgraded engines, transmissions and transaxles globally to help us improve fuel economy and reduce CO₂ emissions across our global fleet.

In 2009, we began implementing the [EcoBoost](#) engine, a key technology in our fuel-efficiency strategy that uses gasoline turbocharged direct-injection technology. EcoBoost delivers 10 to 20 percent better fuel economy, 15 percent fewer CO₂ emissions and superior driving performance compared to larger-displacement engines. Because EcoBoost is affordable and can be applied to existing gasoline engines, we can implement it across our vehicle fleet, bringing fuel-efficiency benefits to a wider range of our customers.

The EcoBoost V6 was introduced on the 2010 Lincoln MKS, Lincoln MKT, Ford Taurus SHO and Ford Flex. Thanks largely to the EcoBoost technology, the Lincoln MKT and Taurus SHO are unsurpassed for fuel economy in their respective segments. In 2010, we began introducing additional EcoBoost engines in the United States and Europe, including smaller I-4 EcoBoost engines. In North America we will introduce the V6 3.5-liter EcoBoost on the Ford F-150. We will also introduce a 2.0-liter, four-cylinder EcoBoost engine on the next-generation Ford Edge and the all-new Ford Explorer. The all-new Explorer will be a "game changer" in large SUV fuel economy, with 25 percent better fuel economy than the previous model. In Europe, we are introducing I-4 EcoBoost engines on the Ford C-MAX (with a 1.6-liter, four-cylinder engine) and the Ford Galaxy, Mondeo and S-MAX (with a 2.0-liter, four-cylinder engine). In addition, the next-generation Ford Focus, which will launch in Europe in 2010, will get 1.6-liter, four-cylinder EcoBoost engine.

We are also expanding EcoBoost applications to additional countries. For example, in 2010 we will introduce EcoBoost in China on the Ford Mondeo, and in 2011 we will introduce a 2.0-liter I-4 EcoBoost engine in Australia on the Ford Falcon. By 2013, Ford plans to offer EcoBoost engines on 80 percent of its global nameplates, with an annual volume of vehicles with EcoBoost at 1.5 million globally.

These EcoBoost engines, which use smaller-sized engines to produce both fuel economy and power performance, illustrate Ford's plans to use smaller, boosted engines to deliver excellent fuel economy and performance throughout our vehicle lineup.

So far, EcoBoost has been a great success in our U.S. implementation, where it is attracting both younger buyers and customers from other automakers (called "conquest" sales). The Ford Taurus SHO and Lincoln MKS with EcoBoost are attracting buyers that are 10-plus years younger than base Taurus and MKS buyers. The Taurus SHO with EcoBoost has the second-highest conquest rate in its segment, and the Ford Flex with EcoBoost has a 75 percent conquest rate. Furthermore, EcoBoost vehicles are proving to be more profitable, because EcoBoost buyers are adding more features and buying with fewer incentives. EcoBoost is also receiving high marks for customer satisfaction. In rating their EcoBoost engines, 100 percent of Lincoln MKT buyers surveyed said they were satisfied with their engine's performance, including power and pickup, and 99 percent said they were satisfied with their engine's overall operation, according to the Global Quality Research System (GQRS) study conducted by the RDA Group.

In Europe, we have introduced the ECONetic line of vehicles, which are higher fuel-efficiency and lower-CO₂ versions of our most popular products. So far, we have launched ECONetic versions of the Ford Focus, Mondeo, Fiesta and Transit. We recently introduced the second-generation Ford Focus ECONetic, which includes optional start/stop and smart regenerative charging technology, and emits just 99 g/km CO₂. These vehicles are being recognized for their significant improvements in fuel economy and CO₂ emissions. In December 2009, for example, the Ford Fiesta ECONetic won Top Gear's "Green Car of the Year Award." To read more about our ECONetic vehicles, please see the discussion of [fuel economy and greenhouse gas emissions](#) in the Environment section.

In our Asia Pacific and Africa region, we are focusing our near-term fuel-efficiency efforts on implementing EcoBoost engines and PowerShift transmissions, which we plan to introduce across our vehicle lineup in this region in the next few years. As mentioned previously, in China in 2010 we will introduce the Ford Mondeo with an EcoBoost engine and Powershift transmission. We expect it to be best in its segment for fuel economy when it launches. And in Australia in 2010 we will launch an EcoBoost version of the Ford Falcon. We will also be launching the Ford Fiesta with a 1.6-liter Ti-VCT powertrain and six-speed Powershift transmission throughout our ASEAN markets.⁵ This vehicle will be the first in the B-car segment to offer consumers this level of sophistication in powertrain technology and will be among the leaders in its segment in fuel economy. In India, we recently introduced the Ford Figo, which has highly fuel-efficient 1.4-liter TDCi diesel and 1.2-liter gas engine options. This introduction is significant to our success in India, as fuel economy is the most important purchase criteria in that country.

In South America, we are improving fuel economy by introducing some of the efficient engine and transmission technologies currently used in North America and by using technologies relevant to the widespread use of biofuels in Brazil. For example, we have implemented improved engine compression ratios – i.e., the ratio at which the air and fuel mixture is compressed in the engine combustion chamber – on flexible-fuel vehicles in Brazil. This optimizes fuel efficiency in vehicles using biofuels, which are higher octane than petroleum-based gasoline. We have also improved the gearing ratios on our "B car" offerings, including the South American Ford Fiesta, EcoSport and Ka, which further improves fuel economy. And, we have made significant improvements to the aerodynamics of the South American Ka for the 2010 model year, further increasing fuel economy. We are working on additional fuel-economy improvements for future model years of vehicle programs that are currently under development. For example, we plan to introduce a new engine on the 2010 South American Focus and the all-new 2012 EcoSport. This engine will improve fuel economy compared to current engines due to reduced internal friction and improved electronic throttle controls. We are also planning to introduce even more fuel-efficient twin independent variable cam timing engines and direct injection engines, battery management systems, smart alternator systems and dual-clutch automatic transmissions, as well as improved aerodynamics, on additional vehicles from the 2012 model year and beyond.

Overall, we are continuing to develop and introduce advanced technologies – such as battery electric vehicles – that improve fuel efficiency, reduce emissions and reduce dependence on foreign oil. In the mid to long term, we will implement these advanced technologies as they become cost effective. You can read about our other near-, mid- and long-term plans to improve fuel economy in our [Sustainable Technologies and Alternative Fuels Plan](#).

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1. The vehicles listed below are best in class for fuel economy based on EPA segments, unless otherwise noted. Alternative segments are used where EPA segments do not provide a detailed breakdown of vehicle types. For example, the EPA only uses one category for SUVs that includes crossovers, compact SUVs and large SUVs.
 2. Based on the EPA's segment definition.
 3. Midsize sedan segment based on the R.L. Polk segment definition.
 4. The class in this case is full-size non-hybrid pickups under 8,500 lbs. gross vehicle weight rating.
 5. ASEAN markets include Vietnam, the Philippines, Malaysia, Thailand and Indonesia.



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Delivering More Fuel-Efficient Vehicles

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Balancing Our Portfolio Profitably

To meet the demand for more fuel-efficient vehicles and increase our financial health, we are balancing the portfolio of vehicles we sell to better represent consumer demand for a variety of vehicle sizes and capabilities. We are leveraging our global product strengths to deliver six new world-class small and medium-sized vehicles to the United States over the next four years. And, we are targeting sales leadership in "people movers" and crossovers by adding new vehicles (such as the Ford Flex) and redefining existing vehicles (such as the Ford Explorer). Through these actions, we have aligned our product mix more closely with the broader industry. From 2005 to 2009, we reduced trucks from 44 percent to 35 percent of our product mix. In addition, we increased sport utility and crossover vehicles from 24 percent to 28 percent of our product mix; within this category we increased the percentage of crossover vehicles and decreased the percentage of SUVs. Also from 2005 to 2009, we increased the percentage of cars in our product mix from 32 percent to 37 percent. To continue our progress toward a more balanced portfolio, we are increasing our investment allocation in cars and crossovers from 59 percent to 82 percent of our total investment.

Although we believe that the shift to smaller, more fuel-efficient vehicles is permanent, trucks, vans and SUVs will continue to be an important part of our North American offerings, in order to meet our customers' needs. We intend to maintain our leadership position in these segments by focusing our investment on fuel-efficient vehicles, such as the new Ford Transit Connect, as well as all-new powertrains with advanced technology.

As consumer demand for smaller vehicles continues to increase, we need to provide the vehicles people want, and provide them profitably, in order to remain a sustainable business. As part of our financial stabilization plan, we are reversing our decades-long trend of losing money on the production of small cars in the United States. To accomplish this, and to secure our ability to continue to produce all types of vehicles in the United States, we are taking the following actions:

- Leveraging high volume of our global Focus-sized ("C-sized") platform vehicles, such that we will produce more than 2 million units per year by 2012
- Increasing the volume of Ford Focus cars to more than 1 million units per year by 2012
- Improving revenues on smaller vehicles by offering exciting exterior and interior designs, with class-leading fuel economy, safety performance, craftsmanship and technology. The improvements across all Ford vehicles are improving customers' perceptions of the Ford brand
- Improving costs on smaller vehicles to competitive levels through reduced complexity and global purchasing scale
- Improving fixed costs through more efficient utilization of manufacturing and supply base capacity and the sharing of engineering and tooling costs globally

The new Ford Fiesta and all-new Ford Focus platforms are good examples of how we are increasing small-car profitability without compromising on quality, safety, style or features. The Fiesta, which went on sale in Europe in 2008 and will be available globally in 2010, is the first major product to come out of our new global product development process. Leveraging and integrating our global operations is one key element in making small cars more profitably. The Focus platform will form the basis for 10 new compact models by 2012. We plan to introduce at least six of the new models in the United States, where we are converting truck assembly plants in

RELATED LINKS

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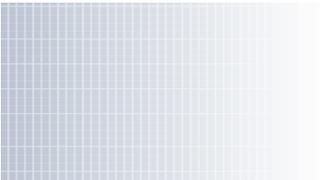
- New Global C-Car Platform Illustrates ONE Ford Plan in Action
- Electrification: A Closer Look
- Ford's Sustainable Technologies and Alternative Fuels Plan
- Manufacturing

Vehicle Web Sites:

- Ford Flex
- Ford Explorer
- Ford Fiesta
- Ford Focus
- Ford Transit Connect

Ford.co.uk:

- Ford C-MAX



Wayne, Michigan, and Louisville, Kentucky, to build small cars. The global Focus will go on sale in the United States in 2011 along with a battery electric version, called the Focus Electric. In addition, the Grand C-MAX – a seven-passenger, multi-activity vehicle that is based on the Focus platform – will come to the United States in 2011. The Grand C-MAX will use a four-cylinder, 1.6-liter EcoBoost engine.

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"Drive Smart" Technologies

Ford is introducing a wide range of "smart" technologies that increase access to information, entertainment and communication options while driving. These new technologies will give drivers a new level of vehicle efficiency, productivity and connectivity, making their lives easier. Furthermore, we are responding to customers' increasing demand for excellent value by offering these premium technologies on a wide range of our vehicles, not just our luxury vehicles. The all-new 2010 Ford Taurus provides a good example. This vehicle won Edmunds.com's first-ever "Technology Breakthrough Award," for "set[ting] the standard for technology that's practical, intuitive, and offers exceptional value to consumers while making driving safer and more convenient." The 2010 Taurus provides more user-friendly technology than other cars twice its price, including 10 class-exclusive technologies not available from any other manufacturer.

Ford's "drive smart" innovations also reflect our commitment to work with industry leaders in communications, information and entertainment technologies to deliver the best-possible technologies for our vehicles. For example, we joined with IDEO and Smart Design to research a new smart dashboard display system for our hybrid vehicles. We worked with Microsoft, DEWALT, Master Lock, Mario Magnelli, Garmin and Sprint to deliver our new Ford Work Solutions™ system. And, we worked with SIRIUS to add even more features to our voice-activated navigation system.

The following are examples of our new "smart" technologies:

- MyFord™ Driver Connect Technology delivers a new approach to in-vehicle controls, displays and interfaces and provides access to ever-expanding in-vehicle functionality while minimizing driver distraction and improving interior aesthetics. MyFord replaces many of the traditional vehicle buttons, knobs and gauges with voice commands, LCD screens and five-way buttons that drivers can customize, so they can choose which information is front and center. This technology will be available across our full range of vehicles, from affordable small cars to high-end luxury vehicles. It will debut on the 2011 Ford Edge and Lincoln MKX crossovers in North America, followed by the 2012 Ford Focus in our global markets. By 2015, approximately 80 percent of Ford's North American models are expected to have MyFord driver connect technology, with similar percentages predicted for the world market. MyFord was recognized at the 2010 Consumer Electronics Show with *Popular Mechanics*' "Editor's Choice" award and CNET's "Best of the Consumer Electronics Show" award. In mid-2010, we will be adding an "EcoRoute" function to MyFord that will use historic and real-time traffic information to recommend routes that could increase fuel economy by as much as 15 percent. The EcoRoute system will be introduced initially as an option on the Ford Edge in the middle of this year.
- The next-generation voice-activated SYNC® expands Ford's award-winning hands-free communications and connectivity system. SYNC already includes industry-leading voice-recognition software and integrates a GPS receiver with customers' Bluetooth-capable mobile phones to deliver personalized traffic reports, precise turn-by-turn driving directions and up-to-date information, including business listings, news, sports and weather – without requiring a built-in navigation system. In 2010, Ford is adding the ability to voice control smart phone applications, or "apps," through SYNCAppLink. This application programming interface allows the use of popular apps such as Pandora internet radio, Stitcher "smart" radio and the Twitter client OpenBeak. This interface will not only provide vehicle occupants with greater connectivity, but importantly it helps to mitigate driver distraction by using the safer means of voice commands to control functions and programs. We are also adding wi-fi capability to SYNC. That is, USB plug-in modems can be plugged into SYNC to make the whole vehicle a wireless "hotspot" at no extra charge as part of SYNC service. This system includes safety features to prohibit users and devices not authorized by the driver. In addition, the wi-fi capability is only available when the vehicle is in park. Ford research has shown that SYNC increases the resale value of vehicles and also improves potential customers' opinions of Ford vehicles and their likelihood of buying a Ford. We installed the two millionth SYNC unit in March 2010.

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- This Report:
 - [Understanding Changing Customer Needs](#)
- Vehicle Web Sites:
 - [Ford Taurus](#)

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- **Voice-Activated Navigation with SIRIUS Travel Link™** allows drivers to access up-to-the-minute, voice-activated information on traffic conditions, weather, area gas prices, sports scores and movie listings. The system responds to voice commands for destination programming and route selection. In addition, it provides enhanced route guidance features such as street name announcements, as well as detailed freeway exit, turn and ramp position lane guidance. In 2009, this navigation system ranked highest in a third-party study of navigation system satisfaction. Starting with the 2011 model years, we will be adding a new high-occupancy vehicle (HOV) lane routing preference to the system. Once the HOV option is engaged and a destination is entered, the system will map routes using more than 2,500 miles of HOV carpool routes throughout some of North America's most-congested metropolitan areas.
- **SmartGauge™ with EcoGuide** is a dashboard display in our hybrid vehicles that gives drivers information to help them maximize fuel efficiency. The system provides information on current fuel economy, fuel economy history, odometer reading, engine coolant temperature, fuel level, battery charge status, electric vehicle mode, tachometer, engine output power, battery output power, power to wheels, engine pull-up threshold and accessory power consumption. Drivers can use the system to track their long-term fuel economy progress and illustrate it either with a traditional chart or using an innovative display of "growing leaves and vines." The more efficient a customer is, the more lush the leaves and vines, creating a visual reward for the driver's efforts. In addition, the real-time system feedback allows drivers to assess and modify their driving habits to achieve maximum fuel economy.
- **EcoMode**, in our European vehicles, will provide drivers with information on the fuel efficiency of their driving. This system monitors the key parameters for optimal fuel consumption that drivers can affect by changing their driving behavior, including gear shifting, anticipation (i.e., driving as consistently and smoothly as possible) and motorway driving (i.e., driving with the most efficient speed on motorways and country roads). In addition, the system considers the percentage of cold-engine short trips. Through this monitoring process, Ford EcoMode generates a driver profile with a scoring system for these driving parameters and offers information on how to improve fuel economy over time. This process can be translated into driver advice that can help make the best use of the vehicle's technology. The system was introduced on the second-generation Ford Focus ECOnetic and will be introduced in additional future vehicles.
- **Ford Work Solutions™** is a suite of four in-vehicle technologies that offers drivers connectivity, flexibility and security to better run key aspects of their business from their Ford truck or van. The suite includes high-speed Internet access, radio-frequency identification tracking for real-time tool inventory, a cable locking system to secure items in the truck bed and a fleet management system in the in-dash computer. The technologies were developed through hands-on research with contractors and skilled tradespeople around the United States to ensure the technologies met their needs. At the 2010 Consumer Electronics Show, the Ford Work Solutions in-dash computer won "Best of Innovations" in the category of In-Vehicle Accessories.
- **Ford Active Park Assist** uses ultrasonic-based sensors to help drivers parallel park with the touch of a button. This system won *Popular Science's* 2009 "Best of What's New" award. This is the third straight year that Ford has been recognized with a Best of What's New award. We previously won for our EcoBoost™ engine technology (2008), Easy Fuel® Capless Fuel-Filler System (2008) and SYNC system (2007).



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Customer Satisfaction and Quality

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- Customer Satisfaction and Quality
 - Global and Regional Quality Improvements
 - Quality Awards and Ratings

Quality and customer satisfaction together are the central mission of all of our employees. Delivering high-quality vehicles is of paramount importance to customers' willingness to consider our vehicles; it also affects their satisfaction and loyalty. Quality is also important to our costs – high-quality vehicles have lower warranty repair costs. We include quality as one of the four design principles¹ that guide the entire design and manufacturing process for our vehicles. It is also central to our sales and service operations.

RELATED LINKS

- This Report:
 - Vehicle Safety
 - Product, Quality and Service Data
 - Improving New Product Development Process

Measuring Quality and Customer Satisfaction

We track our progress in achieving this mission through a combination of internal and external measurements that assess how we are doing and where we can improve. The Global Quality Research System, which tracks "things gone wrong," is our primary quality survey.² The GQRS survey is implemented for us by the RDA Group, a market research and consulting firm based in Bloomfield Hills, Michigan. We also subscribe to J.D. Power and Associates' Initial Quality Survey and APEAL study. We track warranty claims and costs internally. In 2009 and 2010, we saw an improvement in both the internal and external measurements of quality. By several measures, our quality is now competitive with the highest-rated brands. Global and regional quality improvements are detailed below.

Global Quality System

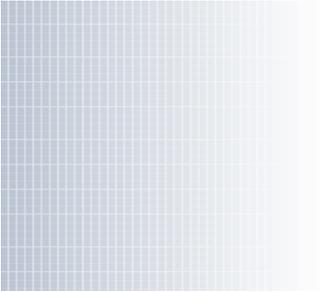
Quality really is Job #1 at Ford. We use an extensive Global Quality Operating System at every stage of vehicle development and manufacture, to make sure that our vehicles have world-class quality and performance. Our Global Quality Operating System was fully rolled out in 2008 after several years' implementation. Though we have always used quality systems, they were not always standardized across locations. By requiring standard processes and implementation everywhere we operate, we intend to continue and expand our world-class quality results.

We begin designing for quality from the very earliest stages of every vehicle program. Approximately three-and-a-half years before a new model rolls off the assembly line, we virtually "pre-assemble" the vehicle, to identify and address potential quality issues at the beginning of the design process. This allows engineers to make corrections – and ultimately improve build efficiency, worker safety and quality – long before the vehicle design is finalized and built on the real assembly line. By using this virtual quality system we have cut time-to-market by eight to 14 months, depending on the vehicle program, reduced costly late engineering changes and are building fewer – but better – physical prototypes.

Once vehicles pass these virtual quality tests, we undertake extensive testing of actual vehicle prototypes for both manufacturing and performance quality.

Even after our vehicles have left the factory, we continue our efforts to improve quality. We evaluate every manufacturing-related warranty claim and migrate effective solutions into the assembly plant. We also gather feedback from our customers using survey tools, to ensure that we understand customers' problems with our vehicles, including actual product failures and customers' opinions of vehicle designs and features.

We use a Six Sigma process to resolve quality problems. In 2007, we completed our effort to integrate Six Sigma quality methodology into the Company's core processes. We now have Quality Functional Leaders who assist every organization within the Company in the



implementation of Six Sigma problem-solving methods to improve quality and eliminate waste. Around the world, we have 60,000 Six Sigma "green belts," more than 7,000 "black belts" and 400 "master black belts" – Ford employees trained in how to apply Six Sigma principles and methodologies.

1. The other principles are safety, smart technology, and fuel efficiency and green design.
2. The GQRS study is conducted on a quarterly basis with scores assessed from survey responses collected from vehicle owners.



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Global and Regional Quality Improvements

The following are key measures of our vehicle quality:

Global Warranty Spending

- Global warranty spending per unit declined 3 percent in 2009, compared to 2008 (excluding Volvo).
- Global warranty costs dropped by \$0.8 billion, or 40 percent, over the 24 months from year-end 2007 to year-end 2009. Plans are in place to achieve another 9 percent improvement in warranty spending by 2014.

GQRS Initial Quality (Three Months in Service) Report

2010

- Ford had the fewest number of vehicle defects or "things gone wrong" among all full-line manufacturers in the first three months of ownership. (Honda's TGW are statistically similar to Ford's.) Owners of 2010 Ford, Lincoln and Mercury vehicles reported 1,107 TGWs per 1,000 vehicles – an 8 percent improvement compared to last year.
- Customer satisfaction rose to 84 percent, a four percentage-point gain over 2009 and statistically better than Toyota and Honda.
- In the United States, the following models led their respective segments in the GQRS quality survey:
 - Taurus – Satisfaction leader, D/E car
 - Fusion Hybrid – Satisfaction leader, C/D car
 - Milan Hybrid – TGW leader, C/D car
 - Focus – Satisfaction leader, C car
 - Mountaineer – TGW leader, Medium Traditional Utility
 - Expedition – TGW and Satisfaction leader, Large Utility
 - Navigator – TGW and Satisfaction Leader, Large Premium Utility
 - Ranger – TGW and Satisfaction Leader, Compact Pickup

2009

- "Things gone wrong" levels at three months in service decreased for the fifth straight year.
- Customer satisfaction rose to 80 percent, a three percentage point gain over 2008. For the first-quarter 2010 model year this figure has risen to 84 percent, putting us statistically ahead of all competitors.
- Customer satisfaction with interior quietness now far surpasses our competitors. Ford vehicles have fewer wind noise, squeak and rattle issues than any other volume automaker.

GQRS Durability (Three Years in Service) Report

Ford did a thorough review of all research during these difficult economic times and determined

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This Report:

- Product, Quality and Service Data

Vehicle Web Sites:

- Ford Taurus
- Ford Fusion Hybrid
- Ford Focus
- Ford Expedition
- Ford Ranger
- Mercury Milan Hybrid
- Mercury Mountaineer
- Lincoln Navigator

that our warranty data, Consumer Reports' data and data from the GQRS three months in service survey provided the information needed to identify customer concerns throughout the ownership cycle. Studies such as the GQRS Durability study were therefore discontinued.

Residual Value Improvements

- Resale values increased by 23 percent year-over-year on Ford vehicles with one to five years on the road – outpacing the industry average by 4 percentage points.
- Ford's residual values or predicted resale prices increased more than any other full-line automaker in the 2010 model year.
- Ford has the best residual values of any U.S. automaker, while several 2010 model year vehicles have better residual values than foreign competitors.

In the United States (in addition to progress noted above):

- In 2009, we discontinued tracking high time in service as part of the GQRS study, for financial reasons.
- The number of Ford, Lincoln and Mercury safety recalls decreased from 10 in 2008 to 8 in 2009, while the number of affected units increased from 1.6 million to 4.5 million. All but 12,000 of the 4.5 million vehicles recalled in 2009 are older models (1992-2003) that were equipped with faulty Texas Instruments speed control deactivation switches. Although the data shows the majority of the vehicles equipped with these switches do not pose a significant safety risk, we recalled them to reassure customers and eliminate any future concerns.
- Warranty spending decreased by 9 percent in 2009, compared to 2008.
- Customer satisfaction with Ford Division sales and service in 2009 showed mixed results, with sales satisfaction declining two percentage points from 2008 and one percentage point from 2004. The recent decrease is mainly attributed to the "Cash for Clunkers" program, which stressed dealer resources. Service satisfaction improved by approximately 10 percentage points from 2004,¹ and sales satisfaction increased by approximately 5 percent from 2004.

In Europe:

- In the first quarter of 2010, TGW improved by 5 percent rate from 2009.
- In 2009, full year TGW increased by 24 percent compared to 2008.
- In 2009, overall customer satisfaction decreased by 4 percentage points to 59 percent compared to 2008.
- In 2009, sales satisfaction with dealer or retailer decreased by 4 percentage points from 2008 and by 2 percentage points from 2004. Service satisfaction with dealer or retailer decreased by 3 percentage points from 2008 to 2009, but has increased by 2 percentage points from 2004 to 2009.
- Warranty spending decreased by 15 percent in 2009, compared to 2008.

In Asia Pacific:

- The region logged 1,657 TGW in the first quarter of 2010, compared to 1,675 in 2009.
- Full-year 2009 TGW increased by 11 percent compared to 2008.
- Full-year 2009 customer satisfaction decreased by 4 percentage points to 48 percent compared to 2008.
- The sales and service satisfaction survey was not undertaken in Asia Pacific in 2009 due to its pending revision.²
- Warranty spending increased by 8 percent in 2009.

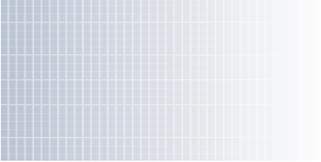
In South America:

- TGW improved 5 percent in the first quarter of 2010, compared to 2009.
- Full-year 2009 TGW improved by 3 percent compared to 2008.
- Full-year 2009 customer satisfaction remained at 68 percent, the same as in 2008.
- Warranty spending increased by 3 percent during 2009.

Owner Loyalty

Owner loyalty is a measure of customers disposing of one Ford product and buying a new Ford product. In the United States, owner loyalty increased from 41.6 percent in 2008 to 42.1 percent in 2009. In Europe, Ford owner loyalty decreased from 53 percent in 2008 to 49 percent in 2009.

1. Prior to 2008, only warranty repair visits were measured. Starting in 2009, customer-paid repair and



maintenance visits are also included. These additions have had a small negative impact on the 2009 score. The improvement from 2004 is significant.

2. In 2009, sales and service satisfaction tracking was suspended due to difficult financial conditions. We are considering reinstating it for 2010 as economic conditions improve.

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Quality Awards and Ratings

The high quality of Ford vehicles has been recognized via a range of third-party awards and ratings. For example:

2009 Initial Quality Study

- Ford Motor Company, Kentucky Truck plant: "Bronze Plant Quality Award, North/South America"
- Ford Edge: "Highest Ranked Midsize Multi-Activity Vehicle in Initial Quality in a Tie"
- Ford Mustang: "Highest Ranked Midsize Sporty Car in Initial Quality"
- Ford F-150: "Highest Ranked Large Pickup in Initial Quality in a Tie"
- Mercury Sable: "Highest Ranked Large Car in Initial Quality"

Source: J.D. Power and Associates 2009 Initial Quality Study.SM For award information visit JDPower.com.

2009 Automotive Performance, Execution and Layout Study (APEAL)

- Ford Flex: "Most Appealing Midsize Multi-Activity Vehicle"
- Ford F-150: "Most Appealing Large Pickup in a Tie"

Source: J.D. Power and Associates 2009 Automotive Performance, Execution and Layout Study (APEAL).SM For award information visit JDPower.com.

Interior Quietness Awards

According to the RDA Group's GQRS survey:

- In 2009, Ford surpassed Honda and Toyota in key measures of interior quietness.
- The F-150 was ranked No. 1 in quietness customer satisfaction.
- The Lincoln MKZ surpassed the current Lexus ES350 in key interior quietness attributes, such as road noise at 30 mph and wind noise at 80 mph.
- The Ford Escape tied with the Honda CRV for first place in the small utility segment for interior quietness customer satisfaction.

Kelley Blue Book Awards

- The 2010 Ford Fusion Hybrid, Taurus and Flex are among the "Top 10 Family Cars for 2010," according to the editors of Kelley Blue Book's Web site.
- The Ford F-150 won the 2009 Brand Image Award for the "Most Rugged Truck Brand," based on a survey of 12,000 shoppers on Kelley Blue Book's Web site.
- The 2009 Ford Escape Hybrid was listed among the 10 "Best New Family Vehicles," based on criteria including fuel economy, resale value, capability and kid-friendliness.

RELATED LINKS

This Report:
 Vehicle Safety
 Product, Quality and Service Data

Vehicle Web Sites:

- Ford Taurus
- Ford Fusion
- Ford Focus
- Ford Expedition
- Ford Ranger
- Ford Edge
- Ford Mustang
- Ford F-150
- Ford Flex
- Ford Escape
- Mercury Milan
- Mercury Mariner
- Lincoln Navigator
- Lincoln MKZ
- Lincoln MKS
- Lincoln MKX
- Lincoln MKT
- Lincoln Town Car

Ford.co.uk:

- Ford Focus
- Ford Mondeo
- Ford S-MAX
- Ford Galaxy

Volvo.com:

- Volvo S80
- Volvo C30
- Volvo C70
- Volvo XC90

External Web Sites:

Insurance Institute for Highway Safety

- The 2009 Ford Escape Hybrid and 2009 Fusion Hybrid were named among the top 10 "Green Vehicles," based on their fuel economy, comfort, convenience, safety and value for the money.

Strategic Vision Awards

- The Ford Focus Sedan topped its segment in Strategic Vision's 2009 Total Quality Index.
- Five Ford vehicles topped their segments in Strategic Vision's 2009 Total Value Index: the Ford Focus Coupe for the small multi-function vehicle segment, the Ford Mustang convertible for the convertible segment, the Ford Flex for the midsize crossover segment, the Ford Expedition for the large sport utility segment and the F-250/350 for the heavy-duty pickup segment.

Automotive Lease Guide

- Ford improved more than any other automaker in the Automotive Lease Guide's "Perceived Quality Survey," released in the fall of 2009.

American Customer Satisfaction Index

- Ford Motor Company brands fared very well in the 2009 American Customer Satisfaction Index, gaining 5 percent in customer satisfaction over 2008. Since 2005, Ford's satisfaction has increased by 10.6 percent, the biggest improvement in that period of any automaker.
- Ford brand customer satisfaction increased to 83 percent in 2009 from 80 percent in 2008. Lincoln and Mercury customers' satisfaction rose to 88 percent in 2009 from 83 percent in 2008.

AutoPacific

- Four Ford, Lincoln and Mercury vehicles won their segments in AutoPacific's "Vehicle Satisfaction Awards:" the Lincoln Town Car in the large luxury segment, the Ford Fusion in the midsize segment, the Ford Explorer Sport Trac in the compact pickup segment and the Ford Explorer in the premium midsize SUV segment.
- Ford won AutoPacific's "Ideal Mainstream Brand Award," and the following vehicles won their segments for AutoPacific's 2009 "Ideal Vehicle Awards:" the Ford Taurus, F-150, Explorer Sport Trac and Explorer and the Lincoln Navigator.
- In the large car segment, the Lincoln Town Car tied with the Cadillac DTS for AutoPacific's 2009 "Motorist's Choice Award."

Safety Ratings

- Ford holds the most Top Safety Picks (awarded by the Insurance Institute for Highway Safety, or IIHS) of any vehicle manufacturer. Nineteen Ford vehicles earned this honor in 2009, including the Ford Taurus, Taurus X, Fusion, Focus, Edge, Flex, Escape and F-150; the Lincoln MKS, MKZ, MKT and MKX; the Mercury Sable, Milan and Mariner; and the Volvo S80, C30, C70 and XC90. To earn a Top Safety Pick, a vehicle must receive a rating of "good" in offset frontal impact, side impact and rear impact evaluations, and offer electronic stability control. For 2010, vehicles will also be expected to earn a "good" rating in roof strength tests.
- For the 2010 model year, 23 Ford vehicles received five-star ratings for both frontal impact and side impact from the National Highway Traffic Safety Administration (NHTSA) in its U.S. New Car Assessment Program (NCAP) ratings, compared with 24 for the 2009 model year.
- The 2010 Ford Taurus is one of the safest-rated large sedans sold in America, with five-star NCAP crash ratings for frontal and side impact and "good" IIHS ratings in offset frontal impact, side impact, roof strength and rear impact evaluations.
- The 2010 Ford F-150 is America's safest full-size pickup. It's the only full-size pickup to earn five-star crash test ratings in all categories from NHTSA.
- The 2010 model year Mustang Convertible earned five-star ratings in all categories of NHTSA NCAP.
- For the 2010 model year, the IIHS awarded 30 Ford vehicles with "good" ratings for frontal offset performance and 19 Ford vehicles with "good" ratings for side impact performance.
- In Ford's most recent EuroNCAP assessments, the Ford Kuga and Ford Fiesta achieved Ford's first three-star ratings for pedestrian protection. These cars also joined the Focus, Mondeo, S-MAX and Galaxy in having best-in-class, five-star adult protection and four-star child protection ratings.
- The Ford Mondeo was the second Ford car (after the Focus) to be awarded a five-star rating in the Chinese New Car Assessment Program.
- The Ford Falcon was the first Australian-built car to be awarded five stars in the Australasian New Car Assessment Program (ANCAP).



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In 2009, auto sales around the world declined significantly as a result of the growing global recession and credit crisis. Even though our overall sales, like the rest of the industry's, were down in 2009, we made some important strides in sales, product introductions and product investments in both mature and emerging markets.

United States

In the United States, we are introducing highly desirable vehicles in the fastest-growing segments, including crossovers and more fuel-efficient vehicles. In 2008, we committed that every new or significantly redesigned vehicle we introduce will be best in class or among the leaders in its segment for fuel economy. We are meeting this goal by introducing more fuel-efficient gas engines, smaller vehicles and hybrid vehicles.

We are also introducing new products faster: 45 percent of our lineup by volume was new or significantly freshened for 2009, and we are delivering on our promise of 100 percent new or freshened product by 2010. By the end of the first quarter of 2010, our Ford, Lincoln and Mercury showrooms will have a more updated lineup than at any time in the last 15 years.

Though auto sales across the industry declined in 2009 due to the recession and financial crisis, Ford, Lincoln and Mercury brands gained retail market share in the United States. Ford's market share for 2009 was 15.3 percent, a more than 1 percent increase over 2008. Our improvement in overall market share is primarily the result of favorable acceptance of our redesigned products, a product focus on industry growth segments, and customers' increasing awareness and acceptance of our commitment to leadership in quality, fuel efficiency, safety, smart technologies and value. Sales were also boosted by the U.S. government's "Cash for Clunkers" program, which incentivized consumers to trade in older, less fuel-efficient vehicles for new fuel-efficient models.

Our market share gain was led by strong sales of the Ford Fusion midsize sedan and the new 2009 Ford F-150 pickup. The Fusion, which was named *Motor Trend's* Car of the Year and won the 2010 Car of the Year at the North American International Auto Show, had record sales in 2009. The Ford F-150 was the top-selling vehicle in the United States for the 28th year in a row and the top-selling pickup truck for the 33rd year in a row. Ford was also the top-selling brand of crossover vehicles in 2009, led by the Ford Escape.

We hope to build on these sales successes in the coming years by continuing to introduce exciting new products. The new Ford Transit Connect was introduced in the second quarter of 2009 and was awarded the 2010 North American Truck of the Year at the North American International Auto Show. The 2011 Ford Fiesta was revealed in North America in the fourth quarter of 2009 as a new offering and will go on sale in the second quarter of 2010. The 2011 Ford Mustang debuted with a new family of V6 and V8 engines that deliver best-in-class performance and fuel economy and arrived in dealerships in the spring of 2010.

Further product introductions are planned, as we seek to substantially increase the amount of new vehicle introductions by volume versus 2009, which was already an aggressive product introduction period. For 2010, these introductions include the all-new Ford Fiesta, Focus, Explorer, Super Duty, Edge and Transit Connect Electric, the Lincoln MKX and an all-new small car for Mercury. We will also be introducing a hybrid version of the Lincoln MKX and an EcoBoost option

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- Ford's Sustainable Technologies and Alternative Fuels Plan
 - Delivering More Fuel-Efficient Vehicles
 - Operational Energy Use and Greenhouse Gas Emissions
 - Global Products Manufacturing
- Vehicle Web Sites:
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 - Ford Fusion
 - Ford Fiesta
 - Ford Escape
 - Ford Mustang
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 - Ford Focus
 - Ford Explorer
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 - Lincoln MKX
- Ford.co.uk:
- Ford Fiesta
 - Ford C-MAX
 - Ford Galaxy
 - Ford S-MAX
 - Ford Mondeo
 - Ford Focus

on the F-150.

U.S. Product Sales by Segment

	Industry	Ford
Cars		
Small	23.7%	14.0%
Medium	16.1%	12.8%
Large	5.4%	6.8%
Premium	7.3%	3.1%
Total U.S. Car Sales	52.5%	36.7%
Trucks		
Compact Pickup	2.6%	3.4%
Bus/Van	5.5%	5.8%
Full-Size Pickup	10.8%	25.6%
Sport Utility	27.1%	28.2%
Medium/Heavy	1.5%	0.3%
Total U.S. Trucks	47.5%	63.3%
Total U.S. Vehicle Sales	100.0%	100.0%

Note: These numbers include Ford, Lincoln and Mercury vehicle sales in the United States.

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Ford of Europe

Even in 2009's difficult economic conditions, Ford realized market share gains in 19 of its European markets as well.¹ In 2009, the Ford brand's combined car and truck market share in these 19 European markets was 9.1 percent (up 0.5 percentage point from 2008). Furthermore, Ford realized sales gains in 17 of its 19 primary European markets in 2009.

The Ford Fiesta was the second bestselling model in Europe in 2009, reaching its best full-year sales since 1996. More than 15 months after its sales debut in autumn 2008, more than 675,000 customers have purchased the new Fiesta globally.

Britain and Germany are our highest-volume markets within Europe. Any change in the British or German market has a significant effect on the results of our Ford Europe segment. The global economic crisis caused 2009 industry sales in Britain to decline by 10.5 percent from 2008 levels (which were already down considerably from 2007 levels, as the economic crisis hit Britain earlier than many other European countries). As a result of government stimulus in Germany, 2009 industry sales volume there actually increased by 18.2 percent compared with 2008. The Ford brand's combined car and truck share in these markets in 2009 was 16.8 percent in Britain (up 0.4 percentage points from the previous year), and 7.6 percent in Germany (up 0.6 percentage points from the previous year).

Sales in Europe were also increased by government vehicle "scrappage" programs that gave consumers incentives for trading in older, less fuel-efficient vehicles and buying new, more fuel-efficient models. These incentive programs occurred in some of our larger markets including Germany, the United Kingdom, France, Spain, Austria, Italy, Ireland, the Netherlands and Portugal.

In 2009, Ford's share of the Turkish market increased by 0.4 percentage points to 15.1 percent, the eighth year in a row that the Ford brand led the market in sales in Turkey. Industry sales volume in Russia decreased dramatically during 2009, shrinking by nearly 1.6 million units or about half of its total volume as a result of the economic crisis. As a result, sales of Ford brand vehicles decreased by nearly 56 percent from 2008 to about 82,000 units in 2009.

In 2010, we will continue to build on our product momentum, with at least 11 vehicle reveals or launches planned for 2010 – including the all-new Ford C-MAX and Grand C-MAX; the freshened Ford Galaxy, S-MAX and Mondeo; and a new Focus EConetic. An expanded range of fuel-efficient powertrains, including the new Ford EcoBoost 2.0-liter and 1.6-liter engines and further improved TDCi diesel powertrains, will also be available across the range, together with new technologies and innovations. In the first quarter of 2010, we also announced a \$2.3 billion investment in UK manufacturing facilities over the next five years to support the production of low-

Asia Pacific and Africa

The fastest-growing markets for automobiles are in rapidly developing countries like China and India. We are expanding our production capacity in China, India, Thailand and the rest of Asia, as well as launching new products in these and other markets to meet consumer needs and remain competitive. Australia, China, India, South Africa and Taiwan are our principal markets in the Asia Pacific and Africa region. Our wholesales in this region were up 14 percent in 2009, primarily due to strong sales in China.

Asia Pacific and Africa Market Share²

Major Markets	2009 Combined Car and Truck Market Share	Percentage Points Better/(Worse) Than 2008
Australia	10.30%	No change
China	2.49%	(0.07%)
India	1.30%	(0.10%)
South Africa	7.60%	0.70%
Taiwan	6.10%	0.60%

In 2009, our sales in China totaled approximately 345,500 units. This sales figure includes Ford-badged vehicles produced and distributed by our two Chinese joint ventures: Changan Ford Mazda Automobile Corporation, Ltd. (CFMA) and Jiangling Motors Corporation, Ltd. (JMC). The CFMA joint venture began production in 2003 and now builds Ford, Volvo and Mazda models. The JMC joint venture assembles Ford and JMC vehicles for distribution in China.

We are continuing to increase our presence in China, with more investment in manufacturing capacity, the introduction of new products and the expansion of distribution channels. Ford currently has three vehicle manufacturing plants in China; one CFMA plant in Chongqing, one CFMA plant in Nanjing and one JMC plant in Nanchang. In 2009 we announced plans for a new CFMA plant, which will also be located in Chongqing. This state-of-the-art manufacturing facility, which is scheduled for completion in 2012, represents an investment of almost \$500 million. The flexible, 1-million-square-meter facility will begin production of Ford's next-generation Ford Focus in 2012 and will be capable of producing a diversified range of products in the future. The plant will have an initial production capacity of 150,000 vehicles per year. It will include Ford's environmentally friendly and energy-efficient [three wet paint technology](#). When this plant comes online in the first quarter of 2012, Ford will have a production capacity in China of 600,000 passenger vehicles per year.

We are also increasing our introduction of new products in China. In 2009, we began producing the new Ford Fiesta for the Chinese market at CFMA's Nanjing plant. The Nanjing facility is the first to build the four-door version of the Fiesta. Ford will introduce four new vehicles in the Chinese market over the next three years. We will also introduce the fuel-efficient [EcoBoost engine](#) and [PowerShift transmission](#) technologies in China in 2010, further expanding Ford's commitment to delivering more sustainable transportation in all the markets we serve.

In India, we continue to expand production capacity and new vehicle introductions. We are in the process of significantly increasing our presence in India with more investment in manufacturing capacity. We have invested \$500 million to expand our current manufacturing facility in Chennai, India. This investment was used to build a fully integrated and flexible engine manufacturing plant that began production of the all-new Ford Figo – described below — in 2010. The new facility will be capable of producing 250,000 engines per year. The plant will also be equipped with Ford's environmentally friendly and energy-efficient [three wet paint technology](#). Overall, the plant's annual vehicle production capacity will be doubled to 200,000 units after the expansion, which is also expected to create 1,000 new jobs.

Ford introduced the Ford Figo, an all-new four-door hatchback small car in 2010. This vehicle was designed with the help of Ford's Indian design and engineering team to meet the needs of Indian and other Asian markets. It represents Ford continued commitment to delivering exciting, high-quality and fuel-efficient products in growing markets like India and the rest of Asia.

In Thailand we have invested \$500 million in a new, highly flexible, small passenger car plant at AutoAlliance Thailand – a joint venture between Ford and Mazda. This facility began producing small cars in 2009; in 2010, it will begin producing the new Fiesta for other major Asian markets.

South America

Ford is the fourth-largest automaker in South America, and our principal markets include Brazil, Argentina and Venezuela. Ford's 2009 market share for the region was 10.2 percent, up one-half percentage point from 2008.

South America Market Share

Major Markets	2009 Combined Car and Truck Market Share	Percentage Points Better/(Worse) Than 2008
Brazil	10.3%	0.3%
Argentina	13.3%	0.9%
Venezuela	20.9%	5.2%
Total South America	10.2%	(0.5%)*

* The South American market share is based, in part, on estimated vehicle registrations for our six major markets.

We continue to launch new products to meet the needs of our South American customers. In 2010, we are bringing a flexible-fuel version of the European-based Ford Focus to Brazil. Nine additional product introductions are planned for the region in 2010. We are making our largest-ever investment in Brazil operations in a five-year period, by investing R\$4.5 billion from 2011 to 2015 to accelerate the delivery of more fuel-efficient, high-quality vehicles, which customers in Brazil desire. We are also investing approximately \$250 million in our Argentinean operations between 2010 and 2012 to fund new product development and quality improvements.

This sales growth in the rapidly growing markets of South America and Asia represents a significant achievement for the Company. At the same time, we know that our long-term success in these developing and revitalizing economies will depend on our offering new types of mobility solutions that are increasingly sustainable and tailored to the unique needs of these markets. Our sustainable mobility strategy is aimed at ensuring we do just that.

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1. The Euro 19 markets are: Austria, Belgium, Britain, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, the Netherlands, Norway, Poland, Portugal, Spain, Sweden and Switzerland. Ford reports sales for Estonia, Latvia and Lithuania through our Finnish National Sales Company, so sales data for the Baltic states is also included within Euro 19. This does not include Turkey or Russia. This market share data also does not include Volvo.
2. Includes sales of Ford-brand vehicles and market share for certain unconsolidated affiliates, particularly in China.



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Building Customer Awareness

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- The Ford Story
 - Fiesta Movement
- Vehicle Web Sites:
- Ford Mustang

One important goal of our marketing and communications activities is to increase consumers' knowledge of our products and our corporate performance. We are particularly focused on improving consumers' awareness of the Company's excellent quality, safety, environmental and social performance. We use a range of communication methods to share information about Ford with potential customers and to get feedback from drivers. This sustainability report is one key element of our strategy. We also engage in two-way communications with consumers and other stakeholders through a variety of stakeholder engagement forums.

These communication efforts – coupled with delivering products with world-class quality, fuel economy, technology and other features – are paying off. We saw increases in favorable opinions and purchase consideration of our products across the United States, Brazil, United Kingdom and China.

We track consumers' familiarity with, opinions and consideration of, and shopping and purchase intentions for our vehicles as part of our brand value and awareness tracking. Tracking these elements helps us to understand how consumers view our vehicles and where we need to focus our product development and communications efforts to improve consumers' perceptions of and interest in our vehicles.

Social Media

In 2008, we launched an aggressive social media communications effort that uses web-based social networking channels – such as Facebook, YouTube and blogs – and fosters word-of-mouth marketing. These channels provide an increasingly important means for communicating with consumers, especially the so-called "millennial generation" – those born from the late 1970s through the late 1990s. Opportunities for discussions and information monitoring on the Internet are countless. So, in addition to the institutionalized efforts in our Communications and Marketing divisions, we are empowering some of our employees to communicate about Ford on the web by making our Online Communications Guidelines more widely available and giving employees the information they need to communicate successfully in these arenas. We think that allowing employees to have open and real communications within their digital communities sends a clear message that Ford is committed to forging relationships online and being accessible to its audiences.

We are also actively using Twitter to engage with consumers on all matters. And, we are making it easier for visitors to our Ford Web sites to find third-party content about Ford online, particularly with the ever-evolving "[Ford Story](#)" site. We hope that integrating third-party information into our sites will provide a valuable service to consumers and will show our confidence in the vehicles we're producing.

Through these and other methods, we are seeking to stimulate user discussions about our products. In 2009, for example, we started a program called the "Fiesta Movement" to support the launch of the Ford Fiesta in the United States in 2010. Through this program, Ford selected over 100 online "influencers" to drive a Fiesta for six months and then relate their experiences through social media sites such as Facebook, Twitter, Flickr and YouTube. By delivering Fiestas to specially selected consumers, we gave them a unique experience that they could share with their communities, and we gave our engineering and design teams an opportunity to learn more about

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consumer wants and needs in the rapidly growing small car segment. We received a wealth of real-time feedback early on in the new vehicle program, and we were praised by industry and marketing experts for our unique approach to raising awareness about the Fiesta – via unfiltered information from real drivers.

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Other Non-Traditional Marketing

We use a range of other non-traditional marketing and communications efforts to increase awareness of our products and engage consumers and stakeholders. Through our "Drive One" campaign, for example, we offer a range of opportunities for people to experience our vehicles first-hand. The goal of Drive One is to encourage people who might not otherwise be considering a Ford product to see for themselves what we offer. Drive One is based on our belief that, when people drive our vehicles, they will have more positive opinions of our products and will be more likely to buy them. The campaign highlights Ford's four key areas of focus: safety, quality, green technologies and smart technologies.

One of our Drive One efforts is the "Drive One 4 UR School" campaign. Through this program, people can test-drive a Ford Flex, Focus or other new Ford vehicle and help raise money for their local school. For each test-drive taken at the one-day events, Ford donates \$20 (up to a total of \$6,000 per event) to fund activities or special projects at the designated school. We launched this program with high schools in 2007, and as of March 2010 more than 1,200 Drive One 4 UR School events had taken place in the United States, raising more than \$2,500,000 to support local schools. These events enabled more than 160,000 participants to test-drive Ford products. The events have proven especially helpful for getting non-Ford owners into Ford vehicles, as approximately 70 percent of participants do not currently own a Ford product. Feedback from participants shows that both purchase consideration and opinion of the Ford brand improved after individuals had a chance to get behind the wheel and experience the vehicles first-hand.

We are also working to improve the effectiveness of our auto show appearances. Approximately 24 million people attend auto shows in the United States alone, so these are important opportunities to share information with potential customers. At all of the major auto shows we used a wide range of interactive exhibits that have helped us better engage visitors. The exhibits, which highlighted our Drive One strategy, focus on fuel economy, quality, safety and smart technologies. For example, the displays included a hands-on experience with the Fusion Hybrid's SmartGauge™ with EcoGuide technology, as well as interactive touch tables illustrating the environmental benefits of both soy-based seat cushions and EcoBoost™, our new fuel-efficient engine technology.

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Traditional Advertising

Finally, we use traditional advertising to inform consumers about our products and our corporate performance. We use three primary advertising strategies: corporate-level communications about Ford Motor Company, advertising about our brands and specific products, and dealer-level product advertising. The goal of these advertising strategies is to sell vehicles. But just as important, we are aiming to increase general awareness about the excellence of our products and our corporate performance among people who are not yet in the market for a vehicle. To develop new products, we respond to market demands through our market research and product development efforts. Through our advertising, we hope to increase interest in and preference for our vehicles and our Company based on the excellence of our products and the positive actions of our Company.

As part of our ONE Ford transformation, we are working to improve the effectiveness of our advertising communications by involving dealers more closely in the development of our advertising strategies. Dealers communicate with our customers every day, and they have special knowledge about consumers' needs and wants. We included our dealers from the start in our Drive One campaign. In fact, prior to developing Drive One, we sought input from our entire Ford dealer body, and that feedback informed the campaign's development. Together we arrived at a campaign that works at the corporate, brand, product and dealer levels.

We are also improving alignment between our public relations efforts and our marketing efforts, to improve the effectiveness of all our communications. In 2010, a key focus of our communications will be improving customer awareness of our quality and fuel-economy achievements. For example, we launched a new ad series for the Ford Fiesta in which Fiesta Movement agents – or people who have been given a Fiesta to drive in advance of the product's launch in the United States so they can share their experiences through social media – describe how the Fiesta

delivers best-in-class fuel economy and "smart" technology, including the voice-activated SYNC® multimedia communications system. We are also highlighting that we make the first consumer car that delivers over 300 hp and yet gets 31 mpg – the new Ford Mustang. And, we are emphasizing the introduction of the EcoBoost™ engine lineup, including the new I-4 and V6 engines, which can deliver 10 to 20 percent better fuel economy and up to 15 percent fewer CO₂ emissions than larger-displacement engines.

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Increasing Consumer Awareness of Environmental Issues

Ford is also working to increase consumer awareness of key vehicle-related environmental issues, including how drivers can help to improve the environmental performance of their own vehicles.

For example, Ford's new, advanced in-vehicle system – MyFord Touch™ – offers an array of real-time information on fuel-economy performance that can coach drivers to get more miles to the gallon and save on fuel costs. In addition, the MyFord Touch map-based navigation system offers an Eco-Route option that quickly calculates the most fuel-efficient route a driver can take to get from point A to point B.

MyFord Touch also enables drivers to monitor and track their vehicle's real-time fuel economy performance and mile-per-gallon averages for the past five, 10 and 30 minutes in the form of a bar chart next to the fuel gauge on the display. Drivers can customize the amount of information provided to meet their needs and hone their eco-driving skills over time.

MyFord Touch is built on the fuel-efficiency "coaching" concept Ford pioneered on its SmartGauge™ with EcoGuide instrument cluster tool for the 2010 Ford Fusion Hybrid and Mercury Milan Hybrid. This tool will also be available on the all-new 2011 Lincoln MKZ Hybrid. The system provides real-time fuel economy data and promotes fuel-efficient driving by showing a graphic of growing leaves and flowers.

We are launching a similar system in Europe called EcoMode. Similar to EcoGuide, EcoMode helps educate the driver to achieve improved real-world fuel economy. It was first introduced on the new Ford Focus ECONetic. The system will be implemented as an option in more European Ford models in the future.

We have also developed eco-driving tips that help drivers improve their fuel economy by almost 25 percent. We provide these tips on our Web site and through a Driving Skills for Life online training program. We started providing eco-driving training in 2000 in Europe and have since expanded it to the United States and Asia. For more information on our [eco-driving training programs](#) please see the Climate Change section.

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Financing Our Plan and Improving Our Balance Sheet

To deliver on our new product plans, our sustainability efforts and our plans to remain profitable, we have to continue to improve our balance sheet. Since the beginning of 2009, we have made substantial progress in our plans to provide additional liquidity and improve our balance sheet. These accomplishments include the following:

- On April 6, 2010, paid down \$3 billion of the drawn amount of the 2013 revolving credit facility. This payment has reduced Automotive gross cash and debt by \$3 billion, which will be reflected on Ford's second-quarter 2010 balance sheet. The action did not affect Automotive liquidity, as the repaid amounts remain available for borrowing.
- Negotiated with the UAW to amend the VEBA agreement to provide the option of paying up to approximately 50 percent of our VEBA obligations in Ford Common Stock, and to smooth payments over the 13-year payment term.
- Reduced Automotive debt by \$10.1 billion principal amount, utilizing \$2.6 billion in Automotive and Ford Credit cash and 468 million shares of Ford Common Stock, through a number of separate but related transactions, including a cash tender offer to repurchase outstanding debt securities, a cash tender offer to repurchase certain secured term loan debt, and an induced conversion offer with respect to our convertible debt securities maturing 2036.
- Raised \$1.6 billion of equity in an underwritten public offering of Ford Common Stock. Raised \$565 million with the completion of an equity distribution program begun in 2008, pursuant to which shares of Ford Common Stock were issued over time in market transactions.
- Entered into a U.S. Department of Energy (DOE) loan agreement to provide us up to \$5.9 billion in loans, at interest rates generally equivalent to a 10-year U.S. Treasury rate, under the DOE's Advanced Technology Vehicles Manufacturing Incentive Program.
- Issued \$2.875 billion of 4.25 percent Senior Convertible Notes due 2016.
- Amended and extended the revolving credit facility under our secured Credit Agreement – reducing the amount of the revolving credit facility from \$10.7 billion to \$8.1 billion, extending the maturity date of \$7.2 billion of that amount from December 2011 to November 2013, and establishing a new term loan in the amount of \$724 million maturing in December 2013.
- Registered an additional \$1 billion equity distribution program in November 2009 and commenced sales thereunder in December 2009 with issuances totaling about \$470 million through March 2010.
- Completed the UAW VEBA transaction on December 31, 2009, by transferring assets, consisting of cash and marketable securities, notes and warrants valued at \$14.8 billion, to the UAW VEBA Trust, thereby discharging our \$13.6 billion of UAW retiree health care obligations.
- Secured a £360 million-pound loan guarantee commitment in Britain from the European Investment Bank in 2010 to support Ford's investment of £1.5 billion pounds in its four UK facilities over the next five years.
- Returned capital from Ford Credit consistent with its plan for a smaller balance sheet and focus on core Ford brands.

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Fordmotorcompany.com:

Form 10-K

Form 8-K

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Working as One Team

As part of our "One Team" approach, Ford has implemented a disciplined business plan process to regularly review our business environment, risks and opportunities, as well as our strategy and our plan. Through this process we also identify areas of our plan that need special attention and pursue opportunities to improve our plan. Everyone is included and contributes, openness is encouraged, and our leaders are responsible and accountable. We use facts and data to make our decisions, and high-performance teamwork is a performance criteria. We follow this process every week, every month and every quarter, driving continuous improvement. We believe this process gives us a clear picture of our business in real time and the ability to respond quickly and decisively to new issues and changing conditions – as we have done in the face of rapid changes in the market and business environment in 2009.

At our weekly business plan meeting, management teams review every element of the business, both by business unit and by skill team. We also look at every metric of our business, from research and development to marketing to evolving emissions standards. Each item is coded red, yellow or green, and the team collaborates to turn reds (indicating problems) into greens as quickly as possible. This is an important shift within Ford's corporate culture, in which potential problems were previously not always identified early enough. Now, defects are addressed before cars reach showrooms, and production levels are trimmed at the first sign of trouble.

In addition, we are enlisting our stakeholders to help us create an exciting and viable Ford business going forward. We are reaching out and listening to customers, dealers, employees, the UAW, suppliers, investors, communities, retirees, and federal, state and local governments. Each of these constituencies is a critical part of, and critical to, the success of our business going forward. Realizing our goal of profitable growth for all is as important to these stakeholders as it is to our shareholders.

This section addresses two key facets relating to our One Team approach: [increasing global integration](#) and our [product development process](#).

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- [Increasing Global Integration](#)
- [Improving New Product Development Process](#)
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Increasing Global Integration

Our core business strategy focuses on developing truly global vehicles that share common platforms, design elements, technologies and materials across our global markets. This approach is key to delivering high-quality, innovative and desirable products quickly and cost effectively. To make this strategy a reality, we are globally integrating our product development, manufacturing, purchasing and marketing efforts.

In 2009, we made changes to our Global Marketing organization to create a more consistent and compelling connection with customers worldwide, while better leveraging the Company's global assets and capabilities. As part of these changes, we named Elena Ford as director of Global Marketing, Sales and Service Operations, reporting directly to Jim Farley, Ford's group vice president of Marketing and Communications. We are building on this restructuring by taking many of our core marketing processes global. For example, in 2009 we expanded our Brand Equity and Awareness Tracking system to 14 of our global markets, and in 2010 we are further expanding it to cover 25 global markets. This system, which tracks consumer familiarity and favorable opinion of our brands, as well as consideration, shopping and purchase intention, allows us to assess key elements of how consumers perceive our brand across our global markets. We are also implementing digitally based virtual market research technology throughout our global markets. This technology will allow us to test vehicle concepts in markets across the globe without shipping physical prototypes from one market to another. These global market research processes will help us develop truly global vehicles that appeal to consumers across national and regional borders.

These efforts to increase the global integration of our operations follow key restructuring efforts undertaken in 2007 and 2008. At that time, we reorganized senior leaders in the product development and purchasing organizations to assign global responsibility for key vehicle segments and major purchasing functions. We also globally integrated our regional research and product development organizations.

We are also increasing the global integration of our Quality Operating System. In 2008, for example, we completed the global implementation of a standardized quality system that replaced former regional systems. By requiring standardized processes and implementation everywhere we operate, we can continue and expand our world-class quality.

Going forward, we will be delivering more vehicles worldwide from fewer core platforms. We have already reduced the number of global nameplates from 97 in 2006 to 59 in 2008, with further reductions planned. In 2007, we had 27 different vehicle platforms, with 29 percent of our total production volume produced from core platforms. In 2012, we plan to have 15 different platforms, with 72 percent of our total production volume produced from core platforms. With our ONE Ford plan, we are working to make all small- and medium-sized Ford vehicles competing in global segments common in North America, South America, Europe and Asia Pacific and Africa by 2013. This will include Fiesta- and Focus-sized small cars, Fusion- and Mondeo-sized midsize cars and utilities, compact pick-ups and commercial vans. In 2012, for example, we expect to produce more than 2 million vehicles from our global "C-car" (Focus-sized) platform and more than 1 million vehicles from our global "B-car" (Fiesta-sized) platform. The efficiencies resulting from our ONE Ford plan and our global product strategies are demonstrated by a 60 percent reduction in engineering costs and a 40 percent reduction in capital costs from 2005 to 2008, per typical new vehicle, with ongoing improvements planned.

We are also beginning the global implementation of [EcoBoost™](#), our new fuel-efficient engine technology. This technology launched in the United States in 2009 on the Lincoln MKS, Lincoln MKT, Ford Taurus SHO and Ford Flex. In early 2010 we began implementing EcoBoost in Europe, where we will introduce a 1.6-liter I-4 EcoBoost engine on the Ford C-MAX and Grand C-MAX and a 2.0-liter I-4 EcoBoost engine on the Ford Galaxy, Mondeo, S-MAX, Edge and Explorer. By 2013, Ford will have annual volumes of 1.5 million EcoBoost V6 and I-4 engines globally.

We will begin implementing our highly successful SYNC® in-vehicle communication and entertainment system globally in 2010, beginning with Europe and then migrating to Asia Pacific

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- [Ford's Sustainable Technologies and Alternative Fuels Plan](#)
- ["Drive Smart" Technologies](#)
- [New Global C-Car Platform Illustrates ONE Ford Plan in Action](#)

Vehicle Web Sites:

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and Australia. To date, Ford has built more than 2 million SYNC-equipped vehicles. We are also continuing to add features to the SYNC system. (See the ["Drive Smart" Technologies](#) section for details.)

In addition, we are continuing to standardize materials and parts across vehicle lines. This standardization will not only reduce costs, it will increase quality by reducing the number of different parts we test and manufacture. Three years ago we started commodity business plan teams to find the most effective materials and parts standardization opportunities. This approach was further intensified under the collaboration model of ONE Ford. Each commodity plan features detailed assessments of technology developments, cost drivers, sourcing strategies and global supplier assessments.

We now have plans for the top 112 commodities (in terms of value) that go into our vehicles. These 112 commodities, from chassis control arms to brake discs, represent 80 percent of the total production cost of the vehicle, excluding powertrain components.

This approach has proven its success with our new C-segment platform. Parts commonality on the new C-car increased significantly from prior vehicle programs, reaching 80 percent. Moreover, instead of asking for multiple bids from suppliers on components, a practice known as "market-testing," Ford pre-sourced a larger percentage of the commodities for the new Ford Focus with its preferred suppliers.

By leveraging our global operations, we will be able to deploy our global product development capital and engineering resources to fewer vehicle platforms, drivetrains and powertrains. This commonality of platforms, drivetrains and powertrains, in turn, will reduce complexity in our vehicles and processes. All of these efforts will reduce costs and increase quality.



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Improving New Product Development Process

We are also realigning our capabilities to deliver better products faster than ever before. We are continuing our investment in flexible manufacturing, which reduces costs for each new product and lets us shift production at an individual plant from model to model to address changes in customer demand quickly. In our flexible manufacturing plants, we are using reprogrammable tooling in the body shop, standardized equipment in the paint shop, and a common build sequence in final assembly, so that we can build multiple models on one or more platforms in a single plant.

In our body shops, where the sheet metal comes together to form the vehicle's body, more than 80 percent of the tooling is not specific to one model. It can be reprogrammed to weld cars, trucks or crossovers of similar size.

In our flexible paint shops, we are using standardized equipment capable of painting a vehicle of any size. This not only allows us to transition easily from producing one vehicle to another, it also improves paint quality and minimizes environmental impacts. In part due to the use of standardized equipment, in 2009 Ford had the best paint durability after three years in service of any automaker and was tied for first place in paint customer satisfaction after three months in service, according to the Global Quality Research System survey conducted for Ford by the RDA Group.

To facilitate flexibility in our final assembly plants, we are designing vehicles so that they are built in the same sequence. This allows us to build different models in the same plant and allows us to respond more quickly to changing consumer needs. It also allows for efficient utilization of people and equipment.

We are also leveraging our plant flexibility to facilitate our transformation to a more balanced portfolio of vehicles. For example, our investment in flexible manufacturing enabled us to move our SUV production from the Michigan Truck Plant into the Kentucky Truck Plant in the first quarter of 2009. We were able to consolidate the vehicle lines formerly produced in Michigan into the Kentucky plant in less than three months. The Kentucky plant now produces the full array of Ford's F-Series Super Duty® truck products, as well as the Expedition, Expedition EL, Navigator and Navigator L. Our investment in flexible manufacturing also is allowing us to more quickly and cost-effectively convert the former Michigan Truck Plant to a car plant (Michigan Assembly Plant) that will begin producing the global Ford Focus for the North American market late this year.

In addition, nearly all of our U.S. assembly plants will have flexible body shops by 2012, to enable quick responses to changing consumer demands. And, nearly half of our transmission and engine plants will be flexible, capable of manufacturing various combinations of transmission and engine families.

Flexible manufacturing increases our ability to respond quickly to changing customer demand and reduces costs in our powertrain facilities. In our traditional powertrain facilities, changeover from one product to another typically requires a 12–18-month extended shutdown and usually results in significant equipment obsolescence. A flexible system changeover, by contrast, often takes place during regularly scheduled plant shutdowns during the summer and over winter holidays, requiring only a two- to six-week shutdown to implement an entirely new architecture.

A key enabler to quickly launching new products in our flexible manufacturing plants is virtual manufacturing. Virtual manufacturing technology allows Ford to quickly add various models into an existing facility – or to reconfigure an existing facility to produce a new model. Every new product is "built" in a virtual manufacturing plant, which contains every tool, station, robot and conveyor, all created via three-dimensional CAD data. This allows the manufacturing engineer and the product development engineer to simultaneously prove out product and process compatibility at least one year before the first physical part is built and two years before the first vehicle is built.

Ford has a range of industry-leading virtual manufacturing and product tools. Many of these are

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housed in the Immersive Virtual Review lab in the Product Development Center and the Manufacturing Development Center in Dearborn, Michigan. In these labs, designers and engineers evaluate early vehicle designs against a backdrop of virtual conditions and experience a vehicle from both production workers' and drivers' vantage points before it is built. This helps us create Ford, Lincoln and Mercury products that provide the "perfect fit" for almost all customer body types. The Product Development Center also houses the Cave Automated Virtual Environment, a Programmable Vehicle Model and a virtual reality station. These technologies utilize advanced motion-tracking equipment and computer software to generate virtual vehicle interiors and exteriors at actual scale, reducing the need to build physical prototypes. This process significantly reduces product development costs and time while improving vehicle quality.

Ford is also the first automaker in North America to use a new virtual technology that allows engineers to actually "see" unwanted sounds and eliminate them during vehicle development, to further reduce in-vehicle noise. Quiet vehicle cabins are an important element of the customer driving experience and customers' perceptions of overall quality. The technology, called "Noise Vision," uses a small sphere equipped with more than 30 highly sensitive microphones and 12 special cameras. Powerful software reads data from Noise Vision and creates a computerized image showing interior noise "hot spots," including wind noise, a squeak or rattle, or unwanted feedback from the engine or the road. Ford began using this technology to develop new vehicles for the 2010 model year. Noise Vision has significantly reduced vehicle development time and costs while improving quality. It has allowed Ford's North American NVH (noise, vibration and harshness) engineers to reduce wind tunnel testing time by 200 hours each year – saving more than \$300,000 in testing costs. The success of this new technology is also reflected in improved quality ratings. According to one third-party quality survey, Ford has the fewest wind noise, squeak and rattle issues of any full-line vehicle manufacturer. In addition, the RDA Group's Global Quality Research System found that Ford brands have higher interior quietness customer satisfaction scores than their Asian counterparts.

Virtual manufacturing translates into multiple benefits for the Company. For example, incompatibilities are solved on the computer, saving re-work costs and time. Engineers can also see virtual assembly operators "at work" in their stations, ensuring that real operators will be able to safely install each and every part. In addition, Ford has deployed motion-capture technology, which allows an ergonomic specialist to evaluate production operations for attributes that could make it difficult for a line worker in the assembly plant to perform with the required level of quality and safety. These issues with the vehicle's design can then be corrected in the virtual environment before the vehicle goes to production. These technologies result in vehicles that are easier to build and higher quality and processes that result in fewer injuries to our workers. Ford has seen a 75 percent reduction in work-related injuries since the introduction of these proactive processes.

Virtual manufacturing also significantly reduces the time and costs required to develop new vehicles, and it improves quality. Thanks to our use of virtual manufacturing, product development time is approximately 14 months shorter than it was in 2004. Virtual manufacturing is also a cornerstone in our product globalization strategy, in that it allows us to design one product and one process for multiple applications. As part of our integrated, closed-loop feedback and learning process, manufacturing engineers track issues we discover when actually building vehicles and add preventative solutions into the virtual design standards for all future vehicles. We began tracking the number of manufacturing issues in 2005 as a baseline for improvement. As a result of using virtual manufacturing, we have reduced potential manufacturing engineering changes by more than 85 percent.

We are also using virtual technology to improve our market research and design processes. We recently implemented a new product modeling process that uses high-quality digital animation of the vehicle to create virtual models of vehicle concepts and vehicles under development. The process allows designers and market researchers to use digital animation models instead of two-dimensional photos or expensive and time-consuming clay models. This allows more design creativity and flexibility, because design changes can be made on the fly. It also improves the market research process. Seeing the test vehicle on a 25-foot screen allows the customer to better evaluate the options and offer opinions. It also allows for better comparisons with competitors' products, because both products can be presented in comparable digitized form. Virtual vehicle models significantly reduce market research costs and time because they reduce the need for creating and shipping multiple three-dimensional models. This process, which debuted on the 2010 Ford Taurus, will significantly improve the speed and cost of developing new vehicles. The program helped deliver the new Taurus 12 months sooner and cut research costs by nearly 50 percent.



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Investor Ratings and Feedback

Shareholder Communications and Transparency

We maintain open communication with the investment community. We regularly host conference calls and participate in key automotive conferences during the year. In addition, our Investor Relations Web site is a good source of information for investors. It contains various Company reports, a schedule of events and investment information. For more information about Ford's Investor Relations activities please see: [Investor Relations](#).

- RELATED LINKS 
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Ford Motor Credit Company

Established in 1959, Ford Motor Credit Company is a major part of Ford Motor Company's business. This wholly owned subsidiary offers automotive financial services to dealerships and customers around the world. Ford Credit's sole focus is to support the sale of Ford Motor Company vehicles. Its profits and dividends help support business needs and vehicle development at Ford.

In North America, Ford Credit does business in every state in the United States and all provinces in Canada. Outside the United States, FCE Bank is Ford Credit's largest operation. The biggest share of FCE's business is in the UK and Germany, with smaller operations in most other European countries. Ford Credit also operates in select markets in Asia Pacific, Africa and Latin America.

Ford Credit offers a wide variety of automotive financing, insurance and related products. Most financing falls into three categories:

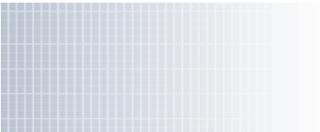
- Retail – purchasing customer sale and lease contracts from dealers and offering financing to commercial customers to lease or purchase vehicle fleets
- Wholesale financing – making loans to dealers to purchase vehicle inventory
- Other financing – making loans to dealers for working capital and improvements to dealership facilities, and to purchase or finance dealership real estate

Ford Credit works on issues of interest to its stakeholders, including the following.

- **Credit Availability:** Ford Credit provides financing for qualified dealers and consumers, utilizing financing and servicing practices that ensure credit is available and affordable for a broad spectrum of customers. Despite the recession and credit crisis, Ford Credit has continued its consistent lending practices and supported the sale of Ford vehicles.
- **Credit Approvals:** Ford Credit has used consistent and prudent credit standards and practices for many years to support Ford Motor Company dealers and customers. Because the company uses proprietary credit originations and collections systems, it can finance and collect from a broader range of customers than if it used credit scores alone.
- **Consumer Education:** Ford Credit is a longstanding supporter of and participant in financial education through organizations such as AWARE (Americans Well-Informed on Automobile Retailing Economics) and Junior Achievement, as well as in community and educational forums across the United States. Ford Credit's Web site, www.fordcredit.com, includes information in English and Spanish to help consumers make informed decisions about vehicle financing.
- **Customer Privacy:** Safeguarding customer information is important to Ford Credit, which uses systems, policies and procedures to maintain the accuracy of customer information and to protect it from loss, misuse or alteration. Customer information is accessible to appropriate personnel who have a business need for the information. Ford Credit provides training and communications programs to educate personnel about privacy requirements. Beyond protecting customer privacy, Ford Credit continuously utilizes and works to develop robust processes to produce a superior service experience that ensures customers are always treated fairly and respectfully.
- **Identity Theft:** Ford Credit is a founding member of the Identity Theft Assistance Center, a nonprofit industry association in which member institutions collaborate to protect their customers from fraud and help them recover if they are victims of ID theft.
- **Technology and Process Improvements:** Ford Credit continuously improves processes and utilizes technologies that drive efficiency and sustainability. These include improved and online customer services that facilitate paperless invoices; electronic payments

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and online credit applications; expanded utilization of electronic contract signing; electronic document storage; and improved software tools and telephony technologies to enhance responsiveness and increase satisfaction for dealers and customers.

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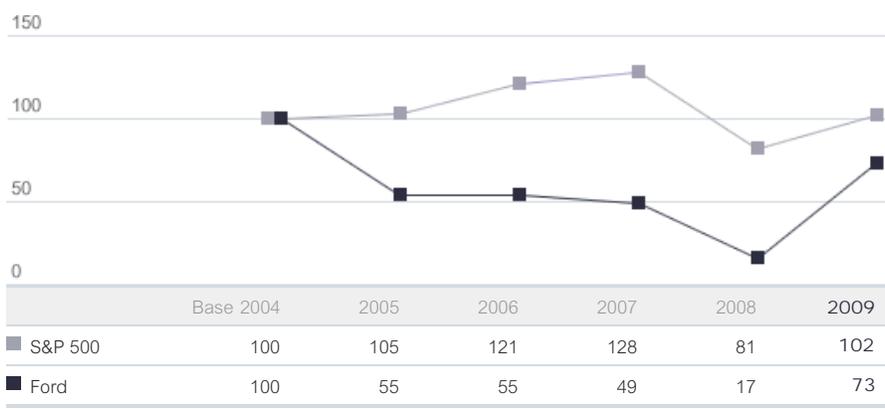
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Financial

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A. Cumulative Shareholder Return



Updated data to reflect 2004 base.

For more information, please see Ford's [Annual Report](#).

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B. Selected Financial Performance Indicators

Indicator	2004	2005	2006	2007	2008	2009
Sales and revenue (\$ billion) †	172.3	176.8	160.1	172.5	146.3	118.3
Income/(loss) from continuing operations (\$ billion) †	3.2	1.6	(12.6)	(2.8)	(14.7)	2.7
Net income/(loss) (\$ billion) †	3.0	1.4	(12.6)	(2.7)	(14.7)	2.7
Stock price range (per share) (\$)	12.61–17.34	7.57–14.75	6.06–9.48	6.65–9.7	1.01–8.79	1.50–10.37
Diluted per share amount of income/(loss) from continuing operations (\$) †	1.59	0.86	(6.73)	(1.4)	(6.46)	0.86
Diluted per share amount of net	1.52	0.77	(6.72)	(1.38)	(6.46)	0.86

income/(loss) (\$) †						
Cash dividends per share (\$) †	0.40	0.40	0.25	0	0	0
Automotive gross cash (\$ billion) ¹	23.6	25.1	33.9	34.6	13.4	25.5
Shareholder return (percent) ‡	(6)	(45)	1	(10.4)	(66)	337

1. Automotive gross cash includes cash and cash equivalents, net marketable and loaned securities and assets contained in a short-term Voluntary Employee Beneficiary Association (VEBA) trust.

For more information, please see Ford's [Ford's 10-K and 8-K](#) and [Annual Report](#).



† Audited for disclosure in the Ford Annual Report on Form 10-K



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C. Profile of Ford Investors

Investor	Percent					
	2004	2005	2006	2007	2008	2009
Institutional Investors:	41	46	54	69	57	47
Top 15	22	27	34	38	33	28
Others	19	19	20	31	24	19
Employees and Management	21	19	19	13	12	9
Individuals ¹	38	35	27	18	31	44

1. The ownership by individuals includes shares owned by the Ford family and by Ford employees and management outside of the Company savings plans.

For more information, please see Ford's [Annual Report](#).



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D. Worldwide Taxes Paid

Investor	\$ million					
	2004	2005	2006	2007	2008	2009
U.S. (Federal, State and Local)	1,268	1,317	1,121	1,299	780	674
Non U.S.	3,008	3,185	3,429	4,420	4,016	2,314
Total	4,276	4,502	4,550	5,844	4,796	2,988

Data for 2004 through 2006 exclude Federal refunds. Prior-year tax has been restated in order to include certain types of duty that were not included in the reports for prior years.

For more information, please see Ford's [Ford's 10-K and 8-K](#).

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Product, Quality and Service

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A. GQRS Things Gone Wrong (TGW) (three months in service)

Total things gone wrong per 1,000 vehicles



Total things gone wrong per 1,000 vehicles

2004	2005	2006	2007	2008	2009
1,956	1,846	1,586	1,405	1,206	1,107

The Global Quality Research System (GQRS) is a Ford-sponsored competitive research survey. The GQRS is a good indicator of other quality results.

Ford had the fewest number of vehicle defects or "things gone wrong" among all full-line manufacturers in the first three months of ownership, capping five straight years of improvement. We have achieved these quality improvements by using our rigorous Global Quality Operating System, including cutting-edge virtual manufacturing. For more information about our quality system and results please see [Customer Satisfaction and Quality](#).

Third party rating

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Customer Satisfaction and Quality

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B. GQRS Customer Satisfaction (three months in service)

Percent satisfied



Percent satisfied

	2004	2005	2006	2007	2008	2009
	74	73	74	76	77	84

The Global Quality Research System (GQRS) is a Ford-sponsored competitive research survey. GQRS is a good indicator of other quality results.

Customer satisfaction rose to 80 percent in 2009, a three percentage point gain over 2008. This gain is largely the result of introducing high-quality, exciting new products. For the first quarter of 2010 this figure has risen to 84 percent, putting us statistically ahead of all other full-line manufacturers. For more information about our quality system and results, please see [Customer Satisfaction and Quality](#).



Third party rating

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C. Sales Satisfaction with Dealer/Retailer

Net promoter score



KEY ■ Ford Brand U.S.
■ Ford Brand Europe (UK, Germany, Italy, France, Spain)

Net promoter score

	2004	2005	2006	2007	2008	2009
Ford Brand U.S.	83.0	80.0	81.0	82.0	84.0	82.0
Ford Brand Europe (UK, Germany, Italy, France, Spain)	79.1	80.1	80.7	79.7	81.0	74.0

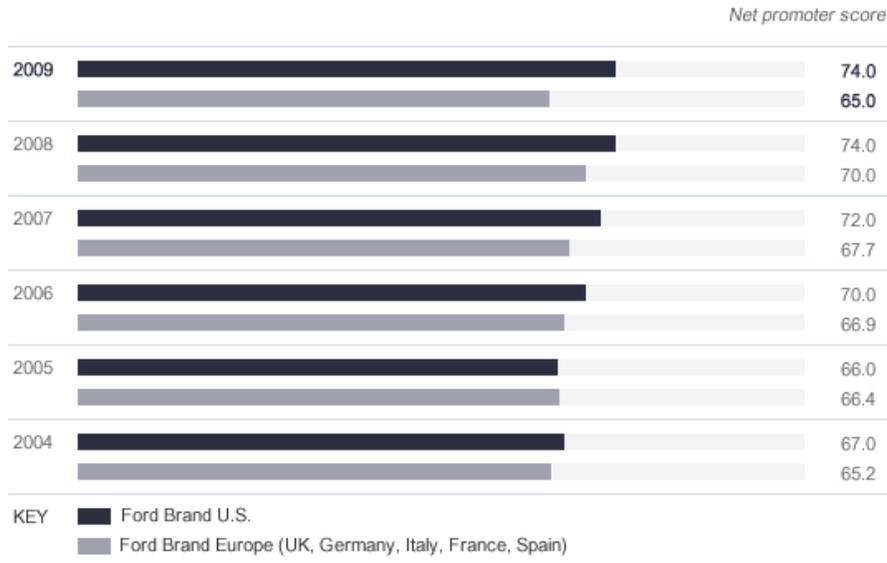
U.S. sales satisfaction decreased slightly in 2009 vs. 2008. This decrease was largely attributed to the "Cash for Clunkers" program, which stressed dealer resources. In Europe, dealers took steps during late 2008 and early 2009 to reduce costs in response to the economic crisis. This typically involved cutting administrative manpower and resources. By mid-2009 it became clear that this was negatively impacting customer sales and service satisfaction net promoter scores, due to a shift from "completely satisfied" to "very satisfied." Dealers were investing less time and effort to follow up with customers, address any concerns, and ensure that they were completely satisfied. A comprehensive improvement program was

immediately implemented throughout Europe. Monthly scores recovered strongly and finished the year on track to return to Business Plan target levels in 2010.

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D. Service Satisfaction with Dealer/Retailer



Net promoter score

	2004	2005	2006	2007	2008	2009
Ford Brand U.S.	67.0	66.0	70.0	72.0	74.0	74.0
Ford Brand Europe (UK, Germany, Italy, France, Spain)	65.2	66.4	66.9	67.7	70.0	65.0

Prior to 2008, only warranty repair visits were measured. Starting in 2009, customer-paid repair and maintenance visits are also included. These additions have had a small negative impact on the 2009 score. The improvement from 2004 is significant.

Service satisfaction remained steady in the United States from 2008 to 2009. It decreased by five points in Europe. In Europe, dealers took steps during late 2008 and early 2009 to reduce costs in response to the economic crisis. This typically involved cutting administrative manpower and resources. By mid-2009 it became clear that this was negatively impacting customer sales and service satisfaction net promoter scores, due to a shift from "completely satisfied" to "very satisfied". Dealers were investing less time and effort to follow up with customers, address any concerns, and ensure that they were completely satisfied. A comprehensive improvement program was immediately implemented following the cancellation of the Customer Viewpoint Program (our internal measure of customer satisfaction with the dealer sales and service experience) at the end of 2008. Scores recovered strongly following reintroduction of the program in September, but did not get back to prior year levels.

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Market Share and Sales

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A. Ford Motor Company Market Share – United States



Percent					
2004	2005	2006	2007	2008	2009
19.3	18.2	17.1	15.6	14.2	15.3

Ford gained over a percentage point in market share in the US in 2009, its first market share gain since 1995. Market share increased even further in the first quarter of 2010; we increased overall U.S. market share by 2.67 percentage points to 16.56 percent (with 14.1 percent share of the retail market). This is the largest quarterly U.S. market share gain since 1977.

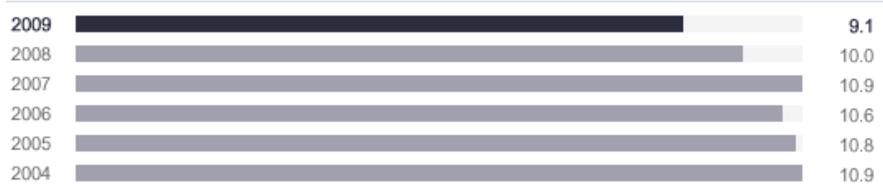
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B. Ford Motor Company Market Share – Europe

Percent



Percent

	2004	2005	2006	2007	2008	2009
	10.9	10.8	10.6	10.9	10.0	9.1

Annual market share data through 2008 include Volvo. The 2009 data does not include Volvo, due to our pending sale of Volvo. The increase in European market share from 2008 to 2009 is based on 2008 and 2009 data excluding Volvo.

Ford brand combined car and truck market share in these 19 European markets was 9.1 percent excluding Volvo (up 0.5 percentage point from 2008, excluding Volvo).

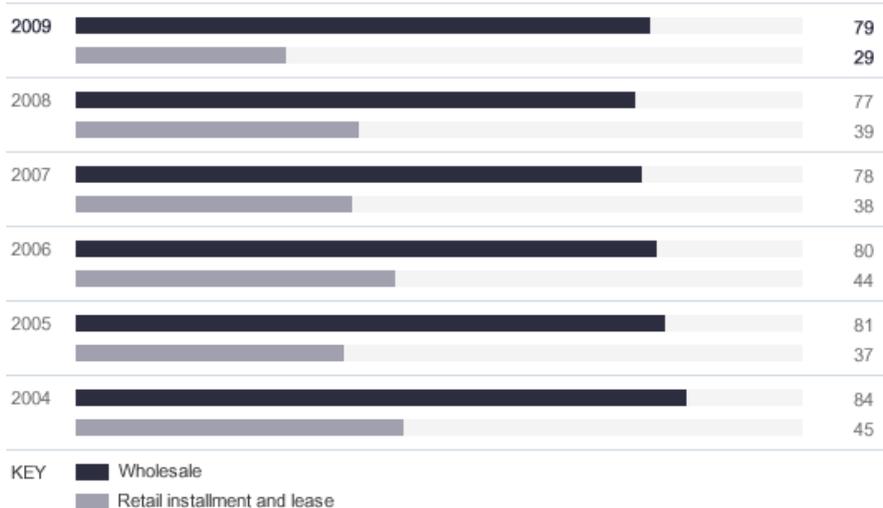
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C. Ford Credit Financing Share – United States

Percent



KEY Wholesale
 Retail installment and lease

Percent

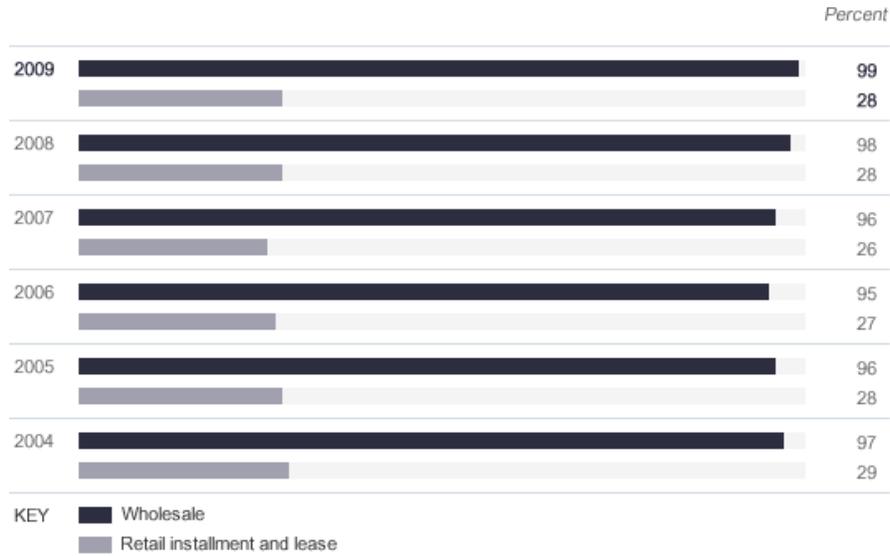
	2004	2005	2006	2007	2008	2009
Wholesale	84	81	80	78	77	79
Retail installment and lease	45	37	44	38	39	29

These data include Ford, Lincoln and Mercury brands only.

For more information on Ford Credit please visit www.fordcredit.com. For more information on Ford Credit financial information, visit the [Ford Credit investor center](#).

Reported to regulatory authorities

D. Ford Credit Financing Share – Europe



Percent

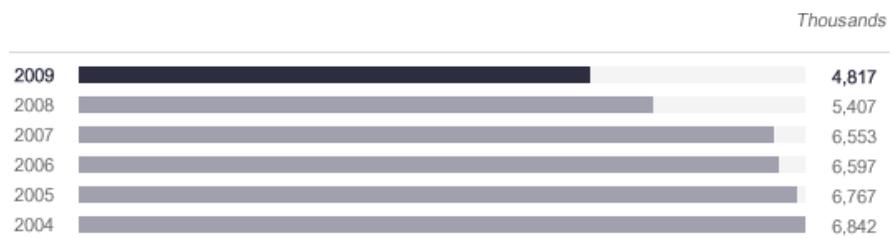
	2004	2005	2006	2007	2008	2009
Wholesale	97	96	95	96	98	99
Retail installment and lease	29	28	27	26	28	28

These data include Ford brand only.

For more information on Ford Credit please visit www.fordcredit.com. For more information on Ford Credit financial information, visit the [Ford Credit investor center](#).

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E. Summary of Vehicle Unit Sales



Thousands

	2004	2005	2006	2007	2008	2009
	6,842	6,767	6,597	6,553	5,407	4,817

F. Ford Fleet Sales



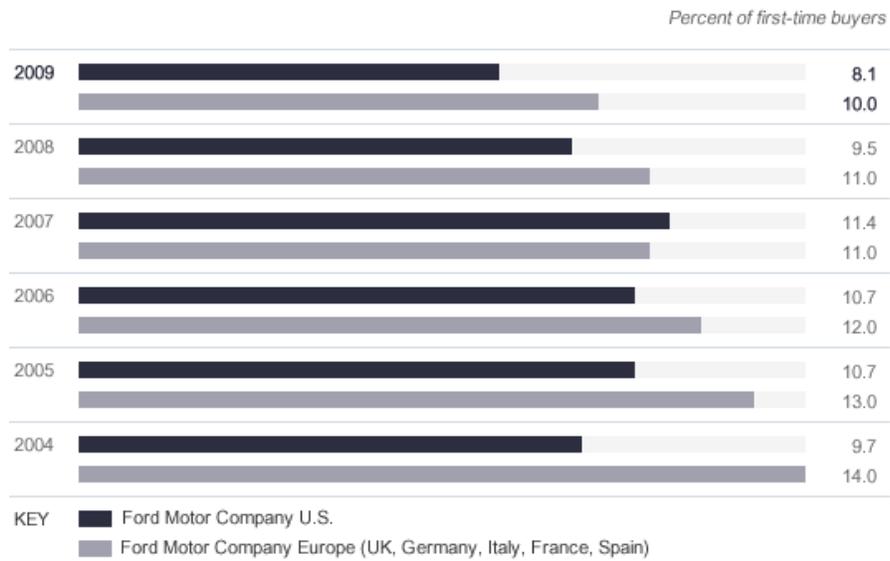
Units sold

	2004	2005	2006	2007	2008	2009
	810,000	854,000	902,000	744,000	607,000	488,000

Reported to regulatory authorities

In This Report:
Sales Highlights

G. First-time Ford Buyers (Owners who Acquired a New Vehicle for the First Time)



Percent of first-time buyers

	2004	2005	2006	2007	2008	2009
Ford Motor Company U.S.	9.7	10.7	10.7	11.4	9.5	8.1
Ford Brand Europe (UK, Germany, Italy, France, Spain)	14.0	13.0	12.0	11.0	11.0	10.0

In This Report:
Customer Satisfaction and Quality

H. Owner Loyalty (Customers Disposing of a Ford Motor Company Product and Acquiring Another)

Percent loyal to corporation



Percent loyal to corporation

	2004	2005	2006	2007	2008	2009
Ford Motor Company U.S.	47.5	45.2	43.3	42.3	41.6	42.1
Ford Brand Europe (UK, Germany, Italy, France, Spain)	48.0	50.0	50.0	50.0	53.0	49.0

In This Report:
Customer Satisfaction and Quality

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Innovation

DATA ON THIS PAGE

- A. U.S. Utility Patents Issued to Ford and Subsidiaries

View all data on this page as [charts](#) | [tables](#)

A. U.S. Utility Patents Issued to Ford and Subsidiaries



Number of patents issued

2004	2005	2006	2007	2008	2009
403	342	387	357	343	325

Utility patents are patents that cover the useful features of an invention and these are measures of technological innovation. We have generated a large number of patents related to the operation of our business and expect this portfolio to continue to grow as we actively pursue additional technological innovation. The average age for patents in our active patent portfolio is five years.

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New Global C-Car Platform Illustrates ONE Ford Plan in Action

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Economic Impacts of the Auto Industry

The automotive industry is a major contributor to national and global economies. In 2008, the industry employed approximately 2.6 million people in the United States and contributed almost 4 percent of the national Gross Domestic Product.

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New Global C-Car Platform Illustrates ONE Ford Plan in Action

In 2010, Ford will begin manufacturing the all-new Ford Focus, the first vehicle based on our new global "C-car" platform. This platform illustrates our ONE Ford plan to leverage our global product development resources to deliver exciting products with best-in-class quality and fuel economy while also reducing costs and improving quality.

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Economic Impacts of the Auto Industry

The automotive industry is a major contributor to national and global economies. From 2000 to 2009, the industry contributed an average of 3.6 percent of the U.S. Gross Domestic Product – or nearly \$440 billion. In 2009, the industry employed approximately 2.3 million people in the United States at automotive manufacturers, supplier businesses and dealerships. Of this total, nearly 670,000 worked directly for automakers and suppliers. Wage and salary compensation in the industry is substantial. In the United States, for example, the average weekly earnings of automotive production workers are double the average weekly earnings for all of private hourly production workers.

Motor vehicles and auto parts represent the single-largest export sector in the United States, with an average of \$106 billion worth exported from 2005 to 2009. The auto industry is a leader among U.S. manufacturing industries in research and development investment, spending approximately \$16 billion to \$18 billion each year on research and product development. Ford alone spent approximately \$19.7 billion on engineering, research and development activities the United States from 2007 to 2009.

The influence of the automotive industry is quite broad. In the United States, the auto industry supports jobs and economic benefits through related employment at dealers, suppliers and service shops, and through the expenditures of people employed by those industries. One recent study found that approximately 8 million private-sector jobs are impacted by U.S. auto manufacturers, suppliers and dealers, and the industry contributes more than \$500 billion in compensation annually.¹ The auto industry has one of the highest multipliers of any industry in the U.S. economy, and the industry is sufficiently large that its growth or contraction can be detected by changes in the GDP.² Studies have shown that, if the domestic auto industry were to fail, up to 3 million direct and indirect jobs would be lost in the first year.² This same study said the loss of the domestic auto industry would also reduce personal income in the United States by more than \$398 billion over three years and would cost the government more than \$156.4 billion over three years, due to increased transfer payments, decline in Social Security income and decline in personal income taxes.

- Hill, Kim et al. 2010. *Contribution of the Automotive Industry to the Economies of All 50 States and the United States*. Available at the [Center for Automotive Research](#) Web site.
- David Cole, et al. 2008. *CAR Research Memorandum: The Impact on the U.S. Economy of a Major Contraction of the Detroit Three Automakers*. Available at the [Center for Automotive Research](#) Web site.

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New Global C-Car Platform Illustrates ONE Ford Plan in Action

In 2010, Ford will begin manufacturing the all-new Ford Focus, the first vehicle based on our new global "C-car" platform.¹ This platform illustrates our ONE Ford plan to leverage our global product development resources to deliver exciting products with best-in-class quality and fuel economy while also reducing costs and improving quality.

Our new C-car platform is truly global; vehicles based on this platform will ultimately be sold in nearly 90 countries. It is also highly flexible; we plan to introduce 10 different C-sized models that use this one platform, which will replace three platforms currently in production regionally. The new Ford Focus will be the first vehicle from this platform available in all our global markets. It will reach dealerships in Europe and North America in early 2011 and in Asia Pacific and Africa in 2012. By 2012, we expect to produce two million vehicles per year globally from this platform. This high volume – and the economies of scale it provides – gives us the opportunity to offer customers around the world an array of new technologies and product features usually reserved for premium vehicles.

A Highly Flexible Platform

The Company's strategy to achieve profitable growth globally from this segment is built on leveraging a highly flexible platform as the basis for a wide range of products. The C-car platform will be used as the basis for four-door sedans, hatchbacks and multi-activity vehicles (similar to wagons or mini-vans). We will deliver this range of body styles by using different "top hats" on the common platform.

The new Ford C-MAX, revealed at the 2009 Frankfurt Motor Show, showcases the platform's flexibility. This vehicle, which will be available in European markets by late 2010, will include a five-door version and a seven-seat, multi-activity vehicle version (a first for Ford) called the Grand C-MAX. The Grand C-MAX will have twin sliding doors and innovative seat design to provide outstanding space and flexibility. A version of the seven-seat Grand C-MAX is also scheduled to launch in North America in late 2011. In 2013, we will introduce hybrid and plug-in hybrid products based on the C-MAX in Europe. These various vehicles exemplify the benefits of platform diversification; they all provide a distinctive alternative to the average sedan with the same footprint as a traditional C-car.

This level of flexibility will allow us to meet the needs of a wider range of consumers and to respond more quickly and effectively to changes in consumer demand. The platform's flexibility and commonality will also reduce the cost of developing new products.

Leveraging Global Product Development Resources

The new C-car platform was created by a single global product development team that was responsible for delivering the next-generation Ford Focus and a family of vehicles in this size segment. This is a new way of working for Ford. Following the ONE Ford approach, we have broken down regional barriers that had previously resulted in different standards that often caused unnecessary re-engineering of products and components. This global vehicle team approach will be used for all of our global products moving forward. The greater global commonality enabled by this approach lowers production costs and allows us to include more advanced technologies and features in affordable vehicles. For example, 80 percent of the parts on the new Focus are common across regions, a significant increase from previous vehicle programs.

Virtual manufacturing tools are a key enabler of our global product development process. The first new Focus was initially built on computers, which allowed all of our global design and production operations to participate in the product development process. Major advancements in computer design and modeling allow us to verify that our new global manufacturing approach is feasible,

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 - Working With Suppliers Suppliers
 - Ford's Sustainable Technologies and Alternative Fuels Plan
 - Electrification: A Closer Look
- Vehicle Web Sites:
 - Ford Fiesta
 - Ford Focus
- Ford.co.uk:
 - Ford Focus
 - Ford C-MAX

whether production takes place in Michigan, Chongqing (China), Saarlouis (Germany) or in other plants around the world – even one that is not yet built. For more information on our virtual manufacturing technologies, please see [Improving New Product Development Process](#).

Plants around the world will build the new-generation global cars using shared processes, tools and technologies. Aligning plants in this way saves money. It creates economies of scale by developing common parts and tooling, and it saves on product development and tooling costs. This global approach also helps us deliver advances in quality across all our global operations.

Plants that will build the Focus-based vehicles include:

- The Michigan Assembly Plant in Wayne Michigan, formerly the Michigan Truck Plant, which is being retooled to make fuel-efficient smaller cars
- Saarlouis in Germany, the lead European assembly plant for the Ford Focus since its debut in 1998
- Valencia in Spain, a flexible manufacturing facility building both the Ford Fiesta and Focus models for Ford of Europe
- St. Petersburg in Russia, which builds both the Focus and Mondeo for the European market
- Chongqing in China, a new, state-of-the-art and highly flexible passenger car plant built with Ford's joint venture in China, Changan Ford Mazda Automobile

Strengthening Our Global Supply Base

The principles of Ford's four-year-old Aligned Business Framework (ABF), which sets down guidelines for Ford and suppliers to work together, paved the way for Ford to work effectively with strategic suppliers on a global basis in developing the new C-car platform. For example, ABF allowed Ford to bring in key suppliers for global meetings much earlier in the development process and to provide suppliers with a much greater level of detail on product features and manufacturing volumes and locations than was previously the case. By coordinating with Ford at an earlier stage, suppliers can drive significant cost efficiencies. This also contributes to ensuring consistent levels of excellent quality, whether we're building cars in the United States, Germany or China. In addition, providing a smaller number of suppliers with more business directly supports our ONE Ford goal of creating a viable company that delivers profitable growth for all – including our suppliers.

Taken together, these efforts to develop a common global platform have already driven efficiencies that have allowed Ford to reduce development costs more than 60 percent compared to vehicles developed as recently as 2006.

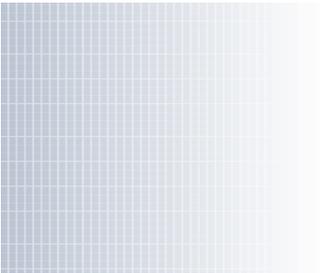
Designed to Meet Areas of Growing Consumer Demand Globally

Our global C-car platform is not just an internal exercise in global integration, quality improvements and cost reductions. It is also designed to help us better meet the needs of our global consumers.

The new Focus was developed using a global market research process that sought to understand commonalities and differences in consumer demand across our various markets. This research showed that customers increasingly want smaller cars with outstanding fuel economy, but without sacrificing any of the style, technology, connectivity and driving quality they demand from larger vehicles. Our next generation of C-cars show that Ford is ready to meet that challenge. We believe that the Focus combines the best from Europe, North America and Asia to deliver a new kind of small car product that is stylish, fuel efficient, affordable and fun to drive.

The new Focus is positioned to appeal to a major – and growing – international customer segment. One in four vehicles sold worldwide is a C-segment vehicle. C-cars are already the heart of the European car market, a mainstay in the Asia Pacific market and growing in importance in the Americas. Furthermore, consumer research for the next-generation Ford Focus found that customers from all three major regions of the world favored the same kinetic design, eliminating the need for regional differences and strengthening the mandate for a world-class, truly international product.

Our C-car platform vehicles will offer unprecedented levels of driver-convenience features, fuel economy and quality. The platform is designed to carry a wide range of fuel-efficiency and advanced powertrain technologies, to provide consumers with a range of fuel-efficient options. For example, the Ford Focus will use regionally relevant technologies to meet consumer demand for greater fuel efficiency, including EcoBoost™ engines and PowerShift dual-clutch technology, which improve fuel economy by up to 20 and 9 percent respectively compared to traditional engine and transmission technologies. Advanced clean diesels will also be offered in Europe. This platform will also form the base for one of our first commercially available battery electric vehicles – the Focus Electric – which will be available in the United States in 2011.



The C-car platform builds on the success of our global B-car platform, which is the base for the Ford Fiesta. The development of these platforms represents the future of Ford Motor Company and delivers on the promise of our ONE Ford plan. They leverage global resources; deliver exciting products with best-in-class quality and fuel economy; meet growing consumer needs; and deliver profitable growth for all our stakeholders.

1. Globally, vehicles are classified by size using letter codes. A "C-car" corresponds to a U.S compact car, a "B-car" corresponds to a sub-compact, and a "D-car" is a U.S. full-sized sedan.