

**FORD**

## Ford CEO Farley eyes Norway for secret to Tesla's future strategy



**Phoebe Wall Howard**

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LAS VEGAS – Ford CEO Jim Farley took the helm of the 119-year-old automaker 36 months ago, and he has earned a reputation for sleeping very little as he works at all hours in all time zones to forge a strategy that allows Ford to not simply survive in an increasingly competitive global market but also to redefine itself in an effort to dominate the growing electric vehicle segment.

He analyzes automotive design and customer behavior; he meets behind the scenes after hours with trusted sources outside the company to discuss data and trends. He tracks competitors like a hungry hawk tracks rattlesnakes in the desert.

To the world, Tesla has unilaterally defined and grown the all-electric car market. Its billionaire CEO Elon Musk — an engineer and proud disruptor — has established a reputation for brilliance and eccentricity. He is active on social media and tweets often on artificial intelligence, his satellite-based internet service Starlink and his SpaceX rocket program while at the same time challenging critics, skeptics and federal regulators.

Tesla, founded in 2003, released its first vehicle in 2008. Now, every legacy automaker is trying to catch up.

Farley watches Musk, a man who dominates the electric vehicle segment that Ford is working aggressively to penetrate. Ford has built the Mustang Mach-E, Ford F-150 Lightning and E-Transit van as well as invested in battery plants.

The Dearborn automaker is now the No. 2 brand in U.S. electric vehicle sales and has no plans to slow down, keeping Kia and Hyundai in the rearview mirror just barely.

### Looking for clues

Consumers now fill a waiting list for the Ford F-150 Lightning, the first mass produced all-electric pickup in America built by the nation's bestselling pickup truck brand in history. When you build 1

million gasoline-powered trucks a year and then pivot to electric, it's a big deal that translates to billions of dollars.

But Farley always worries. Maybe worry isn't the right word. Farley always seems to wonder what he doesn't know. He asks questions of those around him, probing to figure out what else to consider, what else to do.

Always looking for clues, Farley realized a major one might be in Norway.

After all, Tesla is a top seller of electric vehicles in Europe, and Norway is an estimated 70% all-electric. It's the most penetrated market in the world, and that's what makes it so unique to watch.

Norway is the future. and Farley figured the country might reveal a secret to Tesla's future strategy.

But Farley doesn't speak Norwegian. So he asked that his Ford Norway team pull together information about Tesla in the northern European country that borders Sweden, Finland and Russia — and translate it.

The Ford CEO specifically sought to track the behavior changes of his top competitor every 30 days.

## **Wait, what?**

Farley has noticed something no one else in the states seems to be discussing.

Tesla, which has thrived without the use of old-fashioned car dealerships, is building brick-and-mortar facilities that look a lot like what Americans would call a dealership.

You heard that right. Tesla is going old school.

Tesla calls them stores, and they're stand-alone buildings.

While many observers in the U.S. and elsewhere have predicted the demise of dealerships as a byproduct of consumer behavior, it seems that Tesla has learned that customers want to talk in person with its vehicle experts and take relationships offline. This is exactly the opposite of what some carmakers and even Tesla customers in the U.S. have predicted.

In fact, General Motors, which plans for an all-electric lineup by 2030, is now offering buyouts to its dealers who don't want to sell all-electric vehicles.

Car dealers express concern privately about their future. If customers get accustomed to buying vehicles online and fewer repairs are needed on all-electric cars because there are fewer parts, then the future is uncertain.

But Farley says hold up, not so fast.

# What if everybody was wrong?

This is why, in recent weeks, Farley has said he doesn't see a reduction in car dealerships but possibly expansion.

Farley said the value of car dealers doesn't diminish with the evolution of electric cars. It remains essential.

He defends dealerships because the data has shown him they're part of the recipe for future success. In this area, Ford and GM and Jeep and Chrysler have an advantage on Tesla, Farley said.

This whole discovery is counterintuitive.

It's like when you realize that Chinese consumers are pushing for brick-and-mortar shops because the experience is more personal and enjoyable than buying online.

Who knew?

Because Tesla sales have surged globally, including in China, the company is reaching customers beyond early adopters. An early adopter researches on their own, while a general consumer looks more for collaboration during the buying and repair process. Many new Tesla customers may want a different kind of more personal concierge service.

"We've studied Tesla really carefully over the last several years and especially with how their brand has scaled," Farley told a handful of reporters during a break from Ford dealer meetings in Las Vegas this month. "We noticed that, in Norway, they have almost 1,200 employees at very much like dealer facilities. We feel that's where they'll go."

## Tesla turns to Ford

Behind the scenes, Tesla is reaching out to collision centers run by Ford dealers in the U.S., Farley said. "They can't handle the ... capacity."

Andrew Frick, vice president of sales and distribution, Ford Model Blue, confirmed, "Tesla has approached several of our dealers."

Tesla has at least 21 physical locations in Norway, said Marin Gjaja, (pronounced JIE-uh) chief customer officer for Ford Model e.

So while everyone thinks of Tesla as online-only, that's simply not the case.

Meanwhile, having 1,200 employees working in what is very much like dealer facilities is notable in Norway's population of 5.4 million, Gjaja said. "If you scale that up to the U.S., it would be equivalent to what (the) Toyota (network) has."

The websites for Tesla "stores" in various cities list hours open six days a week and repair hours five days a week, according to an online review done by the Free Press.

Today, Tesla's website lists 25 service centers in Norway alone.

"We expect they will build an infrastructure to compete with ours," Ford's Gjaja said.

## **Tesla value now exceeds \$800 billion**

Tesla U.S. and Europe have not responded to email sent by the Free Press seeking comment.

Meanwhile, Wall Street has determined that Tesla is more valuable than all Detroit Three companies combined — and then some. What Musk does, his ability to grow his customer base and retain it, merits examination, Farley has said.

## **Former Toyota exec looks to be better**

"We're betting on dealers," Farley said. "We have an opportunity to be the most valuable franchise, more than Lexus, more than Toyota."

Farley understands Toyota because he began his career there, and launched its Camry and Lexus.

Ford wants its competitors' customers — "conquests" — buying many of its 2 million electric vehicles by 2026, Farley said.

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At the same time, enormous Ford Super Duty trucks that run on gasoline and diesel will remain a core part of business for now because they are key to revenue needed to pay for new technology. These vehicles are used for everything from utility repair services and emergency response to forestry and construction. Electric vehicle technology isn't developed well enough yet to pull these heavy loads at a competitive price.

Yet as Ford builds more electric vehicles, the company is looking for how dealers can make money and thrive. Servicing vehicles is essential to the highly profitable commercial side of the business. And Ford sees dealers playing a key role with software updates, just as the Apple Genius bar plays a key role with Apple customers who prefer going in person for help and guidance.

## **'Battle to win'**

In the end, Ford dealers are asked to see the future more like Target and Walmart and Best Buy and Amazon — which have moved to a highly successful hybrid model of online purchases and in-person customer service.

Tim Hovik, chair of the Ford National Dealer Council advisory group and owner of San Tan Ford in Gilbert, Arizona, said: "We go to battle to win. It's really about growth."

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Marty Duncan, president and general manager of Jerry Duncan Ford near Knoxville, Tennessee, said he appreciates the time Ford has spent discussing the future and allowing for thoughtful choice.

"Change is different but change is also an opportunity," Duncan said. "For a guy who represents smaller rural dealers ... I'm thankful for the opportunity to compete. We get a seat at the table."

## 'So much more'

Sam Pack, CEO of Pack Auto Group based in the Dallas-Fort Worth metro area, said Ford is "totally committed to the franchise system."

He added, "I think Tesla will evolve. At some point, their business is going to look much more like our business model. ... It can't just be sales. It's got to be sales and service."

Internal combustion engine vehicles will be on the road for decades to come and they'll need service, Pack said.

Whether it's windshield repair, tire repair or dents in the body, all these are dealer services.

New technology will allow for different services, Farley said.

Frick said, "Technology is always better when you ultimately add a human touch element."

## Stepping carefully

Dealers getting a return on investment, as they move to install charging stations and other infrastructure, is really important, Farley said. "We are not so excited or dogmatic" that Ford wants dealers to "look past financial viability."

Hovik referred to new companies as "interlopers" and said "time is on our side."

He added: "A customer spends four times as much time getting service as purchasing a vehicle. That's a big deal."

In the end, Farley and the dealers said, the future is about building relationships instead of just selling cars. The reason Ford is asking dealers to install charging stations is because the company has determined the Tesla charging network is key to its success with customers.

"We need to lower the charging anxiety," Gjaja said.

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Ford is not "obsessed" with growing or cutting the number of dealerships just yet.

"We could see an expansion over time," Farley said, noting that the next round of new electric vehicles will give dealers a better feel for what's possible. "Ford Motor Co. has not had a chance to grow like this."

## **When cars (including Tesla) rust, break**

As each day passes, Farley will continue watching the evolution of Tesla and how it uses physical sites as part of its growing strategy in Norway.

Shoppers have questions about trade-ins, financing and how to use new software.

"That's why they're creating these physical places," Farley said. "A third owner of a Tesla Model S has a very different reality with components and pieces rusted. They have to have physical repairs. One of the most important reports for me is from our country manager in Norway."

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*Contact Phoebe Wall Howard: 313-618-1034 or [phoward@freepress.com](mailto:phoward@freepress.com). Follow her on Twitter @phoebesaid*