FACTORS AFFECTING PROFITABILITY OF NEW MOTOR VEHICLES SALES IN KENYA: A CASE STUDY OF RYCE EAST AFRICA LIMITED

JOSEPHINE S. MAUNGU

A Research Project Submitted to the School of Management and Leadership in Partial Fulfillment of the Requirement for The Degree of Executive Master of Business Administration at the Management University of Africa.

AUGUST, 2014
DECLARATION

This research project is my original work and has not been presented for the award of a degree in any other University or Institution.

Signed: ---------------------------------------- Date---------------------------------------------

Josephine Maungu EMBA/00025/2/2012

SUPERVISOR:

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

Signed: ---------------------------------------- Date: ----------------------------------------

Dr. Nicholas Letting,
DEDICATION

I dedicate this project work to my family who stood by me during the whole course. Their support both morally and spiritual is invaluable and I shall remain indebted always.
ACKNOWLEDGEMENT

I acknowledge my classmates, my group members, the Lecturers for their contribution in the coursework and most important Dr. Nicholas Letting, my supervisor, who professionally guided me through the research project. To all these people, I shall forever remain indebted.
ABSTRACT

Profitability in the new motor vehicle sales has been of major interest. This is because profitability is the capillaries that carry blood that make organizations run, this has made profiteering the pre-occupation of management in the profit making organizations. These organizations have become sensitive on profit margins, cost of sales and other administrative expenses. It is therefore imperative to study the key drivers of profitability for new motor vehicle dealers. On its part, Ryce East Africa has responded to this by seeking to understand the determinants of profitability in new motor vehicle dealers, this is the objective of the study. A case study approach of Ryce East Africa was adopted; this spread to its competitors and customers. Employee sample was from both Nairobi and Mombasa branches. The general objective of the study was to explore the factors that affect profitability in the new motor vehicle industry with reference to Ryce East Africa. The conceptual framework was made up of five independent variables which included country of origin, company internal processes, marketing mix, Government policies and customer loyalty. The dependant variable is the Profitability. The research used descriptive research design to collect data from the respondents carefully designed to give the actual position on the ground. The method ensured minimum bias in the data collection and also minimum errors in data interpretation. The researcher used simple random sampling procedure to select a sample that represented the entire population because the sample population was heterogeneous. Data was analyzed using both qualitative and quantitative analysis and presented in form of tables, pie charts, bar graphs and percentages only where it provides successful interpretation of the findings. Explanatory notes have been provided for descriptive data. It was found and concluded that the five variables affected profitability of new motor vehicles in varying degrees. In descending order of merit, country of origin, marketing mix, Government processes, internal company processes and customer loyalty. The following recommendations were made for the dealers to import from only preferred countries; company internal processes to be improved; marketing to be done prudently; Government to negotiate motor policies with dealers for profitability and customer loyalty to be enhanced.
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMC</td>
<td>Cooper Motors Corporation</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GOK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>KMI</td>
<td>Kenya Motor Industry</td>
</tr>
<tr>
<td>KRA</td>
<td>Kenya Revenue Authority</td>
</tr>
<tr>
<td>TPS</td>
<td>Third Party Commission</td>
</tr>
<tr>
<td>USA</td>
<td>United States of America</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
<tr>
<td>WWII</td>
<td>World War II</td>
</tr>
<tr>
<td>SAPS</td>
<td>This is structural adjustments programs</td>
</tr>
</tbody>
</table>
OPERATIONAL DEFINITION OF TERMS

CUSTOMER LOYALTY: This is the buyer predisposition to source their purchases from a specific company or outlet due to underlying factors at play and will demonstrate this behavior repeatedly.

COUNTRY OF ORIGIN: This is the initial country where a product is created, produced or assembled.

MARKET MIX: These are elements of marketing that are controllable and they consist of product, price, Promotion, place, physical evidence people and processes.

NEW MOTOR VEHICLE DEALERS: The organizations dealing in new motor vehicles.

PROCESSES: The procedures that take place during operations in organizations.

VISION 2030: This is a Government economic blueprint, launched in 2007 made to develop key sectors of the economy that include; Agriculture, Tourism Manufacturing, information technology, infrastructure and financial services in the country.
LIST OF FIGURES

Figure 2.5 Conceptual Framework..............................................................24
Figure 4.1 Response Rate........................................................................31
Figure 4.2 Country of origin.....................................................................32
List of Tables

Table 3.1 Target Population.................................................................26
Table 3.2 Sample Size........................................................................27
Table 4.1 Response Rate.....................................................................30
Table 4.2 Gender Of The Respondent..................................................31
Table 4.3 Country of Origin.................................................................32
Table 4.4 Importance of Marketing-Mix Factors On Profitability..........33
Table 4.5 Government Processes .........................................................34
Table 4.6 Internal Processes .................................................................35
Table 4.7 Customer Loyalty .................................................................38
# Table of Contents

DECLARATION .............................................................................................................. ii  
DEDICATION ............................................................................................................. iii  
ACKNOWLEDGEMENT ................................................................................................ iv  
ABSTRACT ....................................................................................................................... v  
ABREVIATIONS AND ACRONYMS ........................................................................... vi  
OPERATIONAL DEFINITION OF TERMS ................................................................ vii  
LIST OF FIGURES ........................................................................................................ viii  
LIST OF TABLES .......................................................................................................... ix  

**CHAPTER 1:** ........................................................................................................ 1  
INTRODUCTION ........................................................................................................ 1  
1.1 Background Of The Study ...................................................................................... 1  
    1.1.1 Motor Vehicle Industry In Kenya ..................................................................... 2  
1.2 Statement Of The Problem ..................................................................................... 4  
1.3 Objectives The Study ............................................................................................ 5  
    1.3.1 General Objective ......................................................................................... 5  
    1.3.2 Specific Objectives ....................................................................................... 5  
1.4 Research Questions .............................................................................................. 5  
1.5 Significance of The Study ..................................................................................... 6  
1.6 Limitation of Study ............................................................................................... 7  
1.7 Scope of The Study ............................................................................................... 7  
1.8 Assumption of the Study ...................................................................................... 7  

**CHAPTER TWO:** ................................................................................................... 8
4.1 Introduction .............................................................................................................30
4.2 Presentation Of The Research Findings..............................................................30

CHAPTER FIVE .............................................................................................................41
SUMMARY OF THE FINDINGS, CONCLUSION AND RECOMMENDATIONS…..41
5.1 Introduction............................................................................................................41
5.2 Summary of the Findings......................................................................................41
5.3 Discussion.............................................................................................................43
5.4 Conclusion..........................................................................................................44
5.5 Recommendations...............................................................................................45
5.6 Areas For Further Study .....................................................................................46
REFERENCES.............................................................................................................47
APPENDICES...............................................................................................................50
Appendix I Introduction Letter ..................................................................................50
Appendix II Questionnaire Customers........................................................................51
Appendix III Questionnaire Employee......................................................................55
Appendix IV Questionnaire Industrial Players..........................................................57
CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The automotive industry is a term that covers a wide range of companies and organizations involved in the design, development, manufacture, marketing, and selling of motor vehicles, towed vehicles, motorcycles and mopeds. It is one of the world's most important economic sectors by revenue measure. The term automotive industry usually does not include industries dedicated to the maintenance of automobiles following delivery to the end-user, such as repair shops and motor fuel filling stations (Schmit, 2011).

The history of the automobile typically begins as early as 1769, with the creation of steam engine automobiles capable of human transport. In 1806, the first cars powered by an internal combustion engine running on fuel gas appeared, which led to the introduction in 1885 of the ubiquitous modern gasoline- or petrol-fueled internal combustion engine. Cars powered by electric power briefly appeared at the turn of the 20th century, but largely disappeared from use until the turn of the 21st century. The early history of the automobile can be divided into a number of eras, based on the prevalent means of propulsion. Later periods were defined by trends in exterior styling, and size and utility preferences (OECD, 2011).

This all started with the technological breakthroughs that occurred in Europe during the early 1800's and continued a century later with the pioneering efforts of American manufactures to begin mass-producing cars. The world economic downturn leading up to World War II led to consolidation in the fragmented automobile manufacturing market, while in the postwar period, renewed economic growth, television advertising, and expanding road system accelerated sales for automobile producers in many industrialized countries. Design, service, and speed became trademarks of the successful companies, as evidenced by the every growing range of car models and the increasing popularity of different cars in across the globe (Golinska, Fertsch, & Pawlewski, 2011).
For many decades, the United States led the world in total automobile production. In 1929 before the Great Depression, the world had 32,028,500 automobiles in use, and the US automobile industry produced over 90% of them. At that time the U.S. had one car per 4.87 persons. After World War II the U.S. issued 3/4 of world's auto production. In 1980 the U.S. was overtaken by Japan and became world's leader again in 1994. In 2006, Japan narrowly passed the U.S. in production and held this rank until 2009, when China took the top spot with 13.8 million units. By producing 18.4 million units in 2011, The U.S produced more than twice the number of second place with China with 8.7 million units, with in Japan third place with 8.4 million units (OECD, 2011).

1.1.1 Motor vehicle industry in Kenya

The motor industry is one of the most lucrative and competitive sectors in Kenya today. This industry comprises of motor vehicle sales, tyre sector, spare parts and after service sales. The industry faces intense competition from second hand vehicles imported from Dubai and Japan. On the aforementioned it means then that in this industry there is both retail and distribution. The industry has undergone major transformation since the advent of structural Adjustment programs (SAPS) in the 1990s that advocated for liberalization that subdued earlier policies that pursued import substitution. The economy liberalization found most players unprepared to face the competition. As per Kenya motor industry, KMI,(2002) the market shrunk by approximately 50% from high of about 12000 units in 1995 to a low of slightly over 6000 units in 2001. The industry pundits have attributed this decline to the increased second-hand-hand vehicles and depressed economic environment (KMI, 2002).

Although this industry is liberalized and has many players, the business is in the hands of a few players who seem to hold 80% of the business and as such obey the pareto rule that states that 80% of the business is done by 20% of the players as stated by Lyson & Farrington( 1997). The first tier players are as follow: General motors East Africa (GMEA) is the largest auto dealer with 27% market share, having toppled Toyota Kenya for the in 2012, the company deals with Chevrolet, saloon cars, Isuzu pick-up, trucks, and buses. It has also turned its eyes to the regional markets for exports as the local markets show signs of slump and competition becoming cut-throat as quoted by the Daily business news.(12th, Feb, 2013) Toyota Kenya has a firm grip of the industry claiming 24% of the market share, infact most times the industry is not sure of who is the champion between Toyota and GM till the final unit for the year is keyed in. Toyota Kenya is the trading name in Kenya for Japan’s Toyota Tsusho.
corporation. It deals in its brand of saloon cars and pick-ups. It also the franchise holder of Yamaha motorcycles and recently the Hino trucks have also been brought on board. The company is said to be keen to acquire DT Dobie in the immediate future. No doubt this will make Toyota the powerhouse not just in Kenya but in the region as the new entity would control about 40% of the new motor vehicle sales in Kenya, potentially giving it muscle to influence policy and price in Kenya, a factor its competitors are wary about (Mwai, 2012).

DT Dobie is the third largest auto dealer with 13% market share and sells Mercedes Benz cars and Trucks. It also holds the franchise of the Nissan pick-ups, saloon cars and the sports utility vehicles(SUV’s). Renault cars and jeep are also retailed by the company. Simba Colt Corporation is the fourth largest auto dealer with 12% market share. The company has grown rapidly in the recent past after acquiring BMW from Mashariki motors in 2008 and Mahindra dealership from the Ecta group of companies mid last year. Cooper motors corporation (CMC) is the fifth largest auto dealer controlling 10% of the market share, it has actually dropped from the fourth position due to low sales. CMC which is listed on the Nairobi stock exchange is fighting a legal battle to keep its key Jaguar land rover(JLR) which the owners intend to give to its rival Thailand based RMA group. The JLR accounts for a third of CMC annual unit sales though the company has other seven franchises including Volkswagen.

On the second tier we have minnow players e.g. Ryce East Africa (Daihatsu and Honda), Amazon motors(Volvo), Eurysia(Peugeot), Cica (Hyundai & Great wall), Marshalls(KIA) , Honda E. Africa among others. it is in this category that the company of our scrutiny, Ryce East Africa LTD. is drawn from. On the foregoing, if Toyota Tsusho acquires DT Dobie and a merger in operations is done locally, markets pundits predict a totally hard time for the other dealers as they would be locked out of lucrative markets and major tenders by riding on economies of scale to ask for relatively lower prices for its units. A dominant dealer can control the market in any way they like including price distortion, a large market share is itself unfair to the minnows, says Kotler (2004). Such a dealer could also lock in customers by cross-selling its variety of vehicles types and brands, further cementing its dominance and growing market share wider.

In recent times, it has been witnessed that power has shifted from sellers to consumers, subsequently eroding profits. Consumers have nowadays become knowledgeable, smarter, aggressive and more
demanding, this has made it very hard to please them as pointed out by Kotler & Keller (2006). The consumer is today more sensitive to pricing and customer care as the customer is on high demand, which makes him the King. Having said that since dealers have to survive, profit making in selling vehicles has been a major interest to the dealers. The profitability of new units is influenced by both exogenous factors like country of origin, Government policies in addition to customer satisfaction and internal processes cost of money and capital turn –around period. Building strong profit margins will be a critical tool for dealer survival. Dealers therefore are keen to manage the key drivers of profiteering.

To cope with the challenges of profiteering, Ryce East Africa has to take strategic measures to surmount the same. These include: Right country of origin, prudent internal processes, keeping overheads low, unique selling proposition (USP), Brands that offer high quality performance that lock in customers. Other factors that have been looked in are technology, cost of sales, In addition to alternative sources of affordable spare parts and cheap labor. Ryce East Africa is the automobile division of the Sameer Group of Companies, which has business interests in the field of automobiles, Generators, Tyres and Vehicle Leasing, banking, insurance ,agriculture amongst others. Having successfully operated in Kenya for over 50 years, the list of clients is long and diverse, these include, Parastatals, corporate companies and various government departments. It is the franchise holder of Daihatsu Terios, the subject of our study.

1.2 Statement of the Problem

Profitability is the main objective of any business venture. The motor industry is no exception. After the global economic melt-down of in late 2009, sales have been going –up, albeit at low profits, according to KMI over the last 4 years, the profits have been declining to at least 40%. This has seen the industry have some companies close down and others scale down their operations. Other consequences have been motor dealers scaling down employee remunerations, have poor corporate image ,the Government receiving low revenues that are unable to finance its budget , this has led to poor infrastructure, workers strikes due to both delayed and low remuneration and generally low development in the country. Profitability has also been a subject to Michael porters ’diamond forces, the competition, the substitutes , the suppliers, new entrants and customers.
The low profits have also seen dealers change into second hand vehicles for survival, which made Kenya a dumping ground for the western countries and Japan. This scenario will keep Kenya as a least developed country; this is not acceptable as per the country’s policies and vision 2030. These developments have alarmed Ryce East Africa limited over its future in the new motor vehicle business, its market share, profitability and survival. Ryce East Africa has responded to this new phenomenal by seeking to understand profitability and its key drivers. The study is expected to explore how different factors affect profitability. This will assist in appropriate strategy formulation to have meaningful profitability and long haul survival as stated by De Wit and Meyer (2004).

The dwindling profits suggests that the drivers of profitability are not properly understood. This study seeks to close this knowledge gap in the motor industry in general and Ryce East Africa in particular. The study shall close this gap by investigating how the country of origin, Government policies, company internal processes, marketing mix and customer loyalty affect profits.

1.3 Objectives the study

1.3.1 General Objective.

To investigate the factors that affect profitability of new motor vehicle dealers.

1.3.2 Specific Objectives

i. To determine how a vehicle’s country of origin influences profitability of new motor vehicle sales.

ii. To investigate how government policies influence profitability of new motor vehicle sales.

iii. To establish how internal processes influence profitability of new motor vehicle sales.

iv. To investigate how marketing mix influences profitability of new motor vehicle sales.

v. To determine the effect of customer loyalty on profitability of new motor vehicle sales.

1.4 Research Questions

The study therefore sought to answer the following questions:

i. To what extent does the country of origin affect profitability in new motor vehicle sales?

ii. To what extent do Government policies affect profitability in new motor vehicle sales?
iii. To what extent does an internal process affect profitability in new motor vehicle sales?
iv. To what extent does marketing mix influence profitability in new motor vehicle sales?
v. To what extent does customer loyalty affect profitability in new motor vehicle sales?

1.5 Significance of the study

1.5.1 To the Management of Ryce E.Africa.

The study will be instrumental to the management of Ryce E. Africa, which will help in improving on its profitability, improve its market share, and maybe attract other franchises in addition to helping the industry at large to formulate strategies that would enhance their profit making processes and make good profits as per professor Peter Jackson of Leicester university (2004) assertion. Organizations exist to make profits unless they are charitable. Profits are the oil that keeps companies greased as seen by Peter Jackson.

1.5.2 The industry players.

The industry players shall use this report to run their organizations effectively and efficiently, this shall enhance their profit making and performance in general.

1.5.3 To Government of Kenya

The study findings will provide relevant information that will help the government in planning and also to formulate and implement policies that will facilitate more profitable business in the new motor vehicle industry, this will create growth in the industry that shall offer gainful employment, improve infrastructure in addition to collection of higher taxes and industry expansion.

1.5.4 To Researchers

The findings will act as a reference point to other researchers in the same field thus facilitating their studies. To academicians and scholars, the findings of this study will be useful to forming the basis for future research on the subject, providing a critical examination of the field.
Limitations of The Study

1.6.1 Confidentiality

The researcher was suspected by the respondents of collecting information and leaking it to unauthorized persons. However, the researcher used letter of introduction from the Management University of Africa that informed the respondents that the information collected is for academic purposes only and will be treated as very confidential.

1.6.2 Non-cooperation

The constraint of suspicion facilitated poor cooperation from respondents. However, the researcher assured the respondents on the importance of the study and cited the top beneficiaries.

1.7 Scope of the Study

The research study concentrated on Ryce E. Africa and a few industry players. Ryce East Africa is located at Kampala road, Industrial area, Nairobi. The researcher used the case study approach as it has lower reliability and general ability of its findings are rather limited. Where-as the findings may hold true for Ryce East Africa, they may not necessary apply to other motor industry companies and even lesser for companies outside the motor industry, the case study approach is good as an exploratory research but not as an explanatory tool. A conceptual framework is provided to further analyze the factors affecting profitability of new motor vehicles sales in Kenya.

1.8 Assumptions of The Study

The researcher assumed that the respondents were willing to answer the questionnaires provided. It was also assumed that the information provided by the respondents would be accurate and free from bias.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter gives a review of the existing literature on factors that contribute the profitability in the new motor vehicle sales. An overview of profitability of new motor vehicle both internationally and in Kenya and related studies with a view to expose the existing research gaps and need to offer an insight into need for the current study. According to Mugenda and Mugenda (2003), review of literature involves the systematic identification, location, and analysis of documents containing information related to the research problem being investigated. Moreover, literature review helps determine new approaches and stimulates new ideas. The chapter further presents summary and the conceptual framework of the study.

2.2. Review of Theoretical Literature

Literature review aims to maximize the accuracy of determining that there is need to thoroughly and critically select the most appropriate past activities. There is a broad spectrum of factors that contribute the profitability in the new motor vehicle sales. The study has selected the past activities that fall within the objectives of the study; this gave a clear account of all past theoretical undertakings that tried to identify the challenges affecting the profitability in the new motor vehicle sales.

2.2.1 Country of Origin Effect
Studies have shown that consumers tend to have a relative preference to products from their own country says Sharma (1987). He also argued that consumers could be biased against products from certain countries. This is extrinsic cue, country of origin is one of these extrinsic cues particularly when consumers are less acquainted with foreign products. Hant (1988) or intrinsic cues are not available. Customers are likely to be influenced by the origin of the car as this for them denotes certain attributes, quality in addition to the emotional connection. The predictive value of such a cue is affected by either the “ecological or observed “ co-variation between en cue and attribute Pinson (1986). The perceived theoretical relationship between the cue of origin and the attributes of a product is largely conducted by product-country images, among which quality as are presentation of a country’s production has an
impact on consumers evaluation criterion (Broniarzyk & Alba, 1994). A reference to Japans car is seen as the epitome of quality due advanced technology.

Country of origin signals quality and performance as well as after-sales service. There is an Halo effect of country of origin, that is country image affects beliefs about tangible product attributes and in turn affects overall evaluation. Han (1989) argues that when unfamiliar with a country’s product, consumers infer product information into country image, which then influences consumers’ attitudes toward other attributes. Although country of origin has been looked at as multidimensional construct that evoke various product-attribute-related responses, other studies have shown that country of origin is not merely a cognitive cue, instead, it can be an effective image attribute that which has direct influence on consumers’ decision making. Hong and Wyer (1989) demonstrated that the effect of the country of origin cannot be explained by the quality issues only. The country of origin also has symbolic and emotional meaning to consumers and it plays a very important role like quality and reliability in shaping consumers attitudes toward products. Affective connotation of country of origin may be formed not only by direct experience in foreign countries or encounters with foreigners but also through indirect experience with countries through culture, education or some well known events. In some cases, consumer attitudes toward a country as a producer could have a strong effect on the product preferences. Obermiller and Spangenberg (1989) noted that an Arab-American might not touch Israel product though she is aware of the superior quality. A Kenyan – American would be attracted to Kenyan tea not because of its superior quality but due to the Country of origin.

For consumers, country of origin may also serve as an effective image attribute which associates a product with status, authenticity and exoticness Verlegh and steenkamp (1999). When making buying decisions, consumers may link country of origin to personal memories, national identities and also to feelings of pride associated with the possession of products from certain countries Hirschman(1985) Jaffe and Carlos, (1995)found that the “factor proud to own” had a significant influence on Mexican consumers’ purchases of products from Japan and United States Of America .In Nigeria as observed by Okechuku and Onyemah (1999),the country of origin overrides other attributes like quality ,price, safety or even reliability. Therefore, even after controlling for perceived quality and performance, country of origin may influence consumers’ product evaluations and buying decisions. The direct effect may be
explained as the country of origin attribute, and is significant determinant of consumer tastes for preferences or biases, which plays an important role in purchase behaviors.

2.2.2 Developed Country Versus Less Developed Country As Producer

Liefeld, (1993) observed that there is a strong relationship between product evaluation and the degree of economic development of a country. Further studies by Wall and Liefeld (1991) have demonstrated that consumers from developed countries would prefer to purchase from the developed countries but first and foremost purchase from their own countries, Consumers from least developed countries look at local products less favorably compared to products from developed countries as found by Granzlin and Olsen(1998), Jaffe and Carlos(1995); Okechuku & Onyemah(1999) and Papadolous (1993). Producers from developed countries enjoy vantage points. Schooler and Wilt (1968) found that the effect of consumers country’s origin bias can be offset by price concessions. Japan has enhanced its market share by positioning “made in Japan” as a sign of quality. Initially consumers especially those from the western countries looked at Japan as a low quality source. Japan has worked over the decades after the 2nd world war to a symbol of quality. Today Japan is selling in droves especially in automobiles and electronics. Made in Japan means quality consumers (Papadolous, 1993). It is worthy investigating whether the effect of country of origin still holds in today’s global village, where counterfeits and imitation has become a norm.

2.3 Market Mix

Marketing mix is the set of marketing tools the firm uses to pursue its marketing objectives in the target market. Kotler (2003) argues that marketers understand consumer behavior, the target market’s needs, wants and demands. McCarthy classified these tools into four broad groups that he called the four P’s of marketing: Product, price, place, promotion. In the recent past, people, physical evidence and processes has been added making it 7’ps. The marketing mix plays a significant role for marketers to approach the target market and make sales at a profit. The components of market mix can be summarized as follows:

2.3.1 Product

A product is anything both favorable and unfavorable, that one receives in an exchange and in a mixture of tangible and intangible attributes, including functional, social and psychological utilities or benefits. It
is important to appreciate that a product can be an idea, a service, a good or a combination of both. It is important to remember when buyers purchase a product they are interested in the benefits and satisfaction that the product shall provide. Product attributes guide the pricing policy and to large extent the profitability of the company, where a product is perceived to be of high value, a high price can be condoned by the consumers this in essence gives high profitability.

2.3.2 Price
A price is what a buyer must give up to obtain a product or a service, it is quite flexible compared to the other market mix components, it can be changed or moderated at a short notice. It quite important as it is the one that brings revenue to the company as argued by Lam. For effective business venture, the right price must be done, this determines profitability of the company, remember it is the only component that brings the much needed revenue, all the other are about costs as observed by Kotler and Armstrong, (2001.) For consumer, price is the monetary expression of the value to be enjoyed or benefited by purchasing a particular product. Price is critically important element in company’s profitability. Under price, we have elements like list price, discounts, allowances, payment periods and credit facilities (Kotler, 2003)

2.3.3 Place

This is also known as distribution, which involves channels of distribution, physical distribution, wholesaling and retailing. Once goods have been produced, they have to use channels to get the final destination, the routing is known as marketing channels, these also include those intermediaries that products and services pass through from the point of production to the point of final use. Today most producers do not sell directly to the final users. Instead, the majority of goods and services move from producers to the users through a series of intermediaries or middlemen who perform a variety of functions. The ‘place’ element of the marketing mix, thus, involves the marketers in ensuring that the products or services are available at the right time, in the right place in the right quantities. Specifically a dealer must decide the channels to use to reach its target market. It must select, recruit and organize channel intermediaries and must decide on stock levels, delivery models and time. Under this element we have channel coverage assortments, inventory and transport. These activities should be well-coordinated for high efficiency and profitability. The company must decide whether it wants broad
distribution or more selective coverage with a few dealers Dalrymple and Parsous (2000). It follows then it is prudent to investigate how this affects the profitability of the company.

2.3.4 Promotion

Business enterprises, ranging from the smallest retailers to the big organizations as well as non-profitable firms continuously promote themselves to their clients in an effort to accomplish a variety of purposes that include informing the customers about their product, services and terms of sale, persuasion of customers to keep to ascertain brand of products, shop in certain stores, attend particular entertainment events and conform to certain behaviors and inducing actions from customers. These and other objectives are achieved by using advertisements, personal selling, sales promotion, store signs, point of sale (purchase), displays, product packages, direct mail literature, free samples, coupons, publicity releases in addition to other promotional and communications devices. The objective are to increase sales and buyers preference for the product or the service as seen by Stanley (1977). According to Belch and Belch, (2004), promotion mix plays a very significant role in business and becomes an integral part of social economic impetus.

According to Lamb et al (2004) the promotional strategy is closely related to the process of communication. Companies should understand the nature communication process, particularly in marketing; they can use promotional strategy to increase sales effectively. Studies have shown that advertising effort would be best focused on-users of the brand, (Neslin, 1989). Baker, (1999) argues that promotions would only apply to consumers of weak brands, who are likely to change to the brand being promoted, Ehrenberg (1974) postulates that advertising should be to reinforce feelings of satisfaction for brand already purchased as opposed to acquiring new users.

On the foregoing it is the n prudent to do promotional mix when only necessary, unnecessary promotional activities could cause a dent in the budget with little success on profits, it therefore follows that investigation has to be done to ascertain how promotional mix affects profitability. It should be noted that the difference between a leading and a small brand is that the leader has more buyers.
2.3.5 People
Anyone who comes in contact with the customer makes an impression that could have a profound effect, either negative or positive on customer satisfaction. Consequently the reputation of your brand rests in the hands of people who come across it. The people in contact with the product must therefore be pleasant, trained and motivated. They should not only be well trained but also be the right people for the job. Usually the customers are not able to differentiate the product from the people who handle it, this shows how important the people are for the product. The level of support and advice given by the business for after service is one way of adding value to what you offer. This will give you an edge over your competitors. This shall eventually become more important than price to captive customers. The products that bring good revenue should be given good after service support, competent staff and there should never be complacency in their handling the products, they should be well looked after, without much additional cost.

2.3.6 Process
The process of giving a service and the behavior of those who give it are crucial to customers. The waiting times, the information provided and helpfulness to keep the customer happy are quite vital. Customers are not interested in bureaucracy but in working systems. They want their work done and pretty fast in an ample environment. Waiting areas, washrooms should be clean; this re-assures the customer that the service is equally good.

2.3.7 Physical evidence
Customers ask around before purchase and past customers with good experiences would give credible testimonies, the customers can then go ahead and purchase with confidence. This is because customers can not have experiences before the product is delivered. Companies should have data bases of reference customers, these customers should be kept abreast the happenings of the company, and this should help as a referent point.

2.4 Government Policies
These are the policies that the Government puts in place to regulate the auto industry. A lot of efforts have been put in place in different countries. In Australia a paper was developed on effective policies and barriers to auto industries growth by Federal chamber of commerce. The fostering of a healthy national automotive industry requires government policies at both the macroeconomic as well as
microeconomic levels which promote the development of automotive production and sales. The following were the recommendations given:

2.4.1 Macro-Economic Policies Affecting The Auto Industry

In most countries, the level of automotive production is closely correlated to domestic or regional automotive sales. Also the level of automotive sales and production is closely related to disposable income levels, interest rates and finance availability, consumer confidence and other factors influenced by macro economic policies. Production in particular often has long lead times, so consistent and predictable economic progress is important. Therefore, national macro economic and monetary policies which produce stability and consistency in Gross Domestic product, per capita growth are generally very significant factors affecting the level of automotive sales and production. The following are the macroeconomic factors found to encourage automotive production and sales. Stable national economic performance producers are propelled by confidence to invest, the consumers and businesses need confidence to plan and project future purchases. Minimum uncertainty is encouraged. Thus, wild fluctuation and in economic activity should be avoided. Consistent national economic and regulatory policies are important. Consistent national policies are critical to investment and consumer behavior. Inconsistent policies may inhibit investment and sales as well as generate potentially large fluctuations in economic performance. Both the investors and the customers need stable economic policies and good regulatory framework to invest and do purchases respectively. Transparent economic and regulatory policies: Policies must be not only be fair, but must be seen to be fair, if external investment is to be encouraged. Thus great emphasis should be given to ways of maximizing transparency. Simplicity of policies and regulations should be encouraged (Spangenberg , 1989).

Commitment by the government to the auto sector is very important for the industry to succeed. Automotive investment requires large amounts of capital, which must be committed for a long period. Investors want to minimize the associate risks, so the Government must show total commitment to the industry, there might be divestiture or scale down in case the investors sense no commitment from the Government. Monetary policies which promote low interest rates (affordability) are necessary with regard to affordability of vehicles, availability and the cost of capital is critical in developing a healthy demand for vehicles. Governments that rely excessively on monetary policy rather than fiscal policy can induce a large reduction in vehicle sales and production, if they try to control the economy through interest rate mechanisms. Stability in exchange rates should be encouraged, the industry is global and
thus subject to the vagaries of exchange rate fluctuations. Thus widely varying exchange rates can move an industry from a viable to a non-viable situation in a short period of time. A devaluation increases the cost of imported competition. This threat to viability can quickly eliminate jobs and productive capability built up over a long period of time. Improvement of automobile infrastructure (roads, parking lots and Complementary public transportation.) An appropriate balance between automotive infrastructure and public transport investment should be sought. Good infrastructure is required to allow the benefits of motoring to be enjoyed by as many as possible. However if this is done at the cost of running down public transport infrastructure, chronic traffic problems may result (Liefeld, 1993).

High inflation inevitably leads to high nominal interest rates with a consequent reduction in consumer confidence and purchasing power. The government should endeavor to keep the inflation low, by so doing there would be more disposable income to buy vehicles and vehicle production would be high. The industry would be flourishing The Government is key in creating macro-economics in the positive direction in the automotive industry, however it is advisable to limit its involvement in the micro-economics, this not only creates a healthy auto industry but also allows the market principles to operate freely. Such industries are quite successful. Some examples of the Government policies that encourage sound development of sustainable auto industry include: Open trade and investment environment to foster economically rational decisions based on market principles, rather than government policies. Some government have historically adopted auto policies focused on local content requirements, high import tariffs, and investment restrictions which have resulted in a fragmented and relatively inefficient auto industry. An openly competitive market is most effective in providing the region with world class manufacturing technology, market access for vehicle and component exports, high quality products at reasonable prices and long-term job creation. Consistency, transparency and nondiscrimination in automotive policies. Potential investors need a clear and predictable understanding of the competitive trade and investment rules that are applied to the automotive industry in order to make sound business decisions (Spangenberg, 1989).

The custom policy should be clear and open and the processes should be simplified. There should be harmonized regulations and full utilization of electronic interfaces will boost integrity and business confidence. Adoption of national standards shall go along way of eradicating in efficiencies and
primitive practices. Customs administration utilizing modern risk management techniques and automated processes can facilitate the reputable traders and assist in combating illegal activities.

Recognizing the auto industry is heading towards "one standard, one model" concept for ultimate efficiency, the careful regard of harmonizing standards and desiring a compatible time schedule with other economies will assist this process. Economies should accept vehicles that meet regulations in the new global registry in lieu of unique national requirements, and accept common test devices and procedures. Additionally acceptance of a simplified and common certification approval process is recommended. The development of a regional industry based on open market principles tends to lower manufacturing costs and maximizes available facilities and resources by increasing the scale of production and promoting competition. This can lead to higher levels of efficiency, more affordable products and more consumer choice. Such integration makes the region much more attractive for global investors (Liefeld, 1993).

Some economies see high taxation of the automotive industry as a means of raising revenue to meet fiscal requirements. In certain cases, this taxation is excessively high relative to other forms of consumption expenditure. Motor vehicles are sometimes taxed excessively as luxury goods whereas they should be taxed like other consumer items. Thus it acts to divert the potential customer away from purchasing a vehicle, inhibiting the natural growth of the industry. A few governments have used the tax or duty system to favors one vehicle type or size over another, for example, commercial vehicles compared with passenger cars. Historically, commercial vehicles were considered necessary for economic development whilst passenger cars were classified as luxury goods. This process can distort the natural market, as passenger cars are necessary to economic development. Government policy makers should avoid the distorting impact of high levels of taxation and tax policies favoring one vehicle type or size over another.

The "user pays" principle is better served if the taxation is based more on vehicle use and less on vehicle purchase. Low purchase taxes will encourage the industry to grow, while governments can still get their fair share of revenue from the industry through various user taxes. Motor vehicles are among the more costly of general consumer purchases, access to financing entities and the terms of financing instruments allowed are major factors affecting the scope of potential vehicle sales in any national market. The
majority of the consumers of automobiles and trucks rely on the ability to finance the purchase and repay over a longer period of time, and financing is an essential determinant of affordability. Policies which allow both the freedom to offer such financial services and encourage financial practices which allow consumers access to the widest range of financial options is an important contribution to maximizing the growth potential for the automotive industry in any market (Liefeld, 1993).

There are some barriers created by macroeconomic and microeconomic Government policies, these inhibit healthy growth and development in the long run. These barriers are basically for the developed economies but can eventually be introduced the developing economies depending on individual circumstances of the local auto industry and its historical development. Unnecessary protection and regulation may impede competition and hamper industrial development. Some of the known barriers are stipulated as follows: Investment restrictions prevent new global investment and hence new market entries, and at the same time protect what may be considered to be inefficient domestic auto industries. From the perspective of protecting the consumer, who wants to receive high quality products at reasonable prices, investment restrictions should be abolished, and a free and competitive market should be realized. Investment restrictions should be abolished according to World trade organization rules (Spangenberg, 1989).

Local content requirements tends to protect the local industry. Because it may detach the industry from international competition, it may not be able to be internationalized. In the mid- to long-term this may not result in higher quality and increased competitiveness of the local auto industry. As a result, local content requirements most often does not effectively or efficiently contribute to industrial development. World trade organization (WTO) objective is to bring benefits to countries through standardized, increased and free trade especially during this time of globalization. Excessive high tariffs are against the spirit of the WTO and thus should be lowered. However, tariffs are the only rule abiding means provided under the WTO. There are opinions that to successfully expand an auto industry still in its developing stage, there is a need for a certain level of tariffs. It should be noted that excessively high tariffs will hinder growth, but hastened liberalization will most likely bring about damage to the industry and market of the developing country. A gradual liberalization is recommended taking into consideration the development stage of each economy. We also recommend that high tariff economies should develop a step by step approach to automotive trade liberalization. By requiring exports from a
country which is yet to become internationally competitive, it will diminish the chances for the industry to reach this goal, and for the market to grow. Therefore such auto export requirements should be abolished. There could be imposition of National production to sales ratios, these would restrain the natural industry development and growth and serve no long-term purpose. Distribution controls could prohibit free conduct of business, which may lead to competitiveness being lost in the long term and therefore should be abolished. When quota are imposed the entry of high-quality products at lower prices may be prevented, thus resulting again in loss of competitiveness and loss of economic benefits. Efforts to harmonize type approvals and standards for autos should be continued. Restrictions imposed by governments to restrict product related decisions reduce the ability to harmonize and supply consumer demand, and thus should be avoided. It is widely recognized that excessive and distorting taxes on automobiles such as "luxury tax" reduces demand and artificially restrains natural industry growth in both market and production. Whilst these taxes may be favored by some governments in raising revenue, they distort demand and stifle true market demand (Spangenberg, 1989).

Recommendations to Governments for the development of a healthy and sustainable automotive industry: High and Stable national economic performance, Well stratified, Consistent, transparent and non-discriminatory economic and regulatory Policies by the Government, Clear and open trade and investment policies which foster rational decisions based on market principles, Removal of domestic content requirements, Lowering of high tariff walls, Removal of quotas, licensing and distribution controls, Monetary policies which promote low interest rates, exchange rate stability and capital availability, Good availability of consumer finance, Reduction in distortion impact of auto duty and tax policies, Harmonization of auto standards - engineering, safety, emission and customs, Improvement of infrastructure - roads, parking, complementary public transport.

2.5. Internal Policies
Any good business should be built on concrete internal processes. From issuing invoices, to handling complaints and recording sales data, once these are sorted you can focus on winning new business and taking your company forward. Whether you are a self-employed one-man-band or run a multinational corporation or even a conglomerate, internal business processes are vital to your success. These are the processes that companies undertake as it executes its mandate as to fulfill its mission of existence. Entrepreneurial businesses don't stand still - they constantly change in order to cope with, and take advantage of, market and economic conditions. All too often, however, the underlying processes,
controls and checks that support the day-to-day operation don't change at the same to accommodate the new changes. There are several processes that affect profitability of companies, symptoms of these include: over-reliance on manual and paper based control and administrative procedures; difficulties in reconciling and accounting for all transactions, information pockets' and 'black holes' across the organization and delays in fulfilling customer expectations, meeting deadlines and producing reliable management information.

Approach to reviewing internal processes to make them more efficient include; Analysis of the required inputs, processes, checkpoints and outputs to highlight areas where potential improvements can best be realized, Identifying the threats and assessing the risks associated with any course of action, including doing nothing, conducting a business impact evaluation, including costs and benefits of suggested changes in process Agreeing the nature and extent of necessary change and developing an appropriate action plan. The review benefits the company by the following: Achieves greater effectiveness and efficiency of operations, Produces accurate management information from the main system(s), Enables faster processing of information, giving reduced costs and more readily available management information, Automates and tightens control and administrative procedures, where appropriate, enabling reconciliation and accounting for all transactions, avoids 'information pockets' and 'black holes' by ensuring that systems complement each other and do not duplicate processes (Ludwing, 2003).

2.5.1 Internal Factors Affecting A Company
Companies must endure economic recessions, competing businesses stealing their market share and dips in their stock price. However, these external factors are not the only problems businesses face. Internal issues can create just as many problems as external ones. Both are usually linked. The internal factors include: Employee’s caliber, Attitude and work ethic of a company's employees. Finding people qualified for the job and training them appropriately are other employment-related issues. The quality of employees affects company's ability to innovate, customer satisfaction, productivity and efficiency. Employees also are significant cost considerations. Companies spend considerable resources to hire, train and replace staff members.

Capital: A small pizza restaurant would love to install the most expensive, cutting-edge wood oven to create quality pies. Like all businesses, though, the restaurant must temper its wants with its available
resources or demand ability. A significant internal factor businesses must consider is the quality of their capital with respect to their available money. A company's capital, such as equipment, land and factories, can either limit or enhance its ability to compete with other businesses. For instance, Wal-Mart's large amounts of capital enable it to offer lower prices on its merchandise than the prices offered by small, local shops. Cash flow is also important, how well a company allocates its cash is an internal business issue. Cash flow refers to a company's ability to generate income and pay its bills as they come due. Businesses can jeopardize their cash flow by investing too much money in operations. A company also can mismanage its cash by accumulating too much of it and not investing it back into the business. Maintaining a steady cash flow is a balancing act. Managing your internal processes can make the difference between a company that runs smoothly, and a company that struggles to deal with even the smallest of problems. Once you have your company's core procedures in place, you will find it much easier to expand and focus your efforts into taking your business forward (Neslin, 1989).

2.6 Customer Loyalty
There are many definitions of customer loyalty. Yet each of them fails to realize that loyalty runs hand-in-hand with emotions. Customer loyalty is the result of consistently positive emotional experience, physical attribute-based satisfaction and perceived value of an experience, which includes the product or services. Consider who you yourself are loyal to. Surely you’ll answer family and friends. Why? Because of the emotional bond you have with them. Your family and friends can do things you may not like, but you stay loyal because of that bond. The same applies with customer loyalty. To prompt customer loyalty you must build an emotional bond with your customers. To build customer loyalty, customer experience management blends the physical, emotional and value elements of an experience into one cohesive experience. Retaining customers is less expensive than acquiring new ones, and customer experience management is the most cost-effective way to drive customer satisfaction, customer retention and customer loyalty. Not only do loyal customers ensure sales, but they are also more likely to purchase ancillary, high-margin supplemental products and services. Loyal customers reduce costs associated with consumer education and marketing, especially when they become net Promoters for your organization. Given the highly commoditized competitive landscape today, customer experience programs are the most effective way to differentiate your organization from the competition. Such differentiation effectively drives customer loyalty when customers are engaged on an emotional, intellectual, or even spiritual level, and when a customer cherishes a product or service.
before, during and after its use. In terms of customer loyalty, customer experience management proves itself as a sustainable competitive advantage (Dick & Basu, 1994)

2.6.1 The Service Quality Model
A model by Storbacka, Strandvik, and Grönroos (1994), the service quality model, is more detailed than the basic loyalty business model but arrives at the same conclusion. In it, customer satisfaction is first based on a recent experience of the product or service. This assessment depends on prior expectations of overall quality compared to the actual performance received. If the recent experience exceeds prior expectations, customer satisfaction is likely to be high. Customer satisfaction can also be high even with mediocre performance quality if the customer's expectations are low, or if the performance provides value (that is, it is priced low to reflect the mediocre quality). Likewise, a customer can be dissatisfied with the service encounter and still perceive the overall quality to be good. This occurs when a quality service is priced very high and the transaction provides little value.

This model then looks at the strength of the business relationship; it proposes that this strength is determined by the level of satisfaction with recent experience, overall perceptions of quality, customer commitment to the relationship, and bonds between the parties. Customers are said to have a "zone of tolerance" corresponding to a range of service quality between "barely adequate" and "exceptional." A single disappointing experience may not significantly reduce the strength of the business relationship if the customer's overall perception of quality remains high if switching costs are high, if there are few satisfactory alternatives, if they are committed to the relationship, and if there are bonds keeping them in the relationship. The existence of these bonds acts as an exit barrier. There are several types of bonds, including: legal bonds (contracts), technological bonds (shared technology), economic bonds (dependence), knowledge bonds, social bonds, cultural or ethnic bonds, ideological bonds, psychological bonds, geographical bonds, time bonds, and planning bonds.

This model then examines the link between relationship strength and customer loyalty. Customer loyalty is determined by three factors: relationship strength, perceived alternatives and critical episodes. The relationship can terminate if: the customer moves away from the company's service area, the customer no longer has a need for the company's products or services, more suitable alternative providers become available, the relationship strength has weakened, the company handles a critical episode poorly, unexplainable change of price of the service provided. The final link in the model is the effect of
customer loyalty on profitability. The fundamental assumption of all the loyalty models is that keeping existing customers is less expensive than acquiring new ones. It is claimed by Reichheld and Sasser (1990) that a 5% improvement in customer retention can cause an increase in profitability between 25% and 85% (in terms of net present value depending upon the industry). However, Carrol and Reichheld (1992) dispute these calculations, claiming that they result from faulty cross-sectional analysis.

According to Buchanan and Gilles (1990), the increased profitability associated with customer retention efforts occurs because: The cost of acquisition occurs only at the beginning of a relationship: the longer the relationship, the lower the amortized cost. Account maintenance costs decline as a percentage of total costs (or as a percentage of revenue). Long term customers tend to be less inclined to switch and also tend to be less price sensitive. This can result in stable unit sales volume and increases in dollar-sales volume. Long term customers may initiate free word of mouth promotions and referrals. Long term customers are more likely to purchase ancillary products and high-margin supplemental products. Long term customers tend to be satisfied with their relationship with the company and are less likely to switch to competitors, making market entry or competitors' market share gains difficult. Regular customers tend to be less expensive to service because they are familiar with the processes involved, require less "education," and are consistent in their order placement. Increased customer retention and loyalty makes the employees' jobs easier and more satisfying. In turn, happy employees feed back into higher customer satisfaction in a virtuous circle. For this final link to hold, the relationship must be profitable. Striving to maintain the loyalty of unprofitable customers is not a viable business model. That is why it is important for marketers to assess the profitability of each of its clients (or types of clients), and terminate those relationships that are not profitable. In order to do this, each customer's "relationship costs" are compared to their "relationship revenue." A useful calculation for this is the patronage concentration ratio. This calculation is hindered by the difficulty in allocating costs to individual relationships and the ambiguity regarding relationship cost drivers.

2.6.2 Employee Loyalty

Schlesinger and Heskett (1991) added employee loyalty to the basic customer loyalty model. They developed the concepts of "cycle of success" and "cycle of failure". In the cycle of success, an investment in your employees’ ability to provide superior service to customers can be seen as a virtuous circle. Effort spent in selecting, training employees and creating a corporate culture in which they are empowered can lead to increased employee satisfaction and employee competence. This will likely
result in superior service delivery and customer satisfaction. This in turn will create customer loyalty, improved sales levels, and higher profit margins. Some of these profits can be reinvested in employee development thereby initiating another iteration of a virtuous cycle. Fredrick Reichheld (1996) expanded the loyalty business model beyond customers and employees. He looked at the benefits of obtaining the loyalty of suppliers, employees, bankers, customers, distributors, shareholders, and the board of directors. The customer loyalty drivers that have been identified include customer proposition, corporate reputation, and loyalty programs, complain handling and employee loyalty. The other customer loyalty dimensions like products, price, promotion, quality and location are aspects intrinsically intertwined within the independent variables.

2.7 Conceptual Framework

The conceptual framework comprises of five independent variables and one dependant variable. Mugenda and Mugenda, (2003) defined an independent variable as the one that the researcher manipulates in order to determine the effect or the influence on the other variable. On the other hand a dependant variable is the one that attempts to indicate the total influence arising from the effects of the independent variable and varies as a function of the independent variable according to Mugenda and Mugenda (2003).

In this study the independent variables that have been identified are country of origin, Government policies, company internal processes, marketing mix and customer loyalty. These factors are believed to influence dependant variable and the subject of this study. It is envisaged that a change in each in each independent variable singly and collectively, will be transmitted to the dependant variable to prompt an increase or decrease in profitability. This relationship between the variable is captured in the conceptual framework in the diagram below.
Fig 2.1 Conceptual model

Independent Variables

- Country of origin
- Government Policies
- Marketing Mix
- Internal Process
- Customer Loyalty

AFFECTS

Dependent Variable

- Profitability of Motor industry

Source: Author (2013)
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology which was used to achieve the objectives of the study. It also outlines research design, target population, sampling design, data collection method and research procedures, validity and reliability, pilot study, outcomes and data analysis techniques that were applied during the study.

3.2 Research Design.

Research design is the conceptual structure within which research is done and it is a blueprint for collection, measurement and analysis of data. According to Kothari (2003), a research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In other words it answers the questions of what, where, when, who, why, and how of the research study.

In this respect, the research design is a case study and according to Robson (2002) a case study is a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence. Basically a case study is in depth of a particular situation rather than a sweeping statistical survey. It a method used to narrow down a very broad field of research into one researchable topic. It is specifically important where in depth understanding of the research context is required and the process being enacted as argued by (Morris & Wood, 1991). This study seeks to understand the factors that drive profitability in the new motor vehicle sales in Kenya, using Ryce E. Africa.

A key tenet of the case study is its subject and its relevant where the effort is geared towards deliberately isolating a small study group, one individual case or one particular population. In the design of a case study, it is important to plan and design how to address the study and ensure that all the collected data is relevant. Unlike a scientific research, there is no strict set of rules, so the most important part is making
sure that the study is focused and concise. Analyzing results for a case study turns out to be more opinion based than statistical methods. The usual is to collate data into a manageable form and it is important to show some numerical data. Unlike a scientific study which deals with facts, a case study is based on opinion and is often designed to provoke reasoned debate.

The study was undertaken in Nairobi and Mombasa branches of Ryce East Africa. Some data were collected from CMC, Toyota Kenya and Stantech motors limited.

### 3.3 Target Population

Mugenda and Mugenda (2003) defined population as the entire group of individuals, events or objects having a common observable characteristics and its aggregate of all that conforms to a given specification. The population to which the results are ordinarily generalized is known as the target population. The target population is of three sets, the customers and the employees and competitors.

#### Table 3.1 Target population

<table>
<thead>
<tr>
<th>Category</th>
<th>Target population</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>200</td>
<td>65</td>
</tr>
<tr>
<td>Customers</td>
<td>100</td>
<td>32</td>
</tr>
<tr>
<td>Industry players</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>310</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Author (2013)*
3.4 Sample Size
A sample is defined as subject of a population that has been selected to reflect or represent characteristics of a population. A stratified random sampling design was employed to obtain a suitable unit representative of analysis. This is because of the heterogeneity of the population and respondents have equal opportunity of participation. Kothari (2003) argues that a stratified proportional sample increases a samples statistical efficiency and provides adequate data for analyzing the various populations. This method is cost effective, fast track data collection, and access to the unit of analysis and elements of the study. Kerlinger (1997), observed that sample drawn randomly is unbiased in a way that no number of populations has any chance of being selected more than the other. From each stratum, certain percentage of respondents were selected and be used to gather the required information. The sample size is tabulated as follows:

Table 3.2 Sample Size

<table>
<thead>
<tr>
<th>Category</th>
<th>Target Population</th>
<th>Sample Size</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>200</td>
<td>60</td>
<td>30</td>
</tr>
<tr>
<td>Customers</td>
<td>100</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Industry players</td>
<td>10</td>
<td>4</td>
<td>40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>310</strong></td>
<td><strong>94</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Author (2013)

A sample size of 30% was taken from the population, this was found to be adequate, a small sample may not serve to achieve the objective and if it’s too large it may incur huge cost and waste of resources says Kothari(2008). This sample size was drawn from these sections: after service, human resource, workshop, Finance and sales and marketing.

**The employees:** These shall be handled from operations, to show how internal processes affect profitability drawn from both Nairobi and Mombasa

**Industry player:** To compare how both country of origin and government influence profitability

**Customer:** To assess how customer loyalty affects profitability, these are drawn from Nairobi only.
3.5 Research Instruments

There were three sets of questionnaires for customers, employees and competitors. To competitors and customers, the research assistants dropped and picked the questionnaires. The questionnaire for employees were administered by the author, the ones for Mombasa were send and returned by courier post.

3.6 Pilot Study

A pilot study is a small experiment designed to test logistics and gather information prior to the larger and final study. It is aimed at improving the quality and efficiency of the research process. At the same time it reveals deficiencies in the design of a proposed experiment or procedure which require finances, time and resources. The experiment or procedure which require correction before time, money and other resources are committed to the effort. The pilot study was taken with 6 respondents. 2 employees, 2 customers and 2 competitors. Employees were from Nairobi and 1 from Mombasa. Customers and competition were done in Nairobi.

3.7 Data Collection

The study relied on primary data collected from the field. The three separate questioners were administered to the respondents. Each questionnaire sought to collect data on each of the respective and relevant variables and have to be consistent with the research objectives and questions. The questionnaire allowed the respondent to provide insights without losing control during the data analysis phase. The data collected from the field was subjected to cleaning, codification, tabulation and categorization before being analyzed.

3.8 Data Analysis

On receipt of the completed questionnaires, the collected data was checked for errors in responses, omissions, exaggerations and biases. The data was subjected to analysis in order to facilitate interpretation and drawing of inferences. In order to ease data handling, excel, and spreadsheets were used to format and manipulate the data. The results from the data analysis are presented in the form of tables, pie charts and percentages. The data management process and analysis were done with the help
of the Statistical Package for Social Sciences (SPSS) and the EXCEL for Windows. Responses from the open-ended questions were first coded on key thematic areas, entered into SPSS database, analyzed and presented in narratives to support the quantitative data.
CHAPTER FOUR
DATA ANALYSIS AND RESULTS PRESENTATION

4.1 Introduction
This chapter has presentation and discussion of the empirical results to explore the factors that affect profitability in new motor vehicle dealers. The data is interpreted in order to answer the research questions. In the results presentation, the tools highlighted earlier in the study are used to help discussion touching in all variables. The results from the analysis have both and negative and positive perspectives on profitability on the study subject.

The main data collection tool was a questionnaire which contained three variables: country of origin, marketing mix, internal processes, Government processes and customer loyalty. The purpose of the data analysis is to determine whether the presupposed factors that affect profitability of new vehicle dealers in Kenya is supported by the views of the respondents. Data is presented in the form tables, pie charts, and percentages where applicable.

4.2 Presentations of Research Findings

4.2.1 Response Rate
The respondents were classified in three categories, the customer, the employee and the industry player. The respondents profiles and demographic were highlighted, all respondents had tertiary education or above. The employees were drawn from functions that interact with customers. In total 94 questionnaires were sent out, only 69 questionnaires were returned. This gives a 73% Response rate as shown Table 4.1 and Figure 4.1.

<table>
<thead>
<tr>
<th>Table 4.1 Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
</tr>
<tr>
<td>Returned</td>
</tr>
<tr>
<td>Not returned</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Author (2013)
4.2.2. Population Characteristics

The population under study was analyzed in terms of gender, education and the role in the new motor vehicle sector in addition to the period they have been involved in this sector. All the respondents play a pivotal role in the sector and specifically in the variable they are being probed on.

Table 4.2: Respondents Gender

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>40</td>
<td>58</td>
</tr>
<tr>
<td>Female</td>
<td>29</td>
<td>42</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Author (2013)

From table 4.2 its show that this field is male dominated. At least 58% of the respondents were male while Female constituted 42%.

4.2.3 Country of Origin.

The study was to determine whether the country of origin influences the profitability of the new motor vehicle dealers in Kenya. To investigate these phenomena questions were asked directly on the same to the 30 customers, of which 25 responded. The results were summarized as here below
Table 4.3 Country Of Origin

<table>
<thead>
<tr>
<th>Country of Origin</th>
<th>Very great extend</th>
<th>Great extend</th>
<th>Moderate extend</th>
<th>Low extend</th>
<th>Very low extend</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>15</td>
<td>8</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>Percentage</td>
<td>60</td>
<td>32</td>
<td>8</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
</tbody>
</table>

Source (Author 2013)

On the country of origin; 60% of the respondent considers country of origin influences the profitability of the new motor vehicle dealers to a very great extend, 32% believes it influences to a great extent while 8% said to a moderate extend as shown in table 4.3 and it was discovered that majority preferred vehicles from Germany followed by Japan. Few customers said they could buy from India and extremely few would buy from China. There respondents ascertained that they would only buy Chinese vehicles as the last option and most likely dictated by prices.

Figure 4.2 Country of Origin

Source: Author (2013)

4.2.4 Marketing Mix

The second objective of the study was to determine whether marketing mix influences profitability of new motor vehicles. The influence of each marketing mix factors (product, price, promotion, place, physical evidence, people, and processes) was examined and the following table gives the results.
analysis. The questionnaire was administered to the industry players directly, all the 4 sampled responded.

**Table 4.4 Importance of Marketing-Mix Factors On Profitability**

<table>
<thead>
<tr>
<th>Opinion statement</th>
<th>status</th>
<th>Least important</th>
<th>Low importance</th>
<th>Medium importance</th>
<th>High importance</th>
<th>Most important</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td>Frequency</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>25</td>
<td>75</td>
<td>100</td>
</tr>
<tr>
<td><strong>Promotion</strong></td>
<td>Frequency</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>0</td>
<td>0</td>
<td>50</td>
<td>25</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td><strong>Place</strong></td>
<td>Frequency</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>25</td>
<td>25</td>
<td>0</td>
<td>25</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td>Frequency</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>75</td>
<td>25</td>
<td>100</td>
</tr>
<tr>
<td><strong>People</strong></td>
<td>Frequency</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>0</td>
<td>25</td>
<td>75</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td><strong>Physical evidence</strong></td>
<td>Frequency</td>
<td>0</td>
<td>1</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>0</td>
<td>25</td>
<td>75</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td><strong>Processes</strong></td>
<td>Frequency</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Percentage</td>
<td>0</td>
<td>0</td>
<td>100</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
</tbody>
</table>

*Source: Author (2013)*

The respondents (the industry players) were requested to rate the factors that affect profitability in the new motor vehicle dealers. The rating were in least important, low importance, Medium importance, High importance and most important. From the Table 4.4, product was said to be 75% and 25% most important and high importance respectively. On promotion 50% gave it medium importance, high and
most important got 25% each. The respondents agreed that place was important with high importance and most important scoring 25% each, low and least important scored 25% each on this factor.

Price was rated highly with 75% saying it was most important and 25% saying it was highly important. On how people affected profitability, the 75% respondents said it was of medium importance and 25% of low importance. Physical evidence was rated by 75% of the respondents as of medium importance, while 25% gave it low importance. All the respondents agreed that processes were of medium importance in the profitability factor.

4.2.5 The Government processes

The objective was to investigate how Government processes affect the profitability of new motor vehicle dealers. A Questionnaire was send directly to the 4 industry players and the following data was collected as tabulated here-below. Rating was done on a scale of 1-5, being great extend to not at all.
Table 4.5 Government processes

<table>
<thead>
<tr>
<th></th>
<th>Very great extent</th>
<th>Great extent</th>
<th>moderate</th>
<th>Less extend</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxes and duty</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Percentage</td>
<td>75</td>
<td>25</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Customs bureaucracy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Percentage</td>
<td>75</td>
<td>25</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Exchange rates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Percentage</td>
<td>25</td>
<td>50</td>
<td>25</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Corrupt practices</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Percentage</td>
<td>0</td>
<td>0</td>
<td>75</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td><strong>Currency fluctuations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Percentage</td>
<td>0</td>
<td>0</td>
<td>75</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td><strong>Long period for registration</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Percentage</td>
<td>0</td>
<td>50</td>
<td>25</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td><strong>Controlled government pricing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Percentage</td>
<td>0</td>
<td>50</td>
<td>25</td>
<td>25</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Author (2013)

As shown in Table 4.5 that 75% and 25% of the respondents agreed that Taxes and duties affected profitability to very great extend and great extend, none ranked this factor as moderate, less extend or not at all. Customs bureaucracy was said to be of effect to 75% of very great extend and 25% of great extend. Moderate, less extend and not at all had no polling. On currency fluctuation effect on profitability, 75% and 25% rated it to very great extend and to great extend respectively, none rated it moderate, least or not at all. 75% of the respondents rated corruption practices moderately and 25% said
it was of least importance, none of the respondents rated it of very great extend, great or not at all effect. Long periods taken during registration affect profitability with the respondents giving it 50% great extend, 25% least extend and 25% no effect at all. None rated it as of very great extend. 50% of the respondents agreed that controlled government pricing affected profitability greatly, 25% moderately, 25% at least, none indicated that it did not affect.

4.2.6 Internal Processes.

The specific variable was to investigate how internal processes affect profitability in the new motor vehicle dealers. The questionnaire was administered to the fellow employees by the researcher. 40 employees responded, the researcher was able to observe some of the issues by being part of the employee population. The collected data is tabulated here-below:
Table 4.6 Internal processes

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTION</th>
<th>STRONGLY AGREE</th>
<th>AGREE</th>
<th>NEUTRAL</th>
<th>DISAGREE</th>
<th>STRONGLY DISAGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>A)</td>
<td>We have modern technology</td>
<td>F</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>0</td>
<td>25</td>
<td>0</td>
<td>75</td>
</tr>
<tr>
<td>B)</td>
<td>The company has high bureaucracy</td>
<td>F</td>
<td>38</td>
<td>2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>95</td>
<td>5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>C)</td>
<td>No clear direction on procedures</td>
<td>F</td>
<td>20</td>
<td>8</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>50</td>
<td>20</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>D)</td>
<td>No-company structure</td>
<td>F</td>
<td>0</td>
<td>2</td>
<td>32</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>0</td>
<td>5</td>
<td>80</td>
<td>5</td>
</tr>
<tr>
<td>E)</td>
<td>Customer complaints are addressed real time</td>
<td>F</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>90</td>
</tr>
<tr>
<td>F)</td>
<td>Deadlines are strictly followed</td>
<td>F</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>G)</td>
<td>There is teamwork</td>
<td>F</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>I)</td>
<td>Profit margins are low</td>
<td>F</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>J)</td>
<td>There is prudent marketing Percentage</td>
<td>F</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
</tbody>
</table>

Source: Author (2013)
On the respondent level of agreement on whether the company (REAL) had modern technology, 25% agreed while 75% disagreed. None was neutral or strongly disagreed. On company bureaucracy level, 95% of the respondent strongly agreed on strong bureaucracy, whereas 5% just agreed, none polled for neutral ground, disagreed or strongly disagreed. The study revealed that procedures were not clear with 50% strongly agreeing, 20% agreeing, 10% neutral and 20% disagreeing and none strongly disagreeing. The table further indicates that the company structure is a problem with 80% respondents being neutral, 5% agreeing, 5% disagreeing and 10% strongly disagreeing, none strongly agreed.

On customer complaints being addressed real time, 90% disagreed, 5% strongly disagreed, 5% were neutral. None neither agreed nor disagreed. On whether deadlines are met 85% strongly disagreed, 10% disagreed, whereas 5% were neutral, none of the respondents neither strongly agreed nor agreed. From the findings on whether teamwork does exist, the respondents had 85% strongly disagreeing, 10% disagreeing and 5% neutral. None strongly agreed or agreed. On whether the profit margins were low, 80% strongly disagreed, 15% disagreed and 5% were neutral. No respondent strongly agreed or agreed. The study also sought to find out if the company carried out prudent marketing, the respondents polled as follows: 95% strongly disagreed and 5% disagreed, neither of the respondent strongly agreed nor agreed. None was neutral. These processes affect profitability of the dealers.

4.2.7 Customer Loyalty.

This variable was to assist determine to what extend Customer loyalty does influence profitability in new motor vehicle dealers. The question of customer loyalty was addressed to the 4 industry players. Here below is the tabulation of the research findings of the factors that affect customer loyalty in specific and profitability in general.
Table 4.7 Customer loyalty

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTION</th>
<th>STRONGLY AGREE</th>
<th>AGREE</th>
<th>NEUTRAL</th>
<th>DISAGREE</th>
<th>STRONGLY DISAGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Price Percentage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0</td>
<td>50</td>
<td>0</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>2</td>
<td>Customer service Percentage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>75</td>
<td>25</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>Country of origin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>75</td>
<td>25</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Marketing mix</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>50</td>
<td>25</td>
<td>25</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Internal processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>75</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Government fiscal Policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>75</td>
<td>25</td>
</tr>
<tr>
<td>7</td>
<td>Historical background</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>50</td>
<td>25</td>
<td>25</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>8</td>
<td>Competition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>75</td>
<td>25</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>9</td>
<td>Economical environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>75</td>
<td>25</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>10</td>
<td>Political, Social, Technological aspects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>0</td>
<td>25</td>
<td>50</td>
<td>25</td>
<td>0</td>
</tr>
</tbody>
</table>

**Source: Author (2013)**

To the extent to which price affects customer loyalty and subsequently profitability, the study revealed that 50% agreed, 25% disagreed and 25% strongly disagreed. The research revealed those customers valued customer service with 75% polling it strongly agree and the remaining 25% agreeing to this fact. From the finding, the respondent’s rating the extent to which country of origin influence customer loyalty, the study found out majority of the respondents as shown by 75% strongly agreeing and 25% agreeing. None was moderate, disagreed or strongly disagreed. The study established that marketing mix affects customer loyalty to great extend as indicated by the table with 50% strongly agreeing, 25% agreeing and 25% giving moderate rating. None of the respondents disagreed or strongly disagreed.
The study went ahead to reveal that internal processes affected customer loyalty with 50% saying it affects moderately and the other 50 just agreeing it does affect. No correspondent indicated strongly agree, disagree or strongly disagree. On the extent to which Government fiscal policies affect customer loyalty, the table indicates that 75% disagreed and the remaining 25% strongly disagreed. The table indicates that on the extent to which Historical background affects customer loyalty 50% strongly agreed, 25% agreed, 25% polled moderate. No respondent disagreed or strongly disagreed.

From the finding on the respondent agreement on extent to which competition affects customer loyalty, the table indicates 75% strongly agree and 25% agree. None polled moderate, disagreed or strongly disagreed. To the extend to which economical environment affects customer loyalty, the table indicates that 75% strongly agreed and 25% agreed. No one gave it moderated degree, disagreed or strongly disagreed.

On whether political, social and technological aspects affected customer loyalty and eventually profitability, the table 4.7 indicates that 25% agreed, 50% polled moderate and the remaining 25% disagreed that it affected. No respondent strongly disagreed or strongly agreed with this variable.
CHAPTER FIVE
SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS.

5.1 Introduction

On the analysis of the data collected, the following discussions, conclusions and recommendations were made. The questions and responses were based on the objectives of the study. The summary captures the essence of the study, while the conclusion deals with the lessons from the study. The recommendation constitute the counsel to Ryce East Africa and the new motor dealers in Kenya in general. At the end, areas of further study are also given.

5.2 Summary of The Findings And Discussion

The purpose of this research was to assess the factors that influence profitability in the new motor vehicle dealers in Kenya. The case study was of Ryce. East Africa, however other industry players were included in variables that affected the industry as a whole. Among the factors that the researcher set out to investigate included country of origin, marketing mix, Government policies, internal policies and customer loyalty.

On the country of origin, the study showed that it is so important and influenced almost all the respondents. The respondents opinioned that country of origin contributed on the vehicle attributes in terms of durability, quality, repair ability in addition to comfort. In descending order Motor vehicles from Germany, Japan and United Kingdom were preferred. China and India were least preferred.

The study revealed that market mix is very crucial in customer traffic and to great extend profitability. The study result shows that product is most important factor of the marketing mix, followed by price, promotion and place. People, physical evidence and process are of moderate influence.

The product ensures that the offering gives the core function as per the customer’s need, while the price dictates the make and the model. Promotion determines what marketing has been done on the product and how effective it is as for reaching the right populace. The place is about how accessible the product is to the customer.

People is about who is handling the product and the customer service offered, physical evidence is about the past performance that can be availed by the past customers while processes is about the efficiency in handling the customers.
The study established that when these crucial marketing mix are well handled, there is higher customer traffic and profits are much better.

The study indicated that Government policies affected profitability of motor dealers in great way. In descending order the factors that play key roles are customs duty and excise, customs bureaucracy, foreign currency fluctuation rates, corrupt practices, long registration periods and controlled Government pricing.

On customs duty and excise it affects dealers’ profit to great extent as it takes 40% of the costs this makes price quite high hence reducing customers; moreover the customers look at price as dealers’ profit. The respondents also pointed out the high bureaucracy that causes high demurrage costs that affect profits. The study also showed clearly that currency fluctuation influences profitability, when the Kenyan currency weakens the cost of the motor vehicles from the country of origin goes up, this pushes down the dealer profits.

Un receipted payments in the Government offices also scale-up the vehicle costs and subsequently the prices that end-up with thin profit margins. The respondents indicated that long delays occasioned by the Government registrar of vehicles cuts down on margins as the shilling turn-around is too long.

The study revealed that Government controlled pricing influences profits; this is because after the Government completes the annual contract, prices are not subject to change regardless. This does affects profits as vehicle costs may go-up within the year or other dynamism change in course of year that may need review.

The study further established that internal processes are important for the profits that motor dealers make. The respondents rated obsolete technology, high bureaucracy, mismanaging customer complaints, lack of teamwork, imprudent marketing and poor observation of deadlines as the major impediments of efficiency in internal processes. The factors that affected internal processes moderately to less extent are profit markings, company structure and procedure directions. The study indicated that handling of these factors affected profitability in the long haul.

The researcher also undertook to find out how customer loyalty influenced profitability in the new motor vehicle dealers. The investigation revealed that high customer loyalty led to high profitability. The researcher established the factors that influence customer loyalty to great extent are motor vehicle
country of origin, pricing policy, customer service, internal processes and Institutional memory in addition to both economical and competitive environment. To a less extent the same was found to be influenced by political, technological and social environments as well as Government fiscal policies and company physical address and ambience.

5.3 Discussion

The study confirms that all the variables in the hypothesis influence profitability of new motor vehicle dealers these variables are country of origin, marketing mix, internal processes, Government policies and customer loyalty.

The study revealed that country of origin affects profits as respondents showed they are ready to spend money on motor vehicles from their preferred countries, the preferred countries of origin are Germany and Japan. The least preferred countries being China and India. It was revealed that the country of origin has an impact on consumer’s quality perceptions of a product, as well as ultimately preference for and willingness to buy that product. This confirms the observations by Sharma (1987) and Leifield (1993) that country of origin is very important in determining customer’s motor vehicle preference.

The study further revealed that marketing mix is quite important and especially product, price, place and promotion. The conclusion is that product is important as it has to satisfy the customer core needs and the augmented needs’. On the price, the product has to be well priced so as to beat competition while place and promotion are important for product accessibility and exposure. People, physical evidence and processes play a peripheral role in the importance of marketing mix variable. It is important for the people who handle the product to be knowledgeable, have etiquette; there need be physical evidence of how the product has performed in the past and how fast the involved processes are handled. This is in line with Philip Kotler (2003) assessment that marketing mix is key to business and the motor industry is no exception.

The study also concludes that Government policies influence dealers profitability. As the start point Government plays a key role in the business environment; it can make it positive or negative. In the motor industry, custom duty and excise dictates the profits to be made by the dealers. Corruption also affects profits, Kenya is said to be the fourth corrupt country in the world, and these corrupt practices wipe out the economical gains made by the dealers. The bureaucracy and long periods of registration also affect profitability of the motor vehicle dealers. To a less extent exchange rate, Government
controlled pricing and currency fluctuations were found to affect profitability. This concurs with Liefield(1993) and Spangenberg(1989) that Government policies should be open and clear on motor vehicular systems for efficient running.

The researcher concluded that internal processes were of key consequences to the profits made by Ryce East Africa, it was found out that Ryce East Africa was facing a lot of challenges in its handling of its internal processes, these challenges are Obsolete technology, high bureaucracy, no clear directions, no teamwork, poor training strategies, deadlines are not strictly followed and there is no prudent marketing strategies and poor customer advisory services,

Customer loyalty was found to affect the profitability of the motor vehicle dealers across the industry. The more the customer loyalty the higher the profits a loyal customer may pay more, put up with bad service and introduce new clients, hence improving profitability. He must be taken care of, all the time the drivers of customer loyalty are customer value proposition, corporate reputation, loyalty programs, and complaint handling and employee loyalty. The study revealed that Ryce East Africa Ltd. was trying to manage its customer loyalty. However there are challenges that jeopardize its effort to achieve the elusive customer loyalty, these challenges are experiences during the process of buying, handling of the customer’s complaints, employee loyalty and the management of the customer relationship. The study agrees with Storbacka, strandvik and Gronoors(1994) statement that customer loyalty is crucial and that the customer experience with a product should always surpass the experience, this would always ensure customer retention.

**5.4 Conclusion**

In conclusion i ascertain that country of origin affects profitability of new motor vehicle business as people want to buy European and Japanese cars, alternatively they choose vehicles from their countries of origin due to the emotional attachment of goods from their country. The Government policies also dictate profits as Government directs taxes and speed of doing business. The Government bureaucracy is also key to operations. The company internal processes determine how effectively and efficiently business is done and this contributes a great deal to the profitability of the company, when systems and procedures are efficient and effective, companies make better profits in the motor industry.

Marketing mix is also found to be critical in relation to the profits that motor industry companies make, there has to be a balance of all the marketing mix elements, these are place, promotion ,price product,
physical evidence, people and process. For instance a high promotion budget that has no corresponding sales can lead a company to financial crisis. Customer loyalty has also been found to be of major importance in the motor industry, repeat customers are easier to manage at less cost and more adaptive to premier prices that rake in good profits. Loyal customer are good product ambassadors and offer free marketing services and are key in product research and development as they give sincere advice.

5.5 Recommendations

From the study findings it is clear that the Ryce East Africa and the motor industry in General are struggling with profitability. The researcher having understood the challenges has come up with recommendations to be addressed by Ryce East Africa and other players in the motor industry. Accordingly, the following recommendations are suggested.

On the issue of country of origin, the researcher suggests that motor vehicles should be from preferred and recognized countries, vehicles from countries associated weak brands should be avoided, however these countries could be reconsidered if the improve on their vehicle qualities. During marketing programs, the country of origin should be highly pronounced.

In respect to Marketing mix, it should be thoroughly thought out and balanced out to bring out required results. Marketing activities and heavy budgets should be mitigated by the productivity of the company by way of sales. When planning the marketing programs, product, promotions, prizing, place, processes and people should be well catered for. Research and development should also be embraced.

In case of the government policies, the industry players should negotiate with the Government to reduce customs and excise duty, reduce the bureaucracy and long periods of registration and eliminate corrupt practices. This should not only be negotiated but clearly stipulated in the Motor vehicle act. All the stakeholders should be involved and reinforcement of implementation is done. Monitoring and evaluation of the policy implementation should be continuous and scheduled.

On the internal policies, Ryce East Africa should work out on its obsolete technology, reduce bureaucracy, Improve teamwork, Employ prudent marketing practices, device a customer complaints
handling procedure and ensure that it is strictly followed. Deadlines should be clearly adhered to and procedures strictly followed; all employees should be trained on the procedures that concern them and at the same time be motivated.

For the customer loyalty, customers should be treated with utmost care so as to retain them. Customer care should include timely communication, prudent prizing, good after service, consultation on improving company services, first priority on privileges, corporate image must be build and maintained. On another score, employees should be motivated, that the multiplier effect goes to the customers. This is because happy employees become ambassadors amongst the external stakeholder of the company and its products. This when used effectively would help the company to build customer loyalty which in turn would lead to improved profitability.

5.6 Areas for further study.

The study was carried out only on Ryce East Africa and a few industry players were involved in specific areas of the study. A more detailed one need to be done that covers wide selection of the dealers in the motor industry that include second hand motor vehicle dealers. The role of the GoK, a key player should also be thoroughly interrogated. This is in pursuit of high performance in the motor vehicle industry.
REFERENCES


Peter Jackson (2004), The competitive edge dynamics ,University of Leicester,


Sharma, Dheeraj (2009), “Investigating the Effect of National Culture on Deal Process,” *International Academy of Business and Economics, June 4-8, 2009, Thessaloniki, Greece*


APPENDICES

APPENDIX 1.

INTRODUCTION LETTER

10th, MARCH, 2014.

Dear Sir/Madam.

SUBJECT: REQUEST TO COMPLETE A QUESTIONNAIRE

Dear Respondent,

My name is Josephine Syelulu Maungu, a student at Management University of Africa pursuing an Executive Masters in Business Administration. I’m required that I undertake a study in a topic of my choice. I have chosen to research on factors that affect sales in general and profitability in particular in new Motor vehicle sales.. I have selected you as a source of information and data that shall help me in to complete the project.

Please note all the information shall be treated with confidence all respondents shall be accorded anonymity status .I look forward to your worthwhile contribution to my research. I wish to thank you in advance for understanding, time and accurate completion of the Questionnaire.

Yours Sincerely,
Josephine S. Maungu
APPENDIX 11.

QUESTIONNAIRE (CUSTOMER).

A. GENERAL BACKGROUND

1. Respondent’s Profile:
   a) Name: -------------------------------------------------------- (optional)
   b) Tick gender
      i) Male                     [   ]
      ii) Female                [    ]
   C) Highest education level
      i) Primary            [     ]
      ii) Secondary         [      ]
      III) Tertiary         [     ]
      iv) University        [     ]
      v) Other (specify)    [       ]

2. Organization’s profile
   A. Tick appropriate status
      i) Individual buyer     [   ]
   ii) Institutional buyer  [   ]

B) How many Daihatsu Terios do you own? [ 0-5 ] [5-10] [10-15] [15-20] [ more than 20]

3. Marketing mix (7 p’s)

Why do you prefer to purchase Daihatsu Terios? Indicate 1-7, 1 being the strongest reason and 7 being the weakest.

   a) Core product[   ]
   b) Good Price [   ]
   c) Promotional mix [   ]
   d) Good location of the dealer   [   ]
   e) People
f) Physical evidence [ ]
g) Processes [ ]

4. Country of origin
a). Does the country of origin affect your choice for this Make?

If yes, explain why?

b) Which other country would you willingly buy products from and why?

Qualify your answer.

c) Name two countries you will not prefer to buy her/vehicles products?

Explain why

5. Internal processes.

Do the following internal processes affect your dealing with (REAL). Tick yes or no and if yes explain how and how it can be improved.

a) Outdated technology [ yes ] [ No ]

If yes, explain

Give suggestions of how it can be improved

b) A lot of paper work and bureaucracy [ yes ] [ No ]
If yes, explain------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
c) Information pockets and black holes    [ yes ]      [ No ]
If yes, explain------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
Give suggestions on how to improve information flow--------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
d) Employee attitude    [ no]    [yes]
Explain your answer----------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
Give any directions to improvement----------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
------------------------------------------------------------------------------------------------------------------------------
e) To what extent do you agree with the statement that the country of origin has influence on customers’ choice of motor vehicle? Tick 1-5. 1 being the strongest and 5 being the weakest.

strongly agree [  ]
Agree    [  ]
Moderately agree    [  ]
Disagree    [  ]
Strongly disagree [  ]
To what extend do you agree with the statement that consumers have lower preference of motor vehicles from both developing and least developed countries. Tick the right box.

<table>
<thead>
<tr>
<th></th>
<th>Very great extend</th>
<th>Great extend</th>
<th>Moderate extend</th>
<th>Little extend</th>
<th>No extend</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

6. Customer loyalty

To what extend do the following factors influence customer loyalty.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Very great extend</th>
<th>Great extend</th>
<th>Moderate</th>
<th>Less extend</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Price change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company reputation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country of origin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution channels</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Government policies

To what extend do the following influence the cost a motor vehicle?

<table>
<thead>
<tr>
<th>Statement</th>
<th>Very great extend</th>
<th>Great extend</th>
<th>Moderate</th>
<th>Less extend</th>
<th>Not at all</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>bureaucracy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange rates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX 111

QUESTIONNAIRE (EMPLOYEE).

GENERAL BACKGROUND

1. Respondent’s Profile:

a) Name: ----------------------------------------------- (optional)

b) Tick gender

   i) Male [ ]

   ii) Female [ ]

C) Highest education level

   i) Primary [ ]

   ii) Secondary [ ]

   iii) Tertiary [ ]

   iv) University [ ]

   v) Other kindly specify…………………………

D) How long have you worked with the company/
Specify------------------------

E) In which function do you work?

   i) Supply chain
   ii) Sales
   iii) Finance
   iv) Workshop
Please use the given supply response table to describe the internal processes of REAL.

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTION</th>
<th>STRONGLY AGREE</th>
<th>AGREE</th>
<th>NEUTRAL</th>
<th>DISAGREE</th>
<th>STRONGLY DISAGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>A)</td>
<td>We have modern technology</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B)</td>
<td>The company has high bureaucracy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c)</td>
<td>No clear direction on procedures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d)</td>
<td>No company structure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e)</td>
<td>Customer complaints are addressed real time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f)</td>
<td>Dead lines are strictly followed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>G)</td>
<td>There is teamwork</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i)</td>
<td>Profit margins are low</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>J)</td>
<td>There is prudent marketing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX IV
QUESTIONNAIRE (Industry player).

A. GENERAL BACKGROUND

1. Respondent’s Profile:

a) Name: -------------------------------------------------------- (optional)
b) Tick gender

i) Male                     [   ]
ii) Female               [    ]

C) Highest education level

i) Primary                     [   ]

ii) Secondary                          [   ]

III) Tertiary                  [   ]

iv) University                  [   ]

v) Specify any other-----------------------------

D) Which company do you work for?
Specify-------------------------------------------

) How long have worked with the company

Specify in years----------------------------- [0-5] [5-10] [10-15] [15-20] [20-25] [25-30] [30-35]

E) In which function do you work?

i) Supply chain

ii) Sales

iii) Finance

iv) Workshop

v Any other-------------------------------------------
In general, how much do you agree with each of the following statements describing the factors that affect profitability in the new motor vehicle sales? Tick 1-5. 1 being in strong agree.

<table>
<thead>
<tr>
<th>NO</th>
<th>QUESTION</th>
<th>STRONGLY AGREE</th>
<th>AGREE</th>
<th>NEUTRAL</th>
<th>DISAGREE</th>
<th>STRONGLY DISAGREE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Price is a key factor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Customer service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Country of origin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Marketing mix</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Internal processes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Government fiscal Policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Customer loyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Competition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Economical environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Political, social, ecological technological</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Give suggestions on how to improve profitability in the new motor vehicle sales.