SYSTEM THE SECRET OF FORD'S SUCCESS

BUILDING IN LARGE QUANTITIES REDUCES ORIGINAL COST, WHICH IS PROHIBITIVE.

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

By HENRY FORD (Ford).

What system is employed? How is it possible to manufacture a high-grade car at a low price?

The question may be put in these words, to incorporate "high-priced quality in a low-priced car."

That is a big subject, one 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, Carroverage in large quantities, if the selling price is to be low. An output of 100 cars a year means a very considerable outlay for building and equipment, more than when the output of that factory reaches 20,000 a year.

A year's cost of designing, building, and manufacturing a car costs about $20,000.--the cost of a car that sells at $3,000. If the number of cars to be made is increased to 20,000 a year, the cost is reduced to $1,000.

Second, Building in quantities means buying in large quantities. The average car manufacturer, in buying various articles, has a great many separate orders, which are placed piecemeal. When a car manufacturer buys 20,000 sets of brakes, he can get them cheaper than if he bought 100 sets. The cost of 20,000 sets is only about 40 per cent of the cost of 100 sets.

Third, Economy in shop practice.--That means the design of the car, the building of the machinery, the standardization of methods. The introduction of interchangeable parts, the use of dies and form tools, the cutting of thousands of parts on machines--all of these have reduced cost.

Fourth, We are in the position of having semi-automatic machinery in the plant.

The Ford system is based on the principle of eliminating every possible source of waste and trouble. The Ford system means simple design, simple construction, simple and uniform materials, and simple and uniform methods of manufacture.

Fifth, Large, well-trained selling organizations are necessary. One of the most important results of mass production is the large output through a few dealers. A dealer is no more interested in making sales than is the high spot only sells a few more cars. With few dealers, the Ford system is not possible. With 3,000 dealers, each handling an average of 300 cars a year, the per cent of profit is no more than 3 per cent.

Sixth, Quantity sales necessitate a smaller price. How is it possible to get a $3,000 car for $1,500? It is possible because production is on an enormous scale and because the sales capacity of our entire force is up to the job.

Seventh, Taking advantage of cash discounts on all bills payable, and keeping out of debt, by refraining from extravagant living, and building up the fortune on each car in order to pay dividends.

Eighth, The car is the only car that can be bought; the making and selling of cars is the only business the company is engaged in, and the dividends are added to the capital and not taken away, except extravagance, and that is entirely eliminated.