

SYSTEM THE SECRET OF FORD'S SUCCESS

Building in Large Quantities Reduces Original Cost, Which Is Prohibitive.

BIG SAVING ON MATERIALS

Simplicity of Design Makes Further Reduction Possible, While Economies in Marketing Aid as Well.

By HENRY FORD (Ford.)

What system is employed? How is it possible to manufacture a high-grade car to sell at so low a price? In other words, to incorporate "high-priced quality in a low-priced car?" That is a big subject that has taken us five years to work out, and volumes could be filled without exhausting the ways and means employed. But the general principles involved are as follows:

First.—Cars must be built in large quantities, if the selling price is to be low—An output of 500 cars a year means a very considerably higher cost per car than when the output of that factory reaches 20,000 cars a year. The cost of designing, of special tools, experimentation, and exploitation are about equal in each case, but the cost per car is widely different, and in favor of the car built in quantity. Building in quantities means buying in quantities, and quantity buying gets the rock bottom price. This truth has within the last few days been forcibly illustrated to me. Last month we bought materials for 15,000 more cars, the largest order by far ever placed by any car manufacturer.

Second.—Making one piece do the work of nine—I recently witnessed the dissembling of a foreign-built car, and noted nine separate parts for a certain operation, which we accomplish with a single part. Each separate piece less lowers the cost of the complete car, and Ford cars have the minimum number of parts consistent with good practice.

Third.—Economy in shop practice—That means the installation of labor-saving machinery, the standardization of methods and products, and the employment of modern systematization. We put \$250,000 into machinery for this new car, but by its use the output per machine has increased, with a proportionate decrease in the labor required. The cylinders, for instance, in the little runabout traveled 4,000 feet from the time they entered as rough castings until they reached the assembly room. New machinery for the T car has cut down this travel to 400 feet, and one man does the work of three on the former model. There are several operations where one man with the new machinery can do the work of five or six with the old, yet the old was new three years ago.

Fourth.—Economy in sale methods—By advertising and proving the merits of the car we have secured a big demand. Our dealers easily dispose of all their allotment without the usual expense, because we have built up a demand for them to supply. Because each dealer can readily sell a greater number of cars, he is willing to handle the Ford line on a smaller margin.

Fifth.—Large, well-trained selling organization—It is impossible to market a large output through a few dealers. A dealer with too large a territory hits the high spots only and sells no more cars than if he thoroughly canvassed a smaller field. With several thousand dealers we reach every corner of the globe, and by means of conventions, personal letters, courses in salesmanship, and educational house organ, The Ford Times, we increase the sales capacity of our entire selling force.

Sixth.—Quantity sales necessitate a smaller profit per car to the manufacturer—When your annual output is 20,000 cars, it is not necessary to make a small fortune on each car in order to pay dividends.

Seventh.—Taking advantage of cash discounts on all bills payable, and keeping out of debt, by refraining from extravagance are important principles—High salaries for so-called star performers; extravagant expense accounts for entertainment; a costly sales method; lack of intelligent, systematic organization—all these must be eliminated to make possible and profitable a low-priced car.

After all, there is no secret about the low-priced car. It's all in the system employed. The material is the best that can be bought; the making and selling forces are ample and well-paid; nothing is skimmed, except extravagance, and that is entirely eliminated.

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