AN INVESTIGATION INTO THE EFFECTS OF RECONDITIONED AND USED IMPORTED MOTOR VEHICLES ON THE MARKETING MIX OF FRANCHISE AND SUBSIDIARY MOTOR VEHICLE COMPANIES IN KENYA.

BY

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DEDICATION

To my Mother,
Amina
and
to my Brother,
Dr. Mohamed Ibrahim

This project is my original work and has not been submitted for a degree in any other University.

Signed--

This project has been submitted for examination with my approval as the University Supervisor.

Signed--

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Date----8.10.96----------------------------

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ABSTRACT

Liberalization brings with it turbulent changes in the competitive environment of business organizations. The motor vehicle industry in Kenya is no exception. This study sets out to investigate how franchise and subsidiary motor vehicle companies in Kenya have adjusted their marketing mix elements in order to cope with increased competition that has arisen from the dealers of reconditioned and used imported motor vehicles.

Data was gathered, using interview questionnaires, from a population consisting of 19 franchise and subsidiary motor vehicle companies. This data was thereafter analysed using mean scores and percentages.

The analysis revealed that out of a set of 39 elements of the programs in the marketing mix that was used by franchise and subsidiary motor vehicle companies, only 6 of them were not adjusted. All the adjustments that were made in the elements involved moderate increases. Promotion, people and probe programs had all of their elements moderately increased.

The adjustments made, were mostly found to be consistent with the literature available and the competitive conditions prevailing in Kenya.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

Any organization has to exist for a purpose and business firms are no exception. Business firms have goals and express these in terms of growing sales volume and market share (Lazer and Culley, 1983). However, according to Thomas Murphy, a former chairman of the Board of the General Motors, the growing sales volume and market share goals are actually a means for achieving other related objectives such as, the offering of high quality goods and services, price leadership in the industry and the maximization of consumer satisfaction (Lazer and Culley, 1983).

Marketing, which has been defined as the management of exchange process and relationships (Kotler, 1980), is very crucial to business organizations if they are to achieve the above mentioned goals and objectives. Since managers need to undertake marketing, it is therefore important for them to understand what a market is. A market is "the set of all actual and potential buyers of a product" (Kotler, 1980:21). The size of a market depends upon the level of demand which in turn is determined by three things :

(a) the number of persons with an interest in the object (product or service),

(b) the number of persons who have the necessary resources to obtain the object and

(c) the willingness of a person to offer the resources in order to obtain the object.

In order for a business organization to increase it's market share or size and at the same time satisfy it's customers, it needs to undertake strategic marketing and make use of the marketing mix elements.

1.1.1 Strategic Marketing

The manipulation of the marketing mix (the set of controllable variables and their levels that a firm uses to influence it's target market (Kotler 1980:88))allows a firm to tactically respond to any change that take place in environmental conditions.

However, such tactical responses are limited and can only cope with the short term environmental changes, while they may be ineffective when long-term environmental changes take place. The responses can be made more effective and far reaching if they are integrated and co-ordinated within a broad - based strategic framework.

A strategy, basically, is a plan of action designed to achieve the long run goals of an organization. A more detailed definition of strategy, according to Comeford and Callaghan (1985), is given by Chandler, "Strategy is the determination of the basic long-term goals and objectives of an enterprise, the adoption of courses of actions and the allocation of resources necessary for carrying out these goals".

Before a firm decides on how to use a set of marketing mix elements, it needs to decide on what it wants to do and what it's strategy should be.The designing of an effective marketing mix requires an overview that only a marketing strategy can provide. On the other hand, a marketing strategy need to be based on a sustainable advantage that a firm has in one or more of it's marketing mix elements.

Strategic marketing involves an organization using sustainable ways of competing in a continuously changing environment. It has several advantages for instance, it assists organizations to orient themselves towards key external factors such as consumer behaviour and competition.

It is important therefore, for a marketing manager to understand the strategy building process which involves several dimensions or steps (Dalrymple and Parsons:1990; Brown, 1991):

(1) The determination of a firm's mission and objectives. This involves answering such questions as "what business is a firm in?", " what business should the firm be in?" and "what business would the firm be in?". In this step, marketing objectives are clearly identified and stated, these could be, (i) a growth in sales volume, (ii) the offering of quality services and products, (iii) price leadership, (iv) increased market share (Lazer and Culley, 1983), (v) a higher return on investment and (vi) a higher net income (Okutoyi: 1988). These objectives need to be quantified into standards that are made for each market segment. This step also involves a firm making a full analysis of it's strengths,opportunities, threats and weaknesses. Strengths are those advantages that a firm has, relative to a competitor and weaknesses are the disadvantages that a firm has. Opportunities are those major favourable situations that exist in a firm's environment and threats are the unfavourable situations that exist in the environment (Pierce and Robinson, 1991).

An Internal Analysis is normally undertaken by a firm in order to identify it's strengths and weaknesses, after which a resource profile statement is made. The Analysis is made on an organization's capabilities and constraints, financial resources, past strategies that were used together with their problems, market share performance, rate of return on investments, products' portfolio and quality of products.

The opportunities and threats are identified through an External analysis which is made on the environmental factors that surround an organization. Marketers initially need to monitor and analyse the broad trends in the economic, legal and social environments. These include any demographic, technological, political\legal and social\cultural developments. In addition marketers also need to undertake customer analysis. This is because given that the primary purpose of marketing activities is to facilitate and encourage exchange transactions with customers, marketers should know when and how customer needs should be satisfied. An industry and competitor analysis involving the examination of the strengths and weaknesses of existing or potential competitors and a prediction of their actions, is also necessary. Research therefore needs to be carried out in order to obtain objective information about a firm's competitors. It is important to note that when a firm's competitors offer better quality goods and services, it may not be able to attain it's increased market share and profitability objectives, however appealing and well designed it's marketing mix may be. Therefore, a major factor determining the success or failure of strategies is whether they are consistent with the realities of the firm's opportunties, strengths, weaknesses and threats (Comerford and Callaghan, 1985).

(2) After the mission and objectives have been identified, appropriate marketing strategies are determined, which influences how a firm competes and what it's competitive position will be. The competitive position of a firm is determined by environmental factors such as market share stability, competitive economics (the number and structure of competitors) and technology focus (Baker, 1992). A marketing strategy would provide a match between the distinctive competencies of a firm and the needs of it's customers in a particular market segment(s). For example, a firm which has low cost sources of raw materials will most probably adopt a low cost competitive strategy, yet another one that has a strong marketing department and a competent salesforce may compete by offering superior customer service (Ohmae, 1988). Marketing strategy also identifies the appropriate segments that a business needs to target.

(3) Once the strategies have been identified, they are converted into marketing programs. Decisions are made with regard to each of the marketing mix elements which include product, place, price and promotion among others. They are then implemented across the functional departments of a firm.

(4) Finally the programs are monitored, reviewed and adjusted when necessary. The adjustments can be necessitated by poor performance as a result of either using an inappropriate marketing mix or due to an unanticipated change in some environmental forces, such as consumer behaviour and competition.

1.1.2 The Motor Vehicle Industry

Carl Benx (1844 - 1929) and Gottlieb Daimler (1834-1900) are taken to be the inventors of the modern motor vehicles. These vehicles were driven in the streets of Germany in 1885 and 1886 respectively, however it was not until the 19th century that the first vehicle was manufactured and driven in England and the U.S.A. By the mid 1920's most countries had automobiles (Omondi, 1988).

According to a United Nations report of a seminar on the motor vehicle industry that was held in 1972, there were several reasons why the motor vehicle industry was, and still is, an important industry. These are, the motor vehicle industry provides essential transport services and it is a prerequisite for development. These benefits can be further classified into, (a) those transport services that the motor vehicle industry provides to the different sectors of the economy and to individuals and (b) those socio-economic benefits enjoyed by the government and workers in the industry.

<u>(a) Transport services provided to the numerous sectors of the economy and to the individuals</u>

(1) In Agriculture, the motor vehicle transports fertilizers from factories to farms and crops to markets located in the villages and towns.

(2) In building and civil engineering, the motor vehicle transports excavated materials and building materials from quarries to factories and construction sites.

(3) In the fuel and power sector, the motor vehicle transports coal and crude oil from mines and wells to electric power stations and refineries. It also transports gasoline, diesel, fuel and oils from refineries to various distribution points throughout a territory.

(4) In the industrial sector, the motor vehicle transports primary and intermediate products, machine, tools and other factory equipment. It also transports finished goods from factories to points of sale and then to customers.

(5) The motor vehicle provides passenger transportation which is a socio - economic activity.

(b) Socio - economic benefits enjoyed by the goverment and the industry's workers.

(1) The provision of skills to future potential small scale businessmen. For instance most Jua Kali mechanics in Kenya had learned their skills from the motor vehicle companies which used to employ them. These skills include panel beating, spray painting and repair service among others.

(2) The motor vehicle industry provides wage employment. For instance in Kenya, the wage employment contributed by the Transport and Communication sub-sector of the Private Sector increased from 36,400 persons in 1993 to 37, 200 persons in 1994.(Economic Survey, 1995, Pg 49).

(3) The motor vehicle industry in the private sector provides income to employees through wage payments. For instance in Kenya, wage payments in millions of Kenya pounds attributable to the Transport and Communication sub-sector of the private sector in 1994 was 174.6 which increased from 143.2 in 1993 (Economic Survey, 1995 Pg 53).

(4) The motor vehicle industry provides traffic revenue to governments. For instance, in Kenya, the revenue that was earned from licences and fees under the Traffic Acts by the Kenya Government in the 1994/1995 fiscal year was 19.75 millions of Kenya pounds which increased from 19.53 millions of Kenya pounds in the 1993/1994 fiscal year (Economic Survey, 1995, pg 82).

(5) The motor vehicle industry also contributes to the Gross Domestic product (GDP) of a nation. In Kenya, the GDP share at constant (1982) prices of the Transport and communication sector in 1994 was 6.1% (Economic Survey, 1995 Pg 25).

Another United Nations report of a seminar on the motor vehicle industry held in 1969 at Czechoslovakia, pointed out that the motor vehicle industry reduces the problems of poor infrastructure and inadequate capital that faces the less developed countries. This is because, road transport require lesser investment than railway or sea transports. The report also indicated that, most developing countries support the local production or assembling of motor vehicles due to shortage of foreign exchange and deficits in their balance of payments. Such views are consistent with those of the Kenya Motor Vehicle Industry Association.

Irrespective of this, the Kenya motor vehicle industry operates in a complex environment especially so, with regard to the government trade policies. Some of these enviromental factors and their effects on the marketing of vehicles in Kenya are given below :

(a) Product Quality Regulations

Quality standards that are set by the Kenya Bureau of Standards(KBS) and also inspection regulations kept by the Government have to be met / followed by the local motor vehicles assemblers and franchise and sudsidiary motor vehicle companies.

However, today there are fewer locally assembled vehicles for the Kenya Goverment to regulate. Recently, the turnover of local motor vehicle assemblers has dropped. Few Datsuns and Nissans among many other Japanese vehicles, are assembled at the Associated Vehicle Assemblies(AVA) in Mombasa. According to the Managing Director of AVA Mr. Deverell Percival, the assembling plant has been forced to undertake sign painting, waste recycling, chassis building and grain stores manufacturing in order to survive. Analysts attribute this problem to the influx of imported reconditioned vehicles especially so since most of the imported reconditioned cars are Japanese models (The East African Chronicle, July 7th, 1995). Reconditioned vehicles are those used vehicles which have undergone certain major operations in order to make them as new as they were, while "used cars" refers to those cars that are not new yet they have not been reconditioned.

(b) Government trade policies

(i) Tax laws

Besides meeting the quality regulations that are set by the government, the franchised and subsidiary motor vehicle companies in Kenya also have to oblige to import tax laws.
For instance, until recently (before the 1995 budget speech) the import tax on completely knocked down kits or CKD (the loose parts of a vehicle which are imported by franchise and subsidiary motor vehicle companies from a multinational motor vehicle manufacturer, which are then taken to the assemblers to be assembled/put together) was 10% but after the budget speech it was lowered to 5%. It is important to note that tax policies do affect the costs of franchise and subsidiary motor vehicle companies and in turn the prices of their vehicles.

(ii) Import restrictions

Until recently at around 1991, the motor vehicle market in Kenya had not been liberalized and the commercial importation of ready made cars or Completely Built Units (CBU) had been banned. However at around 1992 reconditioned and used imported motor vehicles flooded the market due to market liberalization (the ban on CBU's commercial importation was lifted). Industry statistical estimates according to Bennet of Kenya Motor Vehicle Industry Association (KMI) who was interviewed in July 1995, showed that the number of reconditioned car imports increased from 3,000 units in 1992 to 12,000 units in 1993, reaching 24,000 units in 1995. These statistics were also given in the East African Chronicle (7th July, 1995). Kenya's motor vehicle industry, as shown by these statistics, has an increasing number of reconditioned vehicles after market liberalization took place.

1.2 STATEMENT OF THE PROBLEM

An organization rarely stands alone in it's effort to serve a given market. It is therefore important for an organization to excel in satisfying it's customers (Kotler, 1980). Rewoldt et. al (1981) identified competition as a dynamic key environmental factor which influences a firm's marketing strategy and mix. The feasibility of a market strategy therefore is heavily dependent on the competitive situation (Gultinan and Paul: 1985).

Recently, the competitive environment and situation in Kenya has changed as a result of market liberalization. There has been an influx of reconditioned and used imported motor vehicles, this has led to a reduction in the unit sales of motor vehicles that are sold by franchise and subsidiary companies. In 1994 the franchise and subsidiary motor vehicle companies in Kenya, had lost around 60% of their sales (in units) to the dealers of reconditioned and used imported motor vehicles (Economic Review, 1995).

However Bennet, the Secretary of the Kenya Motor Vehicle Industry Association (KMI) who was interviewed in July 1995 pointed out that in 1995, the unit sales of franchise and subsidiary motor vehicle companies have started to increase even though the companies have not substantially recovered the market share lost to the dealers of reconditioned and used imported motor vehicles. Though other factors such as an increase in efficiency could have contributed to the increase in sales, Mr. Bennet mainly attributed the same to the readjustments of the marketing mix elements on the part of the franchise and subsidiary motor vehicle companies. He argued that previously the franchise and subsidiary motor vehicle companies did not compete much among themselves but with the influx of reconditioned and used imported motor vehicles, competition has intensified, the prices of new vehicles has decreased and advertising has increased.

It is in the light of all these arguments that this study attempts to answer the question "How did the franchise and subsidiary motor vehicle companies adjust their marketing mix in order to cope with competition from the dealers of reconditioned and used imported motor vehicles?".

The researcher is not aware of a similar study. Nderitu (1989) undertook a study on to how the advertising element can be used by firms, concluding that there were no clear unanimous decisions which were made by business firms and the members of the ICPAK on how to advertise. Bii (1992) undertook a study in order to get information on the extent to which commercial banks in Kenya used the promotion mix elements to market their services, concluding that the most used marketing elements were salespersons and public relations. Okutoyi (1988) did a study on strategic marketing but it was done in the banking industry. Okutoyi concluded that there was a positive correlation between strategic marketing and performance in the banking industry. None of these studies were done in relation to the motor vehicle industry and none of them investigated the adjustments that were done in the marketing mix of franchised and subsidiary motor vehicle companies in Kenya in order to cope with competition from the dealers of reconditioned and used imported motor vehicles.This study intends to fill this gap.

1.3 OBJECTIVES OF THE STUDY

The objectives of this study are twofold, namely:

(1) To determine the degree and direction of adjustments that were made in the marketing mix elements of franchise and subsidiary motor vehicle companies in their endeavor to cope with competition from the dealers of reconditioned and used imported motor vehicles.

(2) To determine which of the marketing mix elements had been most adjusted by franchise and subsidiary motor vehicle companies in their endeavor to cope with competition from the dealers of reconditioned and used imported motor vehicles.

1.4 IMPORTANCE OF THE STUDY

(1) The study will provide an insight to marketing and management consultants by providing them with information on the adjustments that were made in the marketing mix elements of franchise and subsidiary motor vehicle companies. This would assist and guide the consultants on how the marketing mix of franchise and subsidiary companies can be improved so that they could faster regain their lost market share.

(2) This study may assist the Kenya Motor Industry Association (KMI) to lobby for protective government regulations or policies which can benefit the franchise and subsidiary motor vehicle companies in Kenya.

(3) This study can be of use to academicians or even non academicians, because it can provide information to those who will undertake research in the same area of interest.

(4) The study will provide useful information to potential consumers on any changes that were made in the marketing mix of franchise and subsidiary motor vehicle companies, that are favourable to them.

(5) This study will provide useful information to potential employees or job seekers in the motor vehicle industry, on any significant favourable changes that may have been made in the marketing mix of the companies.

1.5 PLAN OF MATERIAL IN SUBSEQUENT CHAPTERS

Chapter Two

This is the Literature review chapter. First it looks at competition and the industry, then the competition intelligence system, followed by a presentation of the different types of competitive marketing strategies. Besides this, the marketing mix and an explanation of each marketing program thereof is presented. Finally consumer behaviour, the buying process, and their relationship with both the marketing strategies and programs is tackled.

Chapter Three

This is the research methodology chapter. The population of the study, the data collection methods and the methods of analysis are explained.

Chapter Four

This chapter will present the findings of the study and the interpretation of these findings followed by discussions made in regard to each of them.

Chapter Five

This chapter contains a summary of the research findings, the conclusion, the limitations of the study and the recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 <u>COMPETITION AND THE INDUSTRY</u>

Business firms do not exist in a vacuum, but rather in an environment which influences their decision making. Therefore the marketing mix of a firm needs to take into account environmental factors which include the competitive, legal, economic, political and social environments, which can influence the market size and opportunity of a firm (Beckman, Kurtz and Boone, 1986). Broadly, a market opportunity can be defined as an "attractive arena of relevant marketing action in which a particular company is likely to enjoy a particular advantage" (Kotler, 1980:81). Some of the environmental factors are as explained below:

(1) The competitive environment is the "interactive process that occurs in the market place as competitive organizations seek to satisfy markets" (Beckman et.al, 1986:18). It is important to note that the marketing decisions that are made by a single firm do not have much influence on consumer responses in the market, as those that are made by many firms.

There are three types of competition:

(a) Direct competition between marketers of similar products, for instance between those firms that market similar models of a product.

(b) Competition between firms that market products which can be substituted one for another for example, steel and aluminium products and

(c) Competition involving all organizations that compete for the consumers' disposable income. All marketers agree that firms do compete for a limited amount of customers' discretionary buying power (Beckman, Kurtz and Boone,1986).

(2) The social, political and legal environments include laws and their interpretations that are supposed to be followed by firms which operate under competitive conditions. They protect the rights of consumers, among other things (Beckman, Kurtz and Boone, 1986).

(3) The economic environment encompasses all the economic variables that affect the business objectives of a firm, they include technology and inflation among others. Decisions that are made with regard to the marketing mix elements of a firm, need to take into account the constant flux of the elements together with the dynamic nature of the economic forces (Beckman, Kurtz and Boone, 1982).

However, much emphasis needs to be put in observing and incorporating any changes in consumer behaviour and competition. This is because all marketing activities are aimed at satisfying consumer needs and demands including any new ones that may arise. Furthermore, firms do compete in their endeavour to satisfy these consumer needs and demands. Therefore it is very important for firms not only to satisfy their customers but also to maximumly satisfy them, more than their competitors.

There are several forces which influence competition in an industry (Porter, 1980):

(a) Threat of new entrants

(b) Threat of substitute products or services

(c) Bargaining power of buyers

(d) Rivalry among existing firms

(e) Bargaining power of suppliers.

All these five competitive forces jointly determine the intensity of competition in an industry. Porter (1980) argued that even though there are other factors, like the fluctuations in economic conditions over a business cycle which could influence profitability, they can only do so in the short-run. The five competitive factors form the basic characteristics of an industry that could shape the arena in which a competitive strategy must be set.

(a) Threat of entry

New entrants to an industry often have the desire to gain market share and as a result can cause a drop in an industry's product prices. Besides this, they can cause incumbent costs to be inflated leading to a decline in profitability.

This threat exists in an industry that has no adequate barriers to entry. Some of these barriers include:

(i) Economies of Scale

These are the declines in unit costs of a product that take place as the absolute volume per period increases (Porter, 1980: 17). Economies of scale can be brought about by firms sharing their operations such that the products of some firms become the inputs of others or as a result of business alliances in the form of the sharing of technology and resources among the firms. For instance in early 1993, Volvo and Renault agreed to share technology and resources in their car and truck businesses. Renault was strong in small cars and diesel engine technologies while Volvo was strong in large cars and gasoline engine technologies thereby, each playing a complementary role to the other's product lines (Mason 1993).

Economies of scale can make a rival firm face difficulties in getting input or resources at cheap prices, causing it to have a relatively higher production costs and reduced profits. However, it is important to note that in the Kenya motor vehicle market, most existing motor vehicle franchise and subsidiary companies do not share resources, technology, know-how or even brand names.

(ii) Product differentiation

Established firms have strong brands which customers are loyal to. This customer loyality stems from past advertising, good customer service, good quality products and even familiarity of the customers to the existing firms' products (Porter, 1980). This creates a barrier because new entrants have to use a lot of money before they can overcome the strong confidence that the customers have on the products of existing firms.

In the Kenya's motor vehicle industry, product differentiation is a very relevant barrier because today any new entrant has to face the problem of strong customer confidence with existing motor vehicles, such as Toyota of Toyota (K) and Peugeot of Marshalls (K) among others.

(iii) Government Policy

Governments can limit or even ban any entry into certain industries by imposing controls such as, licenses, limitation of access to raw materials, quality standards, product safety regulations, import regulations and taxes.

In Kenya, the motor vehicle industry has become fully liberalized since 1992. The previous ban on the importation of complete built units (CBU) for commercial purpose by organizations/individuals has been lifted, today even individuals can import vehicles for commercial purposes. This in turn has led to an influx of reconditioned and used imported vehicles in Kenya's motor vehicle market.

b. Threat of Substitute Products or Services

A substitute product is the one which can perform the same function as that of another firm's product. These substitutes can reduce the returns of a rival firm. The competitive position of a firm's product vis-a-vis its substitute depends on an industry's collective action. For example, increased advertising done by one member firm may not be enough to bolster the firm's competitive position against a substitute that is produced by a new entrant, but a heavy and sustained advertising done by all members of an industry may well improve the firm's position (Porter 1980: 23).

c. **Bargaining Power of Buyers**

Buyers can influence the pricing decisions that are made by a firm/industry. They can increase the demand for higher quality commodities thereby playing competitors against each other. The more the purchased products are standardized the stronger the bargaining power of buyers, this is because of the wide choice of similar products that each consumer may have to choose from. It is also important to note that, buyers are normally less price sensitive when the quality of the products that they sell is dependent on the quality of the products that they buy. For example, commercial buyers whose business is transportation or road freight, rely on the good quality of the trucks that they buy from motor vehicle companies, recently the quality of trucks that are sold by motor vehicle companies in Kenya has improved.

In Kenya, the motor vehicle industry has it's vehicles tropicalized in order to cope with the local road and climatic conditions. Kenya's motor vehicle consumers also have auxillary organizations such as Automobile Association (AA) and the Kenya Bureau of Standards (KBS) which protect their interests as far as road safety and product quality are concerned. However in Kenya, motor vehicle consumers do not have any sort of organization to carter for collective buying.

d. **Rivalry among existing firms**

Intense rivalry can result into price competitions, advertising battles, new products and increased customer services or warranties. Rivalry can be initiated by a reduction in a firm's market share relative to others' due to the firms' aggression in their attempt to tap opportunities or improve their product positionings (Porter 1980).

There are several factors which influence the intensity of rivalry among existing firms. Some of these are as given below:

i. Slow industry growth

In this situation the market share competition that arises, is of a volatile nature since it is the "survival of the fittest" for the firms. A company's growth in this situation can only be achieved at the expense of others and therefore making competition be very intense (Hamermesh, Silk: 1979).

ii. Product differentiation

Product differentiation, creates layers of insulation against competitive warfare because it influences the buyers to have preferences and loyalties to particular products (Porter: 1980).

e. Bargaining power of suppliers

If an industry's products have high price elasticity then, the bargaining power of the suppliers of it's resources may increase because they can threaten an industry with an increase in price or a decrease in the quality of the raw materials being supplied, if the industry refuses to their demands. This is normally the case when the suppliers are well organized and coordinated or when the companies within an industry are not major buyers of those resources that are necessary to them.

All the five forces need to be identified and predicted by firms in an industry, in order for them to anticipate and adopt any changes which will take place in these competitive forces. To do this, an industry needs to have intelligence and to make use of an efficient information system.

2.2 COMPETITIVE INTELLIGENCE

Competitive intelligence (CI) can be defined as "the use of public sources to develop information about competition, competitors and marketing environment" (McGongle, Vella: 1993). According to these two authors, there are five situations which make it necessary for a company to use CI and these are given below:

(i) When competition arises from firms other than those already existing in an industry.

(ii) When there is an increase in competition from foreign firms.

(iii) When customers increasingly become sophisticated and have good knowledge of the products being sold.

(iv) When changes occur in the ownership of a firm.

(v) When there is a change in the nature and variety of commodities that a firm must offer in order to survive.

There are also several benefits which can be derived from the use of competitive intelligence(CI) and these are as explained below:

a. CI reveals why a firm's competitors have succeded or failed in their marketing efforts, programmes or mix. It can also provide new product ideas.

b. CI, can assist a company to keep abreast of a competitor's current offer, price, terms and cost structure.

c. CI can assist a company to know how a competitor intends to advertise in the future.

The basic advantage according to Fuld (1988:1) is that CI assists a company to increase it's profit and to protect itself from losing business to it's competitors.

According to Graham (1985), there are several decisions which have to be made by a firm or an industry while establishing a CI system and these are as given below:

(a) It must decide who are it's competitors (potential and actual). Potential competitors are those firms which can be competitors in the future while actual competitors are those firms which are already competitors.

(b) It must also decide on what it really needs to know about it's competitors.

According to Porter (1980:48), the areas which need to be diagnosed by an industry include, the competitor's current strategy, its future goals, assumptions and capabilities.

(c) A firm or an industry has to decide on the type of competitive intelligence system which can be appropriate to it's business.

A CI system has three components namely data collection, data analysis and data dissemination (Kelly: 1985). Kelly (1985) and Fuld (1988) further expounded on the methods of data collection which are as explained below.

Data can be collected by :

1. Monitoring and reading foreign and local trade publications together with associated journals like those from Universities
2. Monitoring the media and reading press cuts
3. Talking to retailers or dealers who deal in a competitor's product and
4. Monitoring activities of foreign firms in both domestic and foreign markets.

For a CI system to be successful, it needs to have certain qualities and these according to Cole (1985) are as given below:

(i) The system should be as simple as possible. Too much information leads to lack of clarity with regard to information priorities.

(ii) A good system should be able to deliver information to those who need it, it should be designed, focused and directed to the needs of a company and in addition it needs to be consistent with how the research results are expected to be implemented (Andreasen: 1985).

Fuld (1988) identified the steps and traits which a successful competitor monitoring programme should have and these are as given below:

a. Competitors should be studied constantly and continously.
b. It should involve a thorough review of published sources.
c. The whole organization should be involved and motivated to implement the programme

d. The programme should provide organized competitor information.

e. It should communicate the information on a timely basis.

f. The firm should develop staffing and training programmes that are consistent with the competitor monitoring programme.

Hamel and Prahalad (1994) emphasized that, both the present and the potential activities of competitors are important to a firm.

2.3 MARKETING STRATEGIES

The formation and selection of marketing strategies is more of an art rather than a science and creativity on the part of a marketing manager is therefore an important requirement for successful strategies (Mintzberg, 1995). Different views have been brought up with regard to the types of marketing strategies that a firm can use to achieve it's objectives. In this section, these views are provided and the relationship between the marketing programs and the strategies are highlighted. It is also important to note that a firm can use a combination of different types of marketing strategies depending on the vision and the creativity of the marketer.

2.3.1 Attack and Defence Strategies:

Dalrymple and Parsons (1990) identified two categories /types of competitive strategies, namely the "Attack Strategies" and the "Defence Strategies".

(A) Attack Strategies

The attack strategies are based on the competitor's weaknesses. For instance the franchise and subsidiary companies selling new motor vehicles in Kenya, could base their strategies on the weaknesses of the marketing mix used by the dealers of reconditioned and used imported cars such as, (i)lack of warranty, (ii) lack of credit facility, (iii) shortage of spare parts, (iv) low durability of the cars and (v) non tropicilization (standardization) of their vehicles,among others. These attack strategies include, (1) frontal attack (2) flanking attack, (3) encirclement attack, (4) bypass attack and (5) guerilla warfare.

(1) **Frontal Attack**

A frontal attack means that a firm would take a competitor head on, "it catches the bull by the horns". It competes with it's rivals in those areas in which it's rivals are strong. For this type of strategy to be successful, a firm needs to have substantial competitive advantages.

According to Tomasko (1993), these competitive advantages can be of four types, the cutting edge, the critical, the core, and the complementary. He argued that before a firm selects a strategy, it should know how strong it is in all of these four types of competitive advantages.

(i) **The cutting edge;** these are the sources of future competitiveness, for instance a source could be the enhanced capabilities of the research and development department.

(ii) **Critical;** the capabilities which allow a firm to presently have a competitive advantage over it's rivals.

(iii) **The core;** these are the skills common to most companies in a particular business.

(iv) **Complementary;** these are the support services. For instance, a company could be doing business with itself or with it's sister companies.

However, Baker (1992) argued that this frontal attack strategy isn't an appropriate one, because it leaves a firm to be vulnerable to an attack from a third competitor since most of the firm's resources would have been squandered in the competition with it's original rival.

(2) **The Flanking attack**

A firm using this strategy will target those segments of the market in which customer needs have not been fully met (a gap exists). This strategy may involve the increasing of a firm's market share which could be, in terms of increasing the present geographical regions or the tapping of new segments which are coming up in the market. Baker (1992) argued that increased promotion is prominent in this strategy.

Franchise and subsidiary motor vehicle companies in Kenya could apply this strategy and start selling cheaper models in order to cater for the lower middle income class of consumers who may find the limited credit facilities of the companies demotivating and the price of new cars presently being offered, too expensive.

(3) The encirclement attack

This strategy involves those activities that are undertaken by a firm in order to force it's competitor to use a lot of resources in an attempt to ward off the simultaneous attacks that are made on it. The objectives of this strategy, is to break the competitors' willingness to compete and also to exhaust the rival's resources. However, this kind of strategy needs a lot of effort, time and resources since a firm will not just be targeting a few areas in which to compete in, but it will be attacking it's rival from all angles and in each and everyway. This is why this strategy is not commonly used by firms.

(4) Bypass attack

This strategy is based on the concept of non-confrontation. A firm in this case will avoid the rival, by diversifying into unrelated products or into new markets for it's existing products. This strategy therefore, mainly involves market development or product development. For instance, in the case of the companies selling new motor vehicles in Kenya, they may try to sell their cars in other countries in order to compensate for the market share lost to the the dealers of reconditioned and used imported motor vehicles. Baker (1992) called this strategy a withdrawal strategy since it involves no confrontation.

(5) Guerilla Warfare

Using this strategy, a firm may undertake small intermittent attacks on a competitor. For instance, the firm could look for a way to increase, slightly, it's market share without enticing it's competitors.

(B) Defense Strategies

These strategies, are aimed at countering a competitor's strategy. They assist a firm to defend itself, from a rival's attack which may be based on any of the "Attack Strategies". There are five main defense strategies which are, (1) position defense, (2) pre - emptive defense, (3) mobile defense, (4) counter offensive and (5) strategic withdrawal .

(1) **Position defense;** this strategy involves a firm fortifying it's competitive position.

(2) **Mobile defense;** a company using this strategy, will engage in market broadening and the tapping of new markets.

(3) **Preemptive defense;** using this strategy, a firm initiates attacks on it's rivals using the "Attack Strategies".

(4) **Counter offensive;** these are strategies which are actually "Attack strategies" but in this case, the firm uses them to respond or react to a rival's attack.

(5) **Strategic withdrawal;** this strategy is used when a firm is not ready for a war, it actually withdraws and consolidates it's position in order to have substantial competitive advantage, before retaliating. This is a temporary withdrawal on the part of the firm that is being attacked.

2.3.2 Product Life Cycle Strategies

Boyd and Walker (1990) identified distinct categories of strategies based on the product life cycle model (PLC). They categorized strategies into four types, namely:

(a) Strategies for growth markets

(b) Strategies for mature markets

(c) Strategies for new markets and

(d) Strategies for declining markets.

The product life cycle is a strategic marketing tool used in planning, it explains the life cycle of a product in similar terms as those used for a biological entity. The PLC concept, holds that a product's sales and profits do change over time in a certain predictable manner, they pass through four distinct major stages which are the introduction, growth, maturity and decline stages. Sales growth is at it's peak in the maturity period and is at it's lowest in the introduction period and a product's sales begin to rise in the growth period and finally decline in the decline period.

(A) Strategies in the growth period

In this stage or period there are large numbers of competitors in the industry which could be as a result of the removal of barriers to entry in a market. Recently, this has been the case for the motor vehicle industry in Kenya, the motor vehicle market has been liberalized with import regulations being relaxed.

According to Boyd and Walker (1990), there are five types of strategies which include; (1) Fortress, (2) Flanker, (3) Confrontation, (4) Market expansion and (5) Contraction. All these strategies had been already identified by Darymple and Parsons (1990) and were explained under the section of "Attack and Defense strategies". Each of these strategies are appropriate for different situations which depends on the primary objectives of a firm, the market characteristics, the competitors' characteristics and the firm's chracteristics. This is expounded by Boyd and Walker (1990) and is as given below :

1. Fortress

This is a competitive defence strategy as already pointed out earlier.

<u>(i) Primary objective</u>

The firm's primary objective, when using this strategy, needs to be an increase in it's customers' satisfaction and loyalty together with repeat purchases among it's current customers. These objectives can be achieved by a firm that builds on it's existing strengths. The firm's marketing mix needs to emphasize enhanced customer service and follow-up, enhanced product quality, together with increased commission to it's distributors/retailers.

(ii) Market Characteristics

This strategy is not appropriate for a firm with a relatively homogeneous market in respect to customer needs and purchase criteria. The largest segment of the customers of a firm should have a strong preference for it's products, if this strategy is to be effective.

(iii)Competitors' characteristics

This strategy is most appropriate, when the current and potential competitors of a firm have relatively limited resources and competencies.

(iv) The Firm's Characteristics

A firm using this strategy should be enjoying high awareness and preference among the major segments of it's customers. The firm should also have more marketing resources than any of it's current competitors.

2. Flanker

(i) Primary Objective

It's primary objective is to protect a firm against a possible loss in a specific market segment, this is achieved by making a second entry or by developing a new product that does not have a weakness which a firm's original offering had. This can be done by a firm improving it's ability to attract new customers who have specific needs or who use a purchase criteria different from those of early purchasers and adopters. The marketing mix in this case would emphasize the introduction of a new and cheaper product.

(ii) Market characteristics

The market should have two or more major markets segments which have distinct needs or purchase criteria.

(iii) Competitors' characteristics

In order for a firm to find it necessary to implement a flanker strategy, there should be one or more current competitors who have sufficient resources and competencies.

(iv) Firm's characteristics

When a firm uses this strategy, the current product(s) offering should be perceived as weak in at least one attribute by a major segment of current or potential customers. The firm also should have sufficient marketing resources and research development resources for it to be able to introduce and support a second offering targeted at the segment which needs the product.

3. Confrontation

(i) Primary Objective

The main objective of the firm will be to protect itself against the loss of it's market share by meeting or beating a competitive offer from a rival.

It will also have the objective of improving it's ability to win new customers who might otherwise be attracted with the competitor's offer.

(ii) Market Characteristics

The firm needs to operate in a relatively homogenous market with respect to customer needs and purchase criteria. Also there should be little preference for or loyalty to it's products.

(iii) Competitors' characteristics

One or more of a firm's competitors need to posses sufficient resources and competencies.

(iv) Firm's characteristics

The situation should be, that the current product offering that is made by a firm suffers, from low levels of customer awareness, preference and loyalty among the major segments of a firm's market. The firm should have a competent research and development department together with marketing resources and competencies that are equal to or more than any of it's current or potential competitor's.

4. Market Expansion

(i) primary objective

The primary objective of a firm should be for it to increase it's activities and to attract new customers. These objectives could be achieved either by it, developing new product offerings or undertaking product line extensions aimed at increasing the variety of applications of the product being used. Besides these objectives, the firms need to improve their ability of retaining current customers as market fragments. Therefore this strategy mainly needs new distribution channels as an auxillary to it's implementation.

(ii) Market Characteristics

The market needs to be a relatively heterogeneous one with respect to customer needs and purchase criteria. Also there should be a high demand for multiple product benefits and for a wide range of products and services.

(iii) Competitors' characteristics

A firm's current and potential competitors need to have relatively limited resources and competencies particularly with respect to the research, development and marketing resources.

(iv) The Firm's characteristics

The firm should have no current offerings in one or more potential market segments. Furthermore, it should have adequate marketing, research and development resources in addition to competencies that are equal to or greater than that of any of its current competitors.

5. Contraction

(i) Primary Objective

The firm's objective needs to be, to acquire new customers in selected high growth market segments. This can be achieved by focusing its product offerings and resources on these segments. Another objective would be to withdraw from small or slow growing segments in order to conserve its resources. For instance, a firm could narrow down its distribution channels to only a few strategic locations.

(ii) Market characteristics

The market in which the firm operates in, should be a relatively heterogeneous market with respect to customers needs, purchase criteria and growth potential. Furthermore the firm's products should be able to satisfy a wide range of needs.

(iii) Competitors' characteristics

There should be one or more competitors which have resources and competencies that are enough to present a strong challenge to the firm in one or more of it's growth segments.

(iv) The Firm's characteristics

The firm's current product offering may need to be suffering from low customer awareness, preference and or loyalty in one or more of the major growth segments. In addition, the firm's research, development and marketing resources together with its competencies should be limited relatively to those of its competitors.

(B) Strategies for the mature market

The strategies to be used in this stage of PLC are different from those that can be used in the growth stage because in this maturity phase, there is industrial stability characterised by, a few changes in market shares of leading competitors and steady prices. However in Kenya, this is not the case because of the effects of the implementation of the Structural Adjustment Programmes and market liberalization which have destabilized various industries, including the motor vehicle industry.

Some of the share growth strategies for a mature market include:

(1) Increased penetration,

(2) Extended use and

(3) Market expansion.

(1) Increased penetration

The main objective of the firm when using this strategy, is to increase the proportion of users by converting current non users into users in one or more major market segments.

(2) Extended use strategies

The firm's primary objective when applying this strategy is to increase the amount of products that are used by its average customer. This objective could be achieved if the firm manages to increase the frequency that a consumer uses its product(s) or if it develops new and more varied product utilities.

(3) Market Expansion Strategy

The firm using this strategy usually has its primary objective, as the need to expand the number of its potential customers by targeting the under - developed market segments. It would emphasize on low prices, aggresive promotion and the offering of more discounts to its customers (Kotler, 1980).

It is important to note that, all the above strategies which can be used in the mature and the growing phases of PLC are similar to some of those given by Dalrymple and Parsons (1990), however these two authors did not identify the strategies that could be used in the declining and the new entrant phases of the PLC.

(C) Strategies for the declining market

These are strategies which can be applied by a firm that has its unit sales reducing over a sustained period while industry profits continue to erode. This is not the case for Kenya's motor vehicle industry, which to some extent has recovered from the loss of sales brought about by new competition from the dealers of reconditioned and used imported cars.

These strategies include :

(i) Harvesting

(ii) Maintenance

(iii)Profitable survivor and

(iv) Niche.

(i) Harvesting

The primary objective of a firm that uses this strategy, is to maximise short-term cash inflows and to maintain or increase its profits margins, even if it is at the expense of a reduced market share. This could require the firm to increase its products' prices and to reduce its promotion budget.

(ii) Maintenance

The primary objective of a firm that is using this strategy, is to maintain its market share in the short run when its total market declines. This would be the firm's objective even if its present profit margins are to be sacrified.

(iii) Profitable Survivor

The primary objective of a firm using this strategy, is to increase its market share within a declining total market with an aim of securing future profits and encouraging weaker competitors to exit from the industry. This could mean that more effort needs to be made by its salespeople and its product prices may need to be lowered.

(iv) Niche

The primary objective of a firm that uses this strategy, is to focus on strengthening its position in one or a few relatively substantial segments that have potential for future profits. The marketing mix should emphasize on focused promotion and tailored customer services.

(D) Strategies for the new entrants

These are strategies that are used by a firm when it is introducing a new product.

Some of the strategies include:

(i) Mass-Market penetration

(ii) Niche penetration and

(iii) Skimming.

(i) Mass Marketing Strategy

The firm using this type of strategy normally aims at maximizing the number of triers and adopters in the total market. It involves making of heavy investments in its promotion and sales force with an aim to build its volume and market share.

(ii) Niche Penetration Strategy

The firm's primary objective when using this strategy is to maximize the number of triers and adopters in a target segment, using limited investments, in order to build its volume and market share in the chosen niche. The firm increases its credit facilities and offers training and installation services for the new product.

(iii) Skimming Strategy

The firm's primary objective when using this strategy is to obtain as many adopters as possible while making limited investments such that it can maintain its high profit margins and also recover its product development and commercialization costs.

2.3.3 Primary Demand and Selective Demand Strategies

Acording to Gultinan and Paul (1985), there are two basic types of marketing strategies, the "Primary demand strategies" and the "Selective demand strategies".

(A) Primary Demand Strategies

These are strategies which are used primarily, to increase the level of demand for a product class. They are very appropriate for products that have an increasing or a large market share or for those which face little or no competition (products in the introductory stage of the product life cycle). The strategies normally target both the potential and current users of a product(s). Firms normally use two approaches in market development they either,(i) increase the number of users or (ii) increase the rate of purchase.

(i) Increasing the number of users

In order to increase the number of users a firm needs to increase, (i) the willingness of its customers to buy and (ii) their ability to buy. In order to increase the customer's ability to buy, a firm can reduce the prices of its products, provide more financing facilities to customers or it can provide a broader distribution for its products. A good example of a Primary demand strategy is found in the advert that is aired in the Kenya Television Network which promotes the Johnson & Johnson Baby Shampoo to fathers. In order to increase the customers' willingness to buy, a firm can use programs such as advertising, to promote the new benefits of a product class.

(ii) Increasing the rate of purchase

It is not only important to increase the number of consumers of a product, but also to increase the frequency of their willingness to buy it. This can be achieved if a firm broadens its product's benefits, (b) increases its product consumption levels and (c) encourages replacements. There are several programs which can be used to implement these three strategies mentioned above. The firm can advertise and promote the alternative uses of a product, it can lower its product prices, provide special volume packaging and or allow replacement sales to be made.

(B) Selective - demand strategies

These are strategies that are used to improve the market share of a product brand at the expense of a rival's. Some of these strategies include the:

(i) Retention of existing customers

This strategy has three objectives of; (1) maintaining consumer satisfaction, (2) simplifying the buying process and (3) reducing the attractiveness for a customer to switch to a rival's product.

(1) Maintaining consumer satisfaction regarding a brand's performance can be achieved through some programs which includes high prices, good quality products, use of good - image retailers, among others.

(2) The buying process can be simplified by implementing programs such as those which;

(a) provide a special rate for product - related services to customers who buy a product. For instance, a lower rate can be charged for spare parts once a customer has bought a motor vehicle from a company, (b) a firm can also make use of multiple brands or makes.

(3) A program that includes an increase in a firm's range of products is effective in ensuring that all the models of those products that are needed by consumers are available to them thus making it relatively unneccesary for them to shift to a rival's products.

(ii) Differentiated Positioning

In this strategy the firm's product does not offer the same benefits as the rival's, instead it offers different benefits and as a result attracts those customers who desire unique or special benefits from products. Normally, a firm bases this strategy on an attribute that is difficult or costly to duplicate.

2.3.4 <u>Product Innovation and Differentiation Strategies</u>

Bloom and Kotler (1975) came up with strategies similar to the "Selective demand

Strategies", they called them "The Product and Distribution Innovation Strategies". These categories of strategies are similar but not the same, because the "Product and distribution innovation strategies" include only the product and distribution differentiations strategies, while in addition to this, the "Selective demand strategies" include differentiation in pricing. Bloom and Kotler (1975) identified "Product Innnovation" and "Distribution Innovation" as those strategies which could be used to increase a firm's market share to the level of it's "optimal market share". The optimal market share was defined as a level of market share from which any departure in either direction (lower or higher) would reduce the firm's long run profitability and or risk (Bloom, Kotler: 1975). Donaldson (1985) together with Day and Fahey (1988) supported the use of the "Optimal market share" as a firm's barometer of success.

(a) Product Innovation

Bloom and Kotler (1975), pointed out that, a firm could introduce new and better products with the help of its research and development department.

(b) Distribution Innovation

Bloom and Kotler (1975) also pointed out that a firm should look for ways of more effectively covering their market. It could use unconventional or neglected channels of distribution such as the "door to door" marketing channel, so as to make its products distribution unique, relative to its rivals.

Apart from Bloom and Kotler (1975) and Gultinan and Paul (1985) there are other scholars who also identified differentiation as a marketing strategy, these include Porter (1980), Rewoldt et. al (1981) and McCune (1994). Rewoldt et. al (1981) argued that the product differentiation strategy is used by a firm which wants to gain competitive advantage over its rivals. Using this strategy, it could promote its unique product dimensions to the existing customers or to any potential buyer of its products.

The success of a product differentiation strategy depends on the type of marketing mix being used. The mix needs to, provide a unique product or package design, make use of special channels of distribution and also use catchy promotional themes. McCune (1994) emphasized on tailor made products and services for the targeted individual customers or segments, this is also a way to attain product differentiation. Porter (1980) pointed out to the fact that a firm using a differentiation strategy should have an abundant and sustainable competitive advantage in terms of research, development and marketing resources. He also identified the Mercedes Benz company as one of the companies which used the differentiation strategy. It created a unique, "brand image" which made it become the profit leader, it is today.

2.3.5 Undifferentiated Marketing Strategy

However, Rewoldt et. al (1981) also identified Undifferentiated marketing as a strategy. They pointed out that, this is a strategy which is appropriate for a firm which seeks to attract as many buyers as possible from the mass market with essentially one market program. The firm will be identifying what is similar among the prospects or products rather than what is different between them, after which it will join together all those market segments which have similar needs for similar products.

2.3.6 Market Segmentation Strategy

"Market Segmentation" is also another type of marketing strategy Rewoldt et. al (1981). This strategy involves the developing of sub-markets and it is derived from the changes that takes place on the demand side, especially in the diverse consumer requirements.

Bloom and Kotler (1975) are among the scholars who identified "Market Segmentation" as a marketing strategy, however, they went further and pointed out that this strategy is specifically used by a firm which needs to increase its market share. Porter (1980) identified a similar strategy which he called the "Focus Strategy", it involves a firm focusing on a particular segment of buyers. When using "Market Segmentation Strategy", a firm divides it's market into segments based on geographical, demographical and psychological familarity / commonness (Dalrymple, Parsons: 1990). For instance, the motor vehicle as a product can be grouped into compact, subcompact, luxury and standard (Carlson, Umble: 1980), it can also be segmented in terms of the income, the age and marital status of the motor vehicle consumers (Dalrymple and Parsons: 1990).

Resnick et. al (1979) went further and identified "Countersegmentation" as a strategy, it involves the grouping of subsegments into larger segments, however he argued that a firm may need to first estimate the payoffs that can be derived from the implementation of the contersegmentation strategy, before implementing it.

2.3.7 Profitability Strategies

Profit can be increased either by, (a) reducing costs, (b) increasing revenue or (c) doing both.

(a) Reducing costs

Porter (1980) identified a marketing strategy which is known as, the "Overall cost leadership strategy". This strategy when used, as the name suggests, involves a firm minimizing its costs of research development, personnel and advertising relative to it's rivals. To achieve this, it needs to have certain strengths, such as an easy access to raw materials and a large market for its products. These strengths act as a protection for a firm's returns from any attack due to changes in the five competitive forces which normally influence competition in an Industry. (Porter 1980).

(b) Increasing revenue

However Goldman (1995) argued that a better strategy for a firm to use, is to increase its revenue rather than to concentrate solely/mainly on minimizing its costs. Goldman (1995) argued that a firm that uses the strategy of cost minimization, would face a number of limitations such as, the loss of power, the loss of personnel, the loss of employee freedom and the loss of speculative opportunities. It may require a lot of knowledge and skills that might be difficult for it to acquire.

(c) Reducing costs and increasing revenue

McKay (1972) on the other hand argued that the appropriate strategy to be used, is the one which will enable a firm to increase its profitability both by minimizing its costs and maximizing its revenue. He identified improved profitability as one of the three basic marketing objectives, apart from increased market share and market enlargement. Some of the distinct strategies which can be used to meet these objectives are as given below:

(a) To improve profitability

This objective can be attained by emphasizing on, (i) an increased sales volume for profit leverage, (ii) the elimination of unprofitable activities, (iii) price improvement and (iv) cost reduction.

(i) By emphasizing increased sales volume for profit leverage

To implement this strategy,

(1) The marketing mix could emphasize on improved sales and distribution effort.

(2) The marketing mix may include increased advertising and sales promotion effort.

(ii) Through the elemination of unprofitable activities

To implement this strategy,

(1) The marketing mix may include fewer products and product lines.

(2) The marketing mix could have reduced sales coverage and distribution.

(3) The marketing mix may need to involve reduced customer services.

(iii) By making price improvement

To implement this strategy,

(1) The marketing mix can have high levels of prices.

(2) The marketing mix may need to emphasize on product and service differentiations which would allow a firm to increase its prices.

(iv) By cost reduction

This strategy can be implemented by having the marketing mix give a lot of importance to customer services and effective persuasive activities.

(b) To enlarge the market

This objective can be achieved through the following strategies:

(i) By product innovation/development.

(ii) By market innovation/development.

(i) By product innovation/development

This strategy can be implemented by:

(1) Having a market mix which emphasizes on an increasing use of existing product lines or,

(2) A marketing mix that stresses the development of new products or product lines.

(ii) By market innovation or development

To achieve this strategy:

(1) The marketing mix may need to emphasize on the development of present markets, that is it could emphasize on customer loyalty and followup and by extension repeated purchases.

(2) The marketing mix may give extra attention to activities that can attract new customers. This may need investments to be channeled into promotional activities and into the establishment of an effective salesforce.

(c) To increase market share

There are three strategies which a firm can use in order to achieve its goal of increased market share, these strategies include, (i) an emphasis on product development and product improvement in order to gain competitive advantage, (ii) an emphasis on persuasion efforts also to gain competitive advantage and (iii) an emphasis on quality customer service activities.

(i) Enhancing product development and product improvement

This strategy could be implemented by:

(1) The marketing mix emphasizing on improvement in product performance and on the acquiring of better technology among other things. For instance, a car's performance could be improved by increasing its mileage and reducing its fuel consumption.

(2) The marketing mix stressing on enhanced product quality. It could aim at increasing the durability of a product. For instance if it is a motor vehicle, the firm manufacturing it would have it's durability enhanced such that it's life span is longer than that of a rival's vehicle.

(3) Better product features could be another important element of the marketing mix.For instance in the case of a motor vehicle, then the marketing mix would emphasize on a more attractive shape of the car, an attractive colour, power steering, air conditioning and other facilities which will enhance the comfort and safety of the vehicle.

(ii) Emphasizing on an increased persuasive effort in order to gain competitive advantage

This strategy can be implemented by:

(1) The marketing mix emphasizing on the sales and distribution elements.

(2) Increased efforts on the advertising and sales promotion elements of the marketing mix.

(iii) Emphasizing customer-service activities for competitive advantage

This strategy includes:

(1) Using a marketing mix which will emphasize on the ready availability of a firm's product and on the quick handling of orders and deliveries.

(2) A marketing mix which will emphasize on effective credit and collection policies.

After explaining the types of marketing strategies which a firm could use in order to compete with a rival and after identifying their relationships with the marketing mix elements, the next section is going to identify the marketing programs in the marketing mix.

2.4 THE MARKETING MIX

The marketing mix can be defined as "the blending of the four elements of marketing decision making in order to satisfy chosen consumer targets" (Beckman, Kurtz and Boone, 1982:14). Kotler (1980:88), defined the marketing mix as "the set of controllable variables and their levels that the firm uses to influence the target market". The marketing mix normally includes four elements which are, price, product, place or distribution and promotion, which are going to be as explained below:

Product Includes decisions made about the product's, uses, packaging, designing, branding, trade mark, warranty, guarantee, product life cycle and development.

Price The decisions made in regard to the methods of setting profitable and justifiable prices.

Place/Distribution Involves decision making in relation to the physical distribution of goods together with the selection and management of marketing channels. Marketing channels are the steps that products or services go through, from the producers to the final consumer. Channel decision making involves the establishment and maintenance of institutional structures in marketing channels. These include retailers, wholesalers, and other institutional middlemen.

Promotion This element involves decisions that are made in regard to personal selling, advertising, and sales promotion tools. The various aspects of the promotion elements need to be blended together in order for a firm to be able to communicate effectively with the market.

These four elements or P's of the marketing mix are not enough, it is argued that the marketing mix elements should be 8 in number. These other 4 marketing mix elements include, People, Physical evidence and Process (Donnely and George, 1981). The eighth marketing mix is Probe (Prof. Kibera, 1995). The people, physical evidence and the process elements have been included in the mix because some scholars argued that they are relevant for any firm, these three P's are relevant to both the product oriented firms and to service firms, for instance Lazer and Culley (1983) argued that, even though a car is a tangible object that can be possessed, it is also bought because of the services it renders. They pointed out that marketers should perceive what they offer as a bundle of satisfaction rather than, that what they offer is tangible or intangible or whether what they offer are purely services or products. Probe is also a very relevant marketing mix element, this is especially so given that there are dynamic changes taking place in the business environment today, which includes increased competition. We shall now briefly explain the additional four marketing mix elements.

People This element involves the personnel of a firm. Without the right quantity and quality of employees or managers who have the correct philosophy in their minds (that is, the customer is "sovereign") then, the firm's objectives may not be effectively and efficiently met.

Physical facilities These include decisions made in regard to the buildings, the vicinity, the furnishings, the painting, the cleanliness and the surroundings of the firm. Public image is made based on the quality of these facilities.

Process These are those decisions that are made in regard to the procedures, the technology and the flow of activities in a firm.

Probe It includes all activities which are directed to the unearthing of relevant and or crucial information on various marketing aspects such as the competitor's marketing mix or the characterstics of the target market.

2.4.1 The Product Program

A product can be defined as those goods and services that fulfill customer needs (Dalrymple, Parsons: 1990; Baker: 1992; Belletali:1988). The Product program can either be of a pruning type or a product development type, depending on the type of marketing strategies being used by a firm (Rewoldt, et. al 1981).

(1) The pruning type of program, is that program which is consistent with the niche strategies and low cost strategies among others. It involves a firm reducing it's products and only concentrating on those products that are most demanded and which will contribute immensely to a better competetive position and to reduced operational costs.

(2) The product development programs are normally those programs which can be used together with the flanking strategies and primary demand strategies among others. According to Gultinan and Paul (1995) there are four basic types of product development programs namely:

(a) Product line modification programs,

(b) Product line extension programs,

(c) Complementary product programs and

(d) Diversification programs.

(A) Product Line Modification Program

The objective of this strategy is to enhance the sales of an existing product line, this strategy can involve the redesigning of products in order, (i) to improve product quality and (ii) to provide new benefits.

(i) Improving product quality

In a survey taken in late 1980's, nearly 80% out of the U.S. managers who were polled had the opinion that quality would be a fundemental source of competitive advantage in the year 2000 (Harmel and Prahalad : 1994). Research, showed that companies that are devoted to the production of high product quality do become market leaders and in turn earn a higher percent in price premium (Peter and Waterman: 1989).

Quality has also been seen as a tool for product differentiation (Aaker,1992). A company could increase those product quality dimensions that its rival's product do not have. Quality has several dimensions including:

(a) Performance

(b) Feature

(c) Reliability

(d) Conformance

(e) Durability

(f) Serviceability

(g) Aesthetics and

(h) Perceived quality (Garvin: 1987; Peter and Waterman:1989;Harori:1993).

(ii) Increasing a Product's Benefits

The introduction of new benefits of a product is also a very important activity. However, any such kind of action need to be guided by customer needs (Baker, 1992).

(b) Product line extension program

The objective of this type of product program is to reach out to a new market segment. In this program, an entirely new product is created product features that distinguish it from the current offerings.

Some of the advantages of this program include:

(1) Low costs,

(2) A less risky way of satisfying the needs of various customer segments and

(3) Satisfying varied customer needs by providing them with a variety of products.

A competitor's product line can be a major driving force behind this strategy, because a firm may extend it's product line to match the competitor's. Honda was the first Japanese motor vehicle company which used a product line extension program in order to make an upscale segment entry in the U.S.A motor vehicle market (Terpstra and Sarathy:1991).

However, if this strategy is overused, then the strategic role of each product becomes muddled up because a product line will be oversegmented, leading to an increase in production costs (Harvard Business Review: 1994).

(c) Complementary Product Programs

Complementary goods constitute those goods that are used in conjuction with other products. They can enhance the sales of existing products, for instance the availability of abundant spare parts for a motor vehicle like Toyota could enhance sales since consumers are eager to ensure that they will in the future face no major problems from a purchase.

(d) Diversification Program

This is a program which involves an introduction of new products by a firm, in order to serve its new markets and in turn achieve its objectives, such as the tapping of new growth opportunities and sales stability.

Dalrymple and Parsons (1990) pointed out that the factors which contributes to a succesful product program include, the use of appropriate marketing strategies, the utilization of an appropriate engineering technology, good production and marketing skills together with quality management of financial resources.

The "Product" element also includes warranty and aftersales services. These are as explained below:

(1) Warranty

Warranty represents all the commitments on the part of the sellers, to repair and adjust a product that fails to perform as the customers expected it to(Dalrymple and Parsons:1990). Hart (1988) identified some of the benefits that a service warranty can provide, these are:

(1) It generates feedback and informs a firm on what it has to improve on, in order to satisfy its customers.

(2) Without a warranty, customers might be reluctant to undertake repeat purchasing and

(3) A warranty can enhance a firm's marketing efforts because it can reduce the risk that is normally taken by the buyer during his/her purchasing and in turn may create customer loyalty.

Peter and Waterman (1989) pointed out that the more the warranty that is provided, either in terms of time, spareparts or expense amounts,the more reliable a product is. Hart (1989) identified several situations in which a warranty can lead to a large gain in the market share, these conditions are:

(1) When the cost of aftersales service is high. For instance in the case of a car, the consumer will

be more willing to purchase a car, if the aftersales services could be done without him/her paying a large bill for it.

(2) When the customer's ego is threatened, then an increased warranty may assist a dealer of a product to increase it's unit sales. This is the case for the purchasers of the new vehicles, because a customer might not want to be embarrassed by the frequent breakdown of his/her car.

(3) When the company depends on frequent customer repurchases.

It is also important, to note that when the high quality Japanese vehicles managed to grab a significant portion of the USA motor vehicle market, the US motor vehicle manufacturers responded to this by offering longer warranties (Dalrymple and Parsons: 1990).

(2) AfterSales Service

According to Dalrymple and Parsons (1990), there are several Service programs which emphasize on different things. These programs includes:

(a) A service program which considers repair work as a profit making opportunity. If most of the products that are owned by the consumers have their warranty expired while they still require periodic repairs, then an effective and efficient repair work can assist the dealers to solicit service work as a profit making activity. Automobile manufacturers are good examples of firms using this type of program.

(b) Alternatively, in another program a manufacturer could train the servicemen of his dealers in order to achieve faster and more economical repairs with an objective of building sales in the long run.

Darlymple and Parsons (1990) also pointed out that, whether a service program is an optimum one or not, depends on the costs, complexity, life expectancy of the product, the importance of repairs to the customer and also the degree of a manufacturer's concern for maintaining a satisfied group of repeat buyers.

2.4.2 The Price Program

According to Gultinan and Paul (1985), the Pricing program is the most fundamental of all marketing programs because of four reasons which are as given below:

(a) Most products and services have a "price" therefore even though marketers have to decide on the type of price program to be used in implementing a marketing strategy, they can avoid making decisions in regard to the product development or sales promotion programs.

(b) The price program, relative to other programs normally take less time to execute.

(c) Price from the budgeting point of view is very important, because it significantly contributes to revenue. In turn, all the budgets of the other programs substantialy depend on the revenue that is accrued. This argument was also presented by McDaniel Jr. and Darden (1987).

(d) Pricing decisions have important implications on the type of advertisement, sales promotion and distribution programs that are used by a firm. Therefore, these programs needs to be consistent with the price program. Furthermore the price program do have an effect on the product differentiation strategy, for instance, with such expensive products as motor vehicles, the higher their prices are, the more they are percieved to be of high quality by consumers (Gerstner,1985).

Pricing programs are guided mainly by the type of marketing strategy that a firm adopts. If a firm adopts a "skimming" strategy, then the firm would also use a price skimming program (keeping high prices) and if the firm uses a "market penetration" strategy then a firm would use a penetration price program (it will keep very low price in the beginning and later on it will raise it) (Boyd, Walker: 1990).

However, there are other factors which influence a pricing program and these include:

(1) The price elasticity of demand and the price sensitivity of a firm's consumers, (2) the method that is used to calculate or determine price, (3) a rival's reaction, (4) the relationship between pricing and other elements of marketing mix, (5) the level of marginal cost, (6) the need to recover incurred cost (Cohen: 1988;McClealand:1981) and (7) legal considerations (Gultinan, Paul: 1985). Price changes are caused by several factors including, (a) change in consumer behaviour, (b) new entrants in an industry and (c) economic cycles (Rewoldt et. al: 1981).

The price setting decision process needs to take into account all of the seven factors above, that influence the program, including the type of marketing strategies being used which normally acts as an overall guiding factor. The process involves several steps which includes, the setting of strategic objectives (normally consistent with the marketing strategy), followed by estimations of demand the price elasticity of demand and costs, after which the competitors' prices and costs are also examined.

It is important to note that, most manufacturers pay commissions to their dealers and make discount allowances to both their customers and dealers. There are several types of discounts which were identified by Dalrymple and Parsons (1990) together with Boyd and Walker (1990), these are as explained below:

(a) <u>Trade discounts</u>

These are discounts given to the retailers\dealers to motivate them to sell a product and to perform their usual marketing activities in it's support.

(b) <u>Quantity discounts</u>

The objective of a firm using this types of discount is to get it's customers to increase their orders. It is given directly to customers.

(c) Seasonal discount

This type of discount aims at encouraging customers to place their orders before the start of a booming business season.

(d) Allowances

Allowances are price reductions which compensate buyers for certain activities. These allowances include, promotional and trade allowances that are given to their dealers which in turn help reduce the price or the down payment that a customer of a durable product (like a motor-vehicle) may need to make .

Another important element of the pricing program is credit incentives which are given to buyers. The amount of credits given to a buyer depends on certain factors like the amount of funds available.Credits can be given either by installments or on a fixed period (as it is given in a contract). Credits could also be favourable to rich customers who might prefer to take credit rather than to pay cash (Baumback: 1988).

2.4.3 The Promotion Program

The promotion program includes advertising, sales promotion, publicity and salespeople, however the latter shall be treated under the people program.

Promotion has been defined as a controlled and integrated program of all the communication methods and materials which are designed to represent an organization and it's products, it facilitate sales and in the long run contributes to profit performance (Engel et al: 1987).

The objectives of a promotion program are to, (i) communicate, (2) convince and (3) compete (Rewoldt, et.al: 1981). Albeit the pricing program being the most important program in the marketing mix, it is important to note that even it cannot be of much use without a promotion program supporting it, these two programs need to be coordinated.

According to Rewoldt et. al (1981), there are several supporting roles which a promotion program plays in regard to the price program and these are as given below:

(1) It makes consumers aware of the prices of a product, this is important because the consumer has to be aware of the price before he/she decides to buy it.
(2) Promotion creates demand, it increases sales by altering one or more of the basic determinants of demand. Normally an effective promotion program can support a differentiation strategy which in turn would allow a firm to charge a higher price for it's product or service.
(3) Effective promotion effort can influence the price elasticity of demand of a product. The more effective a promotional effort is, the less the price elasticity of demand of a product becomes. This is the case because promotion enhances repeat purchases.

In addition, Wilkie (1990) pointed out that promotion is not only important to the price program but it actually supports the whole marketing mix of a firm. Wilkie (1990) argued that promotion assists in informing and convincing potential customers about the whole marketing mix, therefore it is the chief communication link between the firm and it's customers.

McDaniel Jr. and Darden (1987) went further and argued that price can also be used as a promotional tool in order to increase consumer interest in a product. Therefore they emphasized on the mutual dependence relationship that exists between price and promotion.

There are several factors which can influence the promotion program, these factors include, (1) the nature of the product, (2) the products life cycle (McDaniel Jr., Darden: 1987; Stanton, Futrel: 1987), (3) the market characteristics, together with what McDaniel Jr. and Darden (1987) pointed out to be the fourth and fifth factors which are (4) the availability of funds and (5) the type of marketing strategy being used by a firm.

(l) The nature of the product

Industrial goods and consumer goods require that, different emphasis be made on the marketing mix elements of a firm. According to McDaniel Jr. and Darden (1987) and also Stanton and Futrel (1987) a consumer good would require the manufacturer to heavily advertise and use it's dealer's displays together with it's personal selling. However an industrial good will require a promotion program that will emphasize on the use of special trade magazines together with personal selling because of the high degree of technical service that is required before and even after the sales.

(2) The stages of the product life cycle

Stanton and Futrel (1987) and Mc Daniel and Darden (1987) pointed out that, the product life cycle influences the promotion program. This is as explained below:

(a) New entrant stage; A new product entering the market would need to be backed by more trade shows and personal selling than a matured product. A new product initially is bought by a small number of people who are known as the early adapters. These will then be, in the long run, the opinion leaders of other customers.

(b) Growth stage; In this stage, the objective of a promotion program will be to reach as many new customers as possible, this may be achieved by it covering a wider geographical area. Thus advertising may need to be the most emphasised and used element in this stage.

(c) Maturity stage; Advertising should still be emphasized and used but, it's role will be more of a persuasive one rather than an awareness aid.

(d) Decline stage; At this stage, all promotional elements cease to be used.

(3) The amount of funds available

A business which has abundant funds can make more effective use of advertisement. While those firms that have little funds can mainly make use of personal selling and their dealer's displays.The methods that can be use for determining the promotion budget include the, (1) percentage of sales method, (2) competitive and parity method and (3) the resource availability method (Rewoldt et. al: 1981; Bii: 1992).

(4) Market Characteristics

The market characteristics includes:

(a) The geographic scope of the market

(b) The type of customers and

(c) the concentration of the market.

(a) **The geographic scope;** Personal selling is more appropriate, when the market constitutes a small local market.

(b) **Type of customers;** If the customers are mainly retailers, then a manufacturer's promotion program should emphasize on personal selling rather than advertising which is normally used when a wide coverage of market is necessary.

(c) **Concentration of the Market;** A firm can most effectively use personal selling, if it's market has fewer potential buyers.

There are several advantages that can be derived from the use of each element of the promotion program. These were identified by McDaniel Jr. and Darden (1987) and are as given below:

(1) Advertising is mainly effective in creating awareness and knowledge to consumers.

(2) Personal selling is very effective at developing preferences for a product and at gaining customer conviction.

(3) Sales promotion can be most effective in creating awareness of a new product and in creating a strong intent to purchase.

(4) Public relations is most effective in creating awareness about a company's goods or service.

(5) Good publicity can assist a firm in developing the customer preference for it's goods.

(1) Advertisement

Advertising agencies are normally used by firms to, (a) plan for advertisement, (b) prepare advertisements and (c) help in selecting the most suitable media. However Oguttu (1983) discovered that, the least popular of the services that are offered by the agencies are, (i) the evaluation of advertising programs and (ii) the undertaking of market research. Oguttu (1983) found that only 53.5% of advertising agencies in Kenya, did the former function while 46.3% did the latter. Ward (1992) argued that, the one way to more effectively and efficiently use advertising agencies is to pay them a fee rather than a commission and then demand more services from them.

(2) Publicity

According to Futrel and Stanton (1987) publicity has certain unique limitation's this is because:

(1) A firm has little control of what is said in the mass media and

(2) A firm has little control on the time at which the media will publicize it or it's products.

Ettore (1993) identified another limitation to be that, a firm lacks legal protection when it is a sponsor.The firms which use sponsorship as a publicity tool, are not protected from their competitors as far as copyrights or logos are concerned.

2.4.4 The Distribution Program

Distribution channels are groups of interdependent organizations that help to make goods and services accessible to consumers (Dalrymple and Parsons: 1990; Stern and El-Ansary: 1988).

Channels are important to a firm because of several reasons, which are given below as identified by Boyd and Walker (1990), Cravern (1987) and McDaniel Jr. and Darden (1987):

(1) Channels play a crucial role in providing post sales services

(2) Channels are closer to the market than the manufacturer and therefore can become a source of information to customers

(3) The distribution channel is also a communication link between the firm and it's customers, it therefore supports the promotion program and

(4) It also avails products when and where consumers want them.

The distribution program consists of two major functions namely, (a) channel design and (b) channel management. These two functions involve the selecting of those channels that are consistent with the marketing strategy that are used by a firm. They also involve objectives and activities that are aimed at gaining cooperation from channels for the implementation of a market strategy.

There are several objectives that a distribution program may have, these were identified by Gultinan and Paul (1985), Weinrauch (1987) and McCarthy et.al (1988) and are given below:

(1) Pulling objectives

A promotion program, may have it's objective to be an increase in the number of consumers that demand a firm's product from it's channels.

With this objective, the firm would directly advertise and promote aggressively to it's consumers and thus increase the demand for it's products. This will indirectly pressurize a channel to sell the firm's products since they would be highly demanded by consumers.

(2) Pushing objectives

These objectives involve a program that would emphasize on promotional effort, personal selling and advertising to be targeting the channels in order to attract and convince the targeted channels to sell a firm's products. A firm may also emphasize on the acquisition of new distributors and thereby increase the availability of it's goods' inventory relative to that of it's competitors.

These programs also involve channel systems. There are several types of channel systems which are as given below:

(1) Intensive distribution: This involves a firm selling it's product through only responsible and suitable wholesalers or retailers.

(2) Selective distribution: It involves the selling of a product through a few middlemen who will give the product special attention.

(3) Exclusive distribution: this involves the selling of a product through only one middleman in a particular geographical area. Franchise and subsidiary companies are the beneficiaries of this type of channel system (Hoffman, Preble:1991; Dov: 1972)

(4) Gray market system: Dutian and Sheffet (1988) identified another channel system which is in illegal one, it involves legal wholesalers selling goods to unauthorized retailers.

Physical distribution is a very costly activity and therefore efforts must be expended in order to reduce this activity, if firms are to reach their profit goals particularly when their sales are growing at very slow rates (Stern and El Ansary: 1988).

2.4.5 The People Program

Due to the increase in competition all over the world, the one thing that can make a difference in marketing strategy is people. Raw material, technology and other resources all depend on people therefore highly qualified and experienced salespeople are a unique resource advantage (Brown, 1995).

According to Gultinan and Paul (1985), effective salespeople of a firm do play several unique roles and these are as given below:

(1) The salesforce is a source of marketing information in regard with product quality, buyer responsiveness to new prices or products and a rival's activities.

(2) The salesforce also enhances sales promotion and advertising by it following on customers' inquiries that are made. It also convinces and motivates a firm's distributors to support a product line by assisting them to coordinate their marketing activities.

(3) They provide customer service activities that are designed to enhance customer satisfaction.

Stanton and Futrel (1987) argued that personal selling, (a) is more flexible than any other elements of the marketing mix , (b) it is focused on prospective customers and (c) it contributes greatly to an actual sell. Management is also a very crucial function in the selling activity (Gultinan and Paul: 1985; Kotler: 1980). Wilkie (1990), pointed out that Olshavsk undertook a study in order to determine what powers salespeople have and what their role is in the buying decision making process. He came up with a conclusion that, salespeople strongly influence the customer's actual choice of products and thus purchase.

Maynes (1986) and Robertson et.al (1984) pointed out that for a durable good like motor vehicles, the involvement, consultation, interaction and the price negotiations that take place between the salespeople and customers are very crucial to a sale. Gultinan and Paul (1985) also identified that, personal contact and friendliness are critical and important in sorting out and solving a customer's problems. This is one of the reasons why training programmes are necessary for a firm's, sales, management and technical personnel (Peter, Waterman Jr: 1989).

Stanton and Futrel (1987) had put forward the view that salespeople should be trained in order to acquire certain characteristics that are typical of effective salespeople. These are:

(1) Abundant confidence

(2) Chronic hunger for money

(3) High stamina

(4) High perseverance level

(5) An ego drive and perceiving of selling as a source of personal satisfaction.

According to Craven (1987), a training programme should include:

(1) Selling concepts and techniques

(2) Time and territory management

(3) Product knowledge and

(4) Company policies, procedures and practice.

However, Craven (1987) argued that there is almost a complete vacuum of published information in regard to what should be the effects of a training programme on the skills, behaviour and performance of a sales force. Craven (1987) in addition pointed out that firms normally train their personnel only because they think it is essential. Fouss and Solomon (1980) went further and questioned the role of a salesperson as a source of marketing information.

Training enhances communication effectiveness and an effective salespeople make an important contribution towards achieving the marketing objectives of a firm. Apart from training programmes, incentives should also be provided to reward the efforts of an effective salesforce. Incentives such as commissions, bonuses and others should be provided apart from basic salaries. Incentives would then act as an impetus behind any increased sales that are made by a salesperson and it will also encourage better interpersonal relationships between the salesperson and customers \ potential customers (Gultinan and Paul: 1985: Wilkie 1990).

2.4.6 The Probe Program

Marketing research has been defined by Tull (1987) as a formalized means of obtaining information which will be used to make better marketing decisions.

Tull (1987) pointed out that, research projects assist in:

(1) Identifying marketing problems and opportunities,

(2) Selecting the problems that need to be solved and identifying the opportunities to be tapped and

(3) Obtaining information needed for solving problems.

Green et. al (1988) cited a more elaborate definition and a clearer description of how marketing research can assist a marketer. This definition was given by the American Marketing Association, which is as given below:

Marketing research is the function which links the customer or the public to the marketer through information. This information is used to, identify marketing opportunities or problems, to generate, refine and evaluate marketing actions, to monitor performance and to improve the understanding of marketing as a process. It specifies the information that is required to address these issues and it designs the method of collecting, managing and implementing data together with designing the analysis of the results and communicating the findings with their implications.

There are several types of market research. Churchill (1983) identified three types of market intelligence research:

(a) Research for planning

(b) Research for problem solving and

(c) Research for control.

(a) Research for Planning

This is when the market intelligence research is mainly used to identify those opportunities that are viable, so that a manager could estimate the resources that are needed to tap them.

(b) For problem solving

This is when marketing research focuses on the short and long termed decisions that a firm must make with respect to the elements of the marketing mix.

(c) Control oriented marketing research

These are researches undertaken by management in order to identify and deal with specific problem areas and at the same time to keep in touch with the present operations of the firm.

The probe element is very important as far as obtaining information on competition and consumer behaviour is concerned. Rewoldt et. al (1981) argued that competition and consumer behaviour are the two most significant factors affecting marketing strategy. Furthermore, marketing research is also used by a firm in order to know whether an individual program or the whole marketing mix is effective enough, therefore probe also plays an important role in the management of the marketing mix elements.

Hooley and West (1984) undertook a wide range survey of the use of marketing research in the U.K. from which they concluded that there was a clear association between the conducting of marketing research and an improved company performance. Baker and Hart (1989) also undertook a similar survey and came to the same conclusion.

2.4.7 The Process Program

Computer technology makes the task of marketing research more efficient, effective and less tedious. It saves time and money and therefore makes sales effort \ operations more efficient. It also enhances effectiveness for instance, electronic spreadsheets can be utilized to improve a product's performance, they can analyse a product's sales in order to identify the product or segment which fails to provide sufficient sales, after which a firm can take measures to improve it.

Sensitivity analysis can also be done. In addition computer can be an educational aid that is used in personnel training (Hughes:1983).

Jeffrey et. al (1994) pointed out that it was the advancement in computer and communications technology that had contributed to an increase in the sales of Japanese motor vehicle firms. The companies had installed a computer and satellite communication system called AUCNET. Jeffrey et al (1994) argued that the AUCNET system had been used as a new method of selling and competing whereby there was no need for any decisions to be made in regard to physical distribution and in turn every sale was made through an inter-net (computer network). This allowed the Japanese to increase their price premium by an average of 6% to 7% more than what they would have been able to do, if they had used physical showrooms. This is because buyers were willing to pay more because of the greater convenience they had (no transport cost and loss of time) and also the wide range of products they could choose from (since no physical space was used).

McCune (1994) pointed out that automation reduces costs, increases efficiency and pleases more customers. However, Poling (1990) pointed out that technology must be introduced at the right time, at a correct pace and under the right circumstances if an automobile firm is to get the best results from it.

It is important to note that, in the process of designing an effective marketing mix, trade offs need to be made among the marketing mix elements. However, these trade offs are not very easy to identify because funds may need to be allocated to all the elements even though before any allocation is made little can be known for certain, about the combined effects of the interacting elements. In an attempt to solve this problem, managers try to predict the ways in which target markets will respond to each of the different levels of funds that can be allocated for each of the marketing mix elements, the managers in other words test different marketing decisions and their effects on target markets. It is also particularly important for a firm to look at the effectiveness of the whole marketing mix rather than of a particular marketing mix element (Lazer and Culley 1983).

The problems faced by marketing managers in their attempt to formulate the most effective marketing mix according to Lazer and Culley (1983) include:

(a) The lack of data on expected cost and revenues that can be brought about by the use of different marketing mix elements.

(b) The effects of the combination and interaction among the various elements of the marketing mix together with their degree of appropriatness given the market conditions, cannot be accurately measured .

(c) The multiple and conflicting goals among the different units of an organization, which must be met in order to achieve an effective marketing mix.

Irrespective of these problems, the marketing mix is the basis and the means of satisfying both the consumers' and a firm's needs.

However, Rewoldt et.al (1981) tried to rank the marketing mix elements, in accordance to their importance in the Automobile industry. They ranked, (1) "Product" as the most important variable, this is because the product (the motor vehicle) is an expensive purchase therefore, it is necessary that it should be of high quality, (2) "Place" and "Price" as second in importance, because a consumer does not buy a product just because it is available nearby, but he/she would also look at other factors such as quality of the product before buying it. However increased product accesibility, brings the aftersales services closer to the consumer and (3)"Promotion" as fourth, promotion is the least important of the marketing mix elements. They pointed out, that this ranking is not final.

It is important to note that the actual designing and management of the marketing mix will depend on a firm's marketing strategy or on its own perception of its strengths and weaknesses vis a vis its threats and opportunities (Doyle in Baker(ed): 1991).

2.5 CONSUMER BEHAVIOUR

Competitor analysis, market research, marketing strategies and marketing programs are all jointly used by firms to influence their consumers' behaviour and therefore the demand for their products. It is therefore important for an overview of consumer behaviour to be provided in this literature review.

The purchase decision making process:

A consumer normally goes through several steps before he/she buys a commodity. These steps include the, (i) recognition of a problem or need, (2) the search for alternatives and information, (3) the buyers mental evaluation of alternatives, (4) the purchase action, and (5) the post purchase activity (Martin et.al:1988).

(1) The Recognition of a problem or need

A need has been described as a lack of something, which in turn causes tension (Prasad: 1986). In order to remove the tension, a person may find it necessary to buy a product. Needs therefore motivate the buying of a product. Maslow talks of a hierarchy of needs starting with the basic needs to the need for self actualization (being the "best" that a person can be in a particular field/area) as the top most level of needs in the hierarchy / pyramid (Kotler: 1980).

Maslow's hierarchy of needs acts as motivation to consumers (Martin et.al 1988), these needs include:

(a) Need for basic products like food, shelter and others.

(b) Need for belonging - these motivate consumers to look for product/services which can make them be accepted by a social group.

(c) Need for safety - motivates consumers to shop for products or services which can give them safety, for example the people who buy insurance policies do so in order to satisfy this category of needs.

(d) Need for status - it is not enough for a person to belong to a social group but it is also important for the person to get respect from the group. This can motivate a potential consumer to shop for the latest make/models of a product for instance, a person who has high income may buy the latest Volvo model, the Volvo 960 which was introduced on the sixth of October 1995, so that he/ she can be respected by others.

According to Henry (1992), Hawkin et. al (1989) together with McDaniel Jr. and Darden (1987), the factors that influence this stage of the purchase decision making process include reference groups and family, among others.

<u>(2) The search for alternatives and information.</u>

Once a potential customer recognizes his/her needs, then the person may start to undertake actions that will be directed at satisfying these needs. Customers begin by searching for information in regard to those commodities that can meet their needs and this information will then be used to assist them to select the best product.

According to Henry (1992), Hawkins et. al (1989) together with McDaniel Jr and Darden (1987) there are several factors influencing this stage, these include, (1) the perception of the potential consumers (the values that they attach to the products,) These values are influenced by salespeople, friends, advertisement, independent tests and reports, (2) perceived risk (the financial and social risks of buying a "wrong" product). This is a very important factor when it comes to expensive and durable products such as automobiles and (3) Opinion leaders.These are individuals who normally are the early adopters of a product (the first people who use a product). Other consumers use the adopters' perceptions and experience as a guiding factor in making their purchase decisions.

(3) Evaluation of alternatives.

This is the most complex part of the decision making process because sometimes all the activities in this stage take place at the same time. For instance, the evaluation of alternatives may be done simultenously with the data collection.

The evaluation criteria differ from one product to another. For instance in the case of a car purchase the criteria includes, (a) its price, (b) its availability, (c) its economy of operation, (d) its repair record, (e) its comfortability, (g) its safety and (h) its durability together with the degree of tropicalization of the car (Malleret, 1960). Another factor that can influence the product selection process is the learning factor (Henry:1992). Learning can be defined as those changes that are made in the way in which a firm responds to it's enviroment. These changes are brought about by either a rewarding or punishing experience.

(4) Purchase

Once consumers have selected a product they can buy, the next step in the behavioural model is purchase. In this stage, the purchase intent of a customer, the income available and also the availability of the product are very important factors (Dalrymple and Parsons 1990).

Nowicki (1969) and Carlson and Umble (1980) pointed out that, the factors influencing the demand for a car include; (a) income levels, (b)availability of the car and (c) income elasticity. Nowicki (1969) argued that the income elasticity of demand for a car is a function of; (i) its price relative to other expensive durable commodities like houses and jewellery and (ii) the relationship between the age of the car and income, the demand for new cars as a second car in the family is high in developed countries, however in Africa there is a high demand for second hand cars as the first car that is bought by a family.

(5) The Post purchase stage:

Consumers can have "Cognitive dissonance" depending on whether their purchase was rewarding to them or not, a consumer may regret or appreciate buying a product. Research has shown that consumers have a tendency to be dissatisfied with the aftersales services such as those of auto and appliance repairs (Dalrymple and Parsons: 1990). These two authors pointed out that there are certain ways of reducing this "Cognitive Dissonance", which include, (a) giving a note of thanks to customers, (b) having the servicemen get feedback from customers in regard to service quality and (c) by ensuring quick ordering activities together with effective communication.

Schiffman and Kanuk (1987) identified the relationships between the marketing mix elements and research of consumer behaviour to be, (1) consumer research enable marketers to discover the most important attributes of the target market and to incorporate them in the designing of their products, (2) it assists the marketer in establishing psychological pricing levels that consumers will be willing and able to pay, (3) consumer research can be used to identify persuasive advertising appeals and appropriate media choices that can be used to reach targeted markets and (4) it can provide information on how consumers perceive various distribution outlets, which in turn will become the basis for the designing of an effective distribution strategy.

Stanton and Futrel (1987) pointed out the relationships between marketing strategy and some of the factors that affect the buying process, these are :

(1) The best marketing strategy is the one which is designed from the outset to be susceptible to extensive modification in order to suit the local conditions, including culture, while at the same time be able to maintain sufficient standardized activities in order to minimize the drainage of resources and management time.

(2) The attributes of a social class are measured and then the firm's product/brand usage,

purchase motivation, outlet selection and media usage are matched to these attributes. This is especially true for the market segmentation strategy.

(3) Marketers can determine the degree and nature of the influence that reference groups have on their consumers, then they could make use of those situations in which the reference group's influence is high (Like parties) to encourage consumers to purchase their products. For instance, Kamsons could advertise it's car the Mahindra Jeep as being driven on beaches or national parks.

(4) A marketer could also identify the importance that is attached to the respective attributes of a particular product/service and can then use them to undertake market segmentation based on the common benefits that are recieved by consumers.

It is important to note that the market share of franchise and subsidiary motor vehicle companies could be increased, if their marketers take into account the relationship between their marketing strategy, mix and consumer behaviour.

CHAPTER THREE

RESEARCH DESIGN

3.1 THE POPULATION

The population of the study included all the franchise and subsidiary motor vehicle companies operating in Kenya as at July 1995. A list of companies used in the study was derived from information that was received from the Kenya Motor Industry Association (KMI) and also from the Business Directory of 1995.

Since the number of franchised and subsidiary motor vehicle companies is small (21) a census survey was carried out, which the researcher felt would assist in giving more accurate information with regard to the effects that the influx of reconditioned and used imported motor vehicles in Kenya had on the marketing mix elements of franchise and subsidiary motor vehicle companies.

3.2 THE RESPONDENTS

The respondents included any authorized person in the chain of command of the marketing management department of a franchise and or a subsidiary motor vehicle company located in Nairobi.

3.3 DATA COLLECTION

Questionnaires containing open ended questions were used to obtain the general information on the companies' demographic and organizational characteristics. Data was also collected with the help of close ended questions, using a 5 point likert scale ranging from "very much increased (1) to very much decreased (5)" in order to capture the degree and direction of adjustments that were made in the marketing mix of the franchise and subsidiary motor vehicle companies and also to get information necessary for identifying the most adjusted marketing mix element(s). The "On the Spot" and "The Drop and Pick" later approaches of data collection was used, as the circumstances around a respondent demanded.

3.4 DATA ANALYSIS METHODS

In the study, the mean score was used for analysis purpose. Other studies which used the mean score to analyze their data included MBA projects done by Mtula (1992) and Mirie (1987).

The computations undertaken were:

(a) The population mean scores that were calculated as.

$$\mu = \frac{\sum_{i=1}^{n} x}{n}$$

Where, n = the total number of respondents who completed and returned the questionnaires.

x = the total scores per question asked.

(b) Percentages of the number of marketing mix variables which has been moderately increased, since this was the only scale of adjustment which was made by the companies, under each of the marketing mix programs (P's) was calculated in order to identify which of the P's was the most adjusted one.

CHAPTER FOUR
DATA ANALYSIS AND FINDINGS

4.1 INTRODUCTION

This chapter deals with data analysis, findings and discussions on the research findings. The data is summarized in the form of mean scores, percentages and tables where appropriate. The chapter documents and discusses the degree and direction of the adjustments that were made in the marketing mix elements of franchise and subsidiary motor vehicle companies in Kenya in their endeavour to regain their lost market share from the dealers of reconditioned and used imported motor vehicles. It also documents and discusses the most adjusted programs in the marketing mix of franchised and subsidiary motor vehicle companies in Kenya.

RESPONSE RATE

Eighteen out of the twenty questionnaires that were distributed were completed. Table 4.1 show the response rate in detail.

Table: 4.1.1 The Response Rate

Method of Adminstration	Number of questionnaires distributed	Number of responses	Response rate
Drop and Pick later	11	11	100%
On the spot	7	5	71%
Total	18	16	89%

Only twenty questionaires were distributed instead of twenty one because one questionnaire was eliminated as it was filled by a respondent who shares the same marketing mix with another sister company. Out of the twenty questionnaires, two companies did not respond citing confidentiality as the reason.

4.2 DATA FINDINGS

4.2.1 OVERVIEW OF THE COMPANIES' CHARACTERISTICS

A general overview on franchise and subsidiary motor vehicle companies is presented in this section.

Table 4.2.1.1

Period of incorporation of franchise and subsidiary motor vehicle companies in Kenya

Year incorporated	Before 1970	1970 - 89	1990 - Present
Franchise and Subsidiary Companies	7	5	6

Before 1970, seven franchise and subsidiary motor vehicle companies were already existing. This is because after Kenya gained it's independence, the motor vehicle market became more attractive and future prospects were good for the motor vehicle companies.

From 1990 to date, there has been an increase (by six) in the number of franchise and subsidiary motor vehicle companies established in Kenya relative to the period 1970 - 89. This is not suprising because it is in this period that the Kenyan economy had increased privatisation and attracted private investments as a result of the implemention of the Structural Adjustments Programmes.

Table 4.2.2.2: The number of branches of franchised and subsidiary companies in Kenya.

Number of branches	1 - 5	6 - 10	More than 10
Franchise and Subsidiary Companies	17	1	0

Seventeen out of the eighteen franchise and subsidiary companies have between one and five branches. The companies made use of several dealers who are scattered all over the country to sell their motor vehicles. Recently there has been an increased use, by the companies, of those dealers who are located in urban centres.

4.2.2 OBJECTIVE 1: The degree and direction in which the marketing mix elements of franchise and subsidiary motor vehicle companies had been adjusted in order to cope with competition from the dealers of reconditioned and used imported motor vehicles.

4.2.2.1 PRODUCT AND OR SERVICE

Table 4.2.2.1: The Adjustments made in the Product Element

The Product program elements	The population mean (μ) scores
Product range	2
Product differentiation	2.17
Availability of autospares	2.17
The number of motor-vehicles assembled	3.33
The warranty period	2.61
Aftersales service	2.33

(1) **Product range**

Interpretation

The mean score of 2, is interpreted by the researcher as depicting a moderate increase in the range of motor vehicles being sold by franchise and subsidiary motor vehicle companies in Kenya. These companies made this adjustment in order to regain some of the market share they had lost to the dealers of reconditioned and used imported motor vehicles. Today, there are more models of motor vehicles sold by these companies than ever before. These new models have similar accessories to those of reconditioned and used imported motor vehicles. This means that, the new makes (like Volvo 960 and Hyundai) have reduced the advantage which reconditioned cars had of having more accessories than the new cars that are assembled locally.

Discussion

The increase in the range of motor vehicles that are sold by franchised and subsidiary companies is consisent with the literature available. The increase in the product range, mainly represents a product line extension type of program, as explained by Gultinan and Paul (1985). This type of program has several benefits which include, (i) it is less risky, since it normally uses an already popular brand name, with an additional sub - name for example Peugeot 405 and Peugeot 205, and (ii) it serves and satisfies different customer needs (Harvard Business Review, 1994).

The increased range of new motor vehicles sold is also consistent with how the dealers of reconditioned and used imported cars are competing. Today, one would find a variety of motor vehicle makes and models being sold by the dealers of reconditioned and used imported vehicles, therefore the increase in the models that are sold by franchised and subsidiary companies counteracts the competitors' action of selling a wide variety of motor vehicles.

According to Terpstra and Sarathy (1991), it was such a counter strategy against a competitor's product line that had allowed Honda to be the first Japanese motor vehicle to penetrate into the upscale segment of the USA motor vehicle market.

(2) **Product differentiation**

Interpretation

The mean score of 2.17, is interpreted by the researcher to indicate that franchise and subsidiary motor vehicle companies had moderately increased those quality dimensions of their products which can make their motor vehicles unique relative to reconditioned and used imported vehicles. For instance, the TATA vehicles sold by Marshalls (EA), today have stronger suspensions and a larger capacity for carrying goods than the reconditioned or used imported vehicles. The new TATA vehicles have also been tropicalized in order to suit the local conditions.

Discussion

The moderate increase in product differentiation by the franchise and subsidiary motor vehicle companies is consistent with the literature available. Peter and Waterman (1989) pointed out that, research has shown that market leadership has been attributed to enhanced product quality.

The increase in product differentiation is an appropriate adjustment, because most imported reconditioned vehicles are not suited to Kenya's environment and road conditions, their suspensions are weaker and they have items like the Catalytic emulsifier which spoils the engine with time. Furthermore, the emulsifier is not relevant to Kenya because of the absence of a law which obligates a vehicle owner to use this emulsifier to stop atmospheric pollution. Therefore, the competitor's products (reconditioned and used cars) are not tropicalised, need frequent repair and are too expensive to maintain.

As a result, an emphasis on those product dimensions that a competitor's products are weak in is a wise and calculated move on the part of the franchise and subsidiary motor vehicle companies.

(3) **The Availability of Auto Spares**

Interpretation

The mean score of 2.17 indicates that the franchise and subsidiary motor vehicle companies had moderately increased the availability of spares for their vehicles as a way of increasing their market share and of competing with the dealers of reconditioned and used imported motor vehicles.

Discussions

The adjustment made is a form of "quality differentiation". This is because, the competitors (dealers of imported reconditioned and used vehicles) mostly sell their vehicles without giving any after sales services or keeping adequate stock of spare parts for their vehicles. It is only recently, that some dealers or individual sellers of reconditioned vehicles have started to get secondhand spare parts from abroad to stock and sell here in Kenya. Furthermore, the spares needed for reconditioned or used imported vehicles are not stocked by the franchise and subsidiary companies. Therefore it is clear that an enhancement of the availability of spares for the new vehicles would be a competitive advantage to the franchise and subsidiary sellers of new vehicles, relative to their rivals who deal in reconditioned and used imported vehicles.

It is important also to note, that this strategy is also consistent with the literature. Gavin (1988), Peter and Waterman (1989) and Harori (1993) pointed out that quality has several dimensions one of them being serviceability. A product should be conveniently serviceable and an abundance of spares do contribute to making a motor vehicle serviceable. Therefore the enhanced stock of auto spare parts imply an increase in the quality of new motor vehicles that are sold by franchised and subsidiary companies in Kenya. This in turn assists in attracting new customers as well as retaining the remaining ones (customers may hesitate to switch to reconditioned vehicles).

According to the literature, the increase in the availability of auto spares is a form of a "Complementary product program".

(4) **The Number of Motor-Vehicles assembled**

a. Interpretation

The mean score of 3.3., according to the researcher, indicates that the number of locally assembled motor vehicles that were sold by franchised and subsidiary companies was not changed by the firms in their endevour to compete and regain their market share from the dealers of reconditioned and used imported motor vehicles.

b. Discussion

The result mentioned above implies that firms did not decide to import completely built units instead of assembling them locally, albeit the process being relatively cheaper today than previously due to lower import taxation, corruption and relaxed import regulations. This is because given that there are already fewer motor vehicles being assembled by the plants, any further reduction may cause the plants to be shut down. The firms would not take such a risk since some of the franchised and subsidiary companies own these plants, for instance, General Motors owns an assembling plant at Thika. Furthermore, the low production goal/objective of the product program would not have been met, if they had reduced the number of vehicles that were assembled locally because this could have led to higher costs brought about by the liquidation of the local assemblies in Kenya.

(5) **Warranty Period**

Interpretation

The average mean score of 2.61 indicates that the warranty period that is offered to potential customers of new vehicles from franchised and subsidiary companies was not changed, in order for the firms to regain their market share lost to the dealers of reconditioned and used imported motor vehicles.

Discussion

According to the literature the more the warranty of a product is, the more the consumers will perceive it to be reliable and of a high quality (Peter and Waterman 1989). Therefore, the decision is not consistent with the literature to a certain extent, given that already an enhanced quality was emphasized by the franchise and subsidiary motor vehicle companies. It would have been better for the perception of the consumers, in regard to quality, to be also enhanced by an extension in warranty. The vehicles' other quality dimensions may have been increased but it is the perception of the consumers that actually influences them to buy. Therefore the firms should have reinforced their increase in product quality with an increase in warranty period.

(6) AfterSales Service

The mean score of 2.33 is interpreted as that, there was a moderate increase in the emphasis on effective aftersales services that is offered by franchise and subsidiary companies, in order to regain their market share lost to the dealers of reconditioned and used imported motor vehicles.

Discussion

The moderate increase that was made in the emphasis on effective after sales services by the franchise and subsidiary motor vehicle companies, is consistent with the literature. This adjustment made, is consistent with the quality differentiation objective of the product program, because service is a dimension of quality that the dealers of reconditioned and used imported vehicles do not provide to their customers due to their lack of adequate spare parts and technical know how among other things.

This adjustment can also provide the franchised and subsidiary companies an opportunity to turn their aftersales services into a profit making activity and to use them to retain their existing customers especially so, given that the companies' warranty element was not extended.

4.2.2.2 THE PRICE PROGRAM

Table: 4.2.2.2 The Adjustments Made in the Price Program

The Price Program Elements	The population mean (μ) scores
Price levels	2.94
Trade discount allowance	2.44
Credit period	2.89
Interest rates	2.17
Product and service value as perceived by customers	2.11
The fit between qualities and the prices of the products	2.61

1. Price level

Interpretation

The mean score of 2.94 is interpreted by the researcher to be that, the franchise and subsidiary motor vehicle companies did not change the prices of their motor vehicles and therefore did not view an increase or a decrease in prices as a way which they could use to regain the market share lost to the dealers of reconditioned and used imported motor vehicles.

Discussion

This decision made in regard to the price level is to a certain extent inconsistent with the literature available. This is because the product differentiation program which was undertaken by the companies, needs a lot of resources for it to succeed and so does the rest of the adjustments that were made in the marketing mix of the franchise and subsidiary motor vehicle companies. Since these extra resources required have to be paid for, more revenue needs to be accrued in order to cover for the costs. However the prices of the vehicles are constant, this may hinder sales and in turn revenue.

However, the decision made by the firm not to change the price level is also to an extent consistent with the literature. This is because, if the subsidiary and franchise motor vehicle companies had increased their prices, then they could stengthen their rivals. One of the major strengths/competitive advantage that their rivals have, is that they sell cheaper motor vehicles which are attractive to those consumers who might not be able to pay the very high prices of the new motor vehicles. On the other hand, if the franchise and subsidiary companies had reduced their price levels, then their profit margins might have reduced unless they are quite sure that the amount of new motor vehicles that is demanded would increase substantially. Even if the demand was expected to increase, a decrease in the prices may need the support of an extensive promotion program. This in turn requires more revenue in order to support the promotion budget and thus justifying the setting of higher price levels rather than of lower levels. Therefore, the franchise and subsidiary companies would be safer, maintaining their price levels. By not changing their price levels, companies can at least retain their present profit margin (Boyd, Walker, 1990).

Besides these responses which the researcher received in regard to the price program, it was observed from adverts running in the local dailies that quite a number of franchised and subsidiary motor vehicle companies had actually reduced their price levels in their endeavour to regain their lost market share from the dealers of reconditioned and used imported motor vehicles. This may increase the number of potential consumers who are keen to purchase high quality vehicles at reasonable price levels.

2. Discount Allowance

Interpretation

The mean score of 2.44 is interpreted as, that the franchise and subsidiary motor vehicle companies had moderately increased the trade-in discount allowance given to their customers in their endeavour to regain the market share lost to the dealers of reconditioned and used imported motor vehicles.

Discussion

This adjustment is consistent with the literature. The adjustment made was consistent to the argument that, trade-in allowances do help customers recoup from their used products and thereby encourage more frequent replacement purchases (Boyd and Walker, 1990; Dalrymple and Parsons, 1990).

3. Credit Period

Interpretation

The mean score of 2.89 is interpreted to be, that the franchise and subsidiary motor vehicle companies did not change the credit period which they gave to their customers in their endeavour to regain their market share from reconditioned and used imported motor vehicle dealers.

Discussion

This decision according to the researcher is not in order, given that the responses indicated that price levels were not reduced by the companies then, credit facilities should be extended in order to encourage purchase intent. An exception to this view is if the companies did not have enough funds for credit expansion. However, through the adverts that are running in the local dailies, the researcher observed that in reality the credit period that is offered by some of the companies had actually been increased and this may enhance the purchase intent of their customers or potential customers.

4. Interest Rates

Interpretation

The mean score of 2.17 meant that the franchised and subsidiary motor vehicle companies had moderately increased interest rates that are charged on the credits given by them to their customers, in their endeavour to compete with the dealers of reconditioned and used imported motor vehicles.

Discussion

Interest rates could have been increased as a result of a raise in the general lending rates in the whole economy, however if the companies had deliberately raised their interest rates then, the companies' actions are not consistent with the literature and may infact cause a further reduction of potential customers. This is because, higher interest rates, only make credit become more expensive and this in turn will influence potential customers to go and buy the rivals' cheaper motor vehicles.

5. Product and service value as perceived by customers

Interpretation:

The mean score of 2.11 was interpreted to be, that the franchise and subsidiary motor vehicle companies managed to moderately increase the value of their products and services, according to the perceptions of their customers.

Discussion

This achievement is consistent with the literature. Boyd and Walker (1990) argued that the appropriate dimensions of product quality,such as services, should be identified and enhanced. This is because it is appropriate, for the consumers' needs to be the guiding factor in deciding which of the dimensions of quality should be enhanced. This achievement has therefore indicated that the product differentiation program was successful and appropriate since it met the consumers expectations.

6. The matching / fit between the quality of the products and their prices

Interpretation

The mean score 2.61 was interpreted by the researcher to mean that the fit between the quality of the vehicles sold by the companies and the prices that they charge for them was not changed.

Discussions

This is consistent with the literature which identified the relationship between price and quality to be a positively correlated one, especially so, for expensive durable commodities like motor vehicles and jewellery. Price therefore reflects quality. In the case of the motor vehicle companies, although the quality of the new vehicles have been increased, the prices of the vehicles (according to the responses) was not decreased such that the high quality new vehicles are still sold at high prices thereby maintaining the fit between quality and prices of the vehicles.

4.2.2.3 PROMOTION

Table:4.2.2.3 The Adjustments made in the Promotion Program

The Promotion Program Elements	The Population mean (μ) scores
The advertising budget	1.90
The types of advertising tools	2.22.
The use of advertising agencies	2.17
The sales promotion budget	2.17
The sales promotion activities	2.06
The publicity budget	2.33
The types of publicity tools	2.17
The range of publicity activities	2.06
The public relations budget	2.06
The types of public relation tools	2.39
The public relations activities	2.22

Interpretation

All the promotional program elements have a mean score of approximately 2, this indicates that all the promotion program elements in the above Table: 4.2.2.3 had been moderately increased by the franchise and subsidiary motor vehicle companies in their endeavour to regain the market share lost to the dealers of reconditioned and used imported motor vehicle dealers.

Discussion

The increase in the use of promotion to a certain extent is consistent with the literature. In the literature, as already explained in Chapter two, promotion has been identified as an auxillary program to the product and price programs. It was pointed out that the promotion program supports the product differentiation program and the two programs are interdependent.

The franchise and subsidiary motor vehicle companies did increase their use of the product differentiation program and this therefore, will in turn create awareness, increase knowledge and also convince customers on the uniqueness of the quality of the new motor vehicles. It is also important to note that given that the price level was not decreased, an increase in the demand of the franchise and subsidiary motor vehicles may well depend on the ability of the promotion program to attract new customers.

However, it is not consistent with the literature for the companies to have increased the use of all of their promotion program elements, at the same time. Literature, identifies advertisement and to a lesser extent the sales promotion element as two major elements that are normally used to support the product differentiation and the constant price programs that are implemented by firms which operate in a growing industry, therefore these two programs may have been the only ones that are necessary to be increasingly used.

Even from the budget point of view, it is not appropriate for all the budgets of the promotion program elements budgets to be increased since this would put a strain on the companies' resources.

4.2.2.4 THE PLACE PROGRAM

Table: 4.2.2.4 The Adjustments made in the Place Program

The place program elements	The population mean (μ) scores
The dealer distribution coverage	2.33
Number of branches	2.4

The Dealer distribution coverage and the Number of Branches

Interpretation

The mean score of 2.33 is interpreted to be, that the franchised and subsidiary motor vehicle companies had moderately increased their dealer distribution coverage in their endeavour to regain their lost market share from the dealers of reconditioned and used imported motor vehicles. The mean score of 2.4, implies that the franchise and subsidiary companies did not increase the number of branches in the country.

Discussions

The increase in the dealer distribution coverage by franchise and subsidiary companies was an appropriate adjustment since it supported the constant price program which according to the literature, required an extensive distribution program to support it. This adjustment made, brings the products closer to the consumer and therefore quickens product sales and delivery to them.

The franchise and subsidiary motor vehicle companies have not increased their branches because they may have found it more costly to establish and operate, relative to the cost of increasing the number of dealers.

4.2.2.5 THE PEOPLE PROGRAM

Table: 4.2.2.5 The Adjustments made in the People Program

People Program elements	The population mean (μ) scores
The number of training programmes	2.33
The type and range of training programmes	2.22
The number and types of incentives to employees	2.17
The emphasis on the smart appearance of salespeople	2.17
The emphasis on friendly inter-personal behaviour	2.06
The degree of consultation between salespeople and customers	1.89
The customer follow-up	1.94

Interpretation

The mean scores of all the "People" program elements ranged between 2.33 and 1.89. This indicates that all the elements listed in the above table, Table 4.2.2.5, had been moderately increased by the franchise and subsidiary motor vehicle companies in the endeavour to regain the lost market share from the dealers of reconditioned and used imported motor vehicles.

Discussion

These adjustments are consistent with the literature. The People element is a very important element, without effective and efficient personnel, no production or even market research (which is an important activity in strategic marketing) can profitably be undertaken by any one firm let alone an industry. The literature further points out that, it is the salespeople who actually confirm a sale which in turn contributes to an increase in market share. In addition, it identified the motor-vehicle as a product which needs intense interaction between the salespersons and the customers and its sale involves price negotiations and bargaining which actually do make the role of salespersons, of convincing a potential buyer to buy a motor vehicle at a price which is consistent with the pricing policy of the company, to be a very important one.

The number of training programmes had been increased by the companies in order to update the skills and knowledge of their personnel. Types of training programmes had also been increased, this will enhance the skills (conceptual, technical and personal) of the personnel, since they will get more education as a result of learning from the wide range and types of training programmes which they will go through. Today, the salesforce of franchised and subsidiary companies have to put in extra effort in order to make a sale because of the variety of motor vehicles makes/models that a consumer could choose from and the relative cheapness of the reconditioned and used imported vehicles which have flooded the Kenyan market. Therefore salespersons today, have to be better skilled than yesterday.

The increase in the number of training programmes and in the types of training programmes would require more funds and this is why the franchise and subsidiary companies had to increase their training budgets.

The increased emphasis on friendly interaction between the salespeople and the potential customers together with the increased emphasis on the smart appearance of the salespeople, may encourage potential customers to have a good first impression of a franchise or a subsidiary motor vehicle company and therefore may influence the consumer's behaviour, attitude and interest towards the new vehicles.

The increase of an emphasis on consultation between the salespeople and the potential customers of the companies, may reduce their "Cognitive Dissonance" and increase the customer loyalty to the new vehicles that are sold by franchise and subsidiary companies and may in - turn enhance repeat purchases which can lead to a growth in the market share of these companies.

The sales people should be rewarded for any effort they make in the direction of increased effectiveness and efficacy. This is why the adjustments that were made by the franchise and subsidiary motor vehicle companies, of increasing incentives for their salespeople, were appropriate.

Once sales have taken place, customer follow-up was emphasized and enhanced by the salespeople of franchise and subsidiary motor-vehicle companies. This adjustment made was consistent with the literature. Customer follow-up and contact can influence the previous customers to undertake repeat purchases, however this is the case only if the initial purchase experience that the customers had, was encouraging and satisfactory.

4.2.2.6 THE PHYSICAL PROGRAM

Table: 4.2.2.6 The Adjustments made in the Physical Program

The elements of the physical program	The population mean (μ) scores
The emphasis on colourful attractive showrooms, offices and buildings	2.06

Interpretation

The mean score of 2.06 indicates that the franchise and subsidiary motor vehicle companies had moderately increased their emphasis on colourful attractive showrooms offices and buildings in their endeavour to regain their market share lost to the dealers of reconditioned and used imported motor vehicles.

Discussion

This adjustment is consistent with the literature. Colourful and attractive showrooms do attract more potential customers who may be visiting the showrooms while looking for information pre-empting a purchase. It is also important to note, that a colourful and attractive showroom acts as a promotional tool, since it reflects on the aesthetics of the company and by extension the aesthetics of the product being sold.

It also contributes to the place differentiation program in the sense that, while the rivals (the dealers in reconditioned cars) of the franchise companies sell their vehicles on open fields in a "Jua Kali" or an informal manner, the franchise and subsidiary motor vehicle companies are selling their vehicles in organized and colourful showrooms.

4.2.2.7 THE PROBE PROGRAM

Table: 4.2.2.7 The Adjustments made in the Probe Program

The probe program elements	The population mean (μ) scores
The information on a competitor's marketing mix	2.22
The number of research studies	1.78
The marketing research budget	2.28

1. The information on a competitor's marketing mix

Interpretation

The mean score of 2.22, is interpreted as that, the motor vehicle companies had moderately increased the amount of information available to them on the rivals' marketing mix.

Discussion

This is an important and relevant adjustment, because according to the literature an increased information on the competitors' mix is one of the key factors which influences the designing of the marketing mix of a firm. Increased information on the strengths and weaknesses of the marketing mix of the dealers of reconditioned and used imported motor vehicles would assist the companies to identify their threats and opportunities and also to work towards increasing their relative strengths and reducing their relative weaknesses.

2. The number of research studies

Interpretation

The mean score of 1.78 is interpreted by the researcher as that, the franchised and subsidiary motor vehicle companies had moderately increased the number of research studies they undertook.

Discussion

This adjustment that was made by the franchise and subsidiary companies is relevant and appropriate, especially so given today's dynamic economic and competitive environments in Kenya. These environments have changed drastically, new competition has come up as a result of new economic reforms such as market liberalization and foreign exchange liberalization. Therefore, companies need to undertake more research in order to identify and manage the new opportunities and threats that have arisen.

This adjustment is also consistent with the literature available which emphasized continuous and adequate market research studies. Not only is the Kenyan environment dynamic, but also the computer technology has become more sophisticated and user friendly today, for instance the recent introduction of Windows `95, can allow non-programmers to more easily use computers.

Computer technology has therefore enhanced the effectiveness, efficiency and the frequency of market research activities by franchise and subsidiary motor vehicle companies.

3. The Research Budget

Interpretation

The mean score of 2.28 has been interpreted by the researcher to be that the franchise and subsidiary motor vehicle companies had increased their research budget in their endeavour to regain their lost market share from the dealers of reconditioned and used imported motor vehicles.

Discussion

An increase in the marketing research studies that were done by the companies, may have to be catered for by an extra budget package. This is one of the reasons which could justify the increase made in the marketing research budget of the franchise and subsidiary motor vehicle companies. On the other hand, if the companies had excess capacity in their research budget then an increase in the budget would not be appropriate and would be an unnecessary extra expense for the companies.

4.2.2.8 THE PROCESS PROGRAM

Table: 4.2.2.8 The adjustments made in the Process Program

The elements of the process program	The population mean (μ) scores
The use of computer technology and mechanization	2.39
The effort to identify bureaucratic and user unfriendly procedures and to cut them down	2.22

1. The use of computer technology and mechanization

Interpretation

The mean score of 2.39 is interpreted by the researcher to be that the franchise and subsidiary motor vehicle companies had moderately increased their use of computer technology and mechanization in their endeavour to compete with the dealers of reconditioned and used imported vehicles.

Discussion

The increase in the use of computer technology and automation by the franchised and subsidiary motor vehicle companies is consistent with the literature available. Such an action will reduce costs and increase the efficiency of any company (McCune: 1994). The increase in the use of computer technology by the companies would improve their marketing mix and would allow them to make sensitivity analysis and other analysis in relation to marketing. The increased use of computer technology will also enhance the effectiveness of the probe program of the franchise and subsidiary motor vehicle companies.

2.The efforts to identify bureaucratic and user unfriendly procedures and to cut them down

Interpretation

The mean score of 2.22 is interpreted by the researcher to be that, the franchised and subsidiary motor vehicle companies had moderately increased their effort of identifying the bureaucratic and user unfriendly procedures and to cutting them down in their endeavor to compete with the dealers of reconditioned and used imported motor vehicles.

Discussion

This adjustment is consistent with the literature. Organization is very important in marketing mix management, because proper organization can increase the market share of the companies. Without proper organization, the marketing mix programs cannot be effectively and efficiently implemented. For instance, even after a purchase has been made or an order for a vehicle has been registered, the purchaser may have to wait for an unnecessary long time before the delivery of the vehicle is made. This could reduce the consumer's value of the quality of service which the companies provide. In turn he/she can discourage others from buying the new motor vehicles or they can stop making any repeat purchases thereby hindering the achievement of the share growth objective of the franchise and subsidiary motor vehicle companies.

It is also important to note, that the dealers of reconditioned and used imported vehicles are usually not organized and are informal in nature, therefore an organized franchise or subsidiary motor vehicle company could be perceived by customers as being a unique benefit to them.

4.2.3 OBJECTIVE 2: THE "P's" OR MARKETING MIX ELEMENT WHICH WERE THE MOST ADJUSTED ONES:

4.2.3.1 THE PRODUCT ELEMENT

Table: 4.2.3.1 The percentage composition of adjustments made in the Product Element

Marketing mix variables	The population mean (μ) score
1. Product range	2
2. Product differentiation	2.17
3. Availability of autospares	2.17
4. After sales services	2.33
Percentage composition	67%*

* 4/6 x 100 = 67%.

Note: The other two variables that are not in this table were not adjusted by the company. For all the six variables see table 4.2.2.1.

4.2.3.2 THE PRICE ELEMENT

Table 4.2.3.2 The percentage composition of adjustments made in the Price Element

Marketing mix variables		**The population mean (μ) score**
1.	Trade in discount allowance	2.44
2.	Interest rates	2.17
3.	Products and service value as perceived by customers	2.11
	Percentage composition	50%*

* 3/6 x 100 = 50%.
All the six variables of the program can be found in Table 4.2.2.2.
Note, that the three variables that were not shown in the table were all unadjusted.

4.2.3.3. THE PLACE ELEMENT

This Place element has only two variables (questions), therefore the researcher cannot make a conclusive finding in regard to it's percentage composition of the adjustments made.

4.2.3.4. THE PROMOTION ELEMENT

Table:4.2.3.4 **The percentage composition of the adjustments made in the Promotion Element**

Marketing mix variables		The population mean (μ) score
1	The advertising budget	1.90
2.	The types of advertising tools used	2.22
3.	Use of advertising agencies	2.17
4.	The sales promotion activities	2.06
5.	The range and type of sales promotion	2.17
6.	The sales promotion budget	2.06
7.	The publicity activities	2.17
8.	The types of publicity tools	2.33
9.	The publicity budget	2.22
10.	The public relations activities	2.17
11.	The range and types of public relations tools used	2.39
12.	The public relations budget	2.33
	Percentage composition	* 100%

*12/12 x 100 = 100%

4.2.3.5. THE PEOPLE ELEMENT

Table: 4.2.3.5 The percentage composition of the adjustments made in the People Element

Marketing mix variables	The population mean (μ) score
1. The number of training programmes for personnel	2.33
2. The type and range of training programmes	2.22
3. The number and types of incentives to employees	2.17
4. The emphasis on smart appearance of the salespeople	2.17
5. The emphasis on friendly interpersonal behaviour on the part of salespeople visa-vis customers or potential customers	2.06
6. The degree of consultation between the salespeople and customers or potential customers	1.89
7. Customer follow-up and contact	1.94
Percentage composition	* 100%

* 7/7 x 100 = 100%

4.2.3.6. THE PHYSICAL ELEMENT

This element had only one variable(question) asked in the questionnaire, therefore the researcher percieve the findings to be inconclusive as far as objective two of the study is concerned.

4.2.3.7. THE PROCESS ELEMENT

This element also had only two variables (questions) asked in the questionnaire, therefore the researcher views the findings to be inconclusive as far as objective two is concerned.

4.2.3.8. THE PROBE ELEMENT

Table: 4.2.3.8 The Percentage Composition of the adjustments that were made in the Probe Element

Marketing mix variables	The population mean (μ) score
1. The marketing research budget	2.22
2. The information on a competitior's marketing mix	1.78
3. The number of research studies	2.28
Percentage Composition	100%*

* 3/3 x 100 = 100%

INTERPRETATION

The most adjusted marketing mix elements ("Ps") are the promotion, people and probe elements which had all their variables (in each of these P's) moderately increased by franchise and subsidiary motor vehicle companies in their endeavour to regain their lost market share from the dealers of reconditioned and used imported motor vehicles.

DISCUSSIONS

1) PROMOTION

It is important to note that without extensive and large promotion campaigns, the new motor vehicle models that are introduced in the market and their packages, together with the existing makes\models of motor vehicles with their enhanced attractive packages being offered, would not be known by the potential customers who would neither be aware nor convinced of the new attractive offers that are made by the franchised and subsidiary motor vehicle companies.

It is also important to note that, the increased availability of the new motor vehicles that are sold by companies' dealers could not be of much use to the companies if advertisement, sales promotion, publicity and public relations were not increasingly used. This adjustment would help to create purchase intent among potential consumers by educating and convincing them on the attractiveness of the products that are sold by the companies.

As for price, the existing price levels and the increasing trade-in discount allowances that are offered by the franchised and subsidiary motor vehicle companies may not be effective if most of the potential consumers in the target segment are not aware of or are not convinced by some of the adjustments in the price element that was made by the companies. It is also important to note that, franchise and subsidiary motor vehicle companies do not manufacture vehicles, they just assemble or import the motor vehicles they sell, therefore, they do not incur most of the manufacturing costs of the motor vehicles. Because the companies do not incur most of the motor vehicles costs, they do not have much lee-way or choice in the pricing of the motor vehicles since most major pricing decisions have to be made in consultation with the manufacturing firms abroad. Unlike the pricing decisions, the promotional decisions are more independently made by the franchise and subsidiary motor vehicle companies thereby increasing flexibility in their decision making and contributing to the appropriate promotion decisions and the adjustments that were made by the companies which were consistent with the local environmental factors and conditions.

2) PEOPLE

People are the ones who undertake, market planning, strategic marketing and the designing of the marketing mix and programs. "People" actually seal or confirm a purchase by influencing the customer to buy a product (s), they provide clarification to the customer and bring into reality the new package offerings of a motor vehicle that a consumer would otherwise only read, see in the

adverts or in the showrooms. People also facilitate the payment of the prices that a consumer may be ready and able to pay at any particular time.
It is therefore most appropriate for the "People" element to be one of the most adjusted marketing mix elements in franchise and subsidiary motor vehicle companies.

3) MARKETING RESEARCH/PROBE

Marketing research also assists in each of the many stages of market planning. The whole marketing mix and its designing, relies on marketing research. Marketing research assists the franchise and subsidiary motor vehicle companies, to measure consumer price sensitivity, know their competitors' pricing strategy and to geographically segment their customers (so that the distribution program, where possible can match the customer segment and it's needs). Information from various studies is used in selecting marketing strategies and implementing them. Furthermore, it provides information that assists companies to evaluate, control and adjust their marketing strategies and mix when necessary.

Therefore, any new activities that are related to the formulation and implementation of the marketing strategies or the marketing mix of franchise and subsidiary motor vehicle companies would necessitate an increase in marketing research activities making it appropriate for market research to be one of the most adjusted marketing mix elements of the franchise and subsidiary motor vehicle companies.

CHAPTER FIVE

SUMMARY AND CONCLUSION

5.1 SUMMARY

The franchise and subsidiary motor vehicle companies in Kenya had adjusted their marketing mix in their effort to regain lost market share from the dealers of imported reconditioned and used motor vehicles. 33 elements of the programs in the marketing mix of the companies were moderately increased. Furthermore, the most adjusted marketing mix programs were promotion, people and the probe. All the elements/variables of these three marketing programs were moderately increased by the companies.

The companies used a combination of marketing strategies in their effort to compete with the dealers of imported reconditioned and used motor vehicles. The companies used a constant price program backed by product differentiation strategy together with extensive promotion and distribution activities. The companies also used the "Fortress" strategy which involved the enhancement of their existing relative strengths and competitive advantages vis a vis their rivals. The relative strengths and competitive advantages of the companies include, their more superior quality of products, their better organization, the better knowledge and skills that their personnel have and their better financial positions. The companies basically used the "Selective Demand Strategy" since not only did they adjust their marketing mix with the objective of increasing the demand of their brands and makes but also, mainly, with the objectives of retaining their present customers and acquiring new customers. For instance, the companies attempted to achieve these objectives by enhancing consumer satisfaction, simplyfying the buying process, reducing the attractiveness of switching to a rival's product, increasing their aftersales services, enhancing the interpersonal skills of their salespeople and increasing their product range and differentiation.

5.2 CONCLUSION AND SUGGESTIONS

Most of the adjustments made in the marketing mix of franchise and subsidiary motor vehicle companies were consistent with literature available and the competitive conditions in Kenya, today.

However it is the researcher's suggestion to the companies, that they should undertake research in order to determine the viability and possibility of using the "Flanker Strategy". The companies should undertake such studies in order to get the opinion of their potential customers towards the introduction of new motor vehicle makes which would be of lesser quality but cheaper than the existing ones.

If the consumer responses are positive for the use of the "Flanker" motor vehicle models then, the companies should use the "Flanker Strategy" since this will enable them to focus their marketing efforts to a new, independent and viable market segment consisting of the low income group and the lower segment of the middle income group of consumers. Together with an increase in their credit facilities, the franchise and subsidiary motor vehicle companies may have a better opportunity to regain at least most of their market share previously lost to the dealers of imported reconditioned and used motor vehicles.

5.3 LIMITATIONS OF THE STUDY

(1) This study dealt with a broad area of the whole marketing mix of the companies. Given the breadth of the subject area it was not possible to exhaust all aspects of the marketing mix, hence some relevant questions may have been left out.

(2) This study only looked at how one environmental factor, namely competition among many others, had effected the marketing mix of franchise and subsidiary motor vehicle companies.

5.4 RECOMMENDATIONS FOR FURTHER RESEARCH

(1) A study should be carried out, to research on how an individual marketing mix element had been used by an industry in Kenya, other than the motor vehicle industry, to respond and compete against new rivals.

(2) A study should be carried out with the objective of getting information on how other factors apart from competition have affected the marketing mix or strategy of the industry.

APPENDIX 1a

NOTE TO THE RESPONDENT

Dear Respondent,

This questionnaire has been designed to gather information regarding your opinion on the adjustments made in the marketing mix of franchise and subsidiary motor vehicle companies in order to cope with competition from the dealers of imported reconditioned and or used imported motor vehicles.

This study is being carried out for a management project report as a requirement in partial fulfillment of the Degree of Master of Business and Administration, University of Nairobi.

I kindly request you to fill the questionnaire. Any information that you provide will be treated in the strictest of confidence and in no instance will your name or that of your firm be mentioned in the report.

A copy of the research project will be made available to you upon request, your cooperation will be greatly appreciated.

Thanking you in advance.

MOHAMED M.A	**C. NGAHU**
MBA II STUDENT	**SUPERVISOR**

APPENDIX Ib
QUESTIONNAIRE

This questionnaire is to be filled by a marketing manager or any other relevant\authorized person in a franchise or subsidiary motor vehicle company/firm.

Please answer the following questions by encircling on the appropriate answer or by giving the necessary details in the spaces provided.

PART A

1. What is the name of your organization?

____

2. When was your organization established?

____

3. Please, specify the number of branches which your organization has.

   (a) Less than 5
   (b) more than 5 but less than 10
   (c) More than 10

PART B

Please answer the following questions by encircling the appropriate response around a number to indicate your opinion on the degree and the direction in which your organization's marketing mix variables have been adjusted recently in 1995 after the market was liberalized, in order to cope with competition from the dealers of reconditioned and used imported motor vehicles.

1 = Very much increased

2 = Moderately increased

3 = Not changed

4 = Moderately decreased

5 = Very much decreased

A. PRODUCT/SERVICE

(1) Our product range has	**1**	**2**	**3**	**4**	**5**
(2) Our product differentiation has	**1**	**2**	**3**	**4**	**5**
(3) The availability of autospares has	**1**	**2**	**3**	**4**	**5**
(4) The number of motor vehicles assembled has	**1**	**2**	**3**	**4**	**5**
(5) Our warranty period has	**1**	**2**	**3**	**4**	**5**
(6) Our aftersales service has	**1**	**2**	**3**	**4**	**5**

B. PRICE

(7) Our price level has	**1**	**2**	**3**	**4**	**5**
(8) Our trade - in discount allowance has	**1**	**2**	**3**	**4**	**5**
(9) Our credit period has	**1**	**2**	**3**	**4**	**5**
(10) Our interest rates has	**1**	**2**	**3**	**4**	**5**
(11) Our products and service value as perceived by our customers has	**1**	**2**	**3**	**4**	**5**
(12) Our matching/fit between the quality and the prices of our products has	**1**	**2**	**3**	**4**	**5**

C. PLACE

(13) Our distribution coverage has	1	2	3	4	5
(14) Our number of branches has	1	2	3	4	5

D. PROMOTION

(15) The advertising budget has	1	2	3	4	5
(16) The types of advertising tools used has	1	2	3	4	5
(17) Our use of advertising agencies has	1	2	3	4	5
(18) Our sales promotion budget has	1	2	3	4	5
(19) Our sales promotion activities have	1	2	3	4	5
(20) Our types of sales promotion tools have	1	2	3	4	5
(21) Our publicity budget has	1	2	3	4	5
(22) Our range of publicity activities has	1	2	3	4	5
(23) Our range of publicity tools has	1	2	3	4	5
(24) Our public relation budget has	1	2	3	4	5
(25) Our public relation activities have	1	2	3	4	5
(26) Our types of public relations tools used has	1	2	3	4	5

E. PEOPLE

(27) The number of training programmes for our personnel has	1	2	3	4	5
(28) The types and range of our training programmes has	1	2	3	4	5
(29) The number and types of incentives to our employees has	1	2	3	4	5
(30) The emphasis on smart appearance of our salespeople has	1	2	3	4	5

(31)The emphasis on good behaviour of our salespeople to customers has 1 2 3 4 5

(32) The degree of consultation between our salespeople and our customers or potential customers has 1 2 3 4 5

(33) Our customer follow-ups and contact has 1 2 3 4 5

F. <u>PHYSICAL EVIDENCE</u>

(34) The emphasis on colourful attractive showrooms, offices and buildings has 1 2 3 4 5

G. <u>PROCESS</u>

(35) Our use of computer technology and mechanization has 1 2 3 4 5

(36) Our effort to identify bureaucratic and user unfriendly procedures and to cut them down has 1 2 3 4 5

H. <u>PROBE</u>

(37) Our marketing research budget has 1 2 3 4 5

(38) Our information on a competitor's marketing mix has 1 2 3 4 5

(39) Our number of research studies has 1 2 3 4 5

APPENDIX 2

FRANCHISE AND SUBSIDIARY MOTOR VEHCILE COMPANIES.

AS AT JULY 1995.

1. AMAZON MOTORS LTD
2. ALFA ROMEO
3. AUTANO LTD
4. BRUCE TRUCKS AND EQUIPMENT
5. C.M.C MOTORS LTD
6. D.T DOBIE
7 DAEWOO LTD
8. DOUGHTY LTD
9. EASTBURY LTD
10.E.C.T.A KENYA LTD
11.FORUM HOLDINGS LTD
12.GENERAL MOTORS LTD
13.HYUNDAI MOTORS(K) LTD
14.KAMSONS LTD
15.KENYA MOTORS LTD
16.MARSHALLS (EA) LTD
17.MASHARIKI MOTORS
18.POLARIS LTD
19.RYCE MOTORS LTD
20.SIMBA COLT MOTORS LTD
21.TOYOTA KENYA LTD

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