A STRATEGIC MANAGEMENT ANALYSIS OF THE BRAND NEW MOTOR VEHICLE INDUSTRY IN VIEW OF GREY VEHICLES IN MALAWI

MA (BUSINESS ADMINISTRATION) DISSERTATION

BY

JOY R.C MKANDAWIRE

Submitted to the Department of Management Studies, Faculty of Commerce, in partial fulfillment of the requirements for the degree of Master of Business Administration

UNIVERSITY OF MALAWI

THE POLYTECHNIC

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Declaration

I, Joy R.C Mkandawire, declare that I am the sole author of this dissertation, that during the period of registered study I have not been registered for other academic award or qualification. This dissertation is a result of my own research, and where other people's work has been used, they have been fully acknowledged.

Signature: ....

Date: ....

Certificate of Approval

The undersigned certify that this thesis represents the student's own work and effort and has been submitted with our approval

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Date : ____________________________________

Head of Department: Mr. Charles Mwatsika

Signature : ____

Date : ____

Dedication

I dedicate this work to my mom and family who have always wished the best for me and above all the Lord God Almighty who has granted me the favour to pursue this course.

Acknowledgements

It is my pleasure to particularly recognize the intellectual and technical contributions, immense help, guidance and encouragement which I received from my Supervisor Dr. Nancy Chitera for her tireless guidance and support. I am also grateful to Dr. Buliani and the entire MBA management team for their support.

My acknowledgements also goes to the various individuals in all the firms which formed part of the research for offering me their time and knowledge to make this research a success.

Abstract

The motor vehicle industryis one of the industries which is currently enjoying growth. An increase in the income levels of individuals and rapid changes in technology ,as seen in the Annual Bulletin of Infrastructure Statistics (2012) for COMESA (Common Market for East and Southern Market),has led to an increase in the demand of motor vehicles. However the inflow and availability of second hand vehicles from South East Asia and other Western countries due to favorable pricing and regulationshas resulted in firms in the brand new motor vehicle industry facing competition from second hand vehicle dealers.

The main objective of this research therefore is to investigate the competitive strategies used by firms in the brand new motor vehicle industry in the light of the flow of the second hand vehicles. Further, the study aims at exploring the value chain in the brand new motor vehicle industry in Malawi.

The study adopted a mixed approach comprising both quantitative and qualitative methods. It involved self-completing questionnaires and semi structured interviews. Where necessary supporting records were obtained to support the responses. The study population was drawn from top and middle management because of their involvement in strategy formulation using purposive judgmental techniques.

The study reveals that firms in the brand new motor vehicle industry should expect customers to be going for more affordable cars which are now readily accessible due to the emergence of the internet. However these firms have not remained idle in the light of this threat and have resorted to employing several competitive strategies. These firms have employed generic strategies like having a lean staff, cost reduction tactics, targeting specific customers, sale of unique cars and the use of unique advertising skills. Firms also offer value adding services such as on time delivery, instant rebates, longer warranties and after sales service among others. Marketing strategies such as offering good quality vehicles (value for money, style, luxury, performance, safety and technical superiority) are used. Some firms capitalize on competitive factors like discount offers, aggressive marketing, offering a variety of vehicles, prearranged financing, attractive displays and general cleanliness of the showrooms.

Firms have also learned to synchronize their operations with their strategies in order to ensure sustainable competition. They ensure timely delivery, vehicle tracking and use multimode transport management to ensure efficiency. They also offer extra services like car cleaning, car identity, fixing alloy realms, alarm installation and transit insurance arrangements. The firm also employ payment protection mechanism to ensure financial stability.

From above, the study reveals that even though there is an increase in the flow of second hand vehicles, firms in the brand new motor vehicle industry are well poised to face this threat. This has seen business being steady and as the economy grows firms expect an increase in the number of new vehicles being bought as these strategies are pursued aggressively.

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List of Abbreviations and Acronyms

IRS-	Internal Revenue Service
COMESA-	Common Market for East and Southern Market
DOT-	Department of Transportation
EPA-	Environmental Protection Agencies
MTA-	Motor Traders Association
TIV-	Total Industry Volume

CHAPTER 1

INTRODUCTION

1.0 BACKGROUND

Globally, every industry consists of a number of firms producing or offering the same product. These firms have to compete for market share which determines their profitability and eventually their survivability. Managers must therefore employ management processes that will optimally position a firm in its competitive environment by maximizing the anticipation of the environmental changes and of unexpected internal and competitive demands. According to Daft (2008), managers ask questions such as: What changes and trends are occurring in the competitive environment? Who are our competitors and what are their strengths and weaknesses? Who are our customers? What products or services should we offer, and how can we offer them efficiently? What does the future hold for our industry, and how can we change the rules of the game? Answers to these questions helps managers make choices about how to position their organization in the environment with respect to rival companies.

Today's business environment is very dynamic and hence continually changing which in turn presents opportunities and threats to the organization. Firms hence need to develop capabilities to manage threats and exploit the emerging opportunities promptly. In order to achieve this, the firms need to adopt a proactive approach and constantly match capabilities to environmental requirements. The corporate strategist's goal is to find a position in the industry where his or her company can best defend itself against competitive forces or can influence them in its favour. The collective strength of the forces may be painfully apparent to all antagonists, but to cope with them, the strategist must dig below the surface and analyze the sources of competition. For example, what make the industry vulnerable to entry? What determines the bargaining power of suppliers?

Pearce II & Robinson (2011) point out that knowledge of these underlying sources of competitive pressure provides the ground work for strategic agenda of action. They highlight the critical strengths and weaknesses of the company, animate the position of the company in its industry, clarify the areas where strategic changes may yield the greatest payoff, and highlight the places where industry trends promise to hold the greatest significance as either opportunities or threats. The motor industry is made up of all those firms that are engaged in the supply of motor vehicles including parts and accessories to the final consumer, maintaining and repairing the vehicles.

Malawi's motor industry is comprised of established official motor dealerships who are members of the Motor Trade Association (MTA), some unofficial car dealers, and informal used car vendors. The unofficial and used car vendors are sometimes referred to as ‘grey importers'. Some of the MTA members include CFAO Malawi, Toyota Malawi, Stansfield Motors, HTD, Mike Appel & Gatto, City Motors, Rina Motors, Hall Cars, Automotive Products Limited, TEM and Tata Zambia Limited.

The established dealerships have formal agreements appointing them as official representatives of the various motors manufactures based in South Africa, Japan, Thailand, South Korea, Germany, Spain, England, Brazil, Argentina, India, United Kingdom, and France among others. These dealers are franchised by the manufacturer supplying the automobiles. The dealer purchases the cars from the manufacturer and places them in inventory. This inventory includes cars for display, demonstrator vehicles used by the sales personnel, and the 'executive cars ' driven by the executives of the dealership. The dealer may also use vehicles from the inventory in conduct of business, such as delivering parts and accessories. A primary requirement is investment in sales, service and parts provision which then entitles a dealership to offer the manufacturer's warranty on the products sold as well as other technical support. Warranty is a manufactures guarantee of the quality of their products and assures customers that the investment they make in purchasing these products is safeguarded for a certain period or mileage.

The MTA publishes monthly reports which gives a picture of Total Industry Volumes (TIV) and the overall market performance for each of the motor dealers for the previous month as well as preceding 11 month period. The range of new motor vehicles offered on the Malawi market includes single cab and double cabs pickups, small, medium sized and large sedans, small, medium and large SUVs, station wagons, Buses and Trucks.

With the increasing demand of vehicles in the country, managing activities internal to a firm is only part of the modern executive responsibilities. Pearce II & Robinson (2011) state that apart from managing activities internal to a firm, the modern executive must also respond to challenges posed by the firm’s immediate and remote environments. Responding to immediate and remote environments is crucial to any firm as they seek to maximize shareholders wealth and increase in the firm’s profitability.

As seen above the industry in Malawi can be classified into two categories, the brand new motor vehicle industry and the second hand motor vehicle industry. In this industry customer satisfaction differs according to products and service quality. The customer seeks to be satisfied both with the initial product experience as well as the service that accompanies the product both before and after the sale has been made. This makes competition between firms in Malawi inevitable as they scramble to win and maintain their market share.

1.1 STATEMENT OF THE PROBLEM

The Common Market for East and Southern Market (COMESA) Secretariat Statistics Unit in their Annual Bulletin of Infrastructure Statistics (2012) for Common Market for East and Southern Market, noted that an increase in the income levels of individuals and rapid changes in technology has led to the increase in both the demand for motor vehicles and the supply of a range of vehicles available in its member states including Malawi. This scenario is true in case of Malawi where in the past years the country has witnessed a growth in the demand of motor vehicles as well as the range of vehicles available. It is also important to note that even though the income levels are increasing in Malawi, most people purchase used vehicles from countries like Japan rather than new vehicles.

According to Brooks (2012), there are a number of reasons why most people buy second hand cars from countries like Japan. One of the reasons, is that the levels of income cannot afford them to buy brand new cars. Further, these vehicles are cheap and readily available for people in Malawi. This happens because in developed countries such as Japan, UK, Germany and USA, there are regulations which force their people to dispose off their vehicles either because they do not conform to certain requirements or they are of low quality. Most of these vehicles are exported to African countries such as Malawi because they cannot be exported to other developed countries for non-conformity to these countries version for road use. Brooks (2012) further point out that some developed countries like the USA have the Environmental Protection Agency (EPA), Department of Transportation (DOT),U.S Customs and Border Protection (CBP), and the Internal Revenue Services (IRS) that discourage the importation of non-US version because converting these vehicles is usually very expensive and sometimes impossible or impractical. Other governments in economically developed countries like Japan, UK and German exclude lower quality cars from the local market and this 'produces' used cars for export. These geographical imbalances in the supply and demand for used cars, created principally by a symmetric regulatory regime generate a trade or flow of second hand cars from developed to developing countries like Malawi.

Furthermore, Clerides (2008) states that in Japan new cars are sold with a three year Inspection Certificate and after three years cars face a strict inspection which cost US1000-2500 and must be repeated every two years. The high renewal cost and stringent tests force car owners to replace their cars at an early age, and as frequently as the shaken (inspection period) expires. The high cost of the shaken inspection inhibits the development of a local market in second hand cars in Japan. As a result, these second hand vehicles are exported to developing countries. The flow of second hand vehicles will continue to increase as Japanese manufacturers benefit from the second hand car trade.

The motor vehicle industry in Malawi is comprised of brand new cars and second hand cars mostly from Japan. The second hand cars being cheap and also the fact that one can order online rather than fly to these countries these days makes second hand cars affordable to the general public. Previously people would fly to countries like Dubai to buy vehicles. The growth of electronic commerce has eliminated this need, people are now able to order online which enable comparison in both prices and quality. Information obtained from the Malawi Revenue Authority Asyscuda custom system indicates that around 28,819 vehicles entered the country in 2011 as compared to 26,228 which came in 2010. Further, according to the COMESA Secretariat Statistics Unit, Malawi had an annual stock of motor vehicle of 233,448 as in 2010.The growth in the annual stocks of motor vehicles was mainly attributed to the importation of used motor vehicles and rising incomes among middle income groups.

According to Thunde (2010), the increase in the importation of second hand motor vehicles in Malawi raised concerns as to whether they have any impact on the brand new motor vehicle companies. As a result Thunde (2010) conducted a study exploring the impact of second hand car imports on brand new motor vehicles. His research problem was to investigate whether the increase in the growth of the motor vehicle industry mainly brought about by the importation of second hand vehicles in Malawi and Botswana has any impact on the brand new vehicle industries. The main objective was to find out whether brand new cars and second hand vehicle imports are substitutes or complements or independent products with positive or negative or zero cross elasticity of demand respectively. If brand new cars and second hand car imports have negative or zero cross elasticity of demand, then the impact of second hand car imports would be positive or neutral. While if brand new cars and second hand car imports have positive cross elasticity of demand, the impact will be negative.

His findings revealed that there are a number of challenges and effects that the increase in the flow of second hand vehicles into Malawi has on brand new motor vehicles. These challenges include affordability, buying power and the existence of the bottom of the pyramid which is usually neglected by markets and hence often untargeted. Second hand car imports are therefore substitute products for entry-level volume brands and have a positive cross elasticity of demand with empirical evidence showing that the sales of entry level brands of cars have been greatly affected by second hand car imports leading to a drop in sales of some brand new motor vehicles. Dealerships like Barloworld and Kia stated that their entry-level market was almost wiped out within the period 2001 to 2006.

Analyzing these particular impacts, it can be assumed that the inflow of these second hand vehicles is a threat to the brand new motor vehicle industry. This implies that brand new motor vehicle dealers would need to come up with competitive strategies in order for them to survive. It can be seen that though they are still in business today, however if it is to go by Thunde's results, the impact would have very negative consequences on the profits and sales brand new motor vehicle companies and hence results into closure.

With the economy trends, the brand new companies should expect the buying of second hand vehicles to increase even more and hence the continual drop in the brand new vehicle sales. Therefore this study intends to investigate the competitive strategies that brand new motor vehicles have employed in order to safeguard themselves from the threats brought in by the use of second hand motor vehicles. Furthermore, the study explores how the owners of brand motor vehicle companies view the increase in the coming of second hand vehicles in the country. Second hand vehicle imports have had an impact on brand new dealership. However, brand new dealership has evolved and employed strategies of survival and growth. Hill (2011) noted that looking at the strategy only without looking at the internal functions that support that strategy can lead to failure. Just as the firm must have the right structure to execute its strategy, it must also configure its internal operations such as marketing, human resources, logistics, and information system to support its position. The strategy, operations, and organizations must all be consistent with each other if it is to attain a competitive advantage and gain superior profitability. Hence the study will also explore the value chain in the brand new motor vehicle industry in Malawi.

1.2 RESEARCH OBJECTIVES

1.2.1 Main objective

The research investigates the competitive strategies used by brand new motor vehicles in Malawi in the light of second hand vehicle imports. Further, the study aims to explore the value chain in the brand new motor vehicle industry in Malawi.

1.2.2 Specific objectives

This research specifically therefore:-

1. Identifies and analyze the competitive strategies used by brand new dealership in lieu of second hand vehicles.
2. Identifies and analyze strategic gaps in the brand new dealership using the porters
five forces of strategy
3. Assesses the dynamics of the brand new motor vehicle value chain in terms of factors affecting its growth and competitiveness.

1.3 RESEARCH QUESTIONS

1. What are the strategies being used by brand new motor dealers in Malawi?
2. What is the level of implementation of strategies in terms of applicability and effectiveness

3. What are the steps taken by firms in the brand new motor vehicle to ensure compliance with the value chain model?

1.4 SIGNIFICANCE OF THE STUDY

This research is germane to a substantial literature on car trade in developing countries including Malawi. Whereas most previous studies have focused on how second hand cars trade affects brand new car dealers, this study focuses on how brand new car trade has strategically repositioned to outwit competition from second hand vehicles. Several theoretical contributions have recognized the role of second hand car trade in the motor vehicle industry, but empirical studies in this area have typically been limited by the lack of available data. Since studies have been done in the area of impact, this study fills the gap on data on strategies employed by brand new dealership that is not currently available.

The research is important to both prospective and current brand new motor vehicles dealers in Malawi and the motor vehicle industry at large because through the understanding of the company competitive forces, dealers cab be able to know the roots of the industry’s current profitability and hence be able to strategically position their firms. This can also provide a framework for anticipating competition (and profitability) overtime.

Value chain analysis is particularly useful for new dealers who are trying to enter the motor vehicle market in a manner which would provide for sustainable income growth. This is so because its focus on the market/customers make economic viability and commercial sustainability at its core. Value chain analysis is also useful as an analytical tool in understanding the policy environment which provides for the efficient allocation of resources within the domestic economy, notwithstanding its primary use thus far as an analytic tool for understanding and identifying critical issues and blockages within the chain and provide a framework for intervention to change the circumstances for the better.

Finally, the research findings can guide the government in identifying where to direct their focus in policy making for the motor industry development in Malawi. Thus, the government would be able to set up and implement motor industry tailored environmental policies, added on to good incentive and competition practices.

1.5 SUMMARY

As we have seen the Malawian motor vehicle industry is made up of a mix of brand new and second hand vehicles otherwise known as grey imports hence the industry can be classified into the brand and the second hand motor vehicle industry. Competition for market share is therefore inevitable as different firms compete to satisfy the various customer preferences in order to ensure profitability and survivability.

The increase in the income levels of individuals and rapid changes in technology has led to the increase in the demand of motor vehicles due to affordable prices and readily availability of second hand vehicles. The COMESA Secretariat Statistics Unit noted that there was growth in the annual stocks of motor vehicles from 2010 to 2011 mainly due to the importation of second hand cars.

A research carried out by Thunde in 2010 aimed to find out whether brand new and second hand motor vehicles are substitutes or complements or independent products with positive or negative or zero elasticity of demand. His findings revealed that the brand new motor vehicle is affected by the flow of grey imports because of challenges of affordability, buying power and existence of the bottom of the pyramid which is usually neglected by the industry and hence often untargeted. Second hand vehicles are hence substitute products for entry-level volume brands and have a positive cross elasticity of demand. It can hence be assured that second hand vehicles are a threat to the brand new motor vehicle industry. The flow of these used vehicles can hence affect sales and profitability.

This study looks at the competitive strategies that brand new motor vehicles will have to employ in order to safeguard themselves from the threats brought in by the flow of second hand vehicles. However, Hill (2011) state that looking at strategy only without looking at internal functions that support them can lead to failure. Firms in the brand new motor vehicle in Malawi need to have the right structure to execute strategy and must also configure their internal operations to support their positions hence the study also explores the value chain in the brand new motor vehicle industry.

The study helps both prospective and current brand new motor vehicle firms and the motor vehicle industry at large in knowing the roots of the industry's current profitability and hence be able to strategically position their firms. This can also provide a framework for anticipating competition overtime.

The value chain analysis is useful to the dealers in ensuring sustainable income growth. It serves as a useful analytical tool in understanding the policy environment which provides for the efficient allocation of resources in the firms. The finding can also guide the government in identifying where to direct their focus in policy making for the motor vehicle industry development in Malawi.

CHAPTER 2

LITERATURE REVIEW AND THEORETICAL ORIENTATION

2.0 INTRODUCTION

This chapter presents a discussion on the current models relating to competitive strategy and value chain analysis. The chapter has been divided into 5 sections: Section 2.1 discusses the conceptual framework. Section 2.2 looks at concept of strategy in general, competitive strategy and Porter's five force analysis. Section 2.3 looks at Porter's generic strategies and how to choose the right strategy. Section 2.4 discusses the value chain model. Section 2.5 looks at value chain mapping and analysis. Lastly the chapter ends with a conclusion in Section 2.6.

2.1 CONCEPTUAL FRAMEWORK

2.1.1 Conceptual framework in post graduate research

Wedawatta, Ingirige and Amaratunga (2010) mention that a conceptual framework explains, either graphically or in narrative form, the main things to be studied – the key factors, constructs or variables – and the presumed relationships among them. According to them a conceptual framework can either be rudimentary or elaborative, theory-driven or commonsensical, descriptive or even casual. Wedawatta et. al. (2010) mention that the researchers are able to illustrate the main concepts pertaining to the study, as well as to illustrate how the concepts are interrelated and the circumstances within which the concepts and interrelationships are said to be true by conceptualizing the phenomenon under study. Summarizing several views on conceptual frameworks, Kulatunga (2008) identifies main concepts, their interrelationships and the presence of a boundary within which the concepts and their interrelationships are applicable as the constituent parts of a conceptual framework.

Developing a conceptual framework is an iterative process. A conceptual framework once developed will be revisited and amended as required during the course of a study, as the study progresses. However, having a conceptual framework in a research study is important, as it provides a sense of direction and focus for the study (Miles& Huberman, 1994). Further, Easterby-Smith, Thope and Jackson (2008) mentioned that the conceptual models are meant to guide and align the thinking of researchers into more productive channels but not to restrict their thinking. It is further identified that different researchers might come up with different conceptual representations for the same general topic, depending on their educational, cultural backgrounds and research experience. Therefore, it is important to have a framework which represents how the individual researcher conceptualize his/her research, in order for the study to be further developed productively.

2.2 THE CONCEPT OF STRATEGY

This section discusses the general concept of a company's strategy. Pearce II and Robinson (2011) defined strategy as large-scale, future oriented plans for interacting with the competitive environment to achieve company objective. A strategy explains how, when and where, against whom and for what purpose should the company compete.

For plans to be considered as strategic, they should display the following dimensions: reflect top management involvement in decision making; reflect large amount of firms resources for its implementation; reflect firms long term prosperity; should be future oriented and should usually have multifunctional or multi business consequences. These dimensions are discussed in details below:

i.Reflection of top management involvement

According Pearce II & Robinson (2011), strategic decision covers several areas of a company’s operations such as engineering, production, quality, human resources and marketing hence the need for top management involvement.

In this study this implies that strategic plans developed by the firms in the brand new motor vehicle industry should be done by those in top and middle management who understand how to delegate to influential people within the organization. Top management should therefore understand the need of having the right people at the right time and in the right places. They should also understand the need for quality, low cost customized products and marketing expenditure while making sure that the firm operates at minimum cost. The need for marketing expenditure can sometimes be constrained by the availability of money and readily available stocks if the sales increase. Seeking quality can sometimes lead to expenditures which go above the budget. Following this discussion, it means top management should have perspective needed to understand the broad implication of strategic decisions and the power to authorize the necessary resource allocation. They should also be able to understand and synchronize the implication of their decisions on various departments of the organizations.

ii.Reflection of large amounts of firms resources for its implementation

Strategies require substantial allocation of physical, human and monetary resources. According to Gamble and Thomson (2010), a winning strategy must fit competitive conditions in the industry and other aspects of the enterprise external environment at the same time it should be tailored to the company's collection of competitively important resources and capabilities i.e. it should not be based on resources that are deficient in the company. Hence in this study, the strategic plans developed by firms in the brand new motor vehicle industry should have commitment from every facet of the organization in order to achieve and maintain customer satisfaction. There is thus the need for co-ordination of the service, parts, human resource, finance and the after sale department as inefficient in one department will affect the other resulting to poor customer service.

iii.Reflects firms' long term prosperity.

According to Ireland, Hitt and Hoskinson (2009), the strategic management process is the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above average returns. Inability to achieve above average returns may lead to failure as investors may pull out. Hence in the motor vehicle industry, firms should aim at maintaining customer loyalty through customization and offering of low cost superior product/services, improved operations, wide choice and convenience in order to ensure sustainability in the earning of returns that are, at best, equal to returns that investors expect to earn from other investments with a similar amount of risk.

iv.Be future oriented.

According to Pearce II and Robinson (2011), strategic decisions are based on management forecasts, rather than what they know. Emphasis is thus placed on the development of projections that will enable the firm to select the most promising strategic option. Following this, it means that, firms in the brand new motor vehicle industry should thus aim at anticipating changes in the industry such as tax changes, changes in tastes like preferences for small cars with low fuel consumption and technological changes. This will enable them to adopt a proactive stance towards change.

v.Have multifunctional or multi business consequences.

According to Gamble and Thompson (2010), there is virtually no area of a company operations that is not involved in its business and help answer the question, '*How are wegoing to be there*? Strategic plans in the brand new motor vehicle industry should hence ensure harmonization of all company's activities in all departments as sub optimality in one will affect the overall results. For example unavailability of parts will affect the service department, which in turn will have implication on the after sales service and the finance division. This will overall affect the company performance financially and its customer retention ability.

2.3 COMPETITIVE STRATEGIES

Robbins, DeCenz and Coutler (2011) defines a competitive strategy as a strategy for how, where and for what purpose an organization will compete in its business (es). As for this research it means the strategy shows how firms in the brand new motor vehicle industry decide how, where and for what purpose they compete in their primary market. This competitive strategy is used as a tool for the firm to safeguard against the used vehicle car dealers competition (their competitors). Therefore, in order for the firms to safeguard themselves, it is necessary that they have a competitive strategy which encompasses the five dimensions of a strategy discussed in section 2.2.

In order to develop an effective competitive strategy, Porter suggests a number of ways how the firm's management needs to act. Firstly, management needs to have a better understanding of a firm's competitive edge. Competitive edge, according to Porter (1980) is that distinctive edge which comes from the organization core competiveness by doing either something that others cannot do or doing it better than others. This demonstrates that no firm can successfully act at an above the average profitability by trying to do all things to all people. Porter continues to argue that firms must choose a competitive strategy that will give them a distinct advantage by capitalizing on the strengths of the organization and the industry it is in. For example, in the motor vehicle industry, managers need to find out their competitive edge that they have over the used cars imported from Japan and then how they can capitalize on that in order to safeguard themselves.

Secondly, Porter (1980) explains that an effective competitive strategy take defensive and offensive action in order to create a defendable position against the five competitive forces, which are suppliers, new entrants, buyer, rivals and substitute products. By being defensive, Porter states the need for firms to position themselves so that their capabilities provide the best defense against the existing array of competitive forces. If factors underlying the forces are going to change, selecting a strategy appropriate to the new circumstance before rivals recognize the situation while being offensive means influencing the balance of forces through strategic moves so as to improve the firm's relative position.

One wonders in Malawian context, what kind of defensive and offensive mechanisms that motor vehicle firms have put in place for them to be profitable and be competitive, or does it matter in a Malawian economy to have this?

Lastly, Porter (as cited in Katsioloudes 2006), suggests that an organization’s strategic advantage derives from its ability to satisfy one of its key stakeholders, and its customers. For a company to survive it needs to satisfy its customers. Satisfaction entails satisfaction with a product; with the purchase decision experience; with a performance attribute; with a consumption experience; with the firm and with pre purchase experience. Higher levels of customer satisfaction can lead to higher levels of customer retention.

Most of the products in the motor vehicle industry are indistinguishable from each other because of technological advancement. Managers hence need to focus their efforts on exceptional level of service quality for them to stand above the competition. Firms attempting to compete in the motor vehicle industry have to make sure they focus on product and service quality as customers experience the product offering from when the motor vehicle is purchased and on a regular basis each time the vehicle is maintained. Firms hence have to ensure that their operating strategy and service delivery system tally. In this study, this means ensuring that the competitive strategies adopted are in line with the value chain. Firms need to ensure internal service quality through: effective work place design; proper job design; right selection and development processes; proper reward and recognition systems; right information and communication channels and adequate tools for servicing customers. Internal service quality will lead to loyal and satisfied employees on whom service concept will be built by customers through external service quality. External service quality will lead to loyal and satisfied customers leading to revenue growth and profitability.

From this discussion, it is seen that in analyzing the brand new motor vehicle industry, the five competitive forces will help the firms to determine their product quality, level of service and the type of advertising to use.

These forces help the firms to evaluate their market strategy in terms of pricing, new products and product warranty to counter the threat posed by used vehicles. Furthermore, firms can produce strategies that set their new vehicle apart from competition. Firms in the new motor vehicle dealership hence need to take a proactive approach against their suppliers, new entrants, buyer, rivals and substitutes products by carrying out a five force analysis. This is discussed in section 2.3.2.1.

2.3.1 Market Strategies

This section present market strategies as one of the competitive strategies. Kotler and Armstrong (2013) define market strategy as the market logic by which a company hopes to create customer value and achieve profitable customer relationship. Market strategies enable firms to deal with competitive threats and sustain market share as a basis for maintaining long term profitability. The market strategy of a company reflects its overall corporate strategy and objectives, its vision, mission and values. The corporate strategy will be shaped by the nature of the company's marketing strategy and its wider marketing environment. Belz and Peattie (2009) further states that, a company's marketing strategy in practice will typically be a mixture of carefully planned and deliberate steps, and more informal patterns of decisions and actions that emerge as managers react to events and improvise. This is further expanded by Proctor (2000) who state that the concept of market strategy is deeply customer oriented, focusing on the company's long-term prospects and vision in gaining competitive advantage by way of innovative products and other factors. According to Kotler and Armstrong (2013), guided by market strategy, the company designs an integrated marketing mix made up of factors under its control-product, price, place and promotion. To find the best marketing strategy and mix, the company engages in marketing analysis, planning, implementation and control. Through these activities, the company watches and adopts to the actors and forces in the marketing environment.

Through a marketing strategy, a firm creates customer value and achieves profitable relationships. The firm decides which customers to serve (segmentation and targeting) and how (differentiation and positioning). It identifies the total market and then divides it into smaller segments, selects the most promising segments, and focuses on serving and satisfying the customers in those segments. The marketing strategy activities are discussed below:

Customer Driven Marketing Strategy

Kotler (2013) explain that companies need to design customer driven strategies which build the right relationships with the right customers as it is impossible to appeal to all consumers in the market. By so doing, the companies concentrate on the consumers they can serve best and profitably. Target marketing denotes the move companies make when they identify market segments, select one or various, then develop marketing programs and products geared towards each.

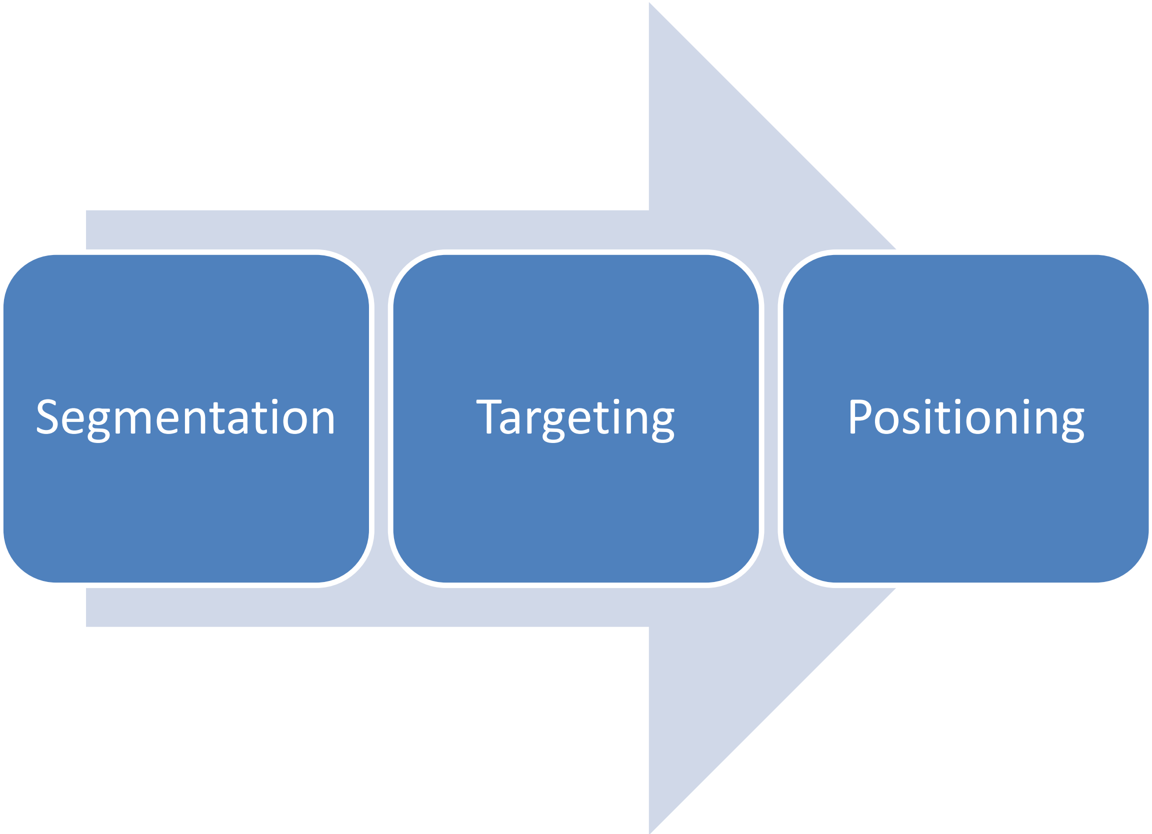


Figure 1: The STP Process: segmentation, targeting and positioning (based on Kotler and Armstrong, 2013, p.77)

Market Segmentation

Kotler and Armstrong (2013) state that consumers in a market may differ in one way or another; needs, buying attitudes, practices, locations and resources. Companies can divide consumers into manageable segments with products and services that match each segment's unique needs. Market segmentation is the process by which the aforementioned is achieved; Segmentation divides the consumers into distinct groups requiring different marketing programs and products. The commonly identified variables of market segmentation are

- geographic – dividing customer units according to their geographical locations.
- demographic – dividing of market on the basis of age, gender, family size and income, occupation, religion, race, education and nationality.
- psychographic – division of market segments based on social class, lifestyle or personality characteristics

- behavioural – division of market segments based on knowledge, attitude, use or response to a product

According to Proctor (2000), segmenting is a vital marketing skill, the different segments buy the same product for different reasons; more than one variable can be used when segmenting markets, the more variables the better as it aids in focusing on tighter target markets.

Market Targeting

Proctor (2000) define a target market as the market or market segments which form the focus of the company's marketing efforts. Once markets are segmented, companies may decide which one(s) to enter. This concept views the market's attractiveness after which the company chooses one or more to venture into. Kotler and Armstrong (2013) state that the selected segment is chosen on the basis of its profitability, the customer value to be generated and long-term sustainability. Companies consider three factors when assessing different market segments:

i. segment size and growth
ii. segment structural attractiveness
iii. company's resources and objectives

Companies according to their resources may serve one or more market segments or in most cases, companies serve several segments as they may be correlated; as long as the company can serve them best. Companies should only venture into segments with superior value and present a competitive edge over the competition.

Market Differentiation and Positioning

Through market differentiation, companies decide to pursue various market segments and plan diverse bids for each market. Kotler and Armstrong (2013) state that differentiation is actually differentiating the market offering to create superior customer value. This is further expanded by Proctor (2000) who state that the product on offer has to be different from other similar products in the market in order for consumers to purchase it. Positioning, it has been suggested, represents the most important decision and action that management has to take for the company and its marketing. Kotler and Armstrong (2013) further stress that positioning is arranging for a product to occupy a clear, distinctive and desirable place relative to competing products in the target markets' minds. In positioning its brand, a company first identifies possible customer value differences that provide competitive advantages on which to build the position. Effective positioning begins with market differentiation so as to give consumers more value. In planning their differentiation and positioning strategies, marketers often prepare perceptual positioning maps which show customers perceptions of their brands versus competing products on important buying dimensions; as illustrated in Figure 2, which shows a positioning map for the U.S large luxury sport utility vehicle (SUV) market.

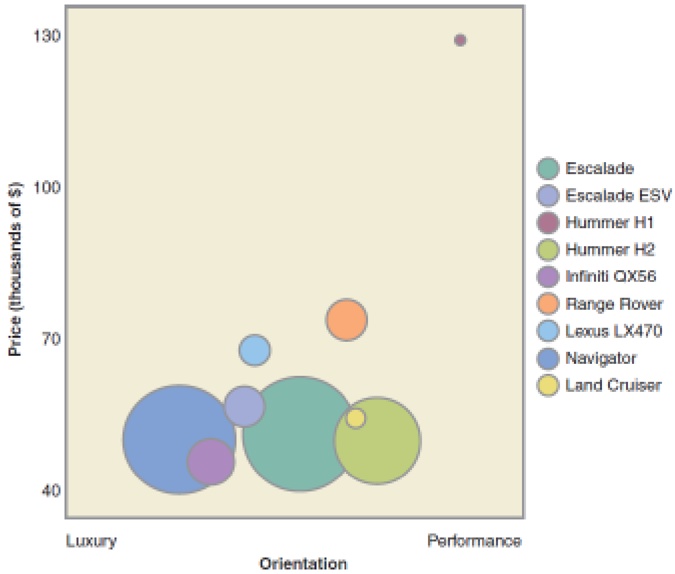


Figure 2: Positioning Map: Large Luxury SUVs (based on Kotler & Armstrong, 2013, p. 211)

As illustrated in Figure 2, the position of each circle on the map indicates the brand's perceived positioning on two dimensions: price and orientation (luxury versus performance). The size of each circle indicates the brand's relative market share.

Market positioning consists of three steps which are: identifying possible customer value differences which provide competitive edges; choosing the correct competitive edges; selecting the overall positioning strategy. Companies are required to then communicate effectively in order to deliver the selected position to the market.

Developing an Integrated Mix

The next step after companies have established the general marketing strategy, the details to be planned next are those of the marketing mix. Kotler and Armstrong (2013) define a marketing mix as the set of tactical marketing tools-product, price, place and promotion-that the company blends to produce the response it wants in the target market. Proctor (2000) further elaborates that these elements of the marketing mix should not be seen as individual entities but as a set of interrelated entities which have to be set in conjunction with one another and in the context of the strategic window presented. The product or services that an organization has help to create an image in the customer's mind. This image is reflected in the customers' perceptions and feelings about a company's products. Objects and services are more than visible activity. People will purchase products and services in order to satisfy needs and wants therefore firms need to understand the nature of the needs and wants in order to appreciate the type of benefits people expect to get.

Distribution is a critical element in the marketing process so is pricing which is not just a mechanistic process involving knowledge of costs and the addition of a profit margin. Strategic pricing decisions need to be made and pricing is inherently limited to product quality specification. Finally, strategic considerations with respect to marketing communications are considered.

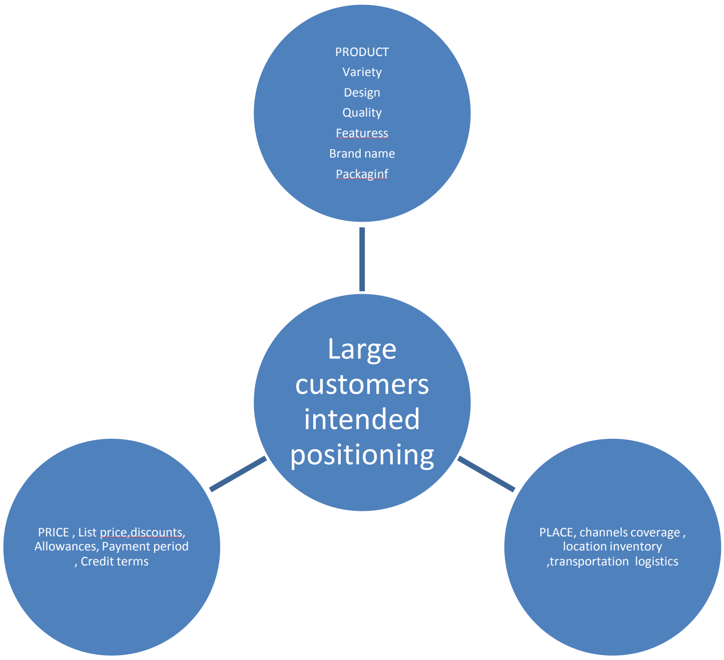


Figure 3: The Four Ps of the Marketing Mix (based on Armstrong and Kotler, 2013, p.81)

The marketing mix (4P's) consists of tactical marketing tools blended into an integrated marketing program
that actually delivers the intended value to target customers

The marketing tools under the four variables are shown in Figure 3. An effective marketing program blends each element of the marketing mix into the company's marketing plan in order to achieve desirable results.

In this study we mainly look at strategies to do with product offered, pricing and promotion as adopted by the brand new motor vehicle industry to deal with the threat posed by the flow of used vehicles. The area of place was left out taking into consideration the fact that most of the second hand vehicle dealers are individuals who can as well conveniently locate themselves, some even within the vicinity of the brand new motor vehicle industry premises.

2.3.1.1 Products Offered

Kotler and Armstrong (2013) state that products offered indicates the goods and services combination the company offers to the target market. For example a Mercedes Benz consists of nuts and bolts, spark plugs, pistons, headlights and thousands of other parts. Mercedes offers several models and dozens of optional features. The car comes with fully serviced and with a comprehensive warranty that is much a part of the product as the tailpipe. It is important to mention that the product should be looked at from three levels where each level adds more customer value.

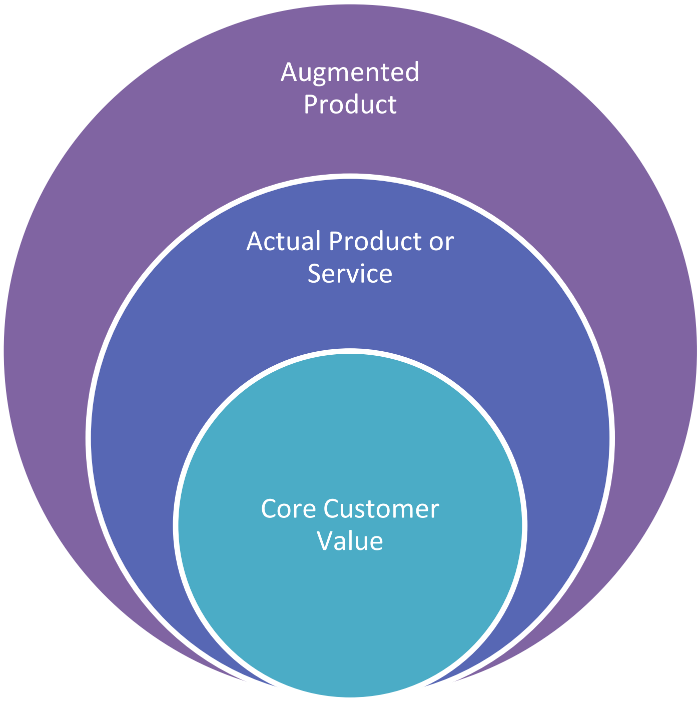


Figure 4: Three levels of Product (Kotler and Armstrong, 2013, p.226)

Kotler and Armstrong (2013) states that the most basic level is the *core customer value*, which deals with what the buyer is really buying. This is put into consideration when designing products as marketers must first define the core, problem-solving benefits or services that consumers seek. The core benefit is then turned into an *actual product/service* in the next level. It is here that product and service features, design, quality level, brand name and packaging are actually developed. Finally the planners develop an *augmented product* around the core benefit and actual product by offering additional customer services and benefit. In order to satisfy customer experience, marketers must identify the core customer value, design the actual product around the value and find ways to augment it.

2.3.1.2 Pricing

Kotler and Armstrong (2013) define pricing as the amount of money clients must pay in order to obtain the product. For instance, Mercedes determines recommended retail prices that dealers can charge for each vehicle; on the other hand retailers rarely charge the cover/brochure price, instead they negotiate the price with each customer offering discounts, trade-in allowances and credit terms. These price adjustments accords to prevailing competitive and economic situations and bring them into line with the buyer's perception of the car's value.

2.3.1.3 Promotion

Kotler and Armstrong (2013) state that promotion refers to activities that communicate the merits of the product and persuade target customers to buy it. Mercedes spends huge sums of money every year on advertising to inform customers about the car and its features. Dealership representatives assist potential buyers and persuade them that Mercedes is the best car for them. Mercedes and its dealerships also offer special promotions – sales, cash rebates and low financing rates – as added purchase incentives.

In order to gain competitive advantage the market mix of product offered, price and promotion are blended into a program which is designed to achieve the company's marketing objective by delivering value to customers.

2.3.2 Porters Generic Competitive Strategies and how to choose the best strategy

This section discusses a category of schemes consisting of three generic types of strategies that are commonly used by businesses to achieve and maintain competitive advantage. It then proceeds to look at how a firm can choose a strategy best suited to it. However, before these strategies can be developed, firms need to determine the state of competition in the industry and this is done by using Porters Five Force Analysis.

2.3.2.1 Porter Five Force Analysis

Porter (1980) gives a five force model that describes techniques of identifying potential and actual competitors. Porter argues that in any industry the role of competition can be seen in terms of five forces: the entry of new competitors, the threats of substitutes, the bargaining power of buyers, the bargaining power of suppliers and the rivalry among existing operators.

Analoui and Karami (2003) state that the ability of firms in an industry to earn on average, the rates of return on their investment in excess of the cost of capital depends on the collective strength of the competitive forces. These forces also determine the industry's profitability. The five forces help the firm to see through the complexity and pin point those factors that are critical to competition in its industry as well as to identify those strategic innovations that would improve the industry's profitability. These five forces are explained below:-

1) Threat of New Entrants

According to Porter (1985), new entrants into an industry bring to it a desire to gain a market share (competition). The extent of the threat to new entrants into the industry largely depends on the presence of effective barriers to their entry (Analoui and Karami, 2003).The barriers can be low production costs, economies of scale, government policies, access to resources such as financial or skilled human resources and product differentiation. Taking into account the presence and/or the absence of the entry barrier help in predicting the success of the possibilities of the new entrants into the industry.

2) Threat of substitute products or services

Porter (1980) defines substitutes as products that appear to be different but are not. They tend to satisfy the same need as another product and hence pose a threat to existing products or services. Porter (1985) identified the following factors which leads to effective substitution threat: switching costs which is the ability of the buyers to switch to other suppliers at minimum cost; buyer propensity to substitute, the more loyal the customers are the more difficult will it be for them to change products or services and relative price performance of substitute which entails brand motor vehicle buyers are more likely to change their products if the performance of the vehicle do not match with their price.

Existing substitutes limit the firms buying power. According to Haberberg and Rieple (2008), if customers have a choice, not just between rival products but between competing demands for their spending, then this will increase their power. This is because when buyers are not happy with a particular product or service, they go for alternatives. This leads to loss or reduction in the customer base. The substitution threat is one of the big threats facing the brand new motor vehicles by used vehicles. The question is to what extent the new brand motor vehicle industry has positioned itself in line with the used cars industry.

3) Bargaining power of the suppliers

Pearce II and Robinson (2011) state that powerful suppliers can squeeze profitability out of an industry making it unable to recover cost through increases in its own prices.

However, Porter (1980) argues that firms can reduce the bargaining power of suppliers through vertical integration or long term supply arrangements. According to Ireland, Hitt and Hoskisson (2009), vertical integration exists when a company produces its own inputs (backward integration) or owns its own source of output distribution (forward integration).Vertical integration hence helps the market to save on its operations, improve product quality and possibly prevent its technology from being imitated with its rivals.

In addition to vertical integration some of the determinants of the bargaining power of suppliers are differentiation, switching cost of suppliers, supplier concentration and importance of volume to suppliers. Gamble & Thompson (2010) state that the greater the ability of a particular input to enhance a product's performance, quality, or image, the more bargaining leverage its suppliers are likely to possess; high switching cost increases supplier where as low switching costs and the ready availability of good substitutes inputs weaken supplier bargaining power and suppliers have lees bargaining power when their sales to members of this one industry constitutes a big percentages to their total sales.

4) Bargaining power of Buyers

Daft (2008) observes that as recipients of the organization's output, customers are important because they determine the organization's success. This is further expanded by Katsioloudes (2006) who state that customers like wise can force down prices by demanding higher quality or more services, and play off competition against each other- this is done at the expense of the industry's profit. Bargaining leverage such as buyer concentration, buyer volume, buyer switching costs, buyer information and price sensitivity. The bargaining power of customers will hence be weaker if the firm knows the customer and their needs and can satisfy their expectations comprehensively

5) Rivalry among existing firms

In most industries the firms are dependent on each other, hence a competitive move by one firm can be expected to have an effect on other competitors. Porter (1985) state that intense rivalry is usually related to the presence of several factors like: Industry growth rate and capacity; fixed costs and value added; brand identification; switching costs and exit barriers.

Gamble and Thomson (2010) note that in markets where growth is sluggish or where buyer demand drops off unexpectedly, it is not uncommon for competitive rivalry to intensify significantly as rivals battle for market share and volume gains. The high level of fixed cost involved, the level of branding in it and the low switching costs create high exit barriers which increase the level of competition in the industry.

The motor vehicle industry is characterized by high fixed costs and high storage costs. This makes it highly competitive as price cutting is utilized as a means of gaining an increase in market share. Competition in some industries (perhaps the personal computer industry) may be characterized by heavy price cutting and advertising. Katsioloudes (2006) states that other industries may see periodic introductions of new products and/or product extensions. Where there is intense competition the players actually target customers who currently buy from other companies through attracting strategies like publicity and advertising.

Mellahi, Frynas and Finlay (2005) point out that it is very important that the five forces are analyzed for a specific market segment or similar market segment, not for an entire industry. It would make little sense for Ford or Volkswagen to analyze the Five Forces for the entire car industry, because a great number of factors will be of no use to managers. On the other hand, a car company might find it useful to analyze a specific market for example, pick up vans. The figure below summarizes the five forces as discussed above.

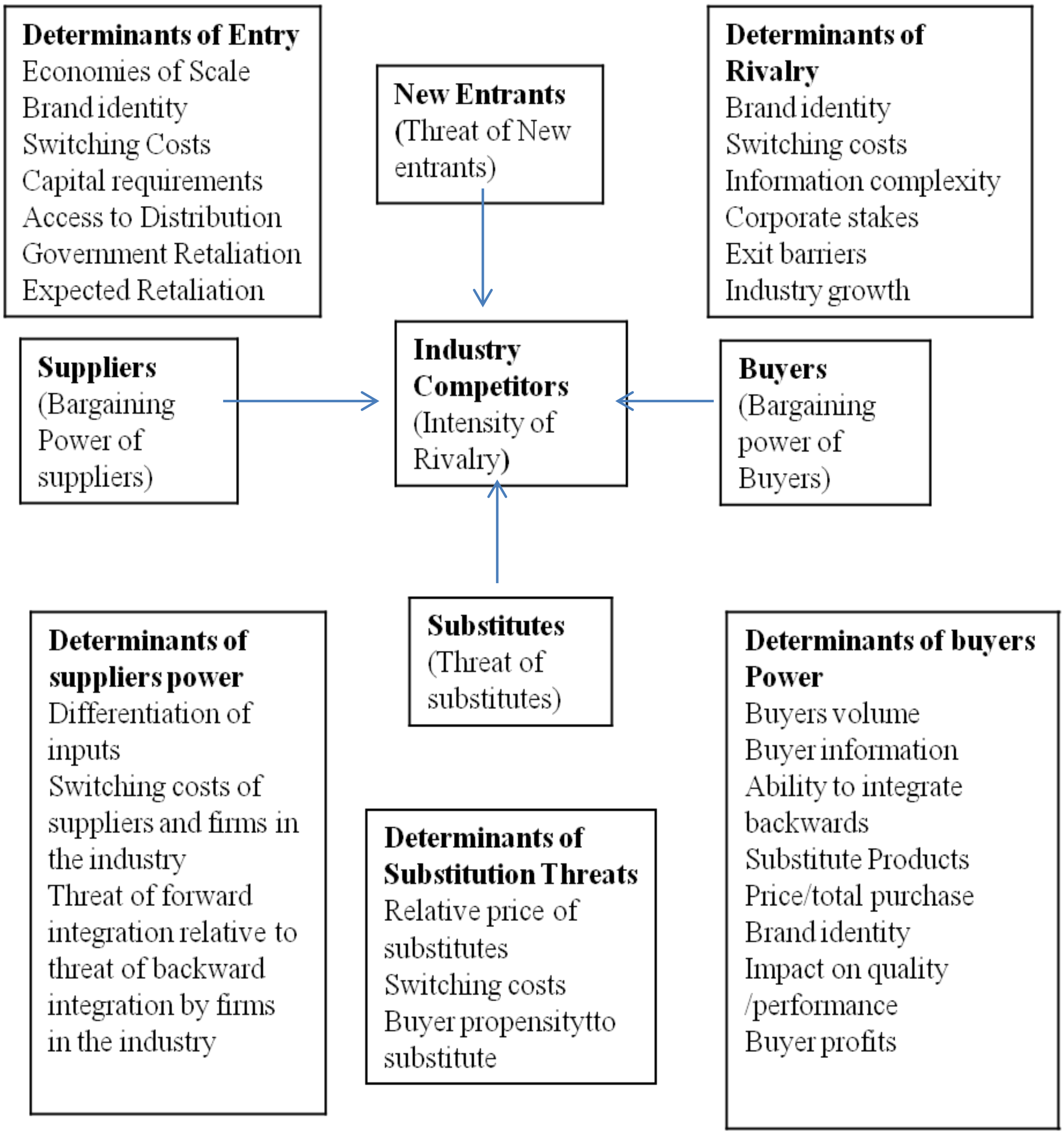


Figure 5 : Forces Driving Industry Competition (Pearce II & Robinson, 2011, p.92)

2.3.2.2 Porters Generic Competitive Strategies

According to Pearce II and Robinson(2011), many planning experts believe that the general philosophy of doing business declared by the firm in the mission statement must be translated into a holistic statement of the firm's strategic orientation before it can be further defined in terms of a specific long term strategy. In other words, a long term or grand strategy must be based on a core idea about how a firm can best compete in the market place. The popular term for this core idea is generic strategy. Generic competitive strategies hence provide methods of gaining competitive advantage over competitors. Porter (1980) states that a firm must decide to gain competitive advantage by producing at a lower cost than its rival or differentiate its products and services and sell them at a higher price. The firm should then decide its target market. It can either decide to target the whole market with the strategy it has chosen or to target a narrow market (niche). There are three generic strategies which can be adopted by a firm according to Porter (1980) as explained below:-

(i). Cost Leadership Strategy

According to Daft (2008), this strategy aims at being the lowest –cost producing firm in the industry. Being a lower cost producer, provides a successful strategy to defend against the five competitive forces. The most efficient low cost company is in the best position to succeed in a price war while still making a profit. Likewise the low cost producer is protected from powerful customers and suppliers, because customers cannot find lower prices elsewhere, and other buyers would have less slack for price negotiation with suppliers. If substitute products or potential new entrants occur, the low cost producer is better positioned than the higher cost rivals to prevent loss of market share. The low price acts as a barrier against new entrants and substitute products.

In order to achieve cost leadership, firms in the brand new motor vehicle industry must have access to the latest technology that will help lower costs, must have a very efficient logistics and must have a lower cost base in terms of labour, material and facilities. In order to ensure that those in the used vehicle industry do not imitate the sources of cost reduction, firms should adopt the Japanese Kaizen philosophy of continuous improvement.

(ii). Differentiation Strategy

According to Porter (1980), the strategy of differentiation involves offering a different product, using a different market approach or using a different delivery system. Firms in the brand new motor vehicle industry can achieve this by focusing on research and development enabling innovation. They can also engage in effective market and sales techniques and delivering high quality products and services. According to Wheelen and Hunger (1998), this strategy allows a firm to charge premium prices for its products.

Katsioloudes (2006) mentions that one of the five competitive forces mentioned above, threat of new entries can be countered by differentiation. It is possible that a differentiated product can create such a loyal customer base that it becomes extremely difficult for anyone else to successfully compete. Firms must hence decide which factors it should concentrate on in order to gain competitive advantage.

(iii). Focus Strategy

Here firms concentrate on a particular niche market. According to Katsioloudes (2006), market may be defined geographically, by certain buyer groups, or be a segment of a product line. By understanding the features of the market and the needs of its customers, the firm can decide on whether to develop a differentiated product or develop a low cost product for it.

Firms in the brand new motor vehicle industry can adopt this by satisfying the needs of customers with special financing, inventory, or servicing problems; or tailor their services/product to the unique needs of their small to medium customer.

Porter states that these strategies are unique and mutually exclusive alternatives. Pursuing all of them may lead to firm being stuck in the middle hence low profitability.

2.3.2.3 How to choose the right generic strategy

In order to choose the right strategy, Porter recommends the following:

(i). SWOT Analysis

Conduct a SWOT analysis of the firms' strengths and weakness and the opportunities and threats which can be encountered for each strategy.

SWOT is an acronym for the internal **S**trengths and **W**eaknesses of a firm and the environment **O**pportunities and **T**hreats facing that firm. SWOT analysis is based on the assumption that an effective strategy derives from a sound "fit" between a firm's internal resources (strengths and weaknesses) and its external situation (opportunities and threats).

Pearce II and Robinson(2011) state that a strength is a resource or capability controlled by or available to a firm that gives it an advantage relative to its competitors in meeting the needs of the customers it serves; a weakness is a limitation or deficiency in one or more of a firm's resources or capabilities relative to its competitors that create a disadvantage in effectively meeting customer needs; an opportunity is a favorable situation in the firms environment while a threat is a major unfavorable situation in a firm's environment. A good fit maximizes a firm's strengths and opportunities and minimizes its weaknesses and threats.

(ii). The Five Forces Analysis

Porters five competitive forces analysis discussed above can then be employed to understand the nature of the firm.

(iii). Choosing strategy

Lastly do a comparison of the SWOT analysis of the viable options with the results of the five force analysis of threat of new entry, substitutes, the bargaining power of customers and suppliers and the competitive rivalry within the industry.

For each strategic option explore how it can be used to: reduce or remove the threat of substitution; reduce or remove the threat of new entry; come out on top of competitive rivalry; reduce or manage supplier power; reduce or manage customer power.

The generic strategy chosen should be the one giving you the strongest set of options. Cost benefit analysis is also important in choosing strategy. Porter (1998) state that a firm should aggressively pursue all cost reduction opportunities that do not sacrifice differentiation. It should also pursue all differentiation opportunities that are not costly. Daft (2008) observe that the internet tends to erode both cost leadership and differentiation advantages by providing new tools for managing costs and giving consumers greater access comparison shopping hence companies need to carefully strategic position themselves in the market place. Firms in the brand new motor vehicle industry can have an edge over their competitors from using the internet in areas like procurement, marketing, software support and after sales service.

2.4 THE VALUE CHAIN MODEL

Section 2.2 discusses about competitive strategies that firms in the brand new motor vehicle can adopt in order to counter the threats posed by used vehicle dealers. But as seen in section 1.1, Hill (2011) note that looking at the strategy only without looking at the internal functions that support that strategy can lead to failure. Just as the firm must have the right structure to execute its strategy, it must also configure its internal operations such as marketing, human resources, logistics, and information system to support its position. The strategy, operations, and organizations must all be consistent with each other if it is to attain a competitive advantage and gain superior profitability.

Looking also at the motor vehicle industry, competition is bound to be dominated by unit cost. The low entry barrier in the used vehicle industry which has seen individuals joining the industry with as little capital as 6,000 United States Dollars means the dealers in the brand new vehicle industry have to compete with cheap products being offered by the used vehicle industry. In order to be able to charge premium prices while still maintaining their customers, dealers need to operate as efficient as possible in terms of costs as well as offer additional value on their products to customer.

This section hence dwells on Porters Generic Value Chain Model. This Model has a series of value –generating activities found to be common to a wide range of firms whose goals is to offer the customer a level of value that exceeds the cost of activities. The value chain is hence appropriate at this stage because as Katsioloudes (2006) described it as pertaining largely to potential of organizational distinctive competencies and consequent competitive advantages, and it examines organizational processes as activities that create value for the customer. Aligning the competitive strategies with the value chain hence ensures that the firms in brand new motor vehicle industry can sustain its competitive position by creating and delivering the best value to their customers thus ensuring outperformance of their rivals.

2.4.1 The Value Chain Model

In 'Competitive Advantage: Creating and Sustaining Superior Performance.' Porter (1985) introduced the concept of the value chain (Figure 2). According to Porter a firm's value chain consists of nine categories of activities which are linked together. These activities are divided into two categories: primary and support. Primary activities have to do with the creation and distribution of the product as well as the after sales assistance (i.e. Inbound Logistics, Operations, Outbound Logistics, Marketing and Sales, After – Sales Service). Support activities support primary activities (i.e. Firm Infrastructure, Human Resources Management, Technology Development, and Procurement). Each firm in an industry has different value chain. The division into primary and secondary activities is done to identify sources of competitiveness.

The idea of value chain involves looking at an organization as part of an integrated chain of economic functions. Members of the value chain work as a team while working independently. The aim is to produce a final product that meets consumer requirements. The chain of activities as a whole hence gives the product more added value than the sum of independent activities.

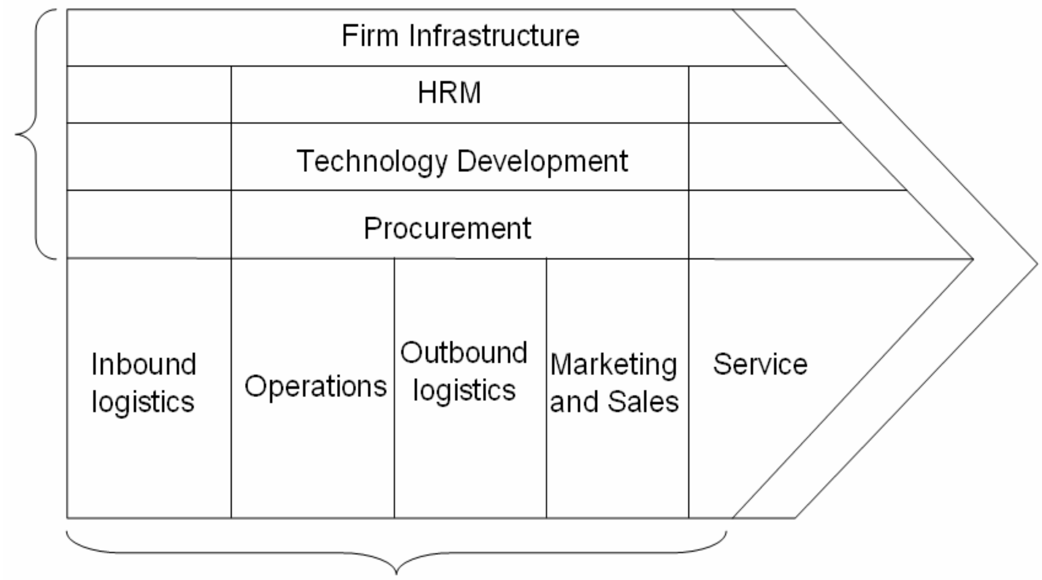


Figure 6: The Generic Value Chain Model (Porter 1985)

Hill (2011) state that the amount of value a firm creates is measured by the difference between its cost of production and the value that consumers perceive in its products. In general, the more value customers place on a firms production, the higher the price the firm can charge for those products. The value chain hence shows how value is added at each stage of production as the product/service receive its final consumer.

However, the New Economy (the result of the transition from a manufacturing based economy to a service based economy) requires a stakeholder orientated approach to the Value Chain shown in figure 7 below:

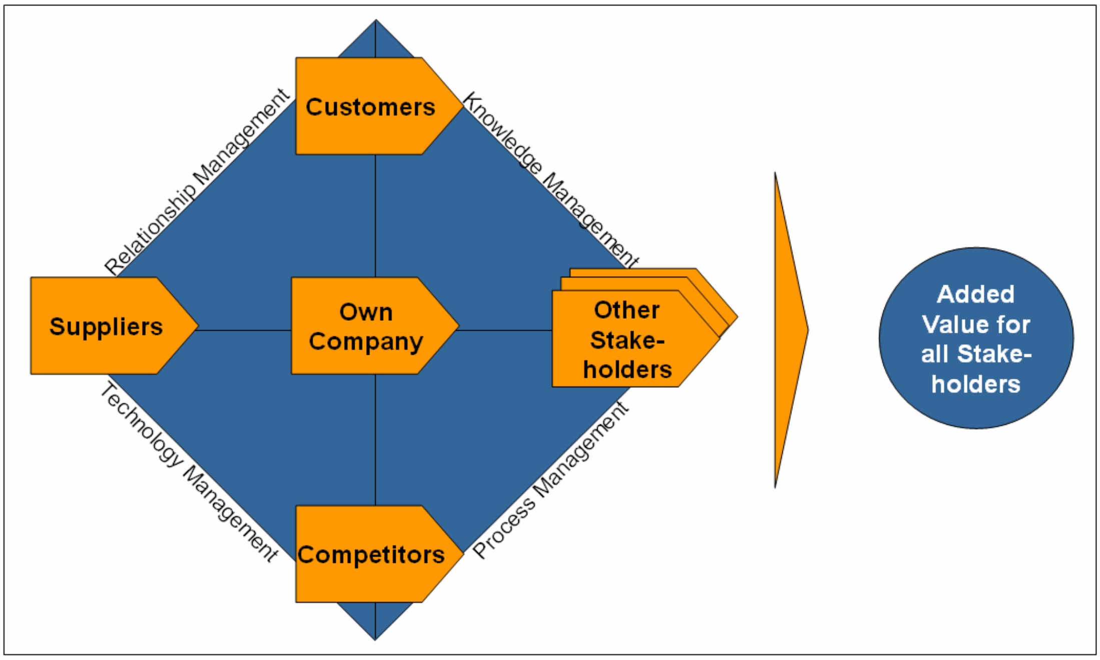


Figure 7 : The Value Chain of the New Economy based on (Wise, 2003, p.12) and (Walters & Rainbird, 2007, p.7)

According to Pearce II and Robinson (2011), the term value chain describes a way of looking at a business as a chain of activities that transforms inputs into outputs that customers value. Value is generated at each stage such as knowledge, cost reduction, shareholder value and customer value.

This can be through areas like integration of local knowledge, government co - operations, customer relationship management, optimizing internal and external processes, making use of alliances, clear value proposition, corporate cultures, financial value to shareholder, performance measurement, kaizen, quality issues like quality circles, six sigma principles and benchmarking and not forgetting interaction with local colleges and universities.

Members in a value chain can be members in a number of different value chains. Activities within the chain are governed by rules and regulations. The flow of goods, information and finance through the various stages of the chain are evaluated in order to detect problems or identify opportunities to improve the contribution of specific factors and the overall performance of the value chain.

According to Daft (2008), firms can be regarded as a value chain that receives input from the environment, such as raw materials and other resources, and adds value by transforming them into products and services for customers. In order to achieve superior customer responsiveness, innovation, quality and efficiency, the firm must make sure that its operations are effective. Superior operation effectiveness can support existing strategy, as well as contribute to new strategic directions that can be difficult for competitors to copy. This is possible by adding unique value to the product that meets the customer's requirements.

The relationship between members are not only characterized by transaction through which a product/service is transferred from one member to another in return for payment; the relationship also involves a vast exchange of information, knowledge, skills and various embedded services like loans produced by input suppliers to small producers, training session conducted by lead firms, quality control mechanism, leasing arrangements, provision of equipments and manuals). Understanding the link in the chain helps to understand how entry barriers are created, and how gain and risks are distributed.

According to Porter (1985), the main idea behind the value chain is to identify overall costs based on stages along the product or service line, and compare the firm's performance at each stage with the performance of the competitors.

2.4.2 Value Chain Mapping and Analysis

This section discusses how value mapping is done to gain a basic overview of the value chain, to guide full analysis of the chain to be done, to identify constraints and possible solutions at different levels on the value chain, demonstrate interdependency between actors and processors in the value chain and create awareness of actors to look beyond their own involvement in the value chain.

(i). Value Chain Mapping and Analysis

In order to successfully carry out a value chain analysis, we need to start with mapping of the value chain. This involves creating a visual representation of the connection between business in the value chain as well as other market players. Mapping will involve identifying what core processes are in the value chain. Pearce II and Robinson (2011) state that once the value chain has been documented, managers need to identify the activities that are critical to buyer satisfaction and market success. This will help in identifying the main actors in the chain. Actors can be classified according to the occupation e.g. producers, transporters suppliers. They can also be classified by ownership (government owned, private owned, households, cooperative etc.), scale (large, medium, national, small-scale etc.), poverty, ranking, location etc. The identification of the core processes, actions and specific activities in the value chain help in coming up with the flow of products in the value chain. After mapping the product flow, the volume of the product can now be mapped. This provides a notion of the sizes of different channels within the value chain. Analyzing the value chain should also take into consideration external factors outside the value chain. This will involve taking into consideration the political, economic, social, technological, ethical and legal issues in the business environment.

Looking at the motor vehicle industry and the value chain analysis as a competitive tool, customer value is critical in order to gain market access. Failure to understand the customer or meet his needs will result in an adversarial relationship, minimal information sharing and a competitive strategy wholly reliant on efficiency.

Failure for the firm to meet the wants and needs of the consumer will result in both suppliers and buyers losing customers to their competitors who are able to satisfy their customer by presenting a stronger and more careful targeted consumer value proposition. Haberberg and Rieple (2008) further point out that the 'value chain analysis therefore helps us to pinpoint the particular capabilities and resources that are important to an organization and show precisely where and how they are being applied.

Firms in the brand new motor vehicle can follow the following steps in order to gain a competitive advantage over their competitors i.e. those in the used vehicle industry. This has been summarized in figure 2.8.

1).Identify the value expectation through looking at market trends; customer research; product/service specification; prototype production and testing; product modification and development and customer service development.

2).The creation of value through looking at sourcing and procurement; material management; manufacturing and product modification.

3). Communicating the value by looking at reseller/distributor communication; customer/end user communication and internal ‘customer’ communication.

4).Delivering the value by looking at product service delivery; availability; frequency and reliability.

5). Servicing the value by looking at customer service program and product recall programs.

This research will mainly touch the above areas to check what brand new customers value in their vehicle.

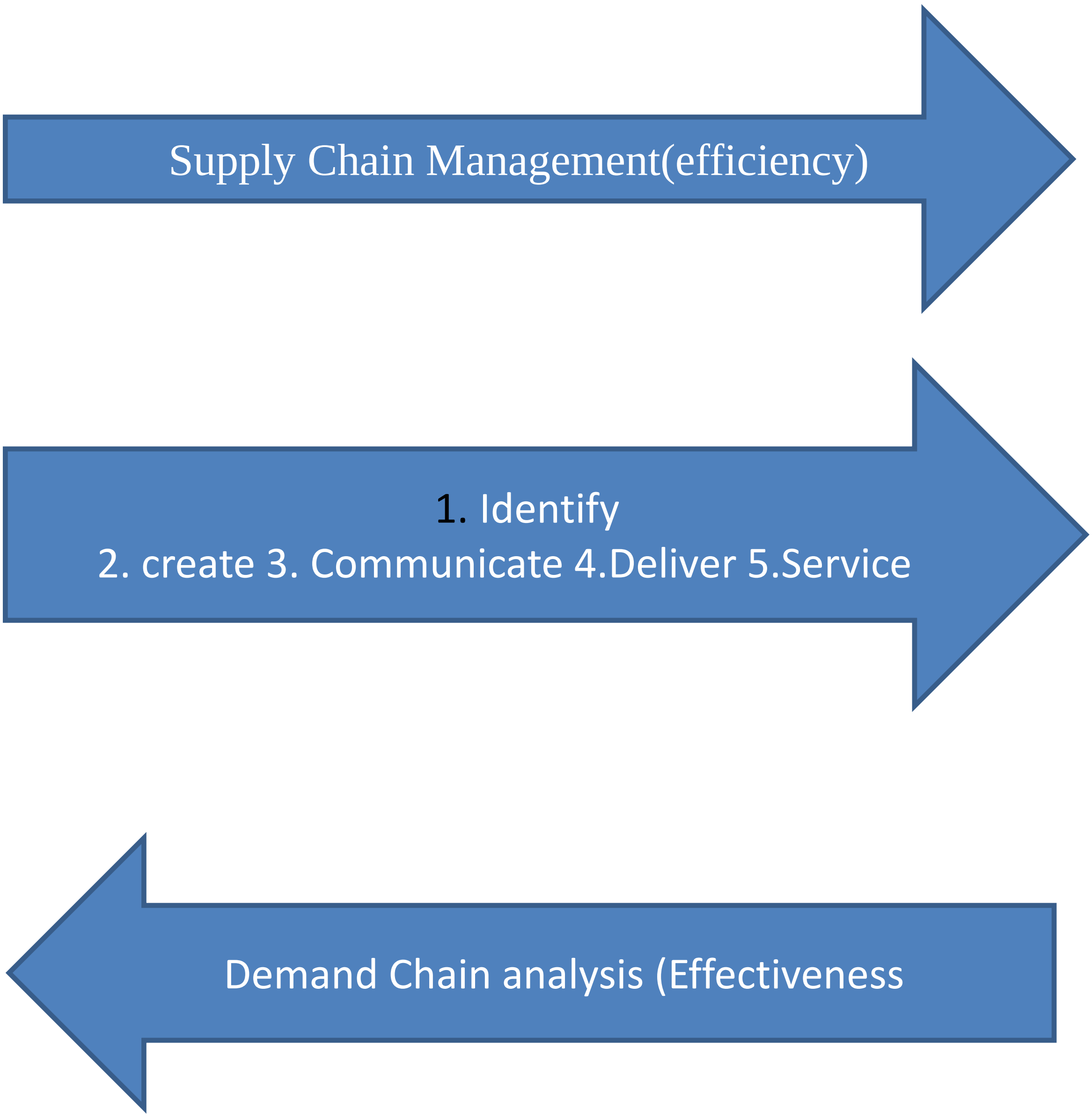


Figure 8 : Value Creation in the brand New motor vehicle Industry

2.5 HOW THE BRAND NEW PRODUCT INDUSTRY IS AFFECTED BY THE INTRODUCTION OF USED PRODUCTS

Although this study is focusing on used motor vehicles, this section aims to look at whether the introduction of second hand products has affected other new products industries.

According to Rucker et al (1995), sales of used or second hand goods have increased substantially as a result of changes in the technological and economic environments. Moreover, second order i.e. used purchases are losing their stigma as consumers are developing an increased appreciation for the value of well-made older products. The development of electronic peer to peer markets such as E-bay.com and Amazon.com whereas consumers buy and sell used items among themselves has further increased the trend of buying used items.`

One of example on the effect of used products on the markets of brand new vehicles can be the case of the growth of used clothes. According to Garth Flazer (2008), the introduction of used clothes had a significant negative impact on the textile and apparel production sectors in the sub-Saharan African countries, being responsible for roughly 39% of the annual decline in apparel production, and roughly half of the annual decline in apparel employment.

The Danish Foreign Ministry commissioned a survey which, in October 1993, reached the following conclusion: "It is estimated that one third of the population in Africa South of the Sahara is today using second –hand clothes from the USA and Europe. However, this figure conceals national differences" (Denconsult, 1993).

According to an interview by Kai Ruisberg, October 1996, the Tanzanian Minister for Industries and Trade said the garment industry is virtually dead because of second hand imports and that domestic markets have been completely destroyed because of the disparity in tax payments resulting from evasion.

Malawi has not been spared by the impact of second hand clothes and according to a report by Chemonics International Inc. (2001) prepared for the United States Agency for International Development, the garment industry in Malawi could employ the cost leadership strategy in order to be competitive.

This will be in the form of replacing old machines, reducing staff members, training local people which will permit them to gradually expand their quality and operate at full capacity on a continual basis which will also aid overhead recovery.

2.6 SUMMARY

Industry analysis which involves looking at Porters Five Force model is important because generic strategies according to Porter (1985), only offers higher gains if they are sustainable in relation to competitors of an attractive industry and have acceptable entry costs. According to Porter (1985), Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition. Thus there is need for a combination of external (industry level) and internal (search for competitive advantage) approaches.

Value chain analysis leads to achieving the best lower total costs, including all process, transactional and handling costs. It also helps in pursuing the fastest cycle time performance and helps in identifying and implementing the ‘best in house’ practice for each core activity, sub process or processes.

Value chain analysis has also been successfully used in maintenance organizations like the motor vehicle industry to show how work selection, work planning, work scheduling and finally work execution can(when considered as elements of chains) help drive lean approaches to maintenance. Capturing the value generated along the chain is the new approach taken by many management strategists (Wikipedia).The brand new motor vehicle industry can hence benefit from both the competitive strategies and the value chain model.

The introduction of used products have also affected other new products industry. However this study is focusing on second hand motor vehicles.

CHAPTER 3
RESEARCH DESIGN AND METHODOLOGY

3.0 INTRODUCTION

This chapter presents the research design and methodology including sampling the population, establishing judgment during and after data collection, ethical considerations and data analysis needed to establish the competitive strategies used by brand new motor dealers in Malawi and assess the dynamics of the brand new motor vehicles value chain in terms of factors affecting its growth and competitiveness. Therefore section 3.1 presents research approach and design, section 3.2 presents population and sampling, section 3.3 looks at methods of data collection, section 3.4 discusses data analysis, section 3.5 presents research ethics, section 3.6 looks at validity of the research and finally section 3.7 discusses limitation of the study.

3.1 RESEARCH APPROACH AND DESIGN

The research approach taken here is both qualitative and quantitative focusing on the competitive analysis of the brand new motor vehicle industry in the light of the increased flow of second hand vehicles. According to Zikmund, Babin, Car and Griffin (2010), qualitative business research is a research that addresses business objectives through techniques that allow the researcher to provide elaborate interpretations of market phenomena without depending on numerical measurement. Its focus is on discovering true inner meanings and new insights. This view is supported by Chinkwenda (2005) who state that this approach can be used in a situation where the research wants to unearth a full range of responses or opinions that exist in a population. It also provides insight into the setting of a problem, generating ideas and hypothesis for later quantitative research. Zikmund et al (2010) further went to define quantitative research as a business research that addresses research objectives through empirical assessments that involve numerical measurement and analysis approaches.

The qualitative approach helps in gaining an overview of the firms value chain and the mapping process. It will hence help in identifying the main actors and locating blockages within the value chain from which value can be enhanced or unlocked. On the other hand, the quantitative strategy is used to analyze the degree of use of competitive generic strategies, pricing strategies, factors influencing competitiveness in the industry and identifying additional services being offered as competitive strategy.

3.2 SAMPLING TECHNIQUES

3.2.1 Sampling of Brand new Motor vehicle firms in Malawi

Sampling is the process which is used during the selection of subjects to be included in the research. According to Corbin and Strauss (2008) theoretical sampling is a method of data collection based on concepts derived from data. Sampling theory distinguishes between probabilistic sampling and non –probabilistic sampling. Probabilistic sampling occurs when the probability of including each element of the population can be determined. When the probability of including each element into the sample is unknown, non-probability sampling is used.

According to the sales market share report prepared by the Malawi Motor Vehicle Association (2013), there were 11 brand motor vehicle firms registered with it as at 31st December 2012 and by the time of writing this report the number of firms registered with the Motor vehicle industry remains the same. Seventy two percent of the market share of the brand new vehicle industry was taken by only two firms leaving the remainder to the other firms. The study hence used purposive sampling and all firms registered with the motor vehicles association were taken representing a percentage of 100 percent. According to Saunders, Lewis and Adrian (2009), purposive sampling or judgmental sampling enables you to use judgment to select cases that will best enable you to answer your research question(s) and to meet your objectives. Only firms registered with this association as at December 2012 and those having their market share above zero were taken into consideration. It also left out individual vendors or those who imports brand new vehicles straight from abroad for reselling.

3.2.2 Sample size

The participants of this study were mainly those in top and middle management because of their involvement in strategy formulation. Specifically the participants were the Chief Executive Officer (CEO), Financial Controller, Sales Manager   and the After Sales Manager for each firm selected and forty eight questionnaires were distributed.

The CEO defines the framework in which the firms' strategy is set and implemented. He or she is the chief architect in defining the vision, mission and objective of the organization. He or she thus craft strategies to achieve objectives. The Financial Controller ensures efficient and effective mobilization, allocation and utilization of resources for the implementation of strategy. Also responsible for the preparation and monitoring of budgets in meeting various strategies. Much as the Sales Manager is involved in the formulation of the organization sales strategy, he also has to ensure that optimum stock of vehicles are available on premises and/or on order. Hence he has intimate knowledge of the vehicles that is their value chain, as they are being shipped from their manufacturers to their dealers.

As discussed in section 2.3.2 failure to understand the customer or meet his needs will result in adversarial relationship, minimal information sharing and a competitive strategy whole reliant on efficiency. The After Sales manager hence takes care of this problem by enhancing customer satisfaction through the development of the after sales strategy which constitutes: developing and operating an appropriate customer after sales follow up or enquiry telephone response service; coordination of after sales training of help desk staff and sales executive and putting down in places measures (whether qualitatively or quantitatively) of measuring customer satisfaction on service delivery, speed of response and effectiveness. Understanding the customers will hence lead to the identification of what customers want or what values should be added to the passenger vehicle to meet the customers satisfaction.

3.3 METHODS OF DATA COLLECTION

For the purpose of this research, in order to ensure qualitative and quantitative data analysis, self-completion questionnaires were used. To allow for data triangulation, semi structured interviews were also carried out and this was supplemented by review of documents where necessary. The data was collected in 2014 and early 2015.

3.3.1 Self-Completion Questionnaires

Saunders et al (2009) defines a questionnaire as a general term to include all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order. According to Bryman and Bell (2007), with a self-completion questionnaire, respondents answer questions by completing the questionnaire themselves and as a method the questionnaire can be send by post or delivered by hand. These were distributed to all the participants by hand and had open and closed questions. Saunders et al (2009) state that open ended questions reveal more information and are often worthwhile during exploratory work when one wants to discover what people think or when you require a detailed answer is required. Closed –ended questions, however, are easier to interpret and tabulate.

The questions focused on competitive strategies and value mapping (information flow, value creation activities, investment in the value added activities, evidence of organization commitment and nature of communication flow).

The questionnaires mainly asked about:

- The generic strategies that are used in the industry.
- Marketing and pricing strategies adopted
- Factors which gives the firm competitive edge.
- The flow of material in the vehicles value chain.

According to Bryman and Bell (2007), although the self-completion questionnaire have such advantages as: cheaper to administer; quicker to administer; absence of interviewer effects; no interviewer variability and convenience in terms of time of completion and the speed of completion, they have the following disadvantages: cannot probe; cannot collect additional information and bears greater risk of missing data. As such there was a need of carrying out structured interviews after the questionnaires had been collected in order to assure the validity of the research results.

Forty eight questionnaires were distributed to all participants, this was because there was need to obtain as much information as possible. These questionnaires were delivered by hand and a follow up was done where the participants did not have time to fill them. In cases where the participants were free, the questionnaires was administered face to face and the participants had the opportunity to ask for clarification if they failed to grasp the sense behind questions posed. Due to the nature of the job of some of the participants could keep on postponing meetings. As such there was need to keep on reminding them about the questionnaires left or your need for a meeting to administer the questionnaires.

3.2.1 Semi structured interviews

According to Bryman (2008), semi structured interviews is where a researcher has a list of questions or fairly specific topics to be covered, often referred to as an interview guide, but the interviewee has a great deal of leeway in how to reply. Questions that are included may not follow on exactly in the way outlined on the schedule. Questions that are not included in the guide may be asked as the interviewer picks up on things said by interviewees. This help to gauge the general overview of the competitive environment of the motor vehicle industry from the interviewees. The semi structured interviews aide value chain mapping. As discussed in section 2.3.2 value chain analysis needs value chain mapping which involves creating a visual representation of the connection between business in the value chain as well as other market players. Mapping also involves identifying what core processes are in the value chain. Hence the semi structured interviews help in the documentation of the value chain and identifying activities that are critical to buyers satisfaction. These interviews were mainly done at the participants office except for one participant whose busy schedule made it difficult to meet him. The interview was thus carried out at his home and this was during the weekend, on a Sunday.

The semi structure interviews aimed at finding out:

- How Porters five forces affects the brand new vehicle industry.
- The strength and health of the relationship between the different stakeholders in the brand new motor vehicle industry value chain.

3.3.3 Secondary data collection

During the study, the researcher was able to obtain some internal reports. Copies of these reports have been safely stanched and filed. The reports were mainly on sales and procurement. Some participants backed up their answers by reports generated by the Motor Traders Association.

These helped to analyze factors influencing the strategies and the value chain performance such as: access and the requirement of final market; business environment and the available quality support services like financial services, repair and maintenance and information technology.

3.4 DATA ANALYSIS

Both qualitative and quantitative analysis of data were used in this case. According to Saunders et al (2009), in qualitative analysis it is possible to group the data into three main types of processes: summarizing of meaning; categorization (grouping) of meaning and structuring (ordering) of meanings using narratives. For the purpose of this study, qualitative data analysis involved categorization of data. A statistical package for social scientist (SPSS) was used. The questionnaire were coded and the various answers entered into the package. Through doing this, relationships were recognized and the categories were further developed to facilitate this. From the relations drawn, means, percentages, tables, graphs, frequency tables, bar charts, pictograms could be drawn for further analysis. Propositions were developed and tested thereby enabling drawing of conclusions. This served to answer the questions raised in section 1.4.

The notes taken from the semi structure interview were rearranged to note/identify the similarities and differences between different participants accounts. This also enabled coding of the data for further analysis using SPSS.

3.5 RESEARCH ETHICS

According to Zikmund et all (2010), business ethics is the application of morals to behaviour related to the business environment or context. This was supported by Chinkwenda, (2005) who state that research cannot be harmless as it has been used in power struggle between competing political parties, between competing business giants in commerce and industry etc. Individuals or institutions have been harmed socially, psychologically or economically because of research. Privacy of individuals have been invaded in order to obtain useful data and information. People have sacrificed their time to answer questionnaires from researchers. In the process of answering questions they have been robbed of economic power as the time taken to answer the questionnaires is not adequately compensated.

The main ethical issue in this study is confidentiality which encompasses harm to participants (the respondent and the firm). According to Diener and Crandall (1978), harm to participants can entail an a number of facets: physical harm; harm to participants development or self-esteem; stress; harm to career prospects or future employment and inducing subjects to perform reprehensive acts. Harm to the firm can arise if sensitive information is obtained by its competitors.

According to Zikmund et all (2010), business value researcher confidentiality more than any other attribute of a research firm. Hence, in this study confidentiality of information, accounts and records was maintained. The identities of all those involved in the research was kept silent as codes were used both in data collection and data analysis. Data collected was not shared with any firm within the brand new motor vehicle industry and confidential agreements were supposed to be drawn where necessary but no participant demanded that.

3.6 VALIDITY

In order to establish validity of the research, this study ensured that the information is only obtained from individuals having credible sources or holding crucial position in the firms. To ensure dependability, the researcher also took into account any issues that rose within the data collection procedure which could have affected the approach of the study. Supporting documentations were requested where necessary.

Validity was also achieved by using data triangulation through using multiple methods to confirm the emerging findings, which is questionnaires, semi structured interviews and document review.

3.7 LIMITATION OF THE STUDY

The main limiting factor of the study was time in the collection and analysis of the data. Some questionnaires were left with the respondents to be picked up later but the dates of collection kept on being postponed. However constant reminders and physical follow ups made sure that all the questionnaires were collected. The researcher also met with the participants after their working hours to ensure that their work schedules were not disrupted. The other challenge was in obtaining a reliable software system for data analysis. This was overcome by obtaining the software from a research specialist from one of the big four audit firms.

3.8 SUMMARY

The research approach taken in this study was both qualitative and quantitative. The quantitative approach was mainly used to analyze the degree of use of competitive strategies, factors influencing competitiveness in the industry and identifying additional services being offered as competitive strategy while qualitative strategy was used in gaining an overview of the firms value chain and the mapping process.

This research used all firms registered with the Motor Vehicle association of Malawi as at 31st December 2012 leaving out individual vendors who import brand new vehicles straight from abroad for reselling. The sample size was about forty eight and consist of members in the middle and top management because of their involvement in strategy formulation.

Self-completed questionnaires together with semi-structured interviews were used to allow for data triangulation supplemented by document review where necessary. The data was collected in 2014 and early 2015. The questionnaire mainly focused on generic strategies, marketing and pricing strategies, factors leading to sales and additional services and the flow of materials in the vehicles value chain. The semi structure interview mainly focused on the strength and health of the relationship between different stakeholders in the brand new motor vehicle industry value chain.

Qualitative data analysis was done using a statistical package for social scientist (SPSS). The ethical issue of confidentiality was dealt with by not sharing any of the information collected among the various firms in the brand new motor vehicle industry in Malawi. Validity of the study was ensured by dealing with individuals having credible sources and data triangulation. Dependability was also enhanced by taking into account issues which rose during the data collection period. The main limiting factor was time in the collection and analysis of the data.

CHAPTER 4

RESEARCH FINDINGS

4.0 INTRODUCTION

This chapter presents the analysis and findings of the study as set out in chapter 1. The main research problem being addressed in this study is an investigation of the competitive strategies used by the brand new motor vehicle industry in Malawi in the light of the flow of second hand vehicle imports. Furthermore the study aims to explore the value chain in the brand new motor vehicle industry. Thus first of all section 4.1 discusses the demographic information of the sample involved in this study, section 4.2 presents the degree of competition between the brand new motor vehicle industry and the used vehicle industry, section 4.3 discusses the generic strategies used by the brand new motor vehicle industry, section 4.1 discusses the market strategies employed by the brand new motor vehicle industry in order to remain competitive, while other strategies adopted by firms in the brand new motor vehicle industry to ensure sustainable competitive advantage are discussed in section 4.5. Finally section 4.6 presents the value chain analysis of the brand new motor vehicle industry.

4.1 DEMOGRAPHIC INFORMATION OF THE SAMPLE

4.1.1 Participants involved i.e. sample size and composition

As explained in section 3.2.2, this study involved a wide range of participants .The participants involved were permanent employees in their organization. The participants included Chief Executive Officers, Financial Controllers, Sales and After Sales Managers of the brand new motor vehicle industry. These participants were chosen because of their knowledge and skills in formulating strategies at a strategic level while taking into consideration customer needs. These were hence from the upper and middle management of the firms researched. For the study, forty eight respondents were involved: seven chief executive officers, eighteen financial controllers, sixteen sales managers and seven after sales managers.

4.1.2 Level of education

This study considered the level of education in business as very important. The knowledge that the participant has can help in planning for their business. In the brand new motor vehicle industry the level of education for respondents varies from those having certificates, college education (Bachelors degree) to post graduate education (Bachelors degree, professional and Masters degree). Since the study was also analyzing the value chain of the brand new motor vehicle industry, the level of education of the respondents of brand new motor vehicle industry has been looked into taking into consideration the role that each of the forty eight respondents mentioned in section 4.1.1 play in the value chain of the brand new motor vehicle industry. Thus, table1 shows the level of education in the motor vehicle industry.

Table 1 : Level of education of respondents in the brand new motor vehicle industry in Malawi

Types of qualification	Inbound logistics Section	Operation Section	Sales, Marketing and After sales Section	Total	Percentages
Certificates	0	0	0	0	
Bachelors Degree	8	10	18	36	75
Bachelors degree, Professional and Masters Degree	2	7	3	12	25

From the table above it can be seen that 75% of those interviewed had a Bachelors degree and about 25% of the respondents had a combination of Bachelors degree with either Professional or Masters degree or both of them. Since all the respondents of this study were taken from the strategic level of their firms, the study shows that most of the participants in the strategic level of the value chain of the brand new motor vehicle industry had a higher level of education. This increases their ability in planning for their business.

4.1.3 Experience in the brand new motor vehicle industry

In order to operate well in the challenging business environment and manage challenges, such as competition in the brand new motor vehicle industry the years of experience of the respondents are important. This is because working in the same industry will of course mean that one has a better understanding of that market and the way business operate in that field work. This will help the organization identify customers, marketing strategies and opportunities for growth. It will also mean the firm will have access to a ready list of contacts, which can be useful when its trying to find suppliers, advice or some people to work with. With experience one is more confident in a certain area than when one had never done anything like it before-one has a better idea of what to expect and can foresee problems more clearly. Table 2 hence presents the years of experience in the brand new motor vehicle industry of the participants involved in this study.

Table 2: Experience in the brand new motor vehicle industry

Numbers of years in the brand new motor vehicle industry	Number of observations	Percentages
0-3 years	1	2
4-7 years	7	15
8-11years	16	33
12-15years	19	40
16-19years	5	10
	48	100

Table 2 shows that 83% of the respondents have more than 8 years' experience working in the motor vehicle industry, hence they have a better understanding of the workings of the brand new motor vehicle industry in Malawi.

4.2 THE DEGREE OF COMPETITION WITH THE USED VEHICLE INDUSTRY

The study wanted to find out how the brand new motor vehicle industry view the influx of used vehicles in Malawi. The assumption here is that knowing the competitiveness of the industry provides firms with the opportunity for creative thinking and also provide ideas that firms can adapt for their products and services by identifying potential threats to their business. The results also provides justification for the formulation of competitive strategies in order to gain competitive advantage.

Thus, figure 9 shows a summary of the respondents view of the degree of stiffness of competition between the brand new motor vehicle industry and used vehicles dealers.

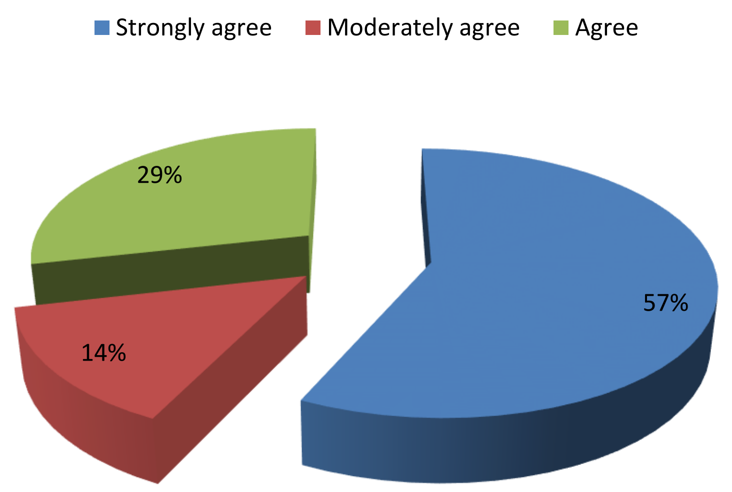


Figure 9 :Degree of competition between the brand new motor vehicle industry and the used vehicle industry

The results shows that 85.6% agreed that competition with the used vehicle industry is high while 14.3% indicated that the competition is reasonable.

These results shows that the personnel view that competition between the brand new motor vehicle industry and the used vehicle motor vehicle industry is quite high hence necessitating the formulation of competitive strategies which will enable firms to deal with competitive threats and sustain market share as a basis for maintaining long term profitability. These can also enable firms to achieve above average performance for investors enabling them to attract essential capital.

4.3 PORTERS FIVE FORCE MODEL IN RELATION TO THE BRAND NEW MOTOR VEHICLE INDUSTRY IN MALAWI.

Porter (1985) gives a five force model that describes techniques of identifying potential and actual competitors. Porter argues that in any industry the role of competition can be seen in terms of five forces: the entry of new competitors such as a new firm bringing in used vehicles into the motor vehicle industry which has the ability of eroding the market share of the existing firms in the industry, the threats of substitutes such as the arrival of used vehicles of the same brand that the brand new motor vehicle industry is offering which appeals to those with a certain income base hence eroding the customer base of the brand new motor vehicle industry , the bargaining power of buyers, the bargaining power of suppliers and the rivalry among existing operators.

Therefore this section presents the analysis that focuses the extent to which the brand new motor vehicle industry is influenced by porters five force analysis. The study has mainly focused on the threat of new entry, the threat of substitutes, the bargaining power of buyers and the bargaining power of suppliers. Rivalry within the brand new motor vehicle industry has been left out because the study is mainly looking at the competition between the brand new motor vehicle industry and the second hand motor vehicle industry. Knowing the extent to which these forces influence competition in the brand new motor vehicle industry will help in the formulation of generic strategies. Table 3 shows a summary of the respondents view of the extent to which porter’s five forces influence competition.

Table 3 : The extent to which Porter's Forces affect competitiveness of firms in the brand new Motor vehicle in Malawi

	Substitute products	New Entries	Bargaining power of customers	Bargaining power of suppliers
To a great extent	62.5	25	37.5	25
To some extent	17.5	12.5	25	37.5
Moderately	12.5	25	25	25
Not at all	7.5	37.5	12.5	12.5
	100.0	100.0	100.0	100.0

From table 3, it is seen that substitute products influence competition to a greater degree (62.5%) followed by the bargaining power of customers (37.5%). Daft (2008) indicates that "a customer is always king" (p.78). Table 4.3 shows that the bargaining power of suppliers and new entries influence competitiveness to a lesser degree in the brand new vehicle industry.

Using this information, the next sub section presents how the brand new motor vehicle industry responds to the forces discussed above in the form of the generic strategies employed.

4.4 GENERIC STRATEGIES

In section 2.3.2 a generic strategy was defined as a long term or grand strategy based on a core idea about how a firm can best compete in the market place. Porter (1980) stated that   a firm must decide to gain competitive advantage by producing at a lower cost than its rival or differentiate its products and services and sell them at a higher price. The firm should then decide its target market. It can either decide to target the whole market with the strategy it has chosen or to target a narrow market (niche).The three generic strategies are the cost leadership strategy, focus strategy and the differentiation strategy. The study also aimed at looking at the extent to which these three generic strategies are used in the brand new motor vehicle industry. This section presents the findings under the strategies as discussed in subsection 4.4.1-4.4.3.

4.4.1. Cost Leadership Strategy

Cost leadership strategy aims at being the lowest –cost producing firm in the industry with the aim of being competitive. Being a lower cost producer, provides a successful strategy to defend against the five competitive forces that have been discussed in section 2.3.2.1. the firms aims for a high volume of sales by competing on price. The intention is to attain market leadership by undercutting all competitors-albeit marginally. Successful use of this strategy depends on achieving, and maintaining, a significant cost advantage.

The cost leadership strategy involves mainly four areas; namely cost reduction , working on commission, having a lean staff and having brokers .This study therefore wanted to find out whether the brand new motor vehicle industry employees this strategy and if so to what extent and what effect does it bring to the companies. Figure 4.2 presents the results on the use of cost leadership tactics in their dealerships.

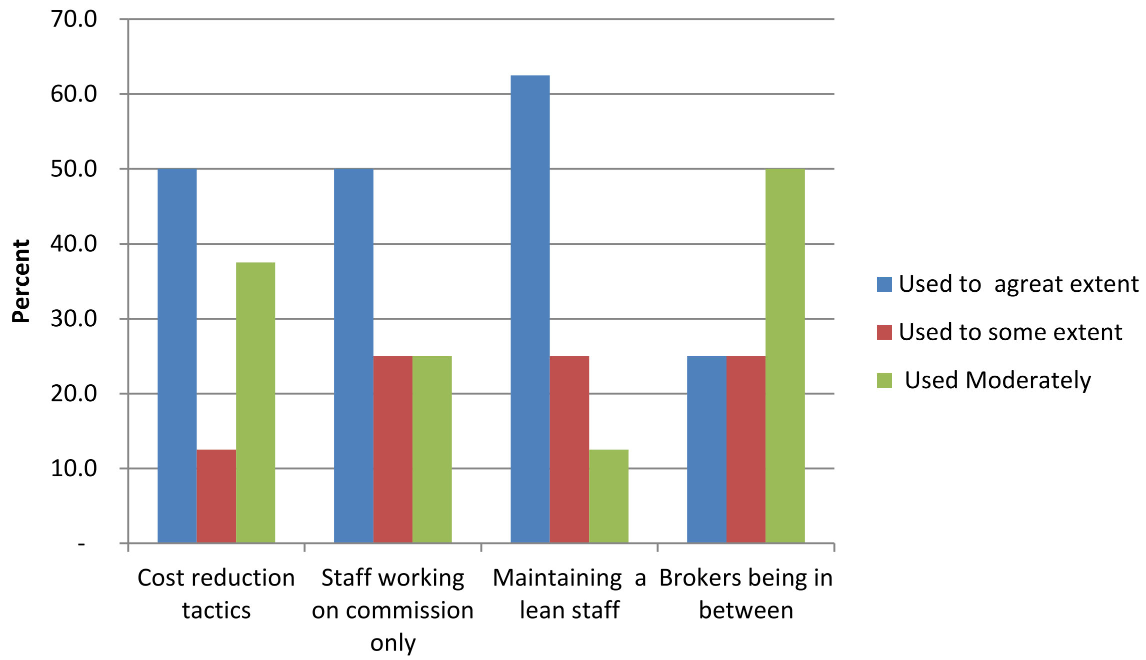


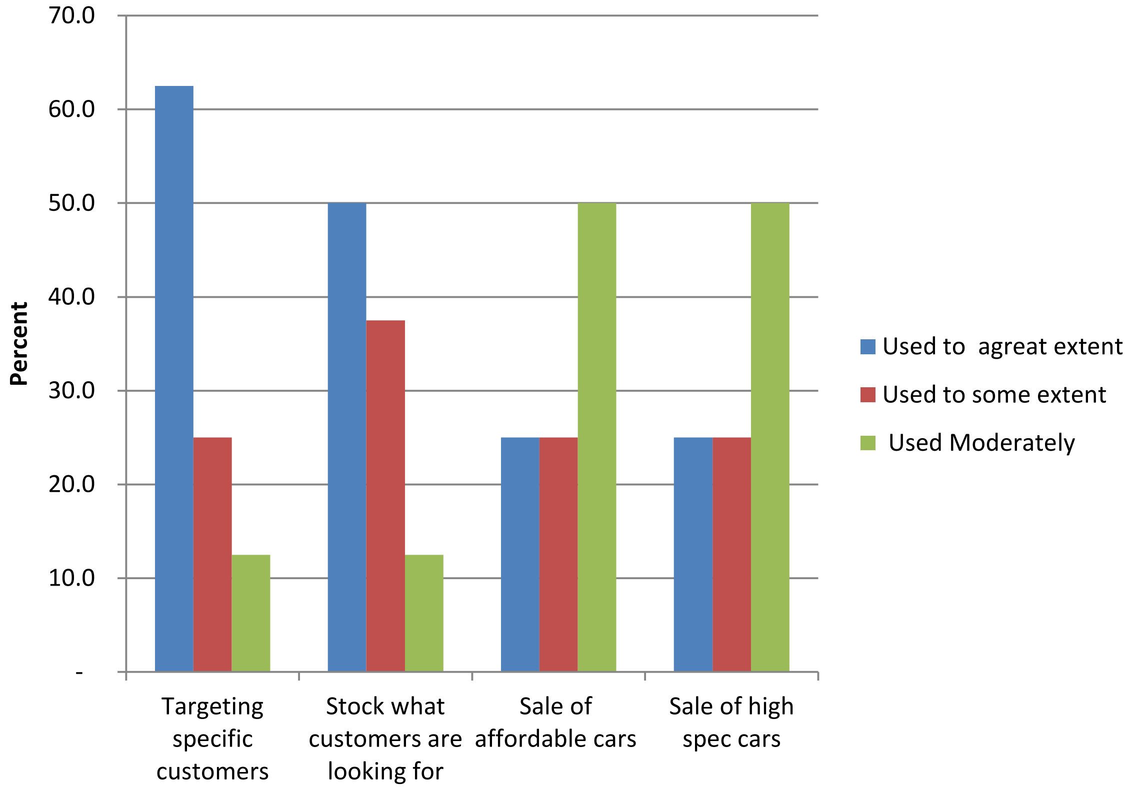
Figure 10 : The degree to which the cost leadership is used as a strategy

Figure 10 indicates that most of the dealers employs the three of the four areas of the cost leadership strategy. The dealers maintain a lean staff at 62.5% followed by cost reduction tactics (50%). Staffs working on commission with 50%. While the strategy of using brokers had a percentage of 25%. The use of lean staff ensure low employment costs for the firms. Staff working on commission only ensures that the firms saves on fixed monthly payments. Cutting down brokers will remove the fees which will have to be paid to these brokers. The savings from using a lean staff and paying commissions only ensures that the firms in the brand new motor vehicle industry can offer affordable prices for their vehicles without making a loss hence make them competitive against second hand vehicles.

4.4.2 Focus Strategy

The second generic strategy that this study considered was focus strategy. In the focus strategy, firms concentrate on a particular niche market. By understanding the features of the market and the needs of its customers, the firm can decide on whether to develop a differentiated product or develop a low cost product for it. This study wanted to find out, how the brand new motor vehicle industry use the focus strategy and the reasons why they use such strategies.

The findings of this study show that firms in the brand new motor vehicle industry mostly target specific customers with their products as a way of increasing their sales. Figure 11 summarizes how the respondents rate the scale to which they use focus strategy in order to remain competitive in the market.



Targeting specific customers is used to great amount with percentage of 62.5 and this is beefed up by stocking what customers are looking for (50%) in order to increase customer satisfaction. Targeting may involve positioning the firm's product i.e. how the company wants customers to view its product or service in relation to those of its competitors. This may involve using different structure, style, and perhaps most importantly, their respectively perceived images. For example, one dealership may want people to thinks its cars as affordable cars for the mass of average people while another may want to see its cars as the 'sensible' choice for discerning buyers among those who are 'successful'. What each dealership has done is choose positioning for the product defined by the target customer group and the means by which the product is differentiated from others.

4.4.3 Differentiation Strategy

The third and last strategy that this study considered under the generic strategies of Porter

Figure 11: Degree to which focus strategy is used

was the strategy of differentiation. Differentiation strategy is based on identifying unique benefit that is highly valued by a substantial proportion of the target market. In this case, firms differentiate themselves by offering a product that is different, usually providing greater benefit, and are therefore able to set their higher prices. This section presents findings that shows the degree to which differentiation strategy is used in the motor vehicle industry.

Table 4 : The degree to which differentiation strategy is used in the brand new motor vehicle industry in Malawi

	Sale of unique cars	Value adding services	Having decent, knowledgeable staff	Using unique advertising skills
Used to a great extent	75.0	50	50	65
Used to some extent	12.5	37.5	25	25
Used Moderately	12.5	12.5	50	10
	100.0	100.0	125.0	100.0

From table 4, the findings shows that the sale of unique cars and unique advertising skills are highly used with 75% and 65% respectively. Value adding services and decent knowledgeable staff are also used to a great extent. Hence the figures shows that these strategies can be used interchangeable.

In addition to the three strategies that have been highlighted above ,this study also looked at market strategies that are being used in the motor vehicle industry that help them to remain competitive in the face of the flow of used vehicles. These results are discussed in section 4.5.

4.5 MARKET STRATEGIES EMPLOYED BY FIRMS IN THE BRAND NEW MOTOR VEHICLE INDUSTRY IN MALAWI

As seen in section 2.3.1, according to Kotler and Armstrong (2013), market strategy is the marketing logic by which the company hopes to create customer value and achieve profitable customer relationship. The marketing strategy of a company reflects its overall corporate strategy and objectives, its vision, mission and values.

In this study it was necessary to look at marketing strategy because according to Proctor (2000), marketing strategy is deeply customer oriented, focusing on the company's long-term prospects and vision in gaining competitive advantage by way of innovative products and other factors. This means firms in the brand new motor vehicle industry can employ market strategies in order to compete against the used vehicle industry.

As stated by Kotler and Armstrong (2013), marketing strategy guides companies to design an integrated marketing mix made up of the 4P's (product, price, place and promotion). Hence this study looks at market strategies in three areas, figure 12 presents the first area of vehicles offered, figure 13 discusses the area of pricing and finally figure 14 discusses the area of promotion.

4.5.1 Products Offered

This is a key element in the market mix because products or services are meant to satisfy the needs and wants of consumers. Having a good knowledge of product classification gives firms good opportunities that could be offered to fulfill the needs identified in the market and how to manage them.

Figure 12 summarizes the respondents rating of the scale to which they use different strategies relating to the cars offered in order to remain competitive in the market.

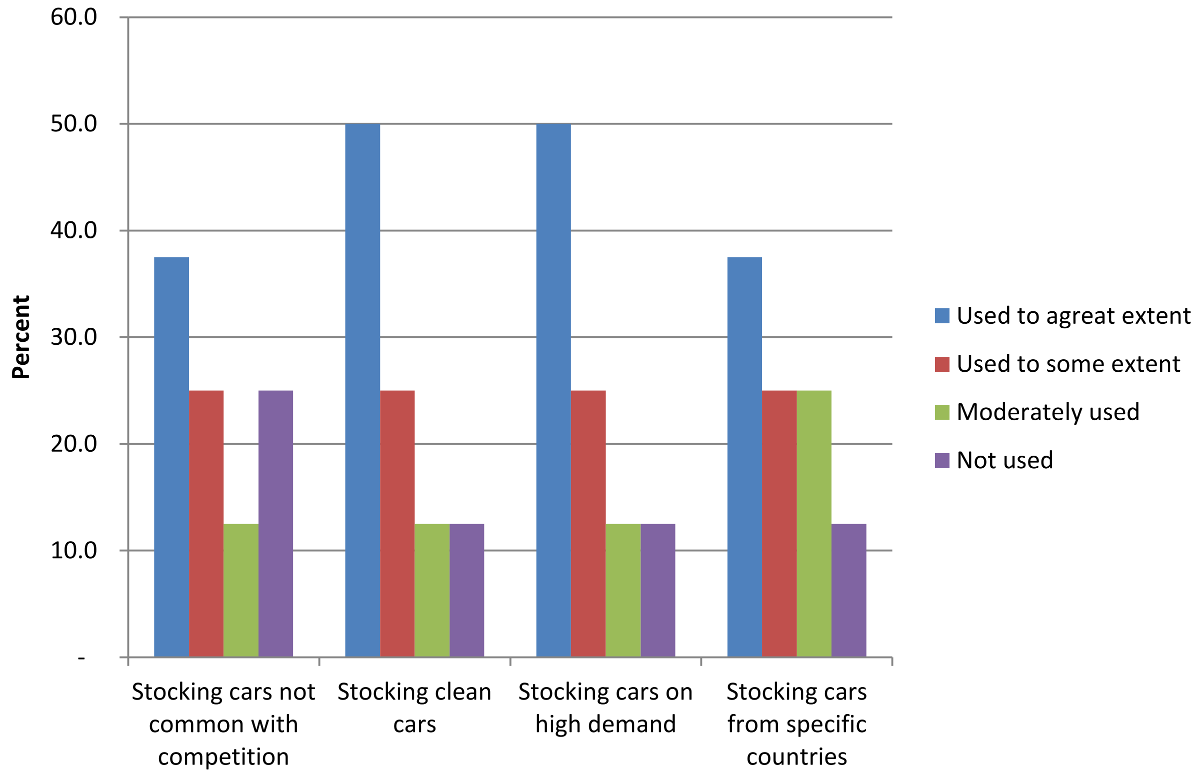


Figure 12 : Degree of using cars offered as a strategy

Figure 12 shows that clean and quality (style, conformability, specifications) cars and stocking cars on high demand strategies are highly used with a percentage of 50%. Stocking cars which are in high demand reduces the cash to cash cycle and ensures that money is not tied up in stocks for a long period of time which can affect the cash flow of some of the smaller firms in the brand new motor vehicle industry.

4.4.2 Pricing

Firms need to ensure that prices are appropriate to their current market conditions. A group of factors need to be considered before any pricing decision is made: production, communication and distribution costs, required profitability, partners' requirements, competitors prices and customers willingness to pay. However, while taking into consideration these factors, firms must ensure to create and exchange offerings that have value for customers, clients, partners and society at large.

Figure 13 summarizes the respondents ratings of the degree to which different pricing related strategies are used with an aim to remain competitive in the market.

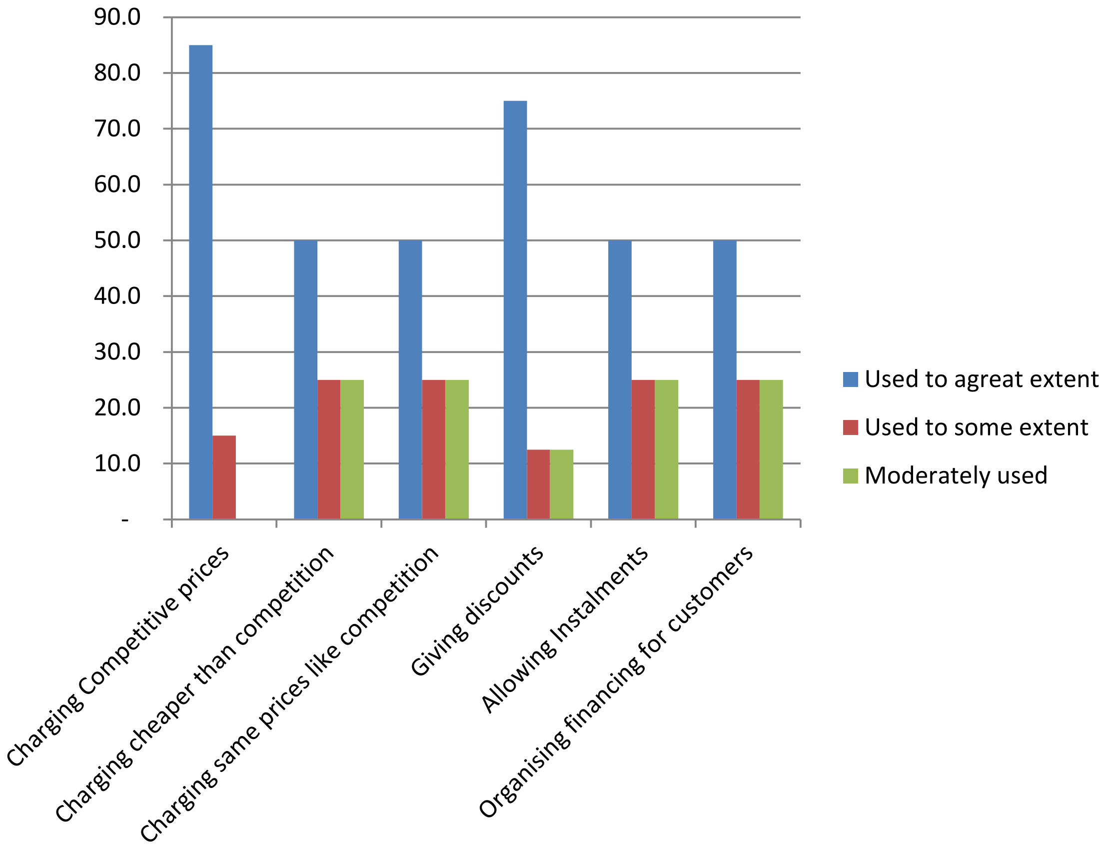


Figure 13 : Degree to which pricing strategies are used

Figure 13 shows that charging competitive prices is used to a great extent with a percent of 85 % as a way of remaining competitive .The second strategy is of giving discounts and attractive sales offer (75%). Other strategies like organizing financing for customers, charging same prices like competition, allowing installments and charging cheaper than competition are also used to some extent.

4.4.3 Promotion

Promotion involves all activities that will make potential consumers 'aware of' and 'attracted to' the company's business offerings (see section 2.3.1.3). Apart from using advertising, promotion also involves using loyalty programs or giving trial packets of new products to encourage purchases. The key here is to determine a firms marketing communication plan and the best tools to implement it.

Figure 14 summarizes the respondents' ratings of the magnitude to which they use different marketing related strategies to help them remain competitive in the market.

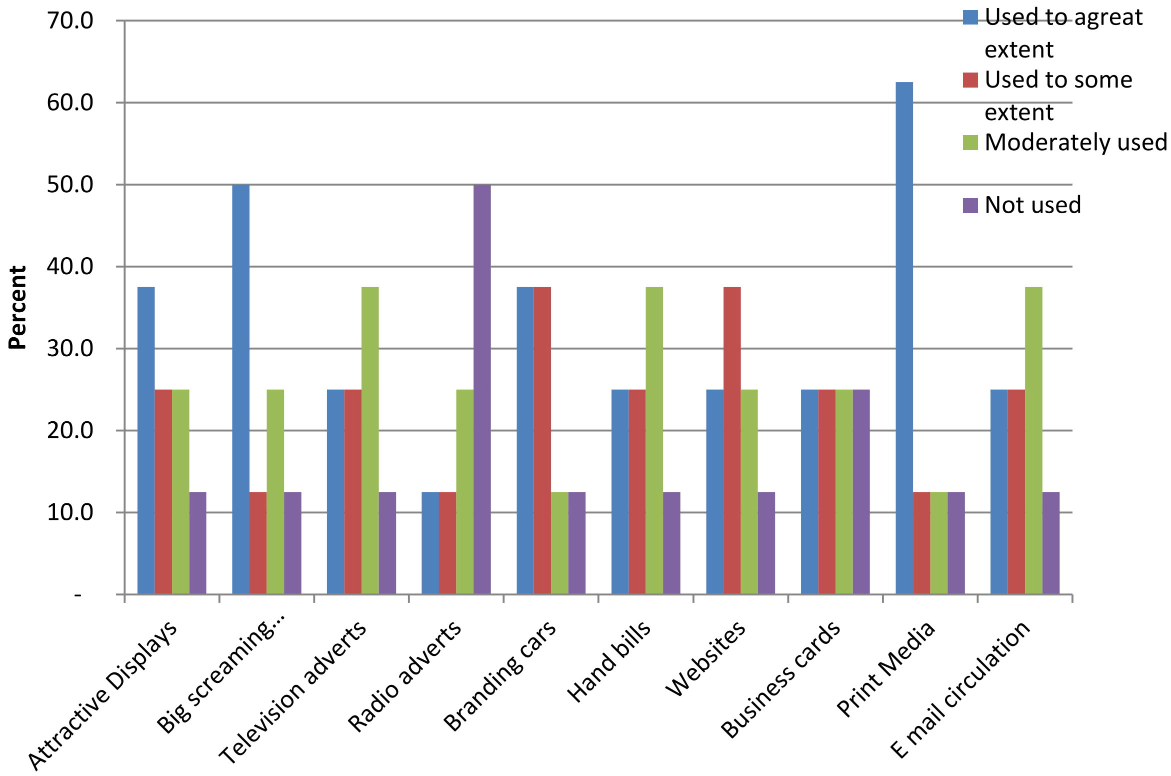


Figure 14: The degree to which marketing strategies are used in the brand new motor vehicle industry

Figure 14 shows that print media leads in being used by the firms with a percentage of 62.5. This is followed by the use of screaming billboards (50%). Websites, business cards, email circulations, attractive displays, branding of cars and television adverts are used to some extent while radio adverts are rarely used be. This might be due to the lack of visual stimulation which can be more effective into worming into a potential consumer's mind.

4.6 OTHER STRATEGIES

After presenting the generic strategies and marketing strategies, the study presents two other strategies namely networking with financial institutions and the use of competitive factors. This two strategies were found during the course of the research. Networking with financial institutions is shown by figure 15 and use of competitive factors is shown by figure 16.

4.6.1 Networking with financial Institutions

Gamble and Thomson (2010) stated that a winning strategy should be tailored to the company’s collection of competitively important resources and capabilities. One of the characteristics of a strategy is that it requires a substantial allocation of physical, human and monetary resources. Hence having access to readily available fund will make firms in the brand new motor vehicle industry more competitive. A good network with banks can bring the company money in the form of credit, save money in fees and enhance business opportunities through taking advantage of the banker's personal contacts. Financing arrangements may also be entered between firms in the brand new motor vehicle industry and banks hence ensuring that they are able to sale more vehicles and maintain a steady flow of inventory stock. This may enhance the competitiveness of the firms at the same time ensuring that they always meet the requirements of their customer.

The usage of the strategic option of networking with financial institution in the brand new motor vehicle industry is shown below:-

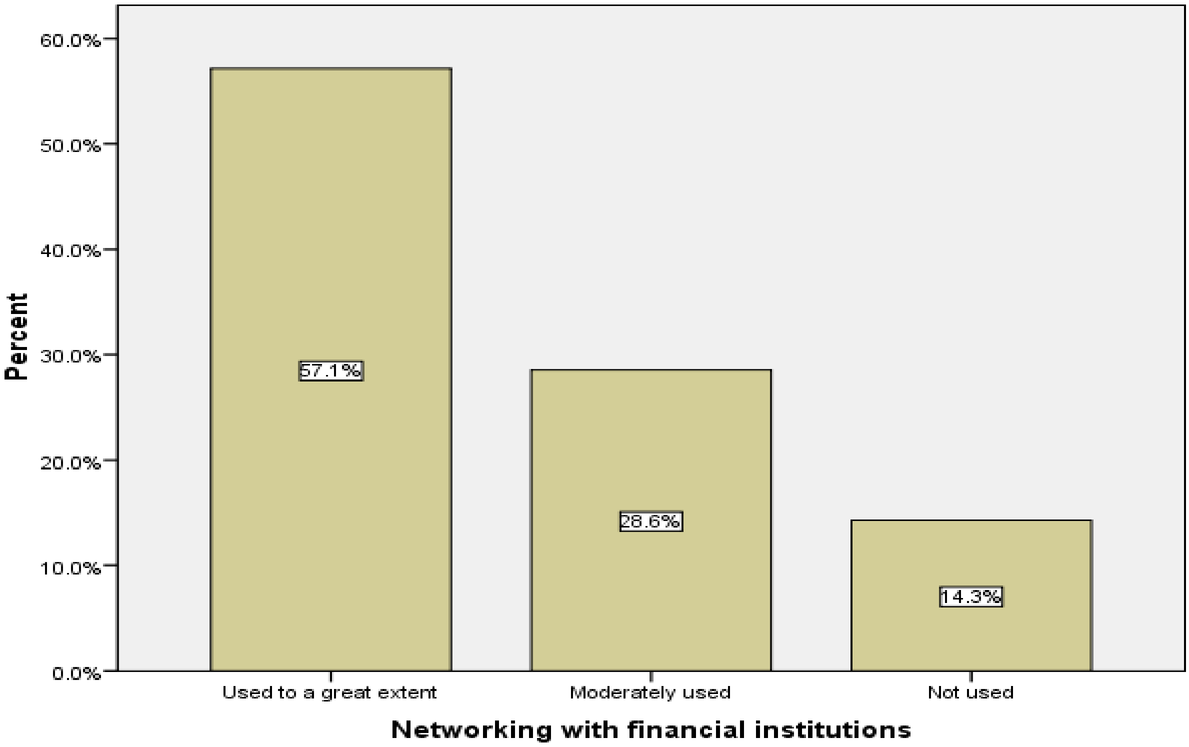


Figure 15: Networking with financial institutions

Figure 15 shows that 57.1% of the respondents said this is adopted as a strategy with clear, frequent, open lines of communication maintained in order to foster a strong business owner-banker relationship.

4.6.2 Use of Competitive Factors

During the study, it was found that some firms in the brand new motor vehicle industry use certain factors which give them a competitive edge over their competitors. These are: strategic location, discount offers, competent sales people, aggressive marketing, offering a variety of cars, having pre-arranged financing, having tight security in the show room, having attractive displays and general cleanliness of the showroom.

Figure 16 shows the respondents view of the degree to which the factors influencing competitiveness of motor vehicles showrooms give them competitive edge over the used motor vehicle industry.

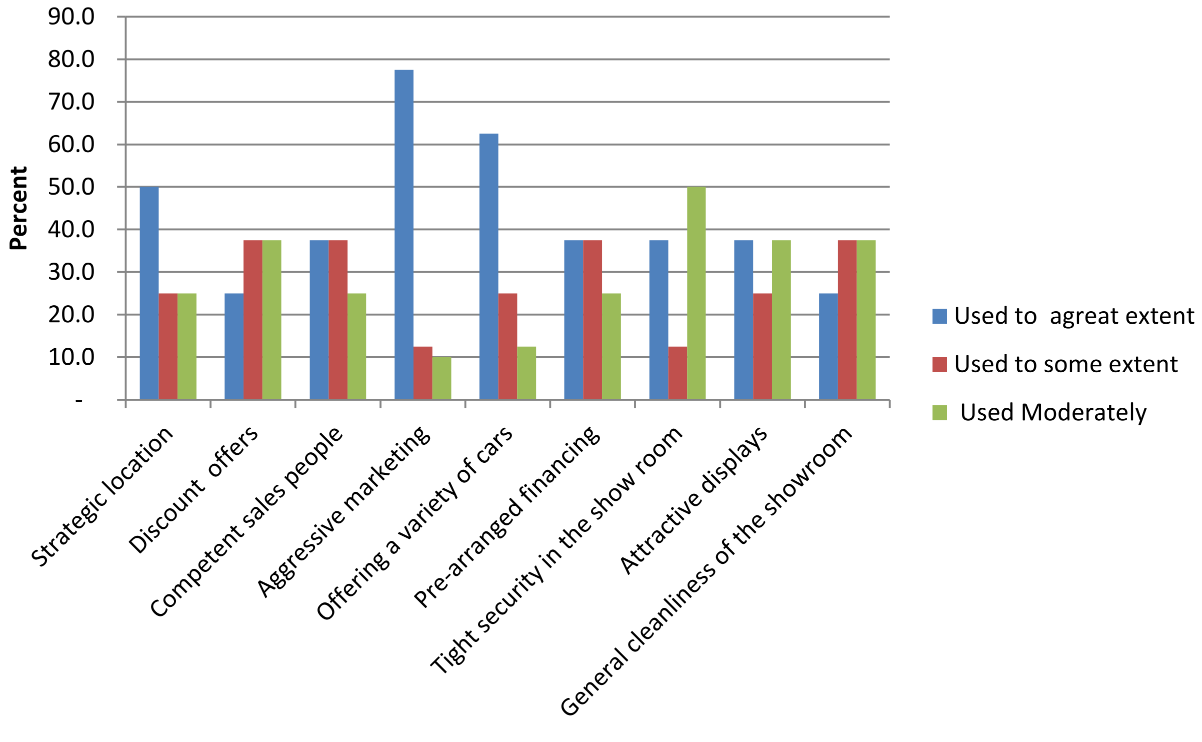


Figure 16: Factors giving firms a competitive edge in the brand new motor vehicle industry

Figure 16 shows that aggressive marketing (77.5%) followed by offering a variety of cars (62.5%) are mainly used as strategies. Aggressive marketing covers all the communications, upgrades, and promoting activities used to offer a product or service to target clients. This may entail also the use of social media advertising and direct e-mail technique. Aggressive marketing strategies allow brands to solidify their image in the minds of viewers, and achieve immediate recognition.

4.7 VALUE CHAIN ANALYSIS OF THE BRAND NEW MOTOR VEHICLE INDUSTRY

The value chain highlights the exploration of internal analysis of a chain of business activities (section 2.4.1). It explores the role and contribution of organization's resources corresponding to primary and secondary activities in a cost effective way in order to gain a competitive advantage. The amount of value a firm creates is measured by the difference between its cost of production and the value that consumers perceive in its products. In general, according to Hill (2011), "the more value customers place on a firms production, the higher the price the firm can charge for those products" (p.403). The value chain hence shows how value is added at each stage of production at the product/service receive its final consumer.

Aligning the competitive strategies with the elements of the value chain ensures that the firms in brand new motor vehicle industry can sustain their competitive position by creating and delivering the best value to their customers thus ensuring out performance of their rivals. Hence section 4.6.1 presents in bound logistics findings, section 4.6.2 presents findings about operations and finally 4.6.3 presents findings on sales, marketing and after sales services.

4.7.1 Inbound Logistics

Inbound logistics is the means by which vehicles are transported from the manufacturer to the various dealers. It directly impact the input costs of goods. During the study it was found that with the emergence of low cost country manufacturing, countries with availability of low cost labour and raw materials are usually targeted for the manufacturing of these vehicles. These are then shipped to different markets where they are consumed. Inbound logistics network are enhanced with information technology and infrastructure support ensuring online ordering and tracking of motor vehicles as they move to the dealers of the brand new motor vehicle industry.

Vehicles manufactured in production facility are transported to their intermediate and final destinations. During their journey they may be stored temporarily at a warehouse, or some value may be added to them before they are delivered to the customer. This is called postponement. Postponement is usually done almost at the end of the logistic value chain and as close to the customer delivery as possible.

4.7.2 Operations

4.7.2.1 Main Services Offered

Since the value chain involves adding value to the company's products/services. The study looked at the main services which are provided by the firms in the brand new motor vehicle industry whose value enhancement will lead to these firms being more competitive than those in the used vehicle industry

Figure 17 summarizes findings of the main services provided by the participant firms within the motor vehicle industry in Malawi.

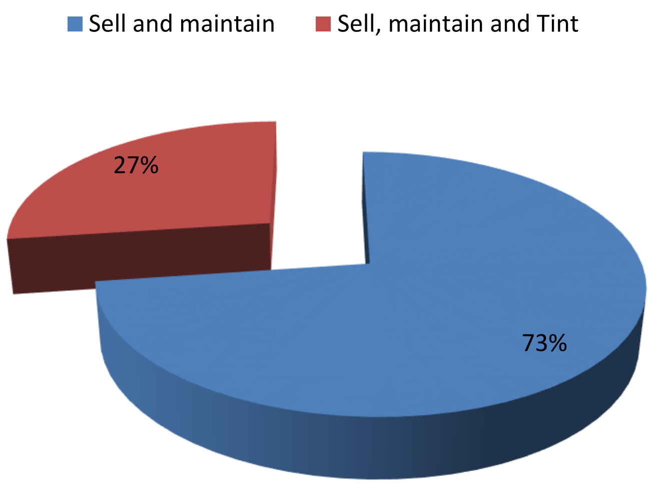


Figure 17: Main services offered by firms in the brand new motor vehicle industry in Malawi

From figure 17, it is clear that the majority (73%) of the firms surveyed engage in all the three major services. The major services are selling new motor vehicles, selling parts and also maintaining the motor vehicles. On the other hand, 27% of the firms provide the major services including tinting.

4.7.2.2 Extra Services Provided

In order to remain competitive, firms in the brand new motor vehicle industry provides extra service as an incentive to attract customers into the showroom. This ensure more sales and help them maintain a competitive edge over the used vehicle industry.

Figure 18 below summarizes the respondents answers of the extra services being offered by firms in the brand new motor vehicle industry.

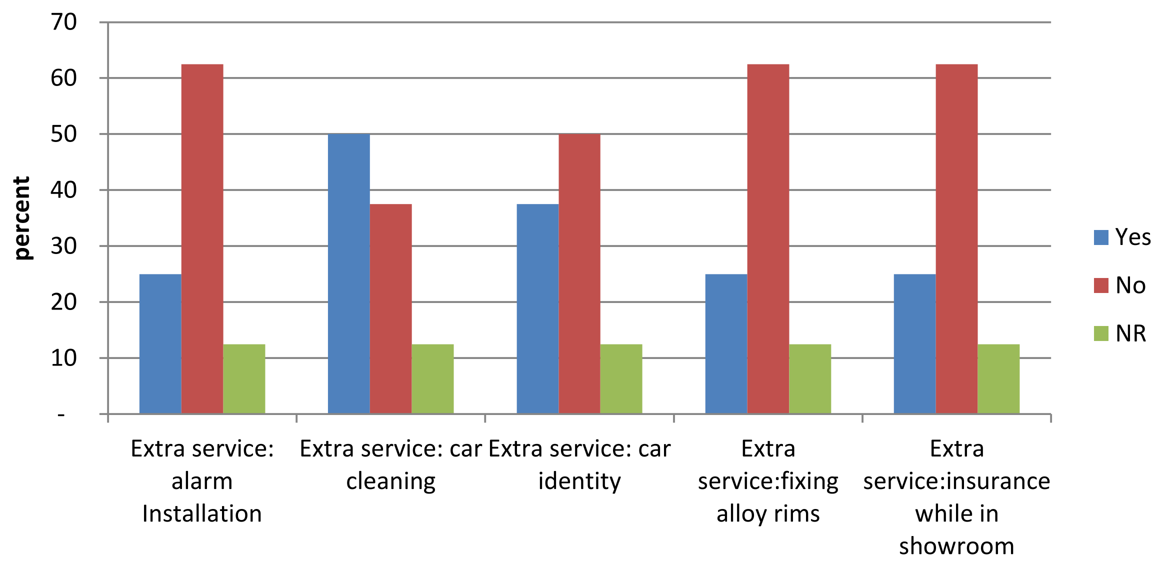


Figure 18: Extra services provided by firms in the brand new motor vehicle industry in Malawi

According to figure 18 above most of the firms uses car cleaning services (50%) to attract customers.

4.7.3 Sales, Marketing and After Sales services

4.7.3.1 Reasons Why Customers Patronize Showrooms

The more customers that visit the showrooms the more likelihood that they will make a purchase through impulse buying or they may get convinced by the sales people to make a purchase. The study hence looked at several factors which makes customers get attracted to show rooms in the brand new motor vehicle industry hence affecting the competitiveness of those showrooms

The respondents were required to indicate the reasons that made real and potential customers get attracted to their showroom.

Figure 19 show the results

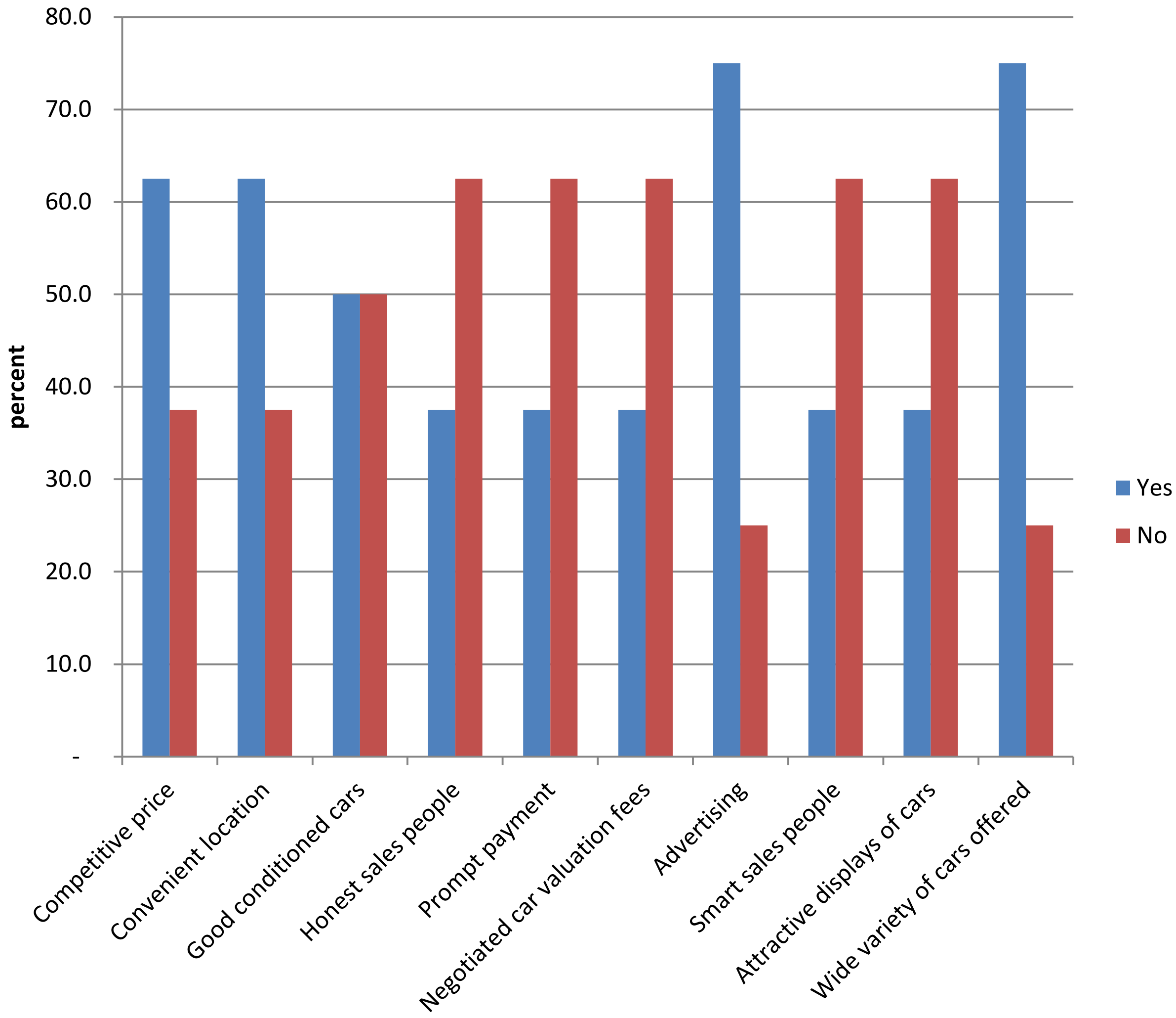


Figure 19 : Reasons why customers patronize showrooms

According to figure 19, 75% of the respondents visit the show room because of advertising and the variety of vehicles being offered. About 62.5% visit the showrooms because of competitive prices and convenient location. 50% of the respondents felt that customers visit the shop because of good conditioned cars. 37.5% of the respondents attributed the visits to the availability of negotiated car valuation, prompt payment, attractive displays and smart and honest sales people.

4.7.3.2 Special Quality Requirements of Cars purchased by Customers

Knowing what customers require and satisfying those requirements will ensure repeat purchases and customer loyalty. The ability of the brand new motor vehicle industry to customize vehicles ensure they remain competitive than firms in the used vehicle industry. By hence offering tailor made cars, firms in the brand new motor vehicle industry make certain that customer need are fully met leading to a satisfied customer base and a potentially expanding market share.

All respondents attested to the fact that customers require special quality of the cars which they purchase when making purchasing decisions. The table below shows the extent to which the special qualities are required by customers.

Table 5 : The extent to which special quality is required by customers

	Shape quality	Colour quality	Performance quality	Specification quality
Used to a great extent	62.5	37.5	50	62.5
Used to some extent	12.5	12.5	12.5	12.5
Moderately used	12.5	37.5	25	12.5
Not used	12.5	12.5	12.5	12.5
	100.0	100.0	100.0	100.0

According to the table above, 62.5% of the respondents said shape and specification as the main quality requirement. Performance quality came second with a percentage of 50% whereby 37.5% of the respondents said colour quality was a requirement.

4.8 SUMMARY

This chapter mainly looked at the analyzation of the data findings. The participants involved in the study were mainly chosen because of their knowledge and skills in the formulation of strategies at a strategic level while taking into consideration customer needs and in total forty eight participants were involved including Chief Executive Officers, Financial Controllers, Sales managers and After Sales Managers. Their level of education ranged from having a Bachelors to being a holder of a post graduate qualification. Seventy five percent had a Bachelors and the rest had a post graduate qualification hence increasing the validity of the information gathered. The participants had experience ranging from five to twenty years.

The participants had the view that competition between the brand new motor vehicle industry and the second hand vehicle industry in Malawi is high necessitating the formulation of competitive strategies as seen in Figure 9.

Using Porters five forces, we see that substitute products influence competition more than other forces making second hand vehicles a potent competitor to brand new vehicles in Malawi as seen in Table3. Figure 10, 12 and 13 shows how firms in the brand new motor vehicle industry respond to these competitive forces. This is mainly done by maintaining a lean staff, cost reduction tactics, targeting specific customers, stocking what customers are looking for, sale of unique cars and using unique advertising skills.

In this chapter we also looked at how competitiveness is enhanced by the use marketing strategies which are the market logic by which a company hopes to create customer value and achieve profitable market relationship. Figure 12, 15 and 16 shows that the firms in the brand new motor vehicle industry do this by stocking new cars on high demand, stocking clean cars, charging competitive prices , giving discounts using print media, big screens, attractive displays and branding new cars.

Others strategies being used by firms in the brand new motor vehicles industry in Malawi are networking with financial institutions and use of competitive factors like aggressive marketing, offering a variety of cars and strategic locations as seen in figure 16.

In order to sustain their competitive position, firms in the brand new motor vehicle industry in Malawi have aligned their competitive strategies with the elements of the value chain. This is usually done by the use of postponement, use of information technology and infrastructure support, offering additional services as seen in figure 18, wide variety of cars, convenient location, competitive prices, good conditioned and quality cars as seen in table 5.

All the strategies and factors above have ensured that firms in the brand new motor vehicle industry in Malawi be competitive and be able to neutralize the threat posed by second hand vehicle firms to their market position.

CHAPTER 5

DISCUSSION OF FINDINGS

5.0 INTRODUCTION

This chapter presents a discussion and interpretation of the research findings. Section 5.1 presents a discussion on the degree of competition with the used vehicle industry. Competitive strategies being used by firms in the brand new motor vehicle industry in order to counter competition by firms in the used vehicle industry are discussed in section 5.2. Section 5.3 looks at how firms in the brand new motor vehicle sustain their competitive advantage with respect to the used vehicle industry. This is achieved by doing a value chain analysis of the brand new motor vehicle industry.

5.1 THE DEGREE OF COMPETITION WITH THE USED VEHICLE INDUSTRY

From the results in section 4.2 it can be seen that used vehicle do real pose competition to the brand new vehicles being sold by the firms in spite of the fact that brand-new motor vehicle dealers mainly targets predominantly fleets markets i.e. companies, government, institutions with limited individual sales. This is because the market is not sophisticated enough in Malawi as compared to other countries where young people entering the job market can access readily available bank funding at comparatively inexpensive rates.

However despite this competition, all the respondents were of the view that customers are satisfied with the products being provided by their firms. This is arrived at through various customer satisfaction surveys done by them which are sometime substantiated by their principal companies for some dealers.

The presence of this competition necessitate the formulation of effective competitive strategies that encompasses defensive and offensive action in order to create a defendable position against the five competitive forces, which are suppliers ,new entrants, buyers, rivals and substitute products.

5.2 COMPETITIVE STRATEGIES BEING USED BY FIRMS IN THE BRAND NEW MOTOR VEHICLE INDUSTRY

5.2.1 Generic Strategies

5.2.1.1 Porter's Five Force Analysis of the Brand New Motor Vehicle Industry

As seen in section 2.3.2.1, Porter (1979, 1985) gives a five force model that describes techniques of identifying potential and actual competitors. Porter argues that in any industry the role of competition can be seen in terms of five forces: the entry of new competitors, the threats of substitutes, the bargaining power of buyers, the bargaining power of suppliers and the rivalry among existing operators.

The ability of firms in an industry to earn on average, the rates of return on their investment in excess of the cost of capital depends on the collective strength of the competitive forces. These forces also determine the industry’s profitability. Analoui and Karami (2003) state that, the five forces help the firm to see through the complexity and pin point those factors that are critical to competition in its industry as well as to identify those strategic innovations that would improve the industry’s profitability.

A look at the five forces in relationship to the competitiveness of the brand new motor vehicle industry as seen in section 4.3.1 is expounded below:-

1) Threat of New Entrants

This refers to the companies that are not presently competing in the industry but have the capacity to do so given a chance. The new entrants to an industry create another capacity and desire to gain market share hence affecting prices, costs and the rate of investment required to compete in the market. New market entrants intensify the industry capacity, thereby heightening market share competition while lowering present costs. Some of the barriers to entrants are: economies of scale, brand loyalty, government regulation, customer switching costs, absolute cost advantage, ease in distribution and strong capital base.

New entrants into an industry bring to it a desire to gain a market share (competition) as it increase the number of players in the industry. The extent of the threat to new entrants into the industry largely depends on the presence of effective barriers to their entry.

During the study it was found that the threat of new entries is low as older firms are well established and government regulation ensures fair trade new entries mainly influence those dealers with a small market share. As already seen in section 4.3.2 the threat of new entrants in the motor vehicle industry is mitigated by the requirement of significant capital, technical and managerial expertise. Buyers also look at issues of durability, safety, reliability and they usually base their impressions of a model based on their dealers previous performance on these issues of their brands. New entrants will hence find it difficult to build a strong enough image to be competitive. The used vehicle industry will need time to convince buyers in terms of safety, reliability and durability.

2) Threat of substitute products or services

Substitutes products tend to satisfy the same need as another product and hence pose a threat to existing products or services. However the following factors leads to effective substitution threat: switching costs which is the ability of the buyers to switch to other suppliers at minimum cost; buyer propensity to substitute, the more loyal the customers are the more difficult will it be for them to change products or services and relative price performance of substitute which entails brand motor vehicle buyers are more likely to change their products if the performance of the vehicle do not match with their price.

During the study it was found that the threat of substitute was high , as the market is getting flooded with second hand vehicles imports; same brands but much cheaper as compared to showroom vehicles. The automobiles imported into the second hand market have functional similarities to the automobiles marketed by established brand new car dealers.

3) Bargaining power of the suppliers

Suppliers here refers to the companies that provide inputs into the industry. As seen from section 2.3.2.1 the powerful suppliers gain more value through various ways; they either charge higher prices or limit their products/services quality or in other cases transfer the costs to the industry participants. They can increase the inputs (raw materials, labor, etc.) prices or other costs in various ways; the products that they supply may have few substitutes in the market hence the influence. Substituting the inputs may incur heavy costs to the companies or in some cases there may be few substitutes, thus suppliers pose a credible threat .Hence powerful suppliers can squeeze profitability out of an industry making it unable to recover cost through increases in its own prices.

It was found that since most of the firms in the brand new motor vehicle industry receive vehicles from their parent companies abroad, most suppliers understand that passing too much cost to their dealers can lead to a reduction of their brand competitiveness as they will be deemed so expensive. The principal companies also maintain a monopolistic supply of genuine parts to their dealers.

4) Bargaining power of Buyers

This refers to the consumers who purchase the end product and their powers to bargain on the prices offered by the companies in the sector. Some powerful buyers may get more value by driving prices down, insisting on higher quality hence increasing costs. These buyers, by insisting and demanding for better quality and services of a product have the power to bring down the prices placed by the companies operating in the industry. Influential buyers can wheedle out profits out of an industry through lowering prices and increasing of costs; they make purchases in large quantities and are fully informed on the product and the market. They place emphasis on product quality thus posing the threat of reverse integration.

Buyers can hence force down prices by demanding higher quality or more services, and play off competition against each other-this is done at the expense of the industry's profit. The bargaining power of customers can be weaken if the firm knows the customer and their needs and can satisfy their expectations comprehensively. The study found that the coming of the internet has led to brand new vehicle buyers shopping around and using the internet to compare information between many dealers. Since switching cost are low and cars are well differentiated, bargaining power of buyers is high. Katsioloudes (2006) also mentions buyer information as bargaining leverage as seen in section 2.3.2.1.

Table 3 hence reveals that the emergency of the internet as discussed in section 1.2 has led to brand new vehicle buyers shopping around and using the internet to compare information between many dealers. Since switching cost are low and cars are well differentiated, bargaining power of buyers is high. For some firm the bargaining power of customers comes into play when you have a long standing customer who buys a lot. It also comes into play when there is a need to offload when the vehicles have stayed long in stock compelling the dealers to offer discounts in order to meet their annual targets. Some dealers have targets given to them by their principal firms which are franchised based, these also affects the bargaining power of the customers when the dealers resort to offloading.

5) Rivalry among existing firms

This refers to the competitive tussle for market share in a sector. According to Porter (1980), this rivalry can take many known forms such as price discounts, new product offers, advertising campaigns and service enhancements amongst others. The intensity by which rivalry hampers an industry's profitability depends on the competing companies' intensity and the basis on which they are competing. Intense rivalry amongst established firms poses a big threat to general profitability. The intensity of the rivalry is determined by the following factors: extent of exit barriers, amount of fixed cost, competitive structure of industry, presence of global customers, absence of switching costs, growth rate of industry and demand conditions. In the motor vehicle industry the firms are dependent on each other, hence a competitive move by one firm can be expected to have an effect on other competitor. The study found that rivalry amongst competitors was high with contributing factors such as high product differentiation and slow industry growth as seen in section 2.3.2.1. Second hand vehicles being a major competition threat.

Overall a look at the porter five force with respect to the motor vehicle industry found out that substitute products influence competition to a greater extent followed by the bargaining power of customers as a customer is always king. The bargaining powers of suppliers also influence competitiveness as these affects pricing and quality factors. The bargaining power of the supplier in the brand motor vehicle can be said to be average as the principal of the dealers cannot raise their prices excessively as this might create a risk of their products being labeled expensive on the local market. However they will still maintain a monopolistic supply of genuine parts to their dealers. However new entries influence competitiveness to a lesser degree.

5.2.1.2 Generic Strategies in the Brand New motor Vehicle industry

The main idea of generic strategies is that a firm must gain competitive advantage by producing at a lower cost than its rival or differentiate its products and services and sell them at a higher price. The firm should then decide its target market. It can either decide to target the whole market with the strategy it has chosen or to target a narrow market (niche).There are three generic strategies:-

Cost Leadership Strategy

Section 4.3.2 tells us that this strategy aims at being the lowest –cost producing firm in the industry. Being a lower cost producer, provides a successful strategy to defend against the five competitive forces. Firms in the brand new motor vehicle industry can achieve cost leadership by using cost reduction tactics, having a lean staff, having staff working on commission only, and having brokers in between. During the study as shown by figure 10, it was found that most of the dealers maintain a lean staff as a strategy of cost reduction followed by cost reduction tactics. Commission is combine with a fixed salary and is tied to sales. The use of brokers may prove to be costly which will increase the cost of the vehicles making them less competitive. This strategy also depends on the production cost and the inbuilt cost of finally bringing the product to the customer. However though the strategy of cost leadership is commonly adopted, it is rarely achieved because it is difficult to make a reasonable profit unless you have high volume of sales.

Focus Strategy

Here firms concentrate on a particular niche market which enables it to decide on whether to develop a differentiated product or develop a low cost product for it. The firm can either target a specific customer, stock what customers are looking for, sale affordable vehicles or sale high spec cars as mentioned in section 4.3.3

The study found that targeting specific customers is used to great extent (usually this is done for new entry vehicles) .As seen is section 2.3.1, the selected segment is chosen on the basis of its profitability, the customer value to be generated and long-term sustainability (Kotler and Armstrong, 2013). The sale of affordable cars or high specification cars depend on the budgets constraints of the customers. The cost of the vehicle is also mainly determined by the cost of production and what the customer is looking for i.e. customer satisfaction.

Differentiation Strategy

Differentiation strategy entails developing a product which stands out from that of competitors. This can be achieved by sale of unique cars, value adding services, having decent, knowledgeable staff and using unique advertising skills.

From Table 4, the study found out that the sale of unique cars and unique advertising skills are used to a greater extent. Value adding services and decent knowledgeable staff are used moderately. The following are some of the value adding services which are used by the firms in the brand new motor vehicle industry in order to remain competitive; on-time delivery or even faster turnaround than your competition, instants rebates, education and service above and beyond the competition, unique and desirable product features, preferential terms for frequent buyers, security of supply, longer warranties, after-sale service, and superior service policies and positioning yourself as the 'go to' person for your existing and potential customers. Having knowledgeable staff is taken as a strategy because knowledge is power and for dealers product knowledge can mean more sales.

It is difficult to effectively sell to a consumer if we cannot show how a particular product will address his needs. Having deeper knowledge in the vehicles being sold to strengthen the communication skills of the staff, boost up their enthusiasms-this excitement for the product helps to remove any uncertainty that the product may not be the best solution for that customer, knowledge also boost the confidence of the sales people-if a customer is not fully committed to completing a sale, the difference may be the presence(or lack) of confidence a salesperson has towards the product, knowledge may also assist in overcoming objections which may be struck down with factual information regarding the product. It was found that product knowledge is usually gained through marketing literature, sales representatives, training sessions, testimonials, role playing and practical use. Staff are usually encouraged to know the pricing structure, styles, colors or models available, history of the product, any special manufacturing process, how to use the product, product distribution and delivery, serving, warranty and repair information.

5.2.2 Marketing Strategies employed by firms in the brand new motor vehicle industry

In order to gain competitive advantage it was found that some firms use strategies that relates to the products which they offer, their pricing and promotion ways as seen in section 4.4.

5.2.2.1 Product Offered

The study found out that customers select their cars with regards to quality (value for money, style, luxury, performance, safety and technical superiority), section 4.4.1. The trend of quality required by customers is increasing as the customers are becoming more discerning. This supports what was said by Kotler and Armstrong (2013) in section 2.3.1.1 that in order to satisfy customer experience, marketers must identify the core customer value, design the actual product around the value and find ways to augment it. Quality does also influence the price since the more features, accessories, level of quality and general size the higher the price the vehicle will attract.

5.2.2.2 Pricing

From section 4.2.2 charging cheaper than competition or charging same prices like competition may sometimes dilute the quality of the product if the aim is for the product to be associated with a certain class of people. There is also a limit as to how much the price can be lowered as this may also depend on the landed cost of the vehicles and the prevailing competitive and economic situations as seen in section 2.3.1.2.

With the instability of the kwacha, firms were also avoiding payment in installments unless a hedging arrangement was made to cushion the fall of the kwacha with respect to other currencies. The objective of competitive strategy was to knock off and destabilize rival companies by offering a better package to customers. By combining different pricing strategies which are unique the dealers can counter competition being posed by used vehicles.

5.2.2.3 Promotion

It was seen that a number of different media is used with the aim of creating a sense of awareness. However, focus was given much to the media that provides the greatest amount of exposure for the business and could arouse customer's curiosity levels and raise their needs or desire levels to the point that they are willing to purchase the products. This has been illustrated by figure 14.

5.2.3 Other Strategies

Section 4.5 presented other strategies employed by firms in the brand new motor vehicle industry which were found during the course of the study namely: networking with financial institutions and use of competitive force factors.

5.2.3.1 Networking with Financial Institution

Most of the firms in the brand new motor vehicle industry use this strategy as illustrated by figure 15. During the study it was found that better access to credit is one of many benefits gained by those with good banker relationship. Credit is more than just loans, good banker relationship results in performance bonds, letters of credit and credit lines being given. Most customers approach banks for financing. Having good networks with these banks helps the firms to have referrals from them. It was found that if there is a strong relationship, banks also provide introductions to potential customers, suppliers, employees and investors because of their many connections in the community. This in return enhances the competitiveness of firms in the brand new motor vehicle industry.

5.2.3.2 Use of Competitive Factors

Other firms also uses competitiveness factors as a strategy in gaining an advantage over other firms. These competitive factors are strategic location, discount offers, competent sales people, aggressive marketing, offering a variety of cars, pre-arranged financing, tight security in the show room, attractive displays and general cleanliness of the showrooms. It was found that aggressive marketing followed by offering a variety of cars are mainly used. Section 4.5.2 also showed us that dealers in the new motor vehicle industry use aggressive marketing involving developing advertisements and sales pitches that connect a vehicle's benefits instead of its features. For example, leather seats can decode into luxury or into ease of cleaning, based on the clients' needs, addressing emotional needs and wants is likely to be more efficient than just pointing out features, creating adverts which fit the impression the business wishes to create. For example, a luxury car dealer, will like to de-emphasize cost and concentrate more on the design, comfort, and snootiness of the brand. Social media is also used as part of aggressive marketing .Social media marketing gives the firms an easy, low cost mean to deliver data to a huge number of people at the same time. Sex and violence are sometimes used in promotional materials because they are believed to lead to increased excitement and interest.

Offering a wide range of vehicles which are unique as a differentiation strategy can greatly enhance the competiveness of the dealerships. Other factors are moderately used except for strategic location. However, it was noted that after sales support influences the competitiveness of these dealerships.

5.3 VALUE CHAIN ANALYSIS OF THE BRAND NEW MOTORVEHICLE INDUSTRY.

The study is looking at the competitive strategies used by the brand new motor vehicle industry. However for a strategy to be successful it has to be supported by internal functions of the firms and a firm must have the right structure to execute its strategy as explained in section 4.6 .As also seen in section 2.3, firms need to ensure internal service quality through: effective work place design; proper job design; right selection and development processes; proper reward and recognition systems; right information and communication channels and adequate tools for servicing customers. Internal service quality will lead to loyal and satisfied employees on whom service concept will be built by customers through external service quality. External service quality will lead to loyal and satisfied customers leading to revenue growth and profitability. It was hence appropriate to look at the elements of the value chain because according to (Katsioloudes, 2006), they pertain largely to the potential organizational distinctive competencies and consequent competitive advantages, and the value chain examines organizational processes as activities that create value for the customer.

5.3.1 Inbound Logistics

Most of the respondents use banks to finance their inventory while some dealers have financing arrangements with their principal companies and use what we call floor planning. The stocks are brought in on demand or depending on the firm’s annual vehicle ordering plan. Most of the supplier however follow a 'demand pull' model rather than the traditional 'supply push' model. The adoption of the 'Pull' approach has put more pressure on the transporters as there is more focus on time delivery. This has forced them to be more agile to dealers as well as their end consumers. The shipment terms are CIF, EXW, FOB, DDP, DDU, and CIP depending on the kind of vehicles. It was found out that some car dealers order their inventory based on their reading of the market place, how well certain models have sold in the past and on feedback from consumers. This can be tricky with the models that are in high demand -especially if the model is a surprise, out of the box success and the manufacturer does not have enough models to meet the demand. During the study it was found that in order to achieve efficiency and hence low the cost of the vehicles thus assuring their competitiveness, the following inbound logistics networks mentioned in section 4.6.1 are used:

Multimodal transport management system

Most transporters are abandoning the traditional single mode transportation management system in favour of the multimodal transport management system in order to achieve efficiency and reduce transportation costs.

Customized vehicle transportation infrastructure

Automotive finished vehicle transportation uses ocean, rail and road modes. Custom equipments for vehicle transportation has been developed for each mode of transport to increase efficiency. Ocean carriers have developed multi-level roll on-roll off vessels which can carry up to 6,000 cars on board. However, in some cases it was found that premium cars are transported using container vehicles.

Investment in information technology

This is used to provide vehicle tracking information since the vehicles have vehicle identification numbers since vehicles change hands at many locations and handlers. Web based IT are hence used for better visibility into transportation and warehousing facilities. Section 4.6.1 also talked about postponement where by the vehicles are normally taken into bond upon arrival waiting to be cleared. Keeping the vehicles in bond duty free sometimes helps in selling duty free vehicles when such orders arrive. It also helps in avoiding tying a lot of money in stocks when orders are not there in sight.

The stocks are cleaned on arrival and if some vehicles arrive slightly damaged, they are maintained accordingly and eventually some are fitted with after sale accessories at the customer's request. Length of keeping the stock in stock may depend on dealership arrangements or group policy and the pace of business. The study reveals that all dealers are adequately fenced and have outside lightening to ensure security of the stocks. Firms aim to achieve all these capabilities in order to properly serve their customers as mentioned in section 2.4.2 i.e. failure for the firm to meet the wants and needs of the consumer will result in both suppliers and buyers losing customers to their competitors who are able to satisfy their customer by presenting a stronger and more careful targeted consumer value proposition.

5.3.2 Operations

5.3.2.1 Main Services Offered

As previously observed in section 1.1 the motor vehicle industry is made up of all those firms that are engaged in the supply of motor vehicles including parts and accessories to the final consumer as well as maintaining and repairing the vehicles.

The major services are selling new motor vehicles, selling parts and also maintaining the motor vehicles as illustrated by figure 17. On the other hand, some of the firms providing the major services does tinting. It must also be pointed out there were other minor services that some firms provide besides the major services. These minor services are fleet management and car tracking.

5.3.2.2 Extra Services Provided

The extra services provided by the firms include car cleaning services, car identity, fixing alloy reams, alarm installation and providing insurance. According to this study most of the firms uses car cleaning services to attract customers followed by car identity. This simply means that customers would get attracted to showrooms stocking clean cars than those that never clean their cars, the customers would want their vehicle to have car identity. Being brand new the vehicles are only insured as stock but once purchased the responsibility of insurance lies with the owner. Arrangements can also be made to have the vehicles insured by the customers if they are confirmed orders while they are in transit. These extra services are provided in order to remain competitive as mentioned in section 4.6.2.2.

Most are factory fitted but the respondents also provided additional after sale accessories at an additional cost. The study also revealed that there are other extra services being provided like tracking devices and fleet management service.

5.3.3 Sales, Marketing and After Sales Services

5.3.3.1 Reasons Why Customers patronize showrooms

Customers visit showrooms because of competitive prices, convenient location, good conditioned cars, honest sales people, prompt payment, negotiated car fees, advertising, smart sales people, attractive displays of cars and a wide variety of cars offered.

It was found t that the main contributor to show room visit is advertising and the wide variety of cars offered, that is high quality and economical cars with best safety features as illustrated by figure 19.

5.3.3.2 Special Quality Requirements of cars purchased by Customers

All respondents attested to the fact that customers require special quality of the cars which they purchase when making purchasing decisions. This requirement may be inform of shape, colour, performance and specification

In section 4.6.3.2 we found that the main quality requirement by customers is shape and specification. All respondents were however of the opinion that customers are satisfied with the quality they offer. However, the need for special quality requirement will depend on the customer's budget. For example if a customer wants a car to be customized in situations where cars can be manufactured according to orders then the specifications chosen will influence the cost of the vehicle and its eventual selling price.

As mentioned in section 2.4.2, section 5.2 merely looks at the steps followed by firms in the brand new motor vehicle in order to gain a competitive advantage over their competitors i.e. those in the used vehicle industry. This was summarized in figure 8 as identification of the value expectation through looking at market trends; customer research; product/service specification; prototype production and testing; product modification and development and customer service development, creation of value through looking at sourcing and procurement; material management; manufacturing and product modification, communicating the value by looking at reseller/distributor communication; customer/end user communication and internal ‘customer’ communication, delivering the value by looking at product service delivery; availability; frequency and reliability and servicing the value by looking at customer service program and product recall programs.

5.4 SUMMARY

The findings from the study shows that there are certain similarities among the brand new motor vehicle firms in terms of the vehicles value chain and the strategies adopted. The following were some of the findings of the study:-

- With the current economic trends, customer are expected to go for more affordable vehicles because of the erosion of their buying power. As shown the threats of substitute is higher as the market is getting flooded with second hand vehicle imports; same brands but cheaper as compared to showroom vehicles.
- Switching cost has also increased due to the emergence of the internet which has enabled customers to shop around and compare vehicles in terms of prices and quality in addition of having a wide pool of brands to choose from.
- Generic strategies such as having a lean staff, cost reduction tactics , targeting specific customers, sale of unique cars and the use of unique advertising skills are mostly used by these firms to compete against the grey imports
- Firms in the brand new motor vehicle industry also offers value adding services such as on -time delivery, instants rebates, education and service above and beyond competition, unique and desirable product features, preferential terms for frequent buyers, security of supply, longer warranties, after-sales service, and superior service policies to remain competitive. They also position themselves as the 'go to' person for their existing and potential customers.
- The marketing strategies commonly used are: the offering of good quality vehicles (value for money, style, luxury, performance, safety and technical superiority), charging cheaper or same prices like competitors, use of print media.
- Some firms also use other strategies like networking with banking institutions and the use of competitive factors such as strategic location, discount offers, competent sales people, aggressive marketing, offering a variety of cars ,pre-arranged financing, tight security in the showroom, attractive displays and general cleanliness of the showrooms. However they use mostly the competitive factors of aggressive marketing and offering a wide variety of cars.
- For in bound logistics most of the firms adopt a demand pull approach which ensures timely delivery as it also create pressure on transporters. In order to achieve efficiency as well as low cost of the vehicle firms have adopted multi-mode transport management

systems, customized vehicle transportation infrastructures which use custom equipments for each mode of transport like multi-level roll on roll vessels and containers .

- Firms have also invested in information technology which provide vehicle tracking information to avoid loss of the vehicles in transit and in some cases keep customers updated on the where about of their vehicles.
- The vehicles are cleaned and some fitted with after sales accessories on arrival and firms endure that they are adequately face and have proper lightening on their premises to ensures stocks are adequately secured.
- From the operations stand, firms in the study mainly offer selling of motor vehicles, selling parts and maintaining the motor vehicles as the major services. However these firms are also offering extra services like car leaning, car identity, fixing alloy reams, alarm installation and providing insurance. This is all done to create a difference with the used vehicle industry.
- Under sales , marketing and after sales service it was seen that customers visit showrooms mainly because of competitive prices, convenient location, good conditioned cars, honest sales people ,prompt payment, negotiated car fees, advertising, smart sales people, attractive displays of cars and a wide variety of cars offered. However the main contributor to show room visit is advertising and the wide variety of cars offered.
- Firms also make sure that they satisfy the special quality requirements demanded by their customers when making purchasing decision. These requirements are in terms of shapes and specifications. The study found out that all respondents were of the opinion that customers are satisfied with the quality they offer.
- The dealers may sometimes use payment protection mechanisms like keeping the registration certificate, installments, the keeping of postdated cheques and having the vehicle comprehensively insured. Instances of refunds have occurred during the forex crisis which saw the prices of vehicles going up when one has already paid an advance, thereby necessitating refunds when the clients could no longer afford the vehicles.

CHAPTER 6

CONCLUSION AND RECOMMENDATIONS

6.0 INTRODUCTION

This chapter presents conclusions and recommendations drawn from the study carried out to investigate the competitive strategies used by brand new motor vehicles in Malawi in light of the flow of grey imports. Section 6.1 covers objectives revisited followed by section 6.2 which covers conclusion of the study. Section 6.3 presents recommendations and section 6.4 presents areas for further research and the chapter ends with section 6.5 which is the chapter summary.

6.1 OBJECTIVES REVISITED

The main objective of this study was to investigate the competitive strategies used by brand new motor vehicles in Malawi in light of the flow of grey imports. The specific objectives to be achieved were set out as to: identify the competitive strategies used by brand new dealership in lieu of grey vehicles, analyze the competitive strategies used by the brand new motor vehicle dealers in Malawi, identify and analyze strategic gaps in the brand new dealership using the porters five forces of strategy, assess the dynamics of the brand new motor vehicle value chain in terms factors affecting its growth and competitiveness.

The study draws from the theoretical concepts of Generic strategies, Marketing strategies and Porters Value Chain Model. Generic strategies are long term or grand strategy based on a core idea about how a firm can best compete in the market place. The generic strategy adopted by a firm depends on the analysis of the industry in respect to Porters Five Forces. These generic strategies are cost leadership, focus and differentiation strategy. So a firm must decide to gain competitive advantage by producing at a lower cost than its rival or differentiating its products and services and sell them at a higher price. The firm can either target the whole market with the strategy it has chosen or target a narrow market.

Market strategies helps firms in dealing with competitive threats and sustain market share as a basis of maintaining long term profitability. The concept of market strategy is deeply customer oriented, focusing on the company's long term prospects and vision in gaining competitive advantage by way of innovate products and other factors. The study looked at three market strategies namely products offered, pricing and promotion.

Porters Value Chain model emphasizes on the need for the firms to have the right structure to execute its strategy, hence the need of the firm to configure its internal operations such as marketing, logistics, and information system to support its position. In order to attain competitive advantage the strategy, operations and organization must all be consistent with each other.

The above concepts were considered to be the critical valuables which would enable us to find out the competitive strategies used by firms in the brand new motor vehicle industry to counter the threat pose by the flow of grey imports.

6.2 CONCLUSION OF THE STUDY

From the summary of the main findings in chapter 5, we can see that firms in the brand new motor vehicle industry are not staying idle while second hand motor vehicles continue to flow in Malawi. Firms in the brand new motor vehicle industry have learned to position themselves in the market by employing various generic strategies like having a lean staff, cost reduction tactics, targeting specific customers, sale of unique cars and the use of unique advertising skills. They also offer value adding services such as on-time delivery, instant rebates, education and services above and beyond competition, unique and desirable product features and after sales services just to mention a few. Marketing strategies like offering of good quality vehicles, use of print media and charging cheaper price like competitors are also used as shown in figure 14. Some firms use other strategies like networking with bank institutions and use of competitive factors as shown in figure 15.

Firms in the brand new motor vehicle industry maximize the efficiency of their value chain by using a demand pull approach and using a multi-mode transport management system. They have also taken advantage of information technology by offering services like car tracking. They also offer after sales accessories on arrival and ensure the safety of customers' vehicles while they are in stock. In order to remain competitive extra services like car cleaning, car identity, fixing alloy realms and providing insurance are used.

6.3 RECOMMENDATIONS

The flow of second hand motor vehicles from outside the country have increased creating a substitute product or an alternative to the new vehicles being sold by firms in brand new motor vehicle industry. This study using both qualitative and quantitative methods has established that firms in the brand new motor vehicle industry resort to a mixture of various generic and market strategies to ensure that they are competitive. This is done through acquisition of knowledge of underlying sources of competitive pressures which provides the ground work for strategic agenda of action. Through this knowledge the firms get to know their strength and weakness, their position in the industry. The knowledge also helps clarify areas where strategic changes may yield the greatest pay off, and high light industry trends which may pose as threats or opportunities.

The study hence reveals that business has remained stable despite the instability of the Malawian economy. Although the fall in the value of the kwacha has led to the increase in the prices of the new vehicles forcing most Malawians to go for grey imports which most of the firms in the brand new motor vehicle industry are operating within target. There is no overall strategy which is used by the industry because a range of strategies are used depending on the firm's own position after doing SWOT analysis. We can hence conclude that although stiff competition should be expected from grey imports , the firms in this industry are well positioned and as things improve economically we should even expect an increase in the new vehicles being bought if these strategies are pursued aggressively.

6.4 AREAS FOR FURTHER RESEARCH

Further research should try to investigate customer’s view of the competitive strategies adopted by the brand new motor vehicle forms in light of the flow of grey imports.

Future researcher should also seek to find out what strategy do the used vehicle firms use in order to be competitive relative to brand new vehicle firms.

6.5 SUMMARY

Having looked at the objectives of the study which mainly focused on competitive strategies and assessing the brand new motor vehicle industry value chain, we can see that firms in the brand new motor vehicle industry in Malawi are well positioned by employing various marketing, generic and other strategies to remain competitive. They have also adopted various strategies to make sure that their value chain is efficient.

However we see that that customers view on competitive strategies adopted by firm in the brand new motor vehicle industry in Malawi in the light of the flow of second hand vehicles need to be sought. Further study also on the competitive strategies used by firms in the second hand industry in Malawi need to done. We see that although competition is stiff , firms in the brand new motor vehicle industry in Malawi are well positioned and that aggressive pursuant of competitive strategies will ensure future market growth as the economy expands.

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APPENDIX

List of questions provided in the questionnaires to the study participants

<u>SECTION A:- DEMOGRAPHIC INFORMATION</u>

A1. Name of your Company
……………………………………………………………………………………………
…………

A2. Position of the respondent
……………………………………………………………………………………………
…………

A3. What is your gender?
Male ( )
Female ( )

A4. How do you describe your employment status?

Full time employed ( )
Part time employed ( )

A5. Which of the following categories best describes your primary area of employment (regardless of your actual position)?

Retail ( )
Manufacturing ( )
Wholesale ( )
Other (specify)…………………………………………………………………………
……………………………………………………………………………………………
……………….….

A6. Which of the following best describes your role in the industry?

Upper Management ( )
Middle management ( )
Junior management ( )
Administrative Staff ( )

A7. The film you work for is in which of the following

Public sector ( )
Private sector ( )
Not for Profit ( )
Others (specify)…………………………………………………………………………
…………………………………………………………………………………………..
………………

SECTION B:- PRODUCTS

B1a. What are the main services that your firm provides?

Selling Motor vehicles ( )
Selling of Spare parts ( )
Maintenance of Motor vehicles ( )
Tinting ( )
Others, please specify…………………………………………………………………
………………………………………………...

B1b. What extra services do you offer at your motor showroom to attract more customers?

Installation of car alarms ( )
Car cleaning services ( )
Car identity ( )
Fixing alloy reams ( )
Insurance while at the showroom ( )
Others, please specify…………………………………………………………………
………………………………………………...

B2. Who are your target customers?

Individual walk-in customers ( )
Individual – referral customers ( )
Corporate institutions ( )
Government ( )
NGO'S ( )

B3. Why do you think real and potential customers visit your showroom?

Competitive prices ( )
Convenient Location ( )
Good conditioned vehicles ( )
Honest sales people ( )
Prompt payment after car sales ( )
Negotiated car valuation fees ( )
Advertising ( )
Smart sales people ( )
Attractive displays of cars ( )
Wide variety of vehicles ( )

B4a. Have you ever had cases of customers asking for refund of their deposits, incase they cancel the purchase of a car?
Yes ( ) No ( )

B4b. If yes, how do you deal with such cases?

You don't accept to refund deposit ( )
You ask the customer to choose another car ( )
Others, please specify
I. ( )
II. ( )

B5a. Has your motor vehicle business increased (grown) or decreased over time? **(Tick appropriately)**

Increased ………………. Decrease…………….. Constant…………………

B5b. Give a reason to your answer in (a) above
………………………………………………………………………………………
………………………………………………………………………………………
………………………………………………………………………………………
………………………………………………………

SECTION C: SELLING OF THE MOTORVEHICLES:

C1. Do your customers have special quality requirements about the motor vehicle you sell?

Yes ( )
No ( )
If yes to question 1, Please indicate (X) on the extent to which the qualities below are required by your

Use the following scale:

1. Used to a great extent
2. Used to some extent
3. Moderately used
4. Not used

	1	2	3	4	5
Shape	( )	( )	( )	( )	( )
Colour	( )	( )	( )	( )	( )
Performance	( )	( )	( )	( )	( )
Specification	( )	( )	( )	( )	( )

C2. Do you think your customers are satisfied with the quality you provide them?

Yes ( )
No ( )

If No, Why? ……………………………………………………………………………………..

C3. Do customers select their products with regards tothe quality they offer?

Yes ( )
No ( )

If No,Why………………………………………………………………………………… ………………………………………………………………………………………… ………………..

C4. What is the trend of quality of the products required by your customers?

Increasing ( )
Constant ( )
Decreasing ( )

C5. If someone pays more are you willing to increase the quality of the product you offer?

Ye ( )
No ( )

C6. If yes to question 5, how quality influences the price you charge:

………………………………………………………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………… …………………………………………

SECTION D:- GENERIC STRATEGIES

D1. The competition with the used vehicle industry is stiff?

1. Strongly agree
2. Moderately agree
3. Agree
4. Moderately disagree

5. Disagree

D2. Please indicate (X) on the extent to which you have used the following action plans to beat competition with the used vehicle industry. Use the following scale:

1. Used to a great extent
2. Used to some extent
3. Moderately used
4. Not used
5. Not used at all

Cars Offered	**1 2 3 4 5**
Stocking cars not common with competition	( ) ( ) ( ) ( ) ( )
Clean and quality cars	( ) ( ) ( ) ( ) ( )
Stocking cars on high demand	( ) ( ) ( ) ( ) ( )
Stocking cars from specific countries e.g. Japan	( ) ( ) ( ) ( ) ( )

Pricing	**1 2 3 4 5**
Charging competitive prices	( ) ( ) ( ) ( ) ( )
Charging cheaper than competition	( ) ( ) ( ) ( ) ( )
Charging same prices like competition	( ) ( ) ( ) ( ) ( )
Giving discounts / sales offers	( ) ( ) ( ) ( ) ( )
Allowing installment payments	( ) ( ) ( ) ( ) ( )
Organizing financing for customers	( ) ( ) ( ) ( ) ( )

Marketing	**1 2 3 4 5**
Using attractive displays	( ) ( ) ( ) ( ) ( )
Using big screaming billboards	( ) ( ) ( ) ( ) ( )
Using Television adverts	( ) ( ) ( ) ( ) ( )
Using Radio adverts	( ) ( ) ( ) ( ) ( )
Branding of cars bought from your showroom	( ) ( ) ( ) ( ) ( )
Hand bills	( ) ( ) ( ) ( ) ( )
Websites	( ) ( ) ( ) ( ) ( )
Business cards	( ) ( ) ( ) ( ) ( )
Print media (Magazines, newspapers)	( ) ( ) ( ) ( ) ( )
Email circulation to friends	( ) ( ) ( ) ( ) ( )

D3. The following are some of the forces influencing competitiveness of motor dealership industry. Please indicate the extent to which they affect the competitiveness of your dealership. (Use the scale used above)

1 2 3 4 5	
New Entries	( ) ( ) ( ) ( ) ( )
Substitutes products	( ) ( ) ( ) ( ) ( )
Bargaining power of customers	( ) ( ) ( ) ( ) ( )
Bargaining power of suppliers	( ) ( ) ( ) ( ) ( )

D4. To what extent has each of the following strategic options been used in your business enterprise in response to the competition with the used motor vehicle industry. *(Use the scale used in Question 4 above)*

Cost leadership	**1 2 3 4 5**
Cost reduction Tactics	( ) ( ) ( ) ( ) ( )
Staff working on commission only	( ) ( ) ( ) ( ) ( )
Maintaining a lean staff	( ) ( ) ( ) ( ) ( )
Brokers being in-between	( ) ( ) ( ) ( ) ( )

Focus	**1 2 3 4 5**
Targeting specific customers	( ) ( ) ( ) ( ) ( )
Stocking what customers are looking for	( ) ( ) ( ) ( ) ( )
Sale of cheap cars	( ) ( ) ( ) ( ) ( )
Sale of expensive cars	( ) ( ) ( ) ( ) ( )

Differentiation	**1 2 3 4 5**
Sale of unique cars	( ) ( ) ( ) ( ) ( )
Value adding services – fixing alarms	( ) ( ) ( ) ( ) ( )
Using unique advertising tricks	( ) ( ) ( ) ( ) ( )
Have decent, executive staff	( ) ( ) ( ) ( ) ( )

Others	
Networking with Financial institutions	( ) ( ) ( ) ( ) ( )

D5. The following are some of the factors influencing competitiveness of motor dealership. Please indicate the extent to which they give your dealership a competitive edge over the used motor vehicle industry. (Use the scale used above)

1 2 3 4 5	
Strategic location	( ) ( ) ( ) ( ) ( )
Discount offers	( ) ( ) ( ) ( ) ( )
Competent sales people	( ) ( ) ( ) ( ) ( )
Aggressive marketing/promotion	( ) ( ) ( ) ( ) ( )
Offering a variety of cars	( ) ( ) ( ) ( ) ( )
Pre-arranged financing	( ) ( ) ( ) ( ) ( )
Tight security in the showroom	( ) ( ) ( ) ( ) ( )
Attractive displays	( ) ( ) ( ) ( ) ( )
General cleanliness of the showroom	( ) ( ) ( ) ( ) ( )
Other, please specify	

I.( ) ( ) ( ) ( ) ( )
II. ( ) ( ) ( ) ( ) ( )

SECTION E: PROCUREMENT AND STORAGE

E1. How do you finance /floor plan your inventory?

Banks ( )

Auction Floor planning ( )
Cash ( )
Other(Specify)……….

E2. How often do you place an order?

On Demand ( )
Once stocks have reached re order level ( )

Other (specify)……

E3. What are the shipment terms of your vehicle?

EXW ( )
CIF ( )
FOB ( )
DDP ( )
DDU. ( )
CIP ( )

E4. Do you try to improve the quality standards after buying the motor vehicle?

Yes ( )
No ( )

E5. If yes to question 1, then how? By:

Cleaning it (remove the impurities)?
Yes ( )
No ( )
Fitting accessories?
Yes ( )
No ( )
Others
(specify)………

E6. Do you store the motor vehicle?
Yes ( )
No ( )

E7. If yes to question 6:

7.1 How long do you store it?

(Time)………………………………………………………………………………………
…………………………………………………………………………………………
…...

7.2 Do you manage maintaining the quality during the storage?
Yes ( )
No ( )

E8. Do you have outside lightning?

Yes ( )
No ( )

If No,Why…………………………………………………………………………………
…………………………………………………………………………………………
………………..

E9. Do you have outside fencing?

Yes ( )
No ( )

If No,Why…………………………………………………………………………………
…………………………………………………………………………………………
………………..

E10. Is 100% of your inventory insured?

Yes ( )
No ( )
If No,Why…………………………………………………………………………………
…………………………………………………………………………………………
………………..

E11. Do you use payment protection mechanisms in cases of part payments?
Yes ( )
No ( )
If No,Why…………………………………………………………………………………
…………………………………………………………………………………………
………………..

E12.Do you sell aftermarket products to customers?

Yes ( )
No ( )
If No,Why…………………………………………………………………………………
…………………………………………………………………………………………
………………..

E13. Do you carry commercial Insurance on your building?

Yes ( )

No ( )

If No,Why…………………………………………………………………………………
…………………………………………………………………………………………………
………………..