

A STUDY ON MARKET POTENTIALITY OF DIFFERENT CARS IN KATHMANDU VALLEY

A THESIS

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**In Partial Fulfillment of the Requirements for the
Master's Degree of Business Studies (MBS)**

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DECLARATION

I, hereby, declare that the work reported in this thesis entitled “**A Study on Market Potentiality of Different Cars in Kathmandu Valley**” submitted to the Office of The Dean, Faculty of Management, Tribhuvan University, is my original work. It is prepared as the partial fulfillment of the requirement for the Master’s Degree of Business Studies under the supervision of Mr. Gopal Thapa, Lecturer, Nepal Commerce Campus, Tribhuvan University. An error of omission in this research is entirely on my own.

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ABBREVIATIONS

AAP	Aluminum Architectural Products
AC	Air Conditioner
AD	Anno Domino
BS	Bikram Sambat
B2B	Business to Business
DRP	Duty Refund Procedure
FoM	Faculty of Management
FY	Fiscal Year
GM	General Motors
GNP	Gross National Product
Govt.	Government
INGO	International Non Government Organization
JV	Joint Venture
MIS	Marketing Information System
MNC	Multi National Company
NGO	Non Government Organization
Prof.	Professor
SIC	Standard Industrial Classification
TU	Tribhuvan University

CHAPTER I

INTRODUCTION

1.1 Background

With the civilization of human being, there came every possible facility in their lives by themselves for more and more convenient life. Today we can find every corner of this world as very cozy place due to the development and advancement of more and more improved and latest technologies. Most of such inventions have undoubtedly made lives faster and easier.

James Watt invented first efficient steam engine in late 18th century. The first successful steam engine train was built by George Stephenson in 1814 A.D. This began the era of land travel. Likewise, the first petrol cars were built in Germany in 1885 A.D. by Gottlieb Daimler Automobiles and Transportation. Today, we have variety of motor vehicles suited to our various needs like trucks, buses, cars, tractors, jeeps, vans and others.

Automobiles contribute a lot to our society. Our grandfathers walked hundreds of miles for more than a couple of days. The same thing now is a matter of just a few hours of ride in a motor vehicle. A lot of people rely on automobile line for their daily earnings. Automobile serve dual purpose of transportation of people and carriage of goods. Even more, some people are in the business of selling automobiles, as automobile dealers. More importantly, transport sector contributes a lot to our economy. Government collects huge revenue from this sector. Today automobile has become a necessity item. As we all know, lives in cities are turned at times when there are transporter strikes. However, roads are narrow, and it cannot support huge traffic on it. As a result traffic jams and road accidents occur quite frequently.

The study of consumer behavior enables marketers to understand and predict consumer behavior in the market. It also promotes understanding of the role of consumption plays in the life of individuals. Consumer behavior may be defined as the decision process, physical activities and individuals engage in when evaluating, acquiring, using or disposing of goods and services. Generally, the customer's buying process consists of five stages: problem recognition, information search, evaluation of alternatives, purchase and post purchase evaluation.

The initial stage of consumer's buying process is the problem recognition and it occurs when a buyer becomes aware of the fact that there is difference between a desired state and an actual condition. After becoming aware of the problem of need, the consumer (if continuing the decision process) searches for information regarding availability of brands, product features, seller characteristics, process alternative available and other relevant aspects. Duration and intensity of search efforts depends on buyer's experience in purchasing and nature of the products to be purchased. During this stage, however, consumer has developed evoked set of brands of a product which the buyer actually considers while making a specific brand choice. Products in

the evoked set have been evaluated in the third stage of buying process. To evaluate the products in the evoked set, a consumer establishes a set of criteria to compare the products characteristics. Using the criteria and considering the importance of each, a buyer rates and eventually ranks the brand in the evoked set. If the evaluation yields one or more brands that the consumer is willing to buy, the consumer is ready to move on to the next stage of decision process i.e. purchase stage, during the purchase stage, consumer select not only the product or brand to buy but also select seller or store from which he or she will buy the product. The actual act of the purchase occurs during this stage buy not all decision lead to purchase; the individual may terminate prior to purchase. After purchase, a buyer starts to evaluate in either satisfaction or dissatisfaction, which feed back to other stages of the decision process and influences subsequent purchase.

Though the consumer buying decision process consists of five stages, all consumer decision does not always go through all the five stages. The individual may terminate the process during any stage. This depends on the experience of consumer involved in purchasing and the nature of the products he or she wants to purchase. Persons in high involvement decision process usually employ all the stages of the decision process whereas those engaged in low involvement decision process may skip some of the stages. Whatever is the buying process it is very important for the marketers to know the buying behavior of his or her target customer for the long term survival as well as enjoy profit.

Consumers are the king in business. The success and failure of any business entirely depend on consumer's reactions to a firm's marketing mix or strategies. Firms marketing mix or strategies should be designed in such a way that satisfies consumers need and wants. To design an effective marketing mix that satisfies consumer unsatisfied need and wants, a firm should know the buying behavior of consumers. Understanding consumer buying behavior is thus an important task for today's marketers.

In recent time, cars have become a necessary item rather than the luxury one. But over government still treats car as a luxury item and levies more than cent percent customs duty, making it much expensive for average Nepalese. Life style is changing and people are more eager to own a private family car. Car market is booming in Nepal, particularly in Kathmandu valley.

In the very contest of automobiles, car has become a necessary part of today's busy lives. With the rapid growth of life style, Nepalese people are also being very eager to have private family car. Exploring and watching all these demand of the Nepalese people, its neighboring countries and third countries are more eager to produce and export cars which are suitable to our country's road and family status. So, we can see the very fact is happening here in Nepal. Nepalese roads are getting busy with public and private cars.

Registration of Cars

Table 1 below reveals the statistics published by Department of Transport Management that an average of 4,000 units of Car/Jeep/Van have been registered in

Nepal over last 5 years with largest 7079 units registered in the year 2003/04 Last year registration was 4235 units. The department has put car, jeep and van under same category. However, it is assumed that 60% of that registered as car alone. That means an average of around 2,500 units of cars are registered each year in recent times.

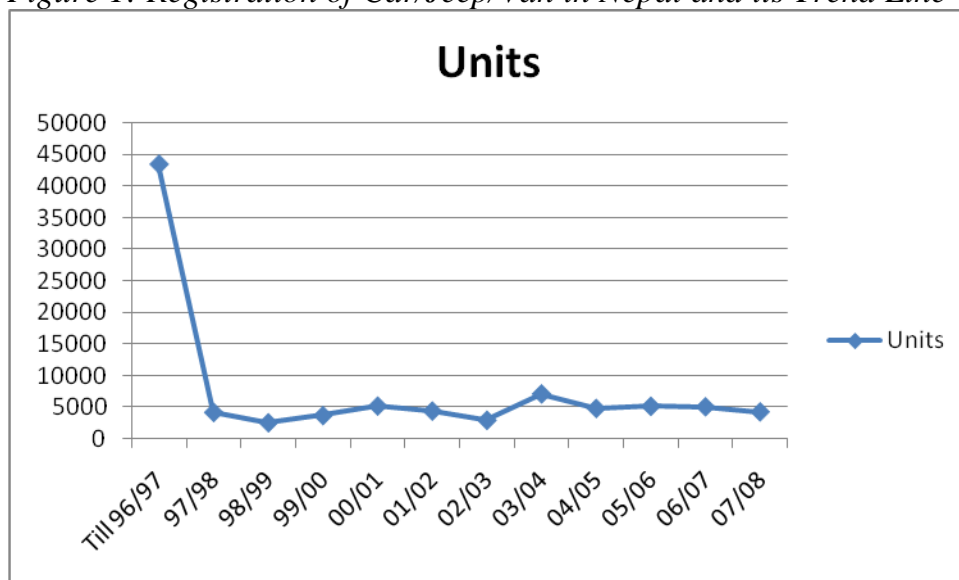
Table 1: Annual Registration of Vehicles (Car/Jeep/Van)

Year	Till	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08
	96/97											
Units	43416	4139	2507	3647	5152	4374	2906	7079	4781	5114	5046	4235

Analysis of Time Series of registration of Car/Jeep/Van in Nepal from 1997 A.D. to 2008 A.D. shows very irregular fluctuations. This shows that a multiplicity of causes affected the sales of the vehicles in Nepal in the past 11 years. The problem may be of political (like political instability, moist insurgency etc) or sociological (like changes in life style, or increase in general income levels).

Since there is a very irregular fluctuation of data, to make an analysis convenient, here we may isolate the fluctuation. Instead, a study of the general tendency of the phenomenon i.e. registration of vehicles may be done. That is represented by a trend line as shown in figure below. So, the general trend of registration is almost straight line. Which means registration figures 11 years ago is similar to that of last year.

Figure 1: Registration of Car/Jeep/Van in Nepal and its Trend Line



Similarly, registration data specific to Kathmandu Valley reveal that a total of over 50,000 units of Car/Jeep/Van are registered in Kathmandu (Bagmati Zone). From another angle, the number of vehicles registered has more than doubled in the last 10 years. Till 2053/54, it was only 20,748 units. The same figure after a decade in 2062/63 it was about 51,541 units. The most significant fact is the figure for that fiscal year 2062/63 (2005/06). In that very single year, the total registration number is record breaking high, i.e. 6180 units.

Even in the present social/political situation, such a record breaking event symbolizes that there exists a very good potential market for cars in Kathmandu Valley. The

purchasing power of customers, regarding cars has really increased. In other words, Kathmandu Valley is a very good potential market for cars.

Table 2: Registration of Car/Jeep/Van in Kathmandu Valley for past 10 years

Nepali Year	English Year	Units
Till 2054/55	1997/98	22248
2055/56	1998/99	27153
2056/57	1999/00	28915
2057/58	2000/01	30919
2058/59	2001/02	35993
2059/60	2002/03	40674
2060/61	2003/04	43409
2061/62	2004/05	45361
2062/63	2005/06	51541
2063/64	2006/07	55344
2064/65	2007/08	58837

In terms of territory, a total of 58837 units of Car/Jeep/Van are registered in Bagmati Zone alone, the total number of all Nepal being 83369 units. That means, about 70% of the total is registered in Bagmati. So, Kathmandu Valley is the single most prime market for that category of vehicles. Here, it would not be unwise to make a generalization for results as it is obtained from market study of cars in Kathmandu Valley only.

Definitely, the capital city is the commercial and financial hub of the country. So, there are mostly business persons, top doctors, engineers and other professionals. Hence, saying that over 70% of total cars registered in Nepal is sold in Kathmandu region only, wouldn't be a surprise.

Table 3: Zonewise Registration of Vehicles (Car/Jeep/Van) upto Ashad 2065

Zone	Bagmati	Narayani	Lumbini	Koshi	Gandaki	Janakpur
Units	58837	9608	3799	2709	5077	626
Zone	Sagarmatha	Seti	Mahakali	Rapti	Bheri	Mechi
Units	640	470	232	232	803	336

Table 4 shows that most of the vehicles are registered in Bagmati zone, where almost 70% to the total Car/Jeep/Van are registered. Narayani, Gandaki, Koshi, Lumbini are the only other zones where significant number of Car/Jeep/Van are registered.

Table 4: Car/Jeep/Van registration dispersion (zonewise)

Region	Units sold till 2064/65	Market share in Percentage
Bagmati	58837	70.57%
Narayani	9608	11.52%
Lumbini	3799	4.56%
Koshi	2709	3.24%
Gandaki	5077	6.10%
Janakpur	626	0.75%
Sagarmatha	640	0.76%
Seti	470	0.56%
Mahakali	232	0.27%

Rapti	232	0.27%
Bheri	803	1.00%
Mechi	336	0.40%
Total	83369	100%

The car market in Nepal is dynamic and growing. The money involved in this sector is of large amount and the taxes levied on those cars are filling the national economy in significant manner. The car buying decision is an important decision on the part of buyers. The marketers try to attract potential buyers by various means. So, “Market potentiality of different cars in Kathmandu Valley” is the focus of this study. The main problem under this study is to find out what factors influence the potentiality of the Nepalese car market. Thus the specific problem can be clearly explained and analyzed by finding answers to the following questions.

- How can we segment car market in the Kathmandu Valley?
- What factors and features influence the car buying decision?
- What is the buying process of the potential buyers?
- Additionally finding briefly the brand awareness, customer satisfaction levels, effectiveness of market promotion, etc.
- What are the findings from the study and provide suggestions based on the study?

1.2 Objectives of the Study

Product marketing in Nepal has become very important in recent years. Without marketing, it is not possible to sale the product in the Nepalese market. In this study, the researcher has tried to find out the marketing of different cars and the importance of transportation in Nepal.

Essentially, the foremost objective of the study is to analyze and estimate market potential of different cars in Kathmandu Valley. This is the prime and specific objective of the study. Besides, there are also some general objectives, secondary in importance to the research study, the fulfillment of which leads to accomplishment of specific objective. They are as follows:

- a. To estimate, empirically, the market potential of cars in Katmandu valley.
- b. To analyze market potentiality of different cars based on its sales performance.
- c. To find out the trend of vehicle sales in Kathmandu.
- d. To analyze market potentiality of different cars based on perception of car customers regarding it.
- e. To suggest and recommend on the basis of major findings.

1.3 Present Car Market Scenario

Presently, car market in Nepal is characterized by intense competition among Japanese, Korean, Indian brands. Indian manufactured foreign, brand cars are gaining popularity these days, especially in small cars segment. Major car makers world wide, which include Ford, Opel, Toyota, Honda, Hyundai, Mercedes, Mitsubishi etc. have started their joint venture production base in India. They are relatively cheaper than foreign manufactured car. Moreover, cars imported from India come under Duty Refund Procedure (DRP), thus bringing down the prices. Cars manufactured in India, like TATA Indica, Hyundai Santro, Maruti Zen/Alto/800, Daewoo Matiz etc largely dominant small car market. However, big cars manufactured overseas sell in huge number relative to Indian ones. Here, it would be unwise to look overall big car market from single perspective.

Marketers of bigger cars segment them into several sub segments, like B-segment, C-segment, D-segment, E-segment and so on. For example, there is Mercedes' C-class, E-class cars. Most of the economical Indian manufactured cars are put under C-segment. And, on demand side, it can be said that car market in Nepal is ever growing.

1.4 Focus of the Study

Market potential analysis is the focus of this study. Market potential analysis is a major activity under marketing research. Market potential analysis applies to those studies of individual markets that seek to determine the sales potential within them. Through market potential analysis research, a company seeks to obtain sales potential for each of the geographical markets it serves to help determine the amount of sales effort that should be allocated to a specific market. Market potential is stated for a given product for a given area for a given periods of time. The market potential for a product in a given geographical area for a given year is the maximum amount that can be sold in that area by all sellers of the product in that area. Conducting market research and analysis is one of the main components of a marketing plan. Total market potential is the maximum amount of sales that might be available to all firms in an industry during a given period under a given level of industry marketing effort and environment conditions. First of all potential buyers are identified, by arriving at a suspect pool of prospects. This figure multiplied by average purchase quantity and which again multiplied by price gives the total market potential estimate.

The study will focus on the effectiveness of marketing practices of the automobile car. Today's drastically changing market is covered, handled and managed with the great help of today's sophisticated marketing management and stunning sales promotion. And this reality cannot be denied. Every product or service is created for the consumer or customer to use and it is achieved through proud selling or offering of best product or service with best advertising and promotional tools.

The practices of marketing and sales promotion are getting increasing importance and scope in the marketing management. At the same time it is getting vast with the competitive environment of the same subject, i.e. advertising and sales promotion. So,

it is equally as important to build strong and wealthy marketing strategy and policy as important to understand, win and retain the market for the product or service. And again the implementation of such policy and strategy should be in optimum manner. Hence the study is to describe the marketing practices of different cars. The study will also go through the transportation problem in Nepal.

1.5 Need of the Study

Many companies are involved in importing different brands of cars. All the companies are using almost same marketing strategies for selling the product. Due to the cut throat competition in the market, it is necessary to try new strategies to capture and expand the market. In this ground, it is felt necessary to make research while marketing of the different cars.

1.6 Statement of the Problem

In Nepal, vehicles importers are facing tough competition. Most of the importers are launching ambitious marketing strategy in the market. In this ground, marketing of different cars in Nepal is tough and ambitious. Changing business environment globally, Kathmandu have become more competitive market for cars. This is not only by the implementation of new trade and industrial policies in national perspective but also due to increase in population in Kathmandu Valley. The trend of migrating to Kathmandu Valley is still increasing. Due to increased population, more money is been spent in market. The size, styles of the car has been changing and will change in the future too. We can see customer preferences in color, size have also been shifting from one to another but buying behavior of people is still unrehearsed.

With a lot of choices available in the market, there is a stiff competition in the car market. Car industry has been phenomenal growth in last few years. As there are so many brands of single product available in different size, color and price, the customers have the choice to buy the product they like most. Which products the consumers choose and what criteria they use to choose particular product and brands are burning issues to be researched.

However, as stated previously there is stiff competition in the C-segment market. World renowned foreign companies, like Hyundai, Opel, Ford, through their J.V manufacture in India, are able to offer their product in Nepalese market at a very competitive price. Proton Motor Company o Malaysia has come with a cheapest price for its Wira Sedan. India has recently introduced the cheapest car, as they are claiming, called Nano manufactured by Tata, which will be shortly available in the Nepalese market.

Due to mountainous country, it is difficult to build road, railway track and airport in Nepal. It is costly to construct road and railway track in the hills, in addition, Nepal has no enough budget also. The major problems of vehicles and transportation are as follows:

- a. Due to landlocked and mountainous country, it has become very difficult to supply goods from one place to another.
- b. Transportation of goods by carrying at the person's back is not possible in the 21st century; vehicles are needed for transportation of goods promptly and safely.
- c. Construction of road in mountainous country is very expensive and transporting of product in such roads is very danger as well.
- d. Nepal is poor country and it has not yet manufactured vehicles that can carry goods and people as a result, importing of vehicles is increasing.
- e. Nepalese people, due to expensive price cannot buy vehicles to transport product from one place to another.
- f. Due to the import of vehicles, vehicles maintenance cost is also expensive as spare parts has to be imported as well.
- g. International standard roads are not constructed in Nepal yet and even pitched roads are available only in selected place which makes transporting of goods by vehicles difficult.

Small and narrow roads of Nepal has made difficult to drive vehicles as a result prompt delivery of goods has become impossible.

Thus, the study aims to describe the present status of car market and explore the market potential of various cars.

1.7 Significance of the Study

Researcher believes the present study deserves some significance of its own kind in this field. This study will be concise, practical, useable and valuable to the major interested parties. Talking in this context, market potentials analysis has become a worldwide phenomenon of marketing. No firm and company either service or product, can imagine sustaining and growing without understanding the market opportunities of its product or services. Automobile business is on of the businesses where market potential analysis plays a crucial role on its marketing management.

Marketing management relies heavily on research. Marketing decision makers make their marketing plans and control based on research results. Analyzing marketing opportunities is one of the major activities carried out under marketing management. An analysis of marketing potential helps marketing decision makers to determine the amount of sales effort that should be collected to a specific market. All selling efforts like sales force planning, advertising, etc. should be allocated only after a consideration of potential. The results of market potential analysis help to allocate marketing resources optimally. It also helps to define sales territories the one with more potential demands, more cores and on the basis of market potential sales quotas are allocated to sales persons and to each of company's sales territories.

Besides, it provides literature to the researchers who want to carry out further research in this field. The findings of this research would definitely contribute something towards research in this field.

The significance of the subject matter of the research study is none the less market potential refers to total sales possibilities in an area, in a given time period. Research studies, dealing with development of market potentials, is one of the most common activities under taken by a marketing research unit.

1.8 Limitations of the Study

This research is the requirement for the partial fulfillment of Master Degree in Business Studies in management. The researcher being a student has limited resources. Limited resources confine the scope of the study. As a result, this study is confined only in Kathmandu Valley. The data are based on the sampling basis only and therefore does not guarantee the same finding to rest of the population.

In the market there are different kinds of cars. Different international branded cars are easily available in the market. There are many choices for the customers in the market. Having small budget, the researcher has not been able to make overall study of all the brands available in the Kathmandu. However, the researcher has taken some different brands and has studied comparatively. The data that the researcher has maintained was provided by the showroom and some are downloaded from the Internet. Office record, annual reports and even different newspapers were taken into consideration while preparing the proposal

The research is conducted only for study purpose. As most of the research is this research is also sample based. It is almost impossible to complete any research without any shortcomings. The study confined following limitations.

- This study geographically limits itself inside Katmandu valley only.
- Sample is not a 100% representative of the whole of the universe. All of the customers who are potential buyers of a car could not be identified to be related to the specific occupation.
- Moreover, businessman are the ones who could afford car better than other, Businessman covers whole range of customers ranging from small business entrepreneurs to industrialists so that it is hard to define the properties of the businessman clearly.

1.9 Importance of the Study

The Nepalese market has been gradually turned into the cut-throat competition. Different types of products with large number of alternatives brand are available in the market. In this context, it is essential for the manufactures or marketers of the product to know the buying behavior of target customers to turn the success in their flavor. As

the focus of the study is on market potentiality of different cars in Kathmandu Valley, producers and marketers of the product will be highly benefited by this study. They may use the finding of the study as the guideline for making strategies for successful marketing of their products. By the help of this study, marketers will be able to serve the different segmented market more effectively. This study not only helps producers and marketers to design effective marketing strategies but also provide valuable guidelines and reference to the scholars and researchers who are interested in conducting further researches on consumer buying behavior and market potentiality.

1.10 Organization of the Study

The research study is divided into five chapters, excluding bibliography and appendix.

First chapter i.e. introduction chapter deals with the general background of automobile, objectives of the study, present car market scenario, focus of the study, statement of problem, significance of the study, limitation of the study, importance of the study and organization of the study.

Second chapter is review of literature. It includes conceptual framework of the subject matter i.e. market potential analysis is mentioned here. Besides, previous thesis and project worked related to the subject matter of the study is briefly reviewed. Also some related articles in journals, newspaper, bulletins are reviewed.

Research methodology is discussed in chapter three and deals with research design, population and sampling, sources of data collection, data analysis tools and data analysis method.

In the fourth chapter collected data and information is analyzed and presented in a pleasant manner. It mainly contains description of present car market scenario, analysis of different cars, customer survey analysis etc. Also market potential is calculated using primary and secondary data. Here also includes the major findings of the study. The fifth chapter includes summary, conclusion and recommendation. It is based on analysis of data and study done in previous chapters.

CHAPTER II

REVIEW OF LITERATURE

Review of literature refers to the reviewing of the past studies in the concerned field. Such studies could be thesis/dissertations that are written earlier. Text books, articles, journals and or any sort of other publications concerning the subject matter which were written prior by a person or on organization. The purpose of literature review is thus to find out what research studies have been conducted in ones chosen field of the study, and what remains to be done. It provides the foundation for developing a comprehensive theoretical framework from which hypothesis can be developed for testing. Literature review also minimizes the risk of pursuing the dead ends in research.

Review of literature provides foundation to the study. The purpose of reviewing the literature is to develop some expertise in one's area to see what contribution can be made to receive some ideas for developing a research design. Their relevant finding issues, arguments, logics and suggestion will give glimpses and guidelines to go to the depth of the study. In other words, there has to be continuity in research. This continuity in research is ensured by linking the present study with the post research studies. So, a brief review of subject matter, related studies and thesis is done. So, this chapter basically contains of following sections:

- I Conceptual Framework
- II Review of Related Studies
- III Review of Articles

2.1 Conceptual Framework

In this section, basic marketing concepts are reviewed, besides some core concepts like market demand, market potential, all leading to a brief description of the concept in focus, i.e. Market potential analysis.

2.1.1 Fundamentals of Marketing

An organization adopts the marketing concepts with a view of orienting itself towards the philosophy of management that strongly influences the management of marketing effort. Marketing basically involves relating the needs and desires of people with the producer's products of services. Marketing activities are those most directly concerned with demand stimulating and demand fulfilling effort of enterprise.

A company operating under the marketing concepts takes its principal directors from the market place i.e. from its knowledge and understanding of its customers' needs wants and desires. This becomes then, the main basis for organizing operations not

only marketing but production, finance and other organizational units are geared towards satisfying customer's needs, wants and desires.

Marketing is a system which has interacting and interlocking activities by which a company develops and makes its products available distributes them through marketing channels, promotes and prices them [Cundiff, 1980:4-5]. That is the reason why we say marketing is nothing but is all about 4Ps, namely 'Product', 'Price', 'Place', and 'Promotion'.

John B. McKotterick, in his quest for marketing concept puts it this way:

“The marketing concept holds that the key to achieving organizational goals consists in determining the need and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.”

Marketing guru Mr. Philip Kotler in his book ‘Marketing Management’ defines marketing as, “a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.”

Marketing is a performance of activities that seek to accomplish an organizations objective by anticipating customer or client needs and directing a flow of need satisfying goods and services form producer to customer or client.

The above definition outlines some core marketing concepts. Like needs, wants, and demands, products, value and satisfaction, exchange and transaction, relationship and networks, markets, and marketers and prospects.

2.1.2 Marketing Management

Customer needs and wants are fulfilled though an exchange process. An exchange process consists of considerable effort and skills. Therefore, for the fulfillment of needs and wants of one party several activities are to be performed by another party an organized way, which requires considerable amount of skill with the providers. Marketing management takes place when one party thins about the fulfillment of needs of another party. Hence, marketing management is an organizational approach to marketing.

American Marketing Association defines "Marketing management is the process of planning and executing the conception, pricing, promotion, and distributing of ideas, goods and services to create exchanges that satisfy individual and organization goals". Marketing management is the process of scanning the environment, analyzing market opportunities, designing marketing strategies and then effectively implanting and controlling marketing practices.

“Marketing Management is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organizational objectives.”

This definition again outlines the core marketing concepts – planning, implementation and control; ideas, goods and services; exchanges; satisfaction etc. The definition also highlights the concept of 4Ps.

Marketing management has the task of influencing the level, timing and composition of demand in a way that will help organization achieve its objectives. Marketing managers cope with this task by carrying out marketing research, planning, implementation and control. Within marketing planning, marketers must make decisions on target markets, market positioning, product development, pricing, channel of distribution, physical distribution, communication and promotion. Marketing management relies heavily on research. Such research which help in setting marketing policies, in planning marketing operations, and in controlling marketing operations and functioning of the sales units, is generally termed as ‘Marketing Research’.

Analyzing marketing opportunities is one of the major activities carried out under marketing management. In this context, Prof. Philip Kotler clearly points out that, to analyze marketing opportunities, it is necessary to –

- Gather information and measure market demand.
- Scan marketing environment.
- Analyze consumer market and buyer behavior.
- Dealing with the competition.
- Identifying market segments and selecting target market

"The job marketing management is to watch, identify and measure every new opportunities arising in the market place. In order to capitalize on the new opportunities marketing management has to carefully analyze the new opportunities. For analysis of opportunities marketing management has to design an efficient information system, measure the future demand, regularly monitor and scan the environmental forces and analyze the buyer and competitors behavior" [Koirala, 2005:29]

Marketing environment consists of forces that directly or indirectly influence the organizations marketing activities. Marketing environment is dynamic. Every change in the marketing environment brings threats and opportunities. One of the most important tasks of the marketing management is to avoid threats and capitalize on the opportunities arising out of the changes in the environmental forces. So, the need for real time marketing information is greater than at any of the mechanism for providing decision making information and data to the marketing decision maker. It is the major tool for scanning and monitoring the external environmental forces. And MIS consists of four components they are, internal record system, the marketing intelligence system, and marketing research system and decision support system. Besides, gathering information, measuring market demand is another task to analyze "Marketing opportunities". Marketing decision are mostly based an estimate of

demand or sales of the product in a defined market are in a specific period of time. Those organizations succeed better than others that can measure and forecast demand more accurately than others. [Koirala, 2005]

"Companies undertake marketing research to identify market opportunities. Besides that, companies measure and forecast the size, growth and profit potential of each market opportunity. There are different measures of market demand and each demand measure serves a specific purpose. Distinction should be made between market demand and company demand, which are different things. [Kotler, 2003:66-68]

Marketing research is to generate information that helps the business executives to take appropriate and timely decision. Marketing research provides the firm with important customer feedback and understand the dynamics of the market place. Business decisions are increasingly based on the market place reality than intuitions. The increase in marketing research activities reflects a transition from intuitive to scientific problem solving methods, marketing research involves specific inquiries into specific marketing problems. It is basically problem oriented and based on systematic and careful planning and implementation. Scientific method is used for gathering and analysis of information to achieve objectivity. Marketing research is an applied research that attempts to use the existing knowledge to solve the specific marketing problems faces by the firm. Companies undertook marketing research to obtain information that could help them make short range and long range forecasts." [Koirala, 2005:73-74]

2.1.3 Market Demand

Market demand for a product is the total volume of the product that would be bought by a specific customer group in a specific market area during a specific period of time under a certain marketing program conducted under a certain marketing environment. Thus, the market demand is a function of several factors such as market area, time period, marketing mix and marketing environment.

An organization may estimate the market minimum demand level under the current marketing program in the prevailing marketing environment. It may have higher level demand estimates with increased marketing expenditure at the industry level. The increase in industry expenditure can increase the market demand upon the market potential level. Thus, the gap between the minimal demand and the potential demand is the marketing sensitivity of demand which can be influenced with the application of demand stimulation tools.

Often an organization depends on the market forecasts for marketing planning. The market forecast is the estimate of market demand at various levels of total industry expenditure and the marketing efforts used for demand stimulation. Market forecasts are also affected by various environmental variables; most prominent ones are general economic conditions and technology".

In fact, the market demand largely depends on the market forecast and the market potential. The market forecast is the result of industry marketing expenditure on the level demand the company wants to maintain. Market potential is the limit approached by market demand as industry marketing expenditure approaches indefinitely for a given marketing environment.

2.1.4 Measures of Marketing Demand

Marketing decisions are mostly based on estimates of demand or sales of the product in a defined market are in a specific period of time. Demand forecasts are the bases for production planning manpower planning in every organization. The size of the demand denotes the size of the market. Organization may use the following terms to define the size of the market.

The Available Market

The available market is the size of the potential consumers who have interest, income and access to a particular product or service offered by the company. It is also obvious that there are many companies in the market offering the same sorts of products and services. In the available market, demand is forecasted by these companies for a particular product or service.

The Target Market

When the company wants to serve particular segment or only some segment of the total market or qualified available market, instead of all the segments, it is termed as the target market. The qualified available market, here, denotes those consumers who are eligible in term of buying and are not banned by legalities. The company generally serves this market by estimating demands as against its competitors.

The Penetrated Market

This is the size of the target market in which the company selects an identified number of customers to serve. This means, the company ends up selling its products to certain number of customers in the target market. It tries to satisfy the needs and wants of the specified group of consumers. In other words, this size of market is a part of the target market.

The Potential Market

This is the large size market in which the set of consumers profess a sufficient level of interests in market offer. In this market, mainly two sorts of consumers take keen interest in the companies offer. The first category includes those who have still been buying and have not ever turned to other products or services. The second category includes these customers who have not only keen interest but also possess enough income as well as wish easy access to the product offer. It is suggestive here, that is

will be better if the company could convert the potential markets in to the available market.

2.1.5 Market Segmentation

A market consists of people with needs and wants to satisfy, ability to spend and willingness to buy products. It is a grouping of customers. A single product cannot satisfy the needs of all the customers in all markets. Customers vary in terms of needs, characteristics and behavior. With the varying buying motives and buying habits purchasing power also varies.

Market segmentation is the process of dividing the total market into large homogeneous groups of customers who share similar needs and characteristics.

“Market segmentation is the act of identifying and profiling distinct groups of buyers who might prefer or require varying products and marketing mixes.”

Market can be divided into:

- a. Consumer Markets
- b. Industrial Markets
- c. Institutional Markets

a. Consumer Markets:

The reason for buying products are for own personal or household use. They consists of ultimate consumers.

b. Industrial Markets:

The reason for buying products are for business use, resell or to make other products. They consist of industries, businesses, relatives, etc.

c. Institutional Markets:

The reason for buying products is to provide service to the clients. They have special buying needs and characteristics. They consist of schools, colleges, hospitals, nursing homes, prisons, government and non-government organizations.

Organizations can adopt the following levels of segmentation:

- Mass Marketing (Undifferentiated Marketing Strategy)
- Segment Marketing (Differentiated Marketing Strategy)
 - Niche Marketing (Concentrated Marketing)
 - Local Marketing
 - Individual Marketing (Customized Marketing)
 -

Mass Marketing (Undifferentiated Marketing Strategy)

The total market is viewed as a homogeneous single unit. Organizations engage in mass production, mass distribution and mass promotion of one product for all customers. One single marketing mix is developed. This is not found in practice.

Segment Marketing (Differentiated Marketing Strategy)

The total market is viewed as heterogeneous consisting of customer groups with various characteristics. Organizations divide the market into major segments, select one or more of those segments as target and develop marketing mix tailored to each segment

Niche Marketing (concentrated Marketing Strategy)

A niche is a more narrowly defined group of customers. It is identified by dividing a segment into sub-segments. Marketing mix is tailored to the niche. Niches are fairly small groups whose needs have not been well served. They are willing to pay higher prices. They generally do not attract competition. Wild life resorts in Nepal aim their marketing at adventure tourists. Mountain flights cater to foreign tourists.

Local Marketing

The marketing mix is tailored to the needs and wants of local customer groups. They can be localized or stores in local area. For example, New Road in Kathmandu.

Individual Marketing (Customized Marketing)

The market is viewed as consisting of individuals with distinct needs and characteristics. Marketing mix is tailored to each individual. Tailor-made clothes, cobbler-made shoes, goldsmith-made jewelers and individually designed houses are examples of individual marketing. Business-to-business marketing is largely customized. The new technologies (computer, internet, fax, etc) have facilitated it. Mass customization is the ability to prepare on a mass basis individually designed products.

2.1.6 Segmentation Variables of Consumer Markets

Segmentation variables are characteristics of customers that are used for dividing a total market into segments. Variable is the primary factor in defining the target market. Selecting appropriate variable is an important decision of marketing segmentation. Segmentation variable for consumer markets can be:

Table 5: Segmentation Variables of Consumer Markets

Geographic	Demographic	Psychographic	Behavioral
Area	Age, Gender	Buying Motives	Occasions
Topography	Family size	Life style	Benefits
Climate	Education	Personality	User status
Population Density	Occupation		Loyalty
	Income		Attitude to
	Social Class		Product
	Ethnicity		

	Religion		
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2.1.7 Evaluation of Market Segments

Segmentation divides the total market in micro markets. The identified segments need to be evaluated. The factors that should be considered for segment evaluation are:

- Segment attractiveness
- Organizational objectives and resources
- Segment relations
- Ethnical consideration
- Government policies and laws

2.1.8 Selection of Market Segments

Organizations should carefully select the segments to be served. The selected segments constitute the target market. Segment selection should consider:

- Market Coverage Patterns
 - Single Segment Coverage
 - Multi-Segment Coverage (Selection Specialization)
 - Product Specialization
 - Market Specialization
 - Full Market Coverage
- Inter-Segment Relations
- Ethical Dimensions

2.1.9 Market Potential

In general, higher level of industry marketing expenditure would yield higher levels of demand. However, marketing expenditure beyond a certain level would not stimulate much further demand, thus suggesting an upper limit to level of demand, which can be termed as market potential. Thus, market potential is the limit approached by market demand as industry marketing expenditures approach infinity for a given marketing environment. Market potential depends upon the marketing environment. Potentials vary during times of recession and prosperity. So, the total market potential is the maximum limit of sales of a product or service in a specified time period under the specific level of industry's combine marketing efforts within the specified marketing environment (Koirala, 2003).

Similarly, product penetration percentage also influences market potential estimates. However, the data like ownership or use of product or service may not be available in our context.

Normally, it is not possible to survey all market participants with regard to their current purchasing behavior or that which is to be expected. The results of representative sample allow direct conclusions as to respect potential market volume. New products and markets in particular reactive such potential estimates, in which we determine sales and turnover figures for the entire market base on the purchase probabilities are found as well as taking into account the relevant structure characteristics. In order to increase the dynamic quality of these results, all market factors and circumstance that are to be expected are added in the prognosis as well. That way, different market and business developments over the following years can be illustrated to provide important assistance in decisions.

How can we measure the market potential for a new product or services? Reliably estimating the business potential of a new product or services is a complex, multi-step process. First, the marketing potential volume for the product or service must be determined, knowing the maximum potential volumes permits are to evaluate a new idea relatively quickly and easily, before proceeding with more in-depth analysis. The maximum volume potential for a new product or service is also a function of three variable trial, repeat and usage rate.

2.1.10 Market Potential Analysis

Conducting market research and analysis is one of the main components of a marketing plan. Marketing research includes market potential analysis, market share analysis, sales analysis and sales forecasting. Market potential analysis is a major activity under marketing research.

Market potential analysis is performed to evaluate the potentials for each geographic i.e. market segment. Such analysis helps the decision maker to determine the amount of sales efforts needed for each market segment. The potential analysis is performed in relation to a product items or line for a specific market are for a specified time period. The potential may either be expressed in absolute term or percentage of the market share. The market potential is different from sales forecasts. It refers to the total sales possibilities under different circumstances. It evaluates the total worth of the market area. Sales forecasting involves the prediction of the sale of a particular product, company or its branch unit.

The key to successful marketing is identifying what business you are in and what motivates customers to buy. The most successful business is one that has carved out a "Market Niche" or unique benefit for its customers. People buy results, not products. Therefore, good marketing is determining what customers need and want, and then fulfilling that need better than your competitors. The first step toward developing a marketing plan is collecting and analyzing relevant data. Market research defines the needs for the product aids in predicting market share, identifies competition, provides direction for efficient use of advertising and promotional rupees, identifies problems and opportunities, and establishes bench marks by which to measure progress and success.

Another school of thought says, market research and analysis consist of following components.

1. Economics Trend Analysis
2. Political and Social Analysis
3. Product and Service Analysis
4. Customer Analysis
5. Market Potential Analysis
6. Competitive Analysis

Market potential is the total of all sales you plan to capture in units or rupees. Published sources can provide excellent data for many industries, but information is not plentiful for new or unique products and services. Professional surveys are often necessary to support market potential data and to make the best prediction of annual sales.

Estimating what percentage of total market sales your company might capture from the competition is very important. Every source possible is used in marketing the "guesstimate", then it is continued to track market share not only in geographical areas but also by product line. Slow growth areas must be recognized and corrected.

Sales assumptions in a new business should be projected for at least two years, and allowances must be made for seasonal fluctuations. Sales increase projections for additional years may be estimated by multiplying sales by a reasonable percentage such as the gross national product (GNP) or other economic activity indicator.

Harper Boyd, Jr, Ralph Westfall, Stanley. F. Stasch, in their popular text book 'Marketing Research' has presented a case which highlights the significance of measuring market potential.

Lotus performance cars are counting on its new agency, McCann Erickson, to prepare advertising for a line expansion that includes a \$ 120,000 "Super Car".

The company plans to launch its \$120,000 "Super car", a direct competitor to the Italian made Ferrari Testarossa, in 1990 /91. Lotus plans to build 200 to 250 of the cars a year.

Lotus is very low volume car that is marketed to very select individuals, said Wes Fredericks, group executive consultant at Group Lotus.

Lotus target audience is 35 to 45 year old professionals, primarily males with incomes more than \$150,000 a year or whose net worth is at least \$1 million.

Mr. Fredericks estimated there are 10,000 to 20,000 persons in the U.S who can afford and would be interested in owning one of the Lotus models (Boyd, 2001:761).

2.1.11 Uses of Market Potentials

a. Allocation of Marketing Resources

The primary use of information of market potentials has been in the allocation of marketing resources, especially the allocation of salesman. It is difficult to estimate a market response function that is the way a given group of potential customers will respond to various combinations of marketing inputs. Under ideal conditions, resources will be invested in each market until the incremental returns for each unit of resources invested is equal in each market and until further investment will field a return smaller than could be obtained by investing elsewhere.

b. Defining Sales Territories

A sales manager typically tries to develop sales territories that are equal in sales potential and in workloads so that each salesman has an equal opportunity to make sales. A study of the literature in the field, found that, four territorial characteristics were typically used in defining territories. Market potential was used in every case, while concentration, dispersion and workload were used to lesser degrees. So it is recommended to use market potential as the primary factor to be used in establishing territories.

c. Setting Sales Quotas

Sales quotas should be set after market potentials have been derived and sales territories established. The potential for each territory is the know-how but sales quotas must also consider past performance, changes to be made in the amount of supporting sales effort during the coming year, and anticipated activities of competitors. Quotas are usually set for each sales territory and for each sales active representative. They are ordinary not the same as potentiality or even of the same relative size. One market may have twice the potential of another, but may have wear competitors that take as large share that a given firms quota may be smaller there than inquire with less potential.

Sales quotas set in light, sales potentials furnish a much better basis for measuring the efficiency of sales representatives than do quotas set by the old rule of thumb. If two sales representative turn in the same annual sales volume, they are usually paid about the same and are in equal esteem by the sales manager of market analysis shows that sales representative it may not actually be superior. A shift of the two might lead to an improvement in total sales.

While sales potentials is a key factors in establishing sales quotas, and other measurable factors such as those listed above also play a role, it should be remembered that the setting of quotas also involves complex interpersonal relationship between the sales manager and the salesman since salesman vary in personal reaction to the challenger and risk implied by quotas, the successful manager is one who can adopt the objectively determined quota to each individual salesman.

2.1.12 Methods of Measuring Market Potential

There are three major methods available for estimating market potentials. One of these involves on the actual product for which one wishes estimating potentials. The other method involves the use of corollary data method can use single or multiple factors and the later can be combined in a variety of ways. The last method involves use of surveys to determine the potential [Boyd, 2001:765].

A. Direct Data Method

Under this method, the direct data, such as the total industry sales are use for estimation the sales potential. The process involves, first, a calculation of the total industry sales for the total market and then, allocation of total industry sales in the company's sales territories. The company estimates its possible market share in the area to arrive at some sales potential figures. For this, the company uses the past sales records as the main basis. The difficulty in this method is the unavailability of the total industrial sales figure for many of the products, not only on the national scale but also on the sales territory level.

The principal advantage of using total industry sales to measure market potential is that actual results are being used. The method is straight forward and does not require as must clerical work as do some of other methods.

However, several limitations prevent this method from being used by more firms. First of all, there are a few commodities on which total sales are available. Another must important limitation to the direct data methods is that past sales are used to indicate market potential that is , no attention is given to the potentials except as they are revealed through past experience. And in absence of direct data on the sales of individual products by desired geographical areas, the manager must turn to corollary data. Lastly this method requires a pre estimated total country market potential.

B. Corollary Data Method

Under this method, the sales of one product are using dot estimate sales the sales of another product. For instance the sales of automobile tires can be estimated on the number of automobiles in the market area. Population and household's income level can be used to estimate the sales potential of many consumer products.

This method can be used in two different ways - Single factor index and Multiple factor index.

Single factor indexes are the most simple of the corollary data methods of market analysis. A typical example of single factor index method is the use of the sale of one product to indicate the market potential of another. This is more to be satisfactory if the two items have closely related demand, i.e. demand for one is derived from the other is a complementary demand. Automotive replacement parts offer a good illustration of a derived demand. The demand in any area is closely related to the number of cars in the area. For example, the number of Tata cars can be used as an index of the potential for sale of Tata parts.

Factors other than sales of related products are also used in the Corollary data, single factor method. For example, population and household's data are frequently used to indicate market potentials. The reasoning back of this use of population data is that sales can be made where people are, therefore, if one area has twice as many people as another it has twice the sales opportunity. Total retail sales are often used as an index of market potential for specific consumer products.

Disposable income is a general index often used to measure general potential for consumer goods. Many analysts in developing market potentials for industrial products use the number of production workers in the target industries to measure the potential of different areas. Discretionary income is a general index often used to measure potential for luxury goods like cars whatever is the case; bottom line is that the index series most closely resembling the company sales is used.

Similarly, multiple factor indexes method uses indexes developed by combining several factors, occasionally as many as 20. Not all market potential indexes are developed from a single series particular companies or industries to measure market potential for their products develop many of these indexes. Others are developed by independent organizations, frequently publishers, as indexes of market potential for consumer products in general.

Special multiple factor indexes are designed to measure the relative potentials of different markets for a particular product. Such indexes have the advantage of taking into account several factors that influences the sales of the given product. For this, potential buyers are identified along with their principle characteristics and backgrounds. However, individual's preparing the index usually uses their judgment in selecting the factors to combine, whether this judgment is proved or cannot be proved.

General multiple factor indexes have been developed by a number of organizations. They usually are constructed as indexes of consumer purchasing power and are presumed to be indexes of market potential for consumer goods in general. However, a major weakness of general index is that it is general- that is; it is not designed to measure the potential for a specific product. This assumes that the relative market potential for in a given area is the sum for all consumer products. This, of course is not true.

C. Use of Survey of Determine Potentials

In any of the exploratory research study, after secondary data are searched, analysed, survey is required to gather Primary data, which are accurate and very useful. Surveys are done with the help of questionnaire. This procedure consists of projecting sample survey results to the total market using published market data.

With the industrial products, the 'Standard Industrial Classification' (SIC) systems provide unique and effective way of projecting survey data. Central Bureau of Statistics also publishes data in which all industries are classified on the basis of SIC system (Central Bureau of Statistics2001). The standard industrial classification as

developed by the government agency is by far the most widely used system of industrial classification.

The SIC system is intended to cover the entire field of economic activity , agricultural, forestry and fisheries, mining construction, manufacturing, transport, communication, electricity, wholesale and retail trade, finance, insurance, service and government. All manufacturing establishments are combined into about 20 major groups, sub groups and industries.

When using the survey procedure to estimate the market potential, researchers use mail, telephone or personal interviews to obtain information on purchases made by firms that have been identified as belonging to the appropriate SIC categories. This information is then projected to the universe of all firms in the categories.

The following steps illustrate the use of the survey method combined with the SIC system to determine potential for an industrial product.

1. Form a sample of companies within each of the Industrial classes that could conceivably buy the product, the amount of the product purchased and number of employee for each company is determined.
2. Using the sample data, average purchase per worker for each SIC group is computed.
3. The average purchase per worker in each SIC group is multiplied by the total number of workers in that group. This gives an estimate of the National market potential for each SIC group.
4. The national market potential for each SIC group is allocated among the various districts according to the proportion of that SIC group workers in each district. This, if Chitwan district employs 10 percent of all the workers in a given SIC group, Chitwan will have a potential of 10 percent of the national potential represented by that SIC group.

A company may be interested in market potential figures for a new brand of car it is going to launch soon. It can plan its marketing expenditures and allocate it to the different territories depending upon the market potential of each area. In such case, first of all, the company has to identify all potential buyers of the new type of car in an area, say Katmandu valley. Different categories of customers who purchased the previous brand of car of the company are all potential buyers for the new brand of car.

It is more difficult to use the survey approach to determine the market potentials for consumer goods than for industrial goods. Buying intention studies are typically limited to major purchase item for obvious reasons. However, the procedure for estimating market potentials for consumer goods using the survey methods is essentially the same as for industrial goods (Boyd, 2001:761-774).

2.1.13 Consumer Buying Process

Buying Decision: Consumers are faced by the decision to buy or not to buy several times a day. It is important to understand how they actually make their buying decisions. Consumer buying process influence consumer-buying decisions.

Type of buying decisions:

- a. Low Involvement Purchase
- b. High Involvement Purchase

a. Low Involvement Purchase (Habitual Behavior):

It involves routine decision-making. Products are repeatedly purchased as a habit. Many brands, low risks, small amount of money, short purchase time, passive interest in product information, positive attitude toward the product, short term product benefits and limited interest in the product characterize low involvement purchase. Examples are a cup of tea, loaf of bread, tube of toothpaste, etc.

b. High Involvement Purchase (Dissonance Reducing Behavior):

It involves extensive decision-making. Their buying behavior is complex. Few brands, high risk, large amount of money, long purchase time, active interest in product information, uncertain attitude toward the product, long term product benefits and high interest in the product characterize high involvement purchase. Examples are: car, motorcycle, house, computer, etc.

Buying Roles: Roles that people play in buying decisions can be:

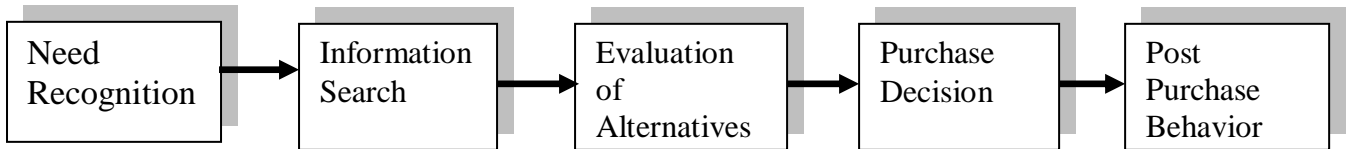
Initiator	:	First to suggest the idea of buying the product.
Influencer	:	Gives advice to influence decision.
Decider	:	Decides about buying.
Buyer	:	Makes the actual purchase.
User	:	Uses the product.

2.1.14 Stages of Consumer Buying Process

There are five stages in the consumer buying process. They are:

- Need Recognition
- Information Search
- Evaluation of Alternatives
- Purchase Decision
- Post Purchase Behavior

Figure 2: Stages of Consumer Buying Process



Need Recognition:

The buying process starts when the consumer recognizes a need. The need can be activated by internal stimulus such as hunger and thirst. It can be activated by external stimulus such as advertisement and window display. Activated needs drive the consumers to products. This stage identifies specific needs.

Information Search:

After identifying specific needs, consumer search information about the products. The information can be about features, advantages and benefits of the alternative products. This stage identifies product alternatives through

Internal Search: Consumers scan their memory previous experiences about products.

External Search: Consumers seek information from:

- Personal Sources : Friends, family, relatives and associates.
- Market Source : Advertising, sales force, dealers, packaging, etc.
- Public Source : Media – Television, Radio, Newspaper, etc.
- Experimental Source : Handling, examining and testing the product.

The time spent on information search depends on the nature of the buying decision.

Evaluation of Alternatives:

After identifying product alternatives, consumers evaluate them. They use some criteria to find out which of them will best satisfy their needs. There is no single evaluation criterion for this purpose. Generally, consumers make product judgment on a conscious and rational basis. Product attributes, brand beliefs and utility function attributes influence evaluation. This stage provides the consumer with a clear set of product and brand preferences.

Product Attributes:

Consumers view product as a package of multiple attributes such as features, brand, price, quality, service, performance, warranty, etc. They evaluate product attributes in terms of specific attributes that they perceive as important to them. Attributes of competing products are also compared.

Brand Beliefs:

Consumer uses their brand beliefs to evaluate products. Brand beliefs are shaped by past experiences and opinions of family, friends and reference group members etc.

Utility Function Attributes:

The utility function is the expected total satisfaction from various attributes of a product. Consumers have utility function for each product attribute. They arrive at

some preference towards the utility function of alternative brands. They develop purchase intention that greatly influences purchase decision.

Purchase Decision:

After evaluating alternatives, consumers make the purchase decision. They actually select their product or brand. They also make the choice of the channel. Payment method, warranties, delivery, after sales service and installation influence the purchase decision. Purchase decision is influenced by:

- Purchase intention developed during evaluation of alternatives.
- Social influence from family, friends, co-workers.
- Situational factors that increase the level of perceived risk.

Post Purchase Behavior (Use and Disposal):

After purchasing the product, the consumer may be satisfied or disappointed. Satisfied consumers continue to purchase and develop brand loyalty. Disappointed consumers stop purchasing the product and dissuade other from buying it. If performance exceeds expectations, the consumer is delighted. When consumers experience anxiety over their purchase decision – it is called cognitive dissonance. Marketers should take steps to reduce this anxiety through follow-up, post purchase services, speedy handling of consumer grievances and persuasive communication.

Disposal of products by consumers after use is also an important post purchase decision. They can get rid of it temporarily, or get rid of it permanently or keep it. Permanent disposal can be: sell the product, exchange it for another product, give it free of cost, trade it and throw it away. Temporary disposal can be by renting or lending the product. Consumers can keep the product for original purpose or new purpose use or for storing.

2.1.15 Factors Affecting Consumer Buying Decision

Consumers make decisions. Their buying decisions are influenced:

Table 6: Factors Affecting Consumer Buying Decisions

Economic Factors	Personal Factors	Psychological Factors	Socio-Cultural Factors
Level of Income	Age	Motivation	Reference groups
Liquid assets	Gender	Perception	Family
Savings, debt, credit availability	Family size	Learning	Roles and Status
Attitude toward spending	Family life cycle	Attitude, belief	Social class culture
Economic Conditions	Occupation	Personality, life style	Culture and Sub culture

2.1.16 Customer Satisfaction

Satisfaction is a function of performance and expectations. It is the customer's perceived performance from a product in relation to the expectations. Organizations should aim for total customer satisfaction. Customer satisfaction is the goal of the marketing concept. It is post purchase outcome.

Philip Kotler has defined it as "Satisfaction is a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance in relation to his/her expectations."

The customer is:

Dissatisfied, if the performance falls short of expectations.

Satisfied, if the performance matches the expectations.

Delighted (Highly satisfied), if the performance exceeds the expectations.

Customer expectations are formed by:

- Past experience of buying.
- Advice from friends and relatives.

Marketing promotion and promises.

2.2 Review of Related Studies

This section contains reviews of previous thesis, project works and articles related to the subject under study. A brief review of such literature is done to get insight into knowledge that has been developed, and to know what progresses have been made in the field of research.

2.2.1 Review of Thesis

Researchers are beginning to develop some base of information about market studies, including market potential studies. What follows are brief descriptions on some of the thesis on market potential of consumer goods.

- a. A Study on advertising and sales promotion of cars in Nepal (with special reference to Hyundai Santro) revealed that the automobile business is one of those sector of Nepalese business which aggressively uses advertising and promotion to promote their business, and every automobile dealer is coming out with competitive promotional schemes, that includes financing schemes at lowest interest rates.

The basic objective of the study was to evaluate effectiveness of advertising and sales promotion for attaining and retaining the market, concentration on automobile business in Nepal. The study also aimed to analyze the importance of promotion in building a company's reputation.

Both primary and secondary were collected for the purpose. Field survey was done to collect primary data from market, using questionnaire and personal interview. Promotional activities planned and implemented by Avco International (Hyundai motor dealer for Nepal) was analyzed. Lastly, the researcher recommends bringing out advertising and promotional scheme regularly.

- b.** A study on "Market potential of Aluminum Architectural products in Katmandu valley" suggests that use of such products in Katmandu valley is in increasing trend, and so on is the number of establishments producing such goods, and so on is the consequent sales.

The researcher first tried to find out the existing position of Aluminum products in Katmandu valley. Based on this he tried to show the trend from very beginning regarding sales of the product were analyzed, opinion on uses of the products and services of the products were taken from users and non users of the product.

Finally, the researcher concludes that the potential user of AAP is not adequately informed of its use. So, with good marketing effort, there is a good potential of it in Katmandu valley and researchers recommends the producers to focus its marketing first on commercial complexes.

- c.** Another research study done nearly two decades ago to explore the market potential of Gandaki noodles in Katmandu valley revealed that majority of customer preferred Rara brand of Gandiki boodles at that time, among other brand available, sales volume of Gandaki noodles were above 84% (Basnyat, 1985). The product being newly introduces at that time, the study revealed that a huge market potential existed for the Gandaki noodles banks in Katmandu valley.

For the study, the researcher obtained and analyzed information about the sales of different brand of noodles at the time. Consumer opinion on price, quality, tastes, and sales of Gandaki boodles were compared with that of other brands in the industry. And lastly, data on consumption of different brands were collected. For the purpose of data collection, respondents profile was defined, sample was selected from different aspects of economy, and behavior of the total universe was defined.

Besides the fact that majority of consumers preferred Gandaki noodles, and it sales percentage is highest, other findings of the research are that 76% of the respondents felt The basic objective of the study was to evaluate effectiveness of advertising and sales promotion for attaining and retaining the market, concentration on automobile business in Nepal. The study also aimed to analyze the importance of promotion in building a company's reputation.

Both primary and secondary were collected for the purpose. Field survey was done to collect primary data from market, using questionnaire and personal interview. Promotional activities planned and implemented by Avco international (Hyundai motor dealer for Nepal) was analyzed. Lastly, the researcher recommends bringing out advertising and promotional scheme regularly.

- d. In 2007, another study work has been done by Rabin Shrestha in the title "A Marketing Strategy for KIA Picanto" KIA Picanto was new product by KIA motors, in the form of car, which was soon to be introduced in Nepalese market. The study had the basic objectives of developing market strategy for Picanto: the efforts of the researcher, on this regard, are worth praising.

The researcher explored the whole car market in Nepal at the time. On several basis like size and prices, country of origin, regionally, the producer B-segment into different categories. The researcher also explored the new trends and developments in the small car market, as KIA Picanto is a small sized car. Survey was carried out, with well-administered questionnaire. Target market for Picanto car was also identified into three distinct segments- institutional buyers, Government and semi government buyers, and individual buyers. Researchers have also estimated market for KIA Picanto in the years to come. Besides that researcher also have done SWOT (Strength, Weakness, Opportunity, Threat) analysis for the product. Marketing plans were also been proposed like advertising plans, new showroom plans.

2.2.2 Review of Project Report

Some basis of knowledge has also been developed by researcher on research on market study of the vehicles. What follows is the review of report of some such studies, in precision done by the researchers in form of project work.

The objective of the study named marketing strategy for different cars was to analyze the small car market in Nepal and aimed to unfold the problems relation to marketing of cars in Nepal. The researcher collected data from both primary and secondary sources. Primary data collection involved usual instruments of survey like interview, questionnaire observation. The study results showed that small car market is characterized by intense competition amongst few players in market.

Toyota vehicles are considered as a status symbol by the buyers and are perceived by that as expensive but tough, durable, safe, and economics in operation. A market research study of Toyota vehicles suggested so. An effort has been made by the researcher to find out the position of Toyota vehicle market as well as buying behavior of the customers.

"Honda in particular sees no end to its out performance, while Toyota is now looking at taking over global leadership from General Motors," defined by an analyst, a survey on Honda and Toyota motors. Toyota and Honda have firmly cemented their positions into the Nepalese market and both have displayed their confidence by diving head-first into the competitive world. A business development executive at the Mitsubishi showroom said "we will now move steadily from cost reduction and process optimization into further business consolidation and profitable growth in the years to come". Japanese car companies such as Toyota, Honda etc. are making competitive products that customers want to buy. They have a very strong product positioning into the Nepalese market and they have a very lean cost structure. Toyota admitted that their products are more expensive than the others yet they hold a strong market

position. They believe that consumers are willing to pay the higher prices. Currently, one in five cars sold in Nepal are Japanese and it is expected to rise to one in four by the end of the year 2009.

Talking about the Indian cars, what Mahindra is looking for is brands and distribution if they can acquire them cheaply claiming that from next month all Mahindra's utility vehicles would have micro-hybrid technology as a default option, making them 5 percent to 7 percent more fuel efficient. There is tremendous latent demand of cars in Nepal which can of any brand from Japanese make to Indian make.

The researcher has identified his research into qualitative and quantitative aspects. Quantitative study assesses the informational in market, while qualitative study deals with consumer behavior. For that, interviews and observation were carried out. Target groups are identified with a geographical coverage of Katmandu valley. Present vehicle market scenario was explored. Survey was done on the target groups as a part of primary data collection. Toyota was found to be market leader with overall 44.6% of the Japanese vehicle market. The study also found that the majority of customers are government agencies and embassies, followed by INGOs, industries and lastly individuals.

2.3 Review of Articles / Other Publications

There are not much articles written regarding the field of study. Below is an overview of articles which are related somehow to the subject matter, which were published in magazines, journal, newsletter etc.

- a. Looking at the recent trends in automobile business, there is an increasing trend of Nepal's import of vehicles and spare parts. Nepal's import of vehicles and spare parts totaled about billion in the year 2003/04. The total reached 7 million by the year 2007/08. More remarkable was the growth of imports from India alone.

The writer states that, irrespective of the per capita of Nepalese consumers, or the rate of economic growth in the country, the expansion of automobile business indicates that more and more people are going towards owning a motor vehicle.

The writer attributes this trend to changing life style of Nepalese, easy availability of financing. Banks, finance companies have even started aggressive marketing of vehicle financing, and some have also tied up with one or more of the banks/ finance companies to help their customer finance the cost of vehicle.

Regarding the future market of car, the writer quotes Suraj Vaidya, president, Toyota vehicle dealership as saying that, he was amazed at the buying capacity of private sector and the good opportunity and potential for brand new cars, as the import of cheap, reconditioned, foreign brands cars are restricted by the environmental regulations. The writer views that the government plan of phase out the older vehicles older than 20 years is sure to add new dimension to sales of brand new cars.

- b. Demand for diesel or compared to similar petrol one is higher due to fact that diesel engines expend almost two times less fuel than petrol ones, and though diesel engines are a bit rigid, bit more smoky, and have less power than petrol engines. However, diesel fuel cost is cheaper than petrol. This indicates the economy in operation a diesel car. Whatever may be the choices and features offered in different cars, the bottom line is that customer strongly consider economy before making a purchase decisions.
- c. Nepal's budget has just crossed the 100 billion mark but the value of imports of motor vehicles and spare parts have reached 7 billion a year.

There is a increasing trend in sales of major vehicles. It can chiefly be attributed to post democracy liberalized economics situation, joint venture manufacture of attractive, but cheaper foreign brand vehicles in neighboring country India, and consequent surge in demand of the vehicles by Nepalese customers. Indian vehicles also enjoy the privilege of duty concession. This has brought down the price more. This has enhanced the access by middle class families to the motor cars. Due to several reasons whole economy is sliding downside but automobile sale is not affected much.

- d. The automobile industry in Nepal has seen phenomenal growth in last decade, and the popularity of cars and two wheelers have sky rocketed in the last couple of years, in particular, attesting the expansion of a sector of the society that can absorb the rising costs of vehicles and increased tax levies on automobile sector.

The construction and extension of roads has simply been not enough to keep up with the growing number of vehicles. As the scale of economy doesn't support domestic production of automobile, the high import duty forces consumers to pay a very high price for vehicles they purchase.

CHAPTER III

RESEARCH METHODOLOGY

This chapter describes the research procedure. The research procedure includes overall research design, the sampling procedure (describing sample and population), and the data collection method (i.e. how and by what means and from where data were collected). It also presents data analysis tools and procedure.

Research methodology is composed of two words: “Research” and “Methodology”. Research methodology is the way to solve systematically about the research problem. For this purpose the research is explanatory as well as analytical in order to accomplish the objective of this study.

Research methodology shows the whole picture of research to carry out the entire study. Research methodology known as a technique, way to go to the depth to the conclusion regarding the particular study. In reality, research methodology reflects the entire picture to different methodologies and ways used with regards for the collection analyzing and interpretation of data. Moreover, research methodology gives regarding how the whole research is done, how and from where the related information are collected how the data are analyzed etc. Further, research methodology deals with variable used in the study. The research methodology employed in the present study is described as follows:

3.1 Research Design

The study attempts to find out the market potentiality of different cars in Kathmandu Valley. This is done using both direct and indirect method. In direct method, data have been collected from car owners. In indirect method, data have been collected from car sales persons. Exploratory type of research has been applied. The study has used descriptive and analytical methods of analysis to investigate the research question systematically.

Of the two basic types of research, Exploratory Research and Conclusive Research, this study is conclusive in nature, more like quantitative rather than qualitative in analysis. This research is rather aimed at describing an apparent situation and problem. Such research provides information that decision makers could use to make a rational decision, and choose the best possible course of action.

Further, the research is descriptive and not experimented in nature. It is statistical in design as it uses statistical tool in presenting and analyzing the collected data. The rational behind choosing this particular design is already mentioned above. The procedure tends to be more formalized, points to be investigated are definitely known. Therefore, conclusive and descriptive research design has been adopted for the study.

3.2 Population and Sample

All the car owners, potential car buyers and car sales persons are the population of the study. For the direct method, the sample respondents (car owners) have been randomly selected trying to include all the possible range. For the indirect method, the sample respondents (car sales persons) are selected systematically trying to include sales persons of all the available brand of cars in Kathmandu Valley. Sample size for judgment survey of car sales force is 32, and for car owners' survey 105 is the sample size.

3.3 Sources of Data

Customer field survey is the source of primary data. Questionnaire is administered to the samples and important first hand response was obtained. Average purchase data was obtained in this way.

Past sales records maintained by different companies, selling cars, data published by Department of Transport Management, and various professional associations, chambers of commerce and industry information, journals, magazines together constitute the sources of secondary data.

Data may be obtained from several sources. It is not easy to list them in details. Each research project has its own data needs and data sources. However, the general classification of data sources has following dimension.

- a. **Secondary Sources:** Secondary sources refer to those for already gathered by others. The sources of secondary data can be divided in two groups; Internal and External. The internal secondary data are found within the company. Sources of such include sales information, accounting data and internally generated research reports. External secondary data are collected from sources outside the company. Such sources may include books, periodicals, published reports, data services and computer data banks.
- b. **Primary Sources:** Many studies can be undertaken merely by going to existing data sources. However, in other case, the needed materials may not be available or what is found may prove inadequate, in case here information requirements cannot be satisfied from secondary sources, the researcher goes for primary data. Thus, after scanning various secondary data sources, primary data is collected for meeting the specific objective of the research study.

3.3.1 Primary Data

Primary data are original data gathered by the researcher expressly to solve the problem under consideration at that time. These data have not been previously collected or assembled for any other known project. In short, they are data that did not previously exist in every organized fashion.

Methods of collecting Primary Data

- I. Interviews
 - Direct interviews
 - Telephone interviews
- II. Direct observations

3.3.2 Secondary Data

Secondary data are often in the form of published data. However, the unpublished data such as the records, reports or statistic gathered or compiled defined on data collected earlier for a purpose other than the one currently being pursued. Secondary data can also be pursued in many cases from commercial research agencies.

Secondary data are actually the result and data collected by previous investigators. It provides the researchers with a considerable amount of useful information. Secondary studies take existing collected information and examine relations among variables. In other cases, researchers will collect empirical data on one variable and then sees if it can be related to variables from secondary data. The most distinguishing aspect of secondary data collection is that an instrument does not need to be developed; only a uniform data collecting form is required.

The main data collection activity of the investigator is locating appropriate data and the student may not find all the information in published journals and reports, although, these are excellent starting sources. Frequently, it becomes necessary to visit agencies and bureaus which compile and collect data. When the data is obtained, it is necessary to evaluate the data for its accuracy. It is not uncommon to collect data from general sources and discover depravity between the same data.

3.4 Data Collection Procedure

Information and data would be collected through various ways. Questionnaire, interview, observation would be done for primary data and office records, published data, statements and balance sheet would be taken for secondary data. Primary data is to be collected through field survey of potential buyers of car. Questionnaire will be administered to the prospects and response duly filled by them. Prospect would be the ones who turn out in the showroom for a sales inquiry and booking customers attitude towards different brands of car, would clearly be reflected in the questionnaire.

First pilot studies were conducted to find out practical aspects of the questionnaire. The questionnaire was repeatedly restructured; options were altered with the help of pilot study.

The primary data was collected by questionnaire through direct interview. The questionnaire was developed using five point liker type scale, multiple choice scale, ranking scale and other demographic nominal information. Researcher visited autoshow, different showrooms, service centers with questionnaires. The questionnaire filling were exclusively conducted by researcher using explanation and direct interview method. In an average twenty to twenty five minutes were needed to finish a questionnaire from a car owner and sales persons.

The primary data collection consisted of two set of questionnaires:

Sales Force Opinion Survey
Car Owner' Survey

3.4.1 Sales Force Opinion Survey

This method is used identifying that the opinions obtained from car marketing/sales related persons are based on their experience. The experience gained interacting with their customers gives the true nature of car buyers of Kathmandu Valley. This method identifies that the sales force posses specialized knowledge and better insight of customer behavior of their area. The questions for the sales force were similar with some modifications to the question for car owners.

The data collected is completely from Kathmandu on the basis of personal interview through a structured questionnaire. Thirty five (35) numbers of respondents were requested to fill up or give answer on the basis of judgment sampling visiting different authorized showrooms. Among the thirty five filled questionnaires only thirty two are used as data source. Three of the partially filled questionnaires filled were discarded. The details of data obtained from sales force are given in Annex A.

Sales force opinion is further studied with following sub grouping:

- A. Market segmentation related
- B. Variants (factors, features) related to car
- C. Buying process related
- D. Customer awareness related

3.4.2 Car Owner' Survey

This method is used identifying that the opinions obtained from car owners represent the actual consumer behavior towards buying cars in Kathmandu Valley. This method

identifies that the consumers differ between themselves but we could find out the nature of their behavior with questionnaire.

The data collected is completely from Kathmandu on the basis of personal interview through a structured questionnaire. We have been highly careful to obtain different section of car owners. The main focus has been private car owners. We have tried to not take responses from drivers. Total 105 car owner filled the questionnaire completely. Some of the partially filled we discarded. The details of data obtained from car owners are given in Annex B.

Car owner's survey is further studied with following sub grouping:

- E. Car owners' profile (Market segmentation related)
- F. Variants (factors, features) related to car
- G. Buying process related
- H. Customer awareness related

Required secondary data are collected from the following sources:

- Company leaflets/Product brochures
- Automobile magazines
- Websites

3.5 Methods of Data Analysis and Presentation

To find out the useful and meaningful result regarding the study the researcher has used several tools and techniques. Statistical tools, tables, percentage are used to present and analyze the collected data to make interpretation out of it.

A Quantitative analysis is done using statistical method. Yielding total market potential figure, the data collected from different sources are classified, tabulated and analyzed as per the need of the study.

Sample Average is applied in analysis of primary data. Average purchase for each category of customer is computed with the help of survey results. And then, sample survey results are projected to total market.

Ranking questions were framed requesting to rank 1st, 2nd, 3rd and 4th most important options with 1st place as most important. The coding were done with weightage as for 1st ranked 1 point is given, for 2nd ranked option 0.8 point is given, for 3rd ranked option 0.6 point is given and for 4th ranked option 0.4 point is given. The total points received by each option were added. The sum total of different option is taken as 100% and from that value weightage percentage of each option was calculated.

3.6 Questionnaire

A set of questions were prepared to draw out the information about the market present situation and the automobiles dealers' market scenario. The major disadvantage of the questionnaire was that the researcher could not visit all the showrooms of the cars to collect data from the questionnaire and some of them were not willing to provide such information to the researcher. The details of car owners' questionnaire and sales force questionnaire are presented in Annex C and Annex D respectively.

3.7 Review of Car

The luxury segment will see more new entrants namely Toyota of Japan, Skoda of Czech Republic and Proton of Malaysia in the years to come. Recently, companies like MUL, GM and Hindustan Motors have come out with new models to cover the present gap in the segment. Therefore, the customer will be having a wider choice to choose depending on his specific needs.

"Honda in particular sees no end to its out performance, while Toyota is now looking at taking over global leadership from General Motors," defined by an analyst, a survey on Honda and Toyota motors. Toyota and Honda have firmly cemented their positions into the Nepalese market and both have displayed their confidence by diving head-first into the competitive world. A business development executive at the Mitsubishi showroom said "we will now move steadily from cost reduction and process optimization into further business consolidation and profitable growth in the years to come". Japanese car companies such as Toyota, Honda etc. are making competitive products that customers want to buy. They have a very strong product positioning into the Nepalese market and they have a very lean cost structure. Toyota admitted that their products are more expensive than the others yet they hold a strong market position. They believe that consumers are willing to pay the higher prices. Currently, one in five cars sold in Nepal are Japanese and it is expected to rise to one in four by the end of the year 2009.

Talking about the Indian cars, what Mahindra is looking for is brands and distribution if they can acquire them cheaply claiming that from next month all Mahindra's utility vehicles would have microhybrid technology as a default option, making them 5 percent to 7 percent more fuel efficient. There is tremendous latent demand of cars in Nepal which can of any brand from Japanese make to Indian makers.

However, imports are expected to increase in the near future, new entrants like Daewoo, Hyundai, Honda Siel, GM and Ford are busy investigating options in the world markets. Daewoo has already made a beginning by exporting its small car Matiz to Italy. Also GM has commenced exports to Nepal and is further considering Sri Lanka as a potential export market. Further Ford is scheduled to commence exports.

South Korea's Hyundai Motor Co. is planning to produce a low-cost mini car in India by 2011 to compete with locally produced vehicles such as Tata's new Nano. The

low-cost, fuel-efficient mini car models will be priced between 3.5 million Korean won (\$3,700) and 5 million won

Hyundai is pushing to diversify its product portfolio with fuel-efficient cars, and plans to introduce a version of its Avante sedan powered by liquefied petroleum gas by 2009,

Following the boom in India's car market, the floodgates in Nepal didn't take long in opening. From Daewoo to Hyundai and from Tata to Diahatsu, all names are available in the country. And each of these manufacturers has come up with different models. For instance, Maruti comes with Zen, Alto and 800; Tata with Indica and Indica V2; Opel with Astro and so on. That apart, each of these models comes with a variety of options like AC/non-AC, power, engine-type, interior facilities like music systems and so on. The addition/deletion of these facilities raise/reduce the price as well.

3.8 Income

The demand for cars is dependent on a number of factors. The key variables are per capita income, introduction of new models, availability & cost of car financing schemes, price of cars, incidence of duties and taxes, depreciation norms, fuel cost and its subsidization, public transport facilities etc. The first four factors viz, increase in per capita income, introduction of new models; availability & cost of car financing have positive relationship with the demand whereas others have an inverse relationship with demand for cars. The demand for cars in the future can be estimated with the help of making use of macroeconomic variables like growth in GDP, per capita income etc. or house hold penetration technique. An attempt is made to estimate the potential demand for passenger cars based on the household penetration level of passenger cars.

3.9 Profession

Population for this research includes potential buyers of cars; potential buyers are identified into different specified profession / occupations. Professions / Occupations are identified and specified on the basis of post car purchase behavior which would be evident from past sales records of car companies. Number of people in different such occupation category together constitute what we call Universe. Doctors, engineers, business entrepreneurs, retired personnel, high salaried individuals like bank managers and executives etc. Together make up the universe for the study. The task of properly and accurately identifying the prospect and thus defining the population in real terms is really a tough one. This is one of the limitations of this research. The geographical limit for this study is Katmandu valley.

This study uses non-probability sample design in form of 'quota sampling'. Here, population is stratified on the basis of occupation. As such sample size-quotas are allocated for each stratum.

3.10 Age Group

The age groups are divided into four groups, viz, 16 – 25 years, 26 – 35 years, 36 – 45 years above 45 years. Among these, the majority of car buyers in the Kathmandu Valley are above 35 years of age.

3.11 Qualification

The qualification of the buyer does matters in buying a new car or may be other products. The qualification of the customer can differ in terms of perception, analysis, making a decision. They are more concerned with the safety features, the function of the car. A conclusion can be drawn out that businessmen and professionals are more involved in buying a car. These are the people who have good income level and can afford to have one.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

The overall background, basic objectives and significance of the study has been already mentioned in the first chapter. In the second chapter, various related books, journals and other publications as well as unpublished master level dissertations have been reviewed. In the third chapter, comprehensive research design has been presented.

In this chapter effort has been made to present and analyze: **a.** Sales Force Opinion Survey and **b.** Car Owners' Survey. The major findings from the study have been summarized at the end of this chapter.

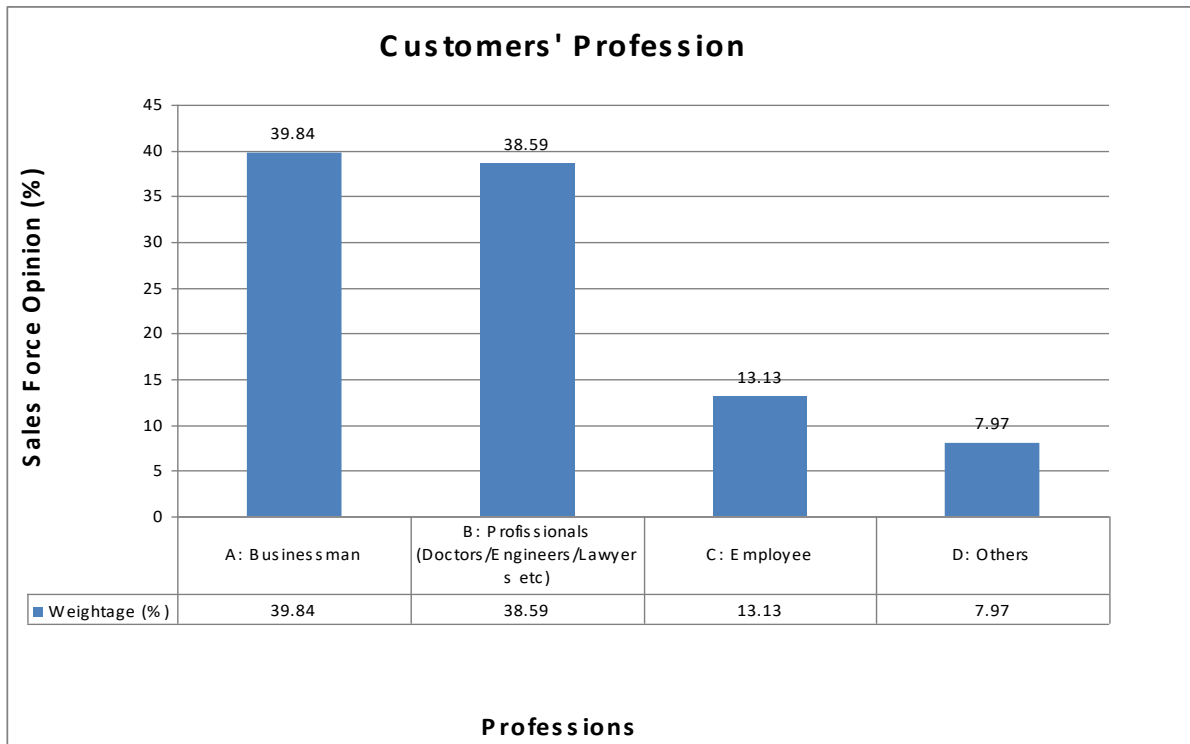
4.1 Sales Force Opinion Survey

4.1.1 Market Segmentation Related

A.1 Who are the buyers? What are their professions? What are their ages? What are their education levels? and How are car financed?

The researcher tried to find out the answer to these above mentioned questions from the sales force. The respondents were asked to provide answers in the percentage in the structured options. The obtained analyzed results from data collected have been shown in the graph below:

Figure 3: Consumer's Profession



From sales force opinion survey, it could be interpreted that the car buyers in Kathmandu Valley are influenced by their family, friends and relatives. The influence of family, friends and relatives shows that the car buyers are more influenced by societal influence. The customers' his own influence (23.21) has received third place in sales forces' opinion.

Figure 4: Age Group of Customers

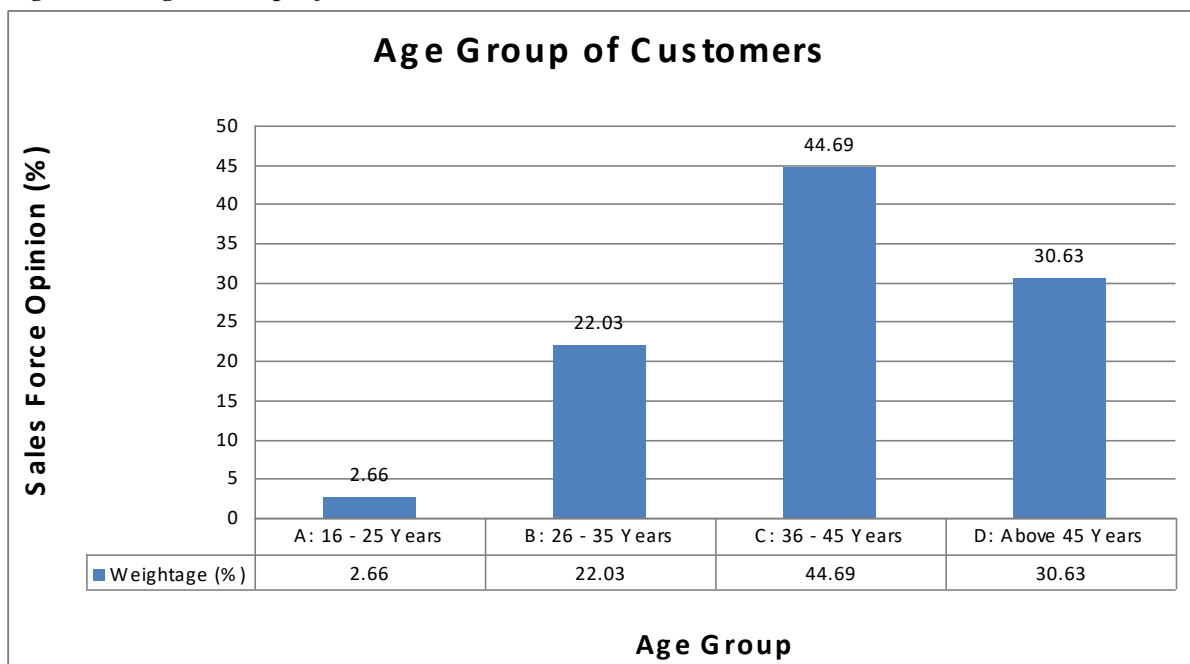


Figure 5: Customers' Education

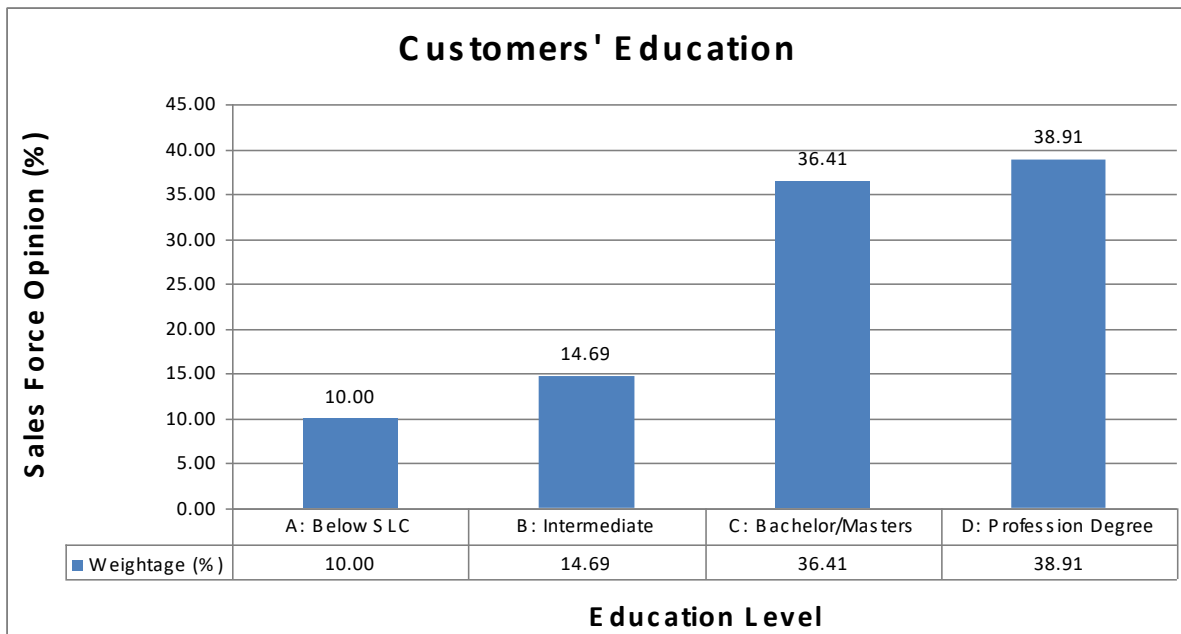
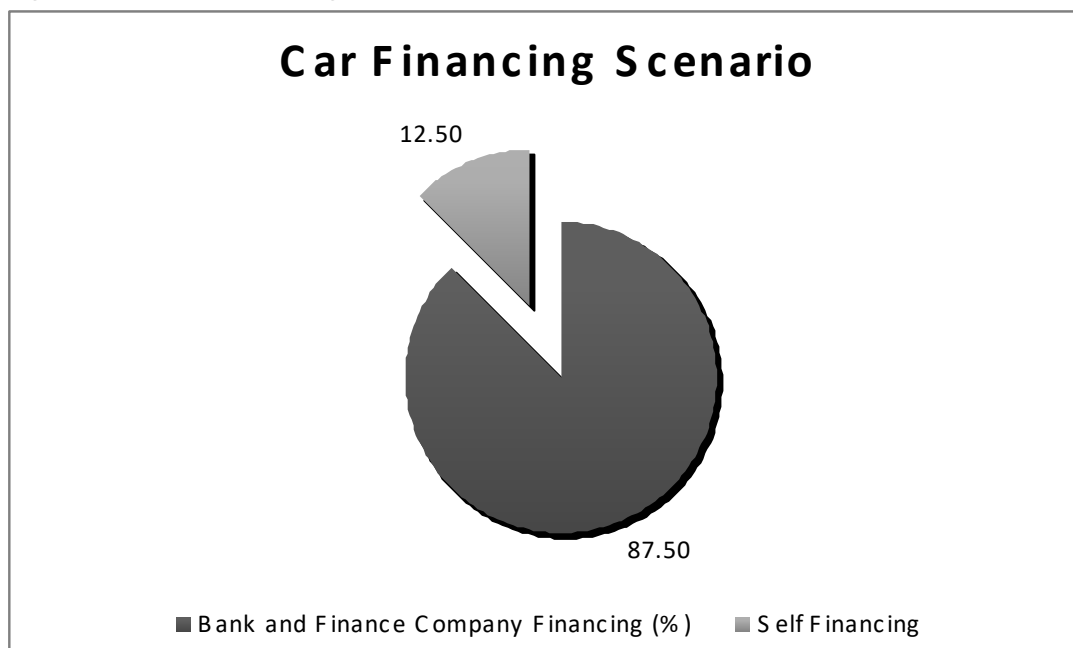


Figure 6: Car Financing Scenario



From sales force opinion, (regarding the questions: Who are the buyer? What are their professions? What are their ages? What are their education levels? And How are car financed?) We could clearly conclude followings from above graphs:

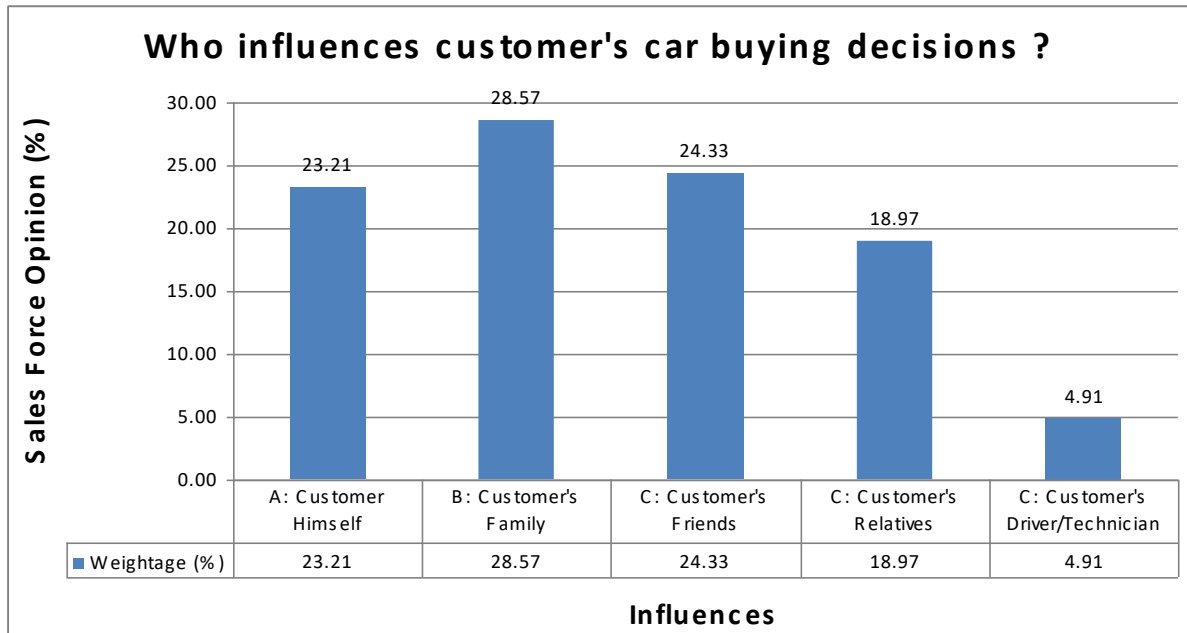
- Businessman and professionals are the main buyers.
- Majority of buyers are above 35 years of age.
- Majority of buyers are educated.
- Most of the buying process takes place with bank and finance companies' financing.

4.1.2 Features and Factors Related

B.1 Who influences car buying decision?

The options presented to respondents were: a) Completely his decision, b) family, c) friends, d) relatives and e) driver/technicians. Sales forces were asked to rank as first, second, third and fourth most important influences. The obtained data has been analyzed and have been shown in table and graph below.

Figure 7: Who influences customer's car buying decisions

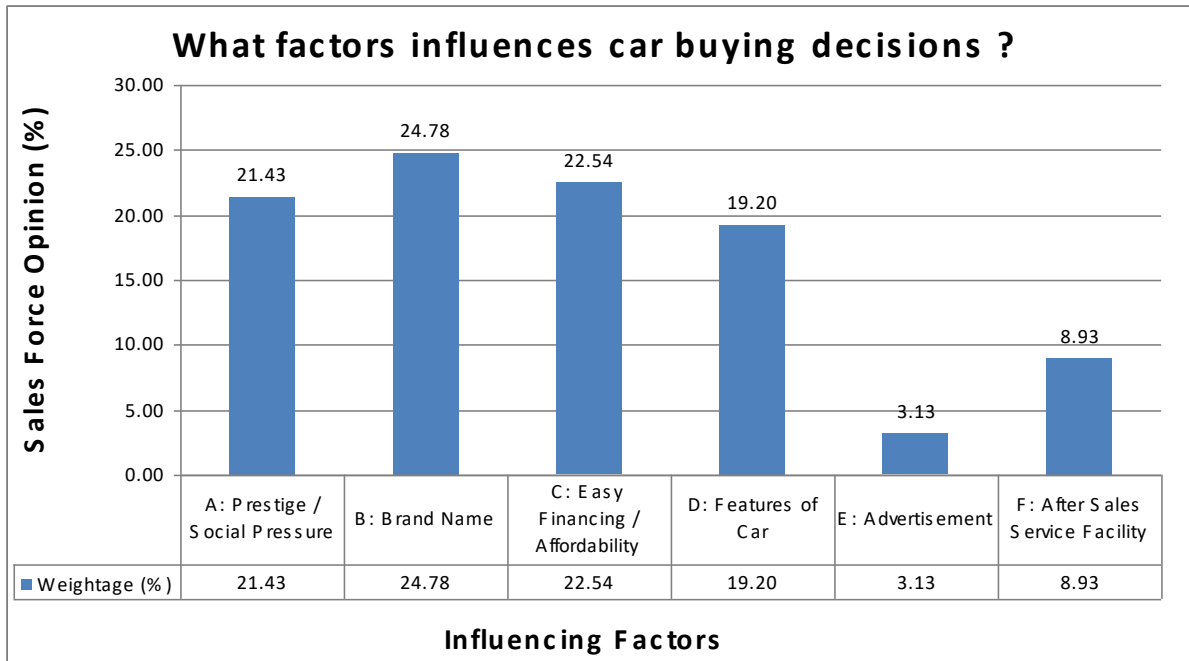


From sales force opinion, it could be interpreted that the car buyers in Kathmandu Valley are influenced by their family, friends and relatives. The influence of family, friends and relatives shows that the car buyers are more influenced by societal influence. The customer's his own influence (23.21) has received third place in sales forces' opinion.

B.2 What factors influence car buying decision?

The options presented to respondents were: prestige/social pressure, brand name, affordability, features of car, advertisement and after sales service facility. The sales force were asked to give rating as first, second, third and fourth most important factors. The obtained data has been analyzed and have been shown in table and graph below:

Figure 8: What factors influences car buying decisions

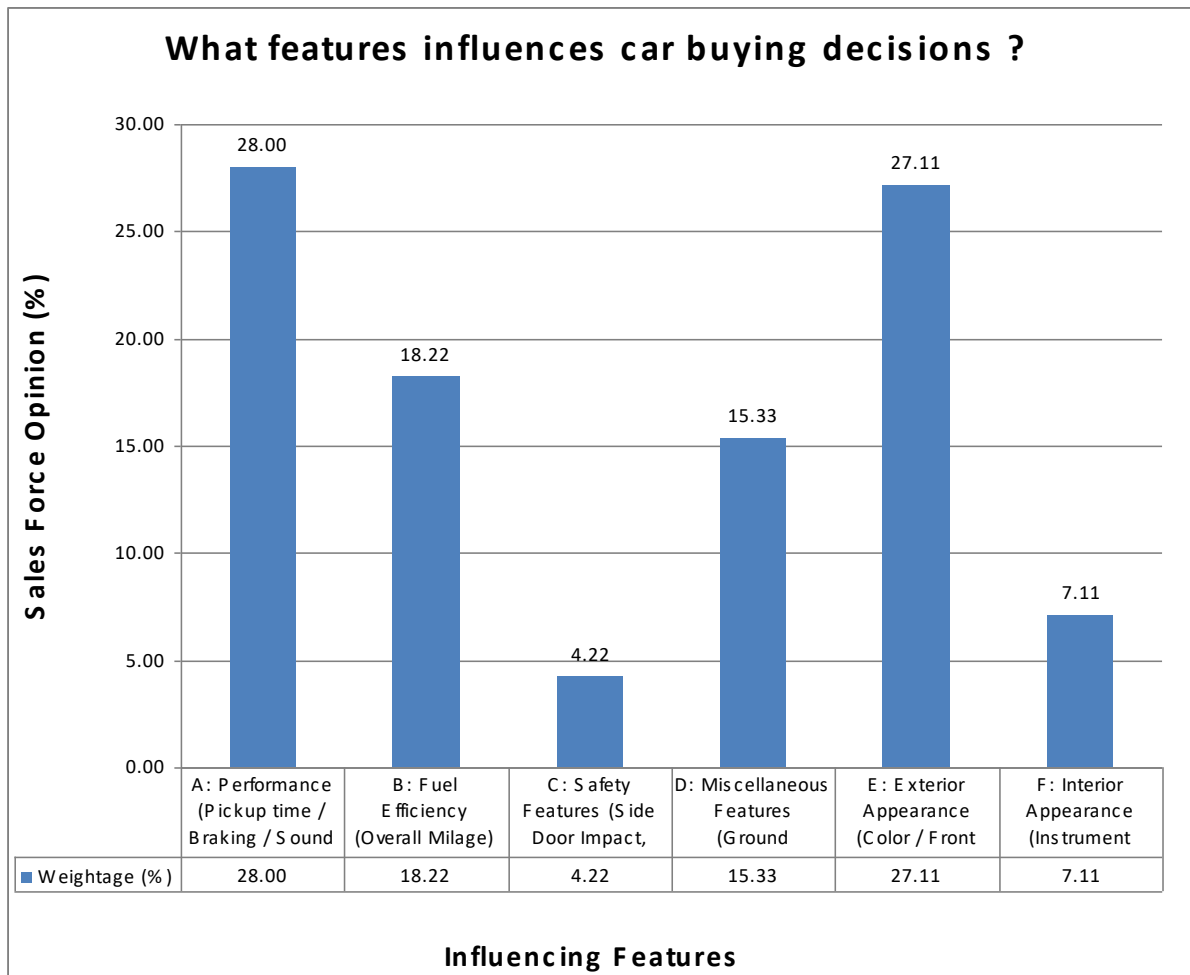


From sales force opinion; it could be interpreted that the factors that influence car buyer in Kathmandu Valley are: brand name, easy financing, prestige/social pressure and features of car.

B.3 What features of car influence car buying decision?

The options presented to respondents were: performance, efficiency, safety features, exterior appearance, interior appearance, miscellaneous features. The respondents were asked to give rating as first, second, third and fourth most important factors. The obtained data has been analyzed and have been shown in the graph below:

Figure 9: What features influences car buying decisions

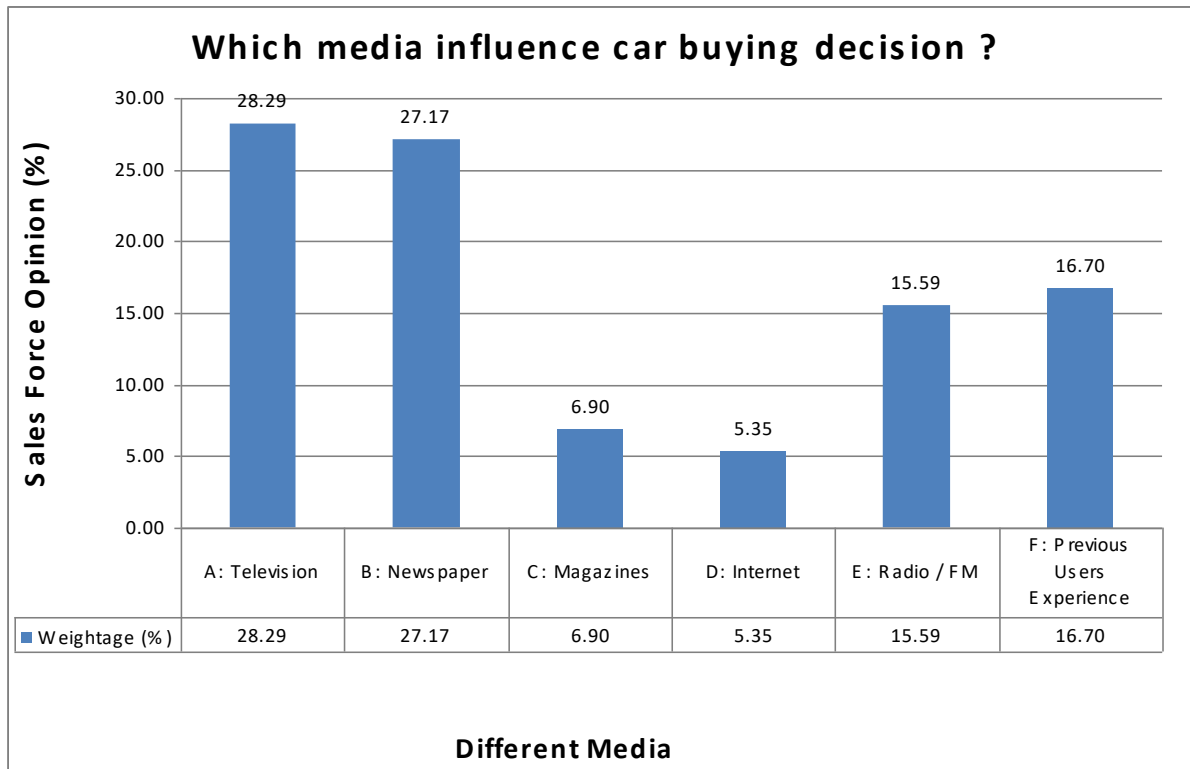


From sales force opinion; the above graph shows that the important features that influence car buyer in Kathmandu Valley are a) performance, b) exterior appearance and c) fuel efficiency. Among these also, the performance is the most important feature that the car buyers prefer.

B.4 Which media affect car buying decision?

The options presented to respondents were: television, newspaper, magazines, Internet, radio/ FM, previous users. The respondents were asked to give rating as first, second, third and fourth most important factors. The obtained analyzed result from data collected has been shown in the graph below.

Figure 10: Which media influence car buying decisions



From the sales force opinion; it could be interpreted that the important media that influence car buyers in Kathmandu Valley are a) Television, b) Newspaper, c) Previous users experience and d) Radio/FM.

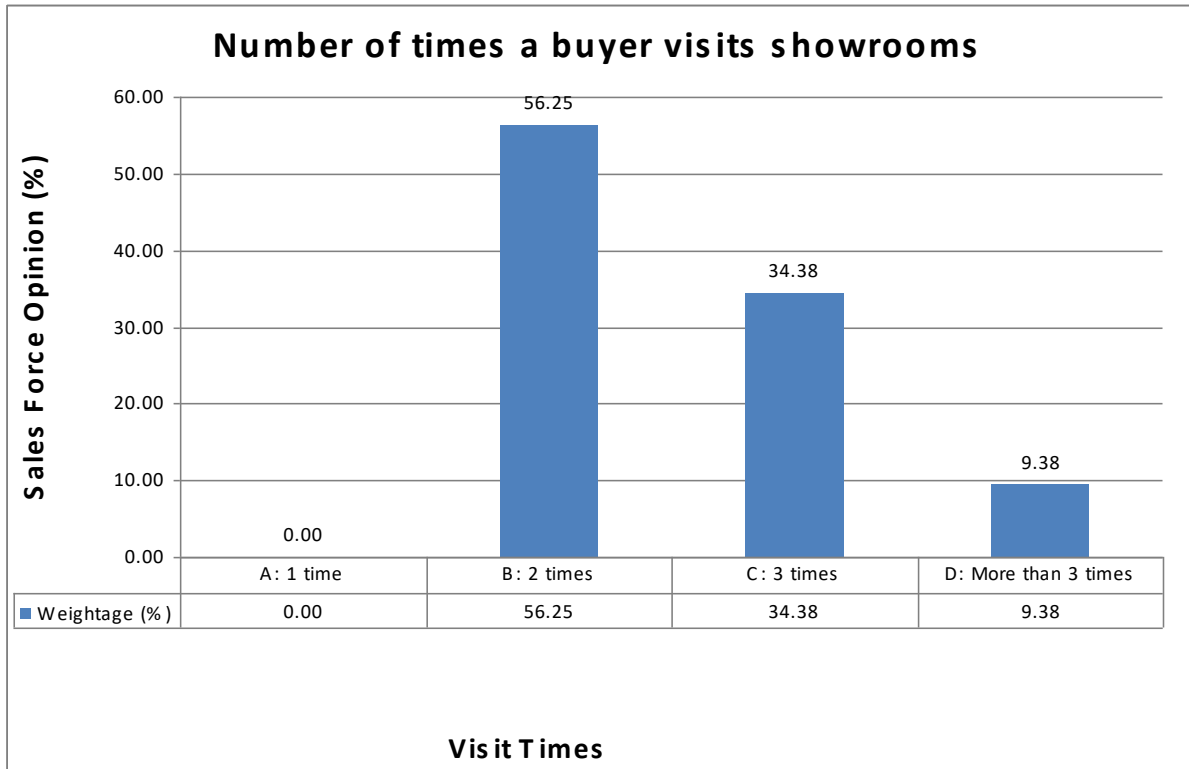
In the process of collecting the data, the researcher received the maximum rate in television which proves that television is the media that can influence the car buyers at the highest level.

4.1.3 Buying Process Related

C.1 No. of showrooms visits and average time spend by a car buyer?

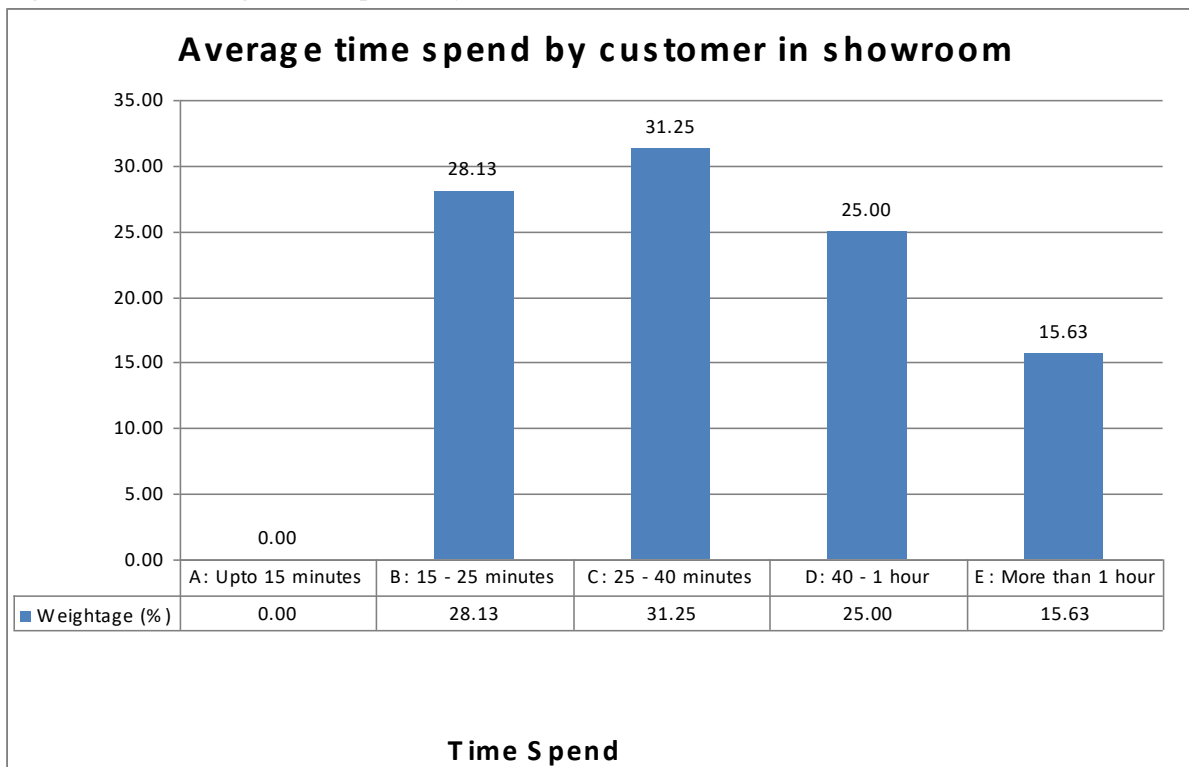
The researcher tried to find out number of showrooms that a buyer generally visits and amount of time he/she spends in a showroom before buying a car.

Figure 11: Number of times a buyer visits showrooms



According to the data collected from the sales force, there are maximum customers who visit the showroom more than once and there are no customers who visit the showroom only one time.

Figure 12: Average time spend by customer in showroom

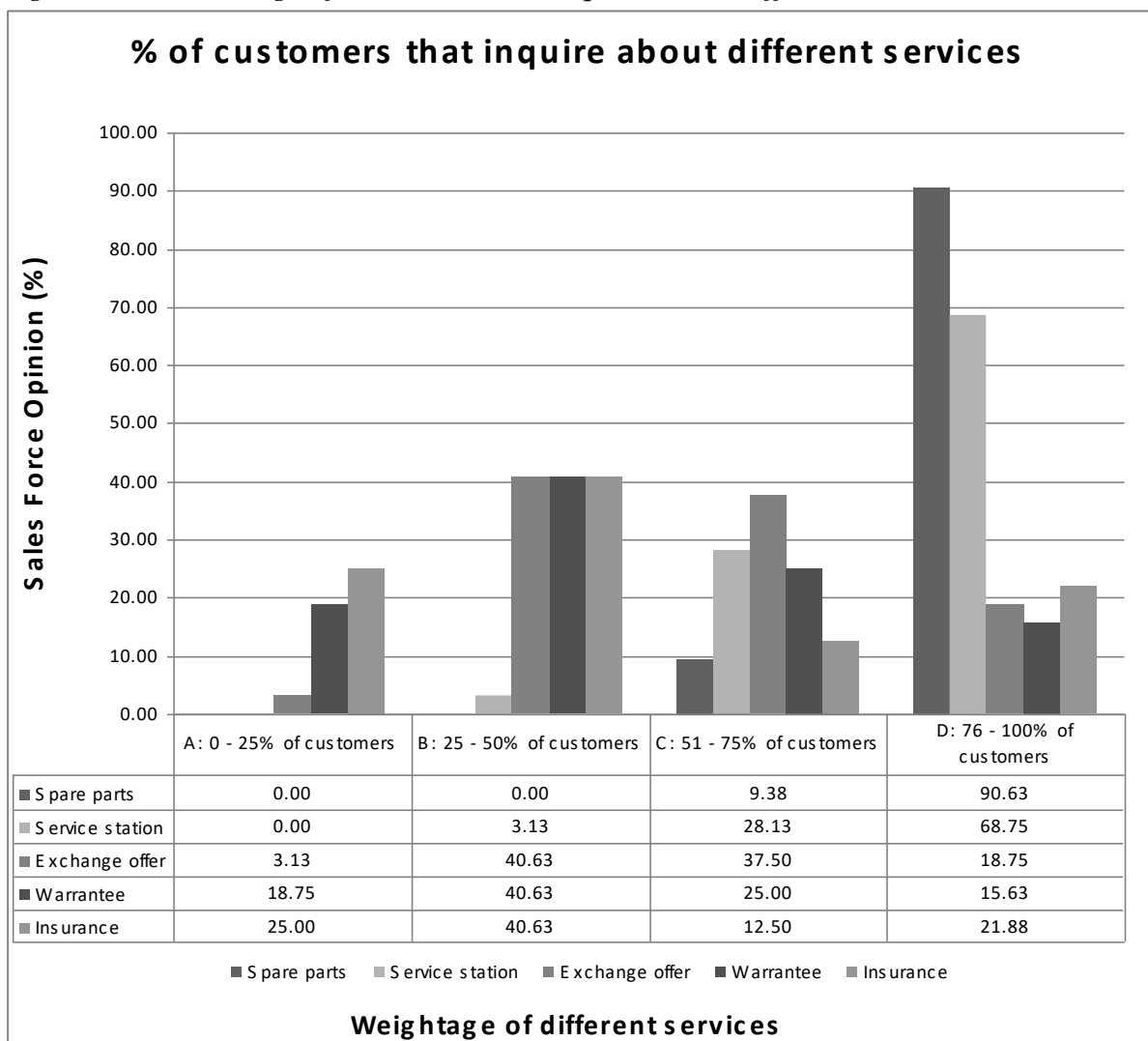


From sales force opinion; the above graphs clearly shows that the most of the buyers come to showrooms two or three times and spend from 15 minutes to 1 hour in a showroom. Customers come to the showroom a couple of times and spend more than half an hour there looking at the vehicles and talking to the sales persons.

C.2 What percent of customers inquire about different facilities like spare parts availability, service station, exchange offer, warrantee, and insurance?

The researcher tried to know which facilities are more important to buyer. The researcher divided the group into upto25%, 25-50%, 50-75% and 75-100% and asked the sales force to choose group into which customers could be divided as per their inquiry about different facilities. The obtained analyzed result from data collected has been shown in the graph below.

Figure 13: Percentage of customers that inquire about different services

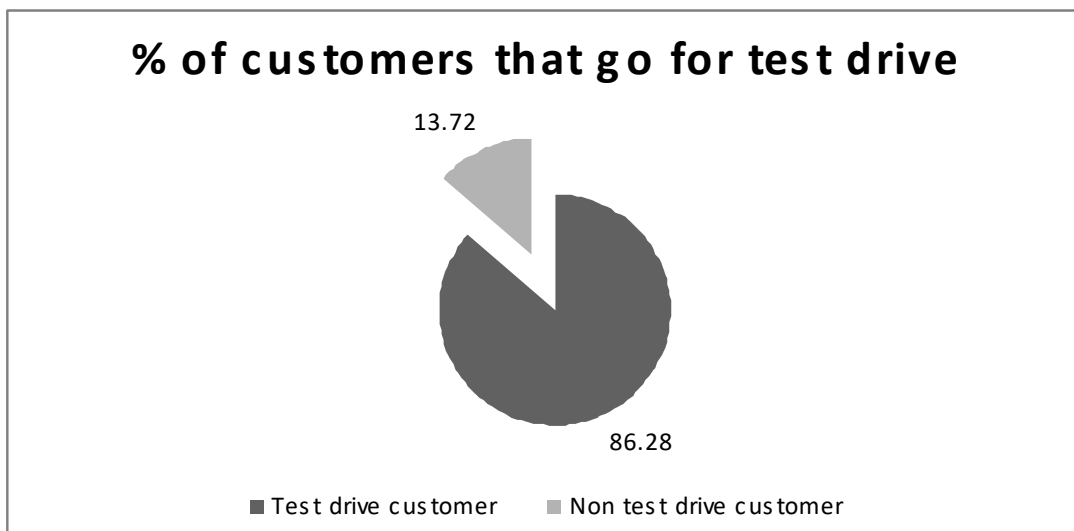


From sales force opinion; the above graphs clearly shows that most of the customers inquire about spare parts availability and after sales service. A big percent of customers also inquire about available exchange offer. From the graph, it is understood that most of the car buyers are concerned about the spare parts availability.

C.3 What percent of customers go for test drive of the vehicle before buying?

The researcher tried to find out what percent of customers go for test drive before buying a car. Most of the showrooms provide this test drive facility for customers having valid driving license. The obtained analyzed result from data collected has been shown in the graph below.

Figure 14: Percentage of customers that go for test drive



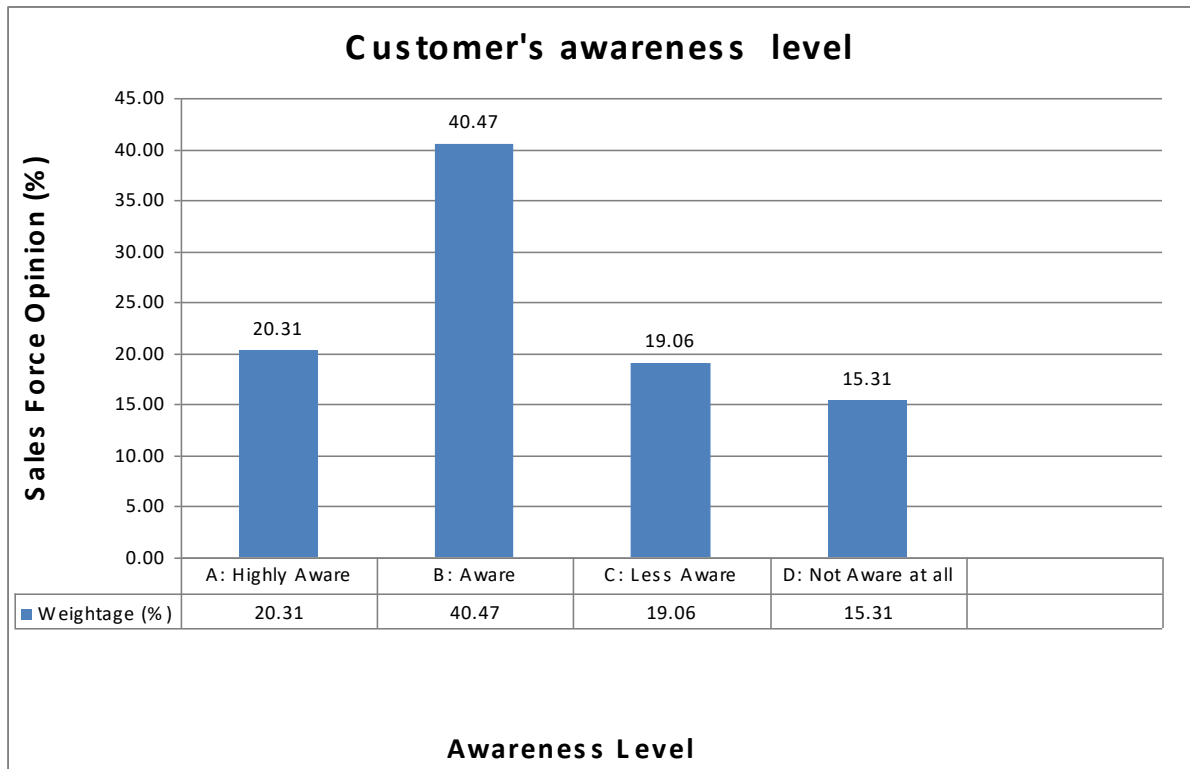
From sales force opinion; the above graph clearly shows that most of the customers do go for test drive of car before buying.

4.1.4 Customer's Awareness Related

D.1 What are the customer's awareness level regarding cars?

The researcher tried to find out sales force's opinion on awareness (financial and technical) level of customers. The researcher provided the options a) highly aware b) aware c) less aware d) not aware at all. The obtained analyzed results from data collected have been shown in the graph below.

Figure 15: Customer's awareness level



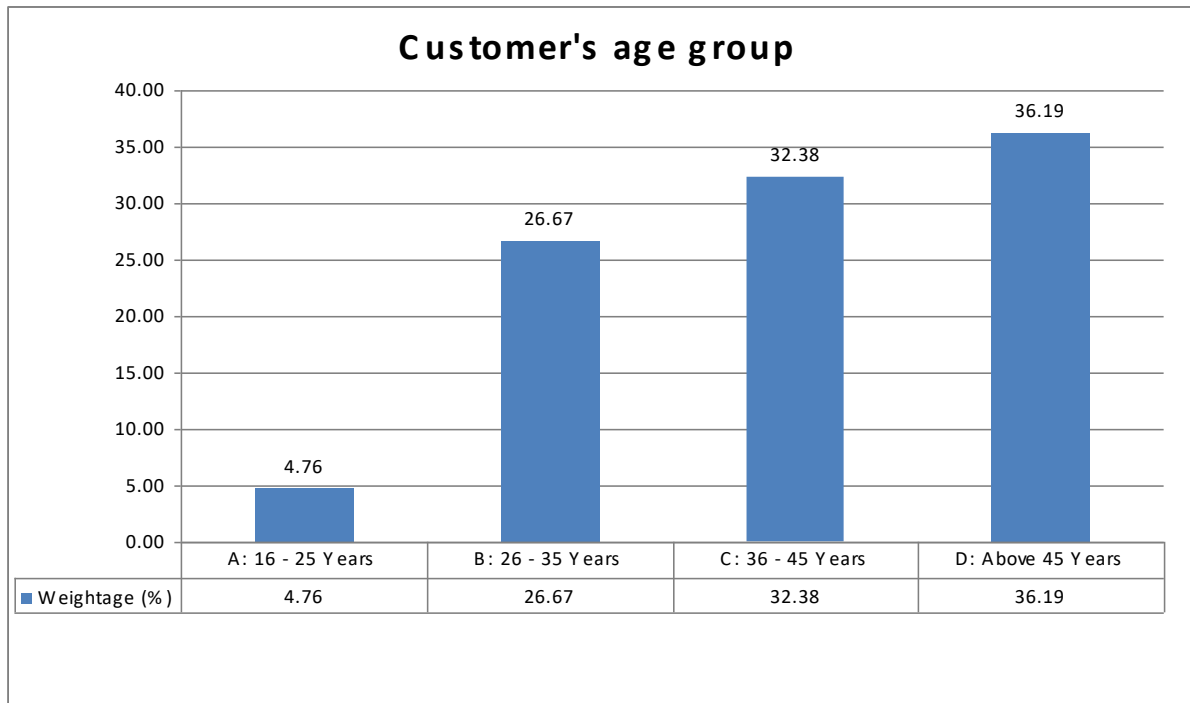
From sales force opinion; the above graph clearly shows that most of the customers are aware about financial and technical aspects of the car which is 40.47% of the total mass. The graph also shows that a noticeable chunk of customers are less aware or not aware at all about financial and technical aspects of car.

4.2 Car Owner's Survey

4.2.1 Market Segmentation Related

E.1 **Age Group:** The age group is divided into five groups. The analyzed result from data collected is shown in the graph below:

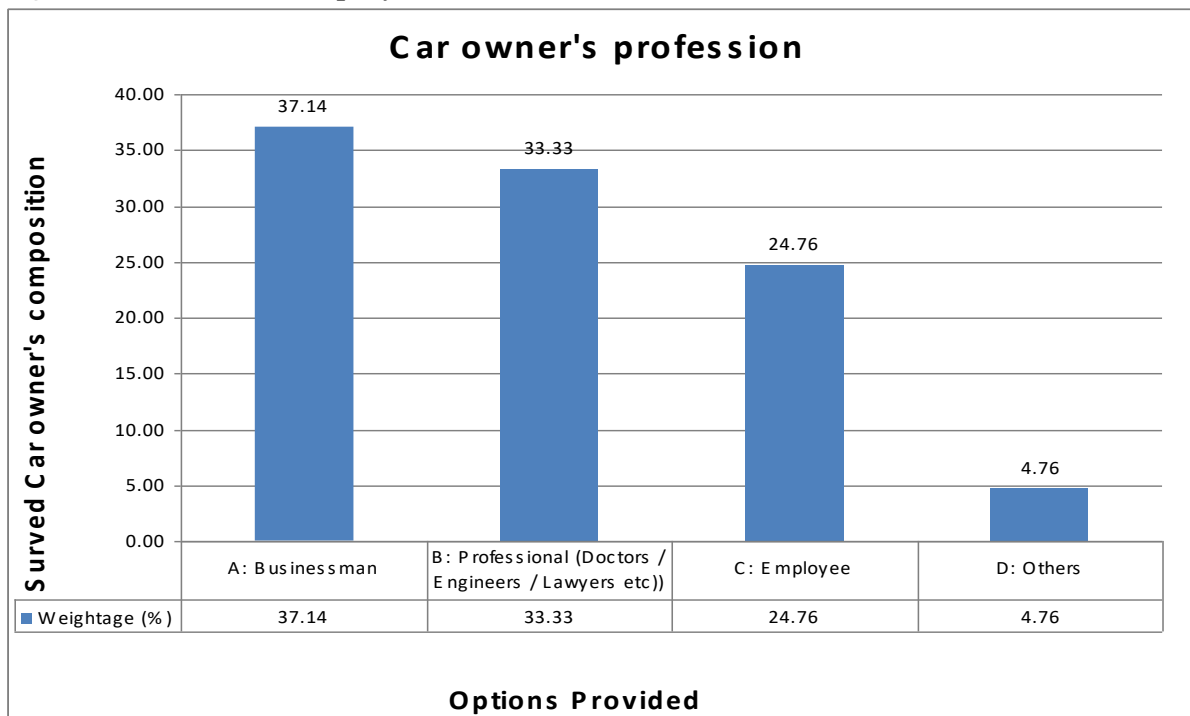
Figure 16: Customer's age group



The survey shows that in the Kathmandu Valley, most of the car buyers are above 45 years of age. The above graph shows the increasing trend in the buying of a car as the age of the buyer increases.

E.2 **Occupation:** The occupations are divided into four groups. The analyzed results from data collected are shown in the graph below.

Figure 17: Car owner's profession

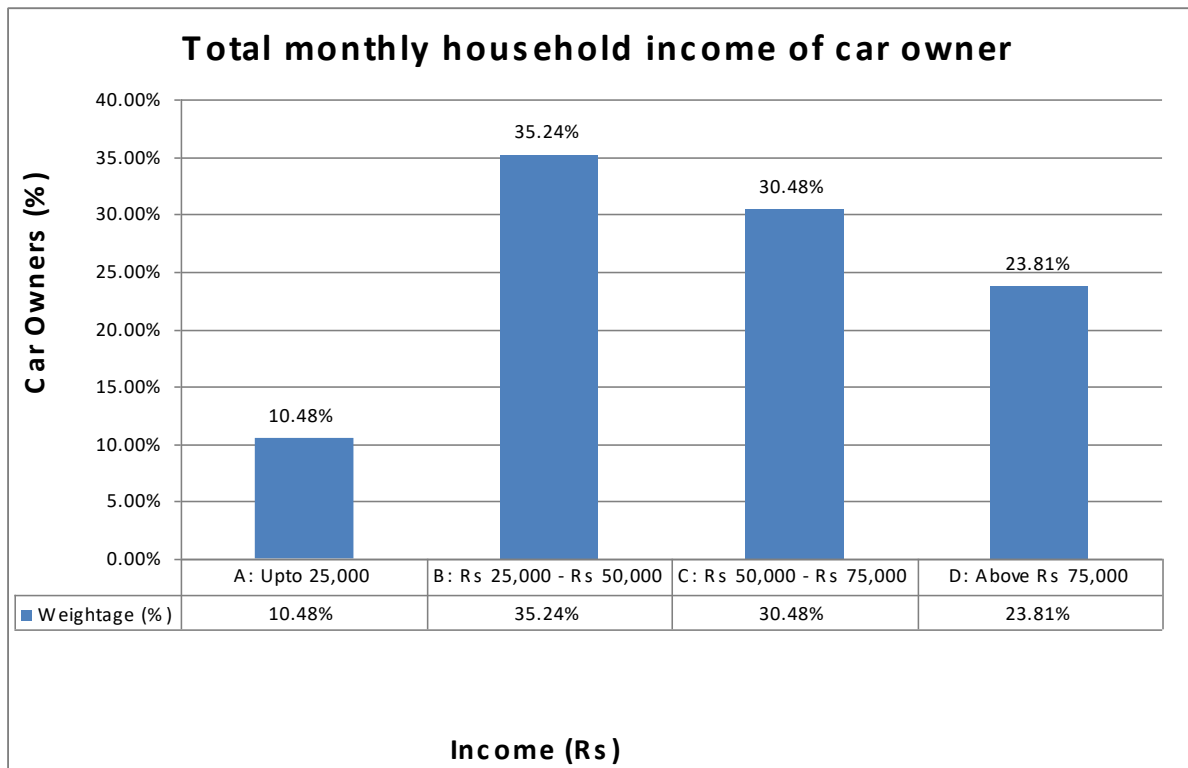


Businessmen are those persons having their own business i.e. they are the owners of the company. Other than the businessman, all are the service providers and have

limited level of income. Thus, the survey clearly shows that businessmen are the major buyers of the market in car.

E.3 **Total monthly family/household income:** The total monthly family/household income have been divided into four groups. The analyzed results from data collected are shown in the graph below:

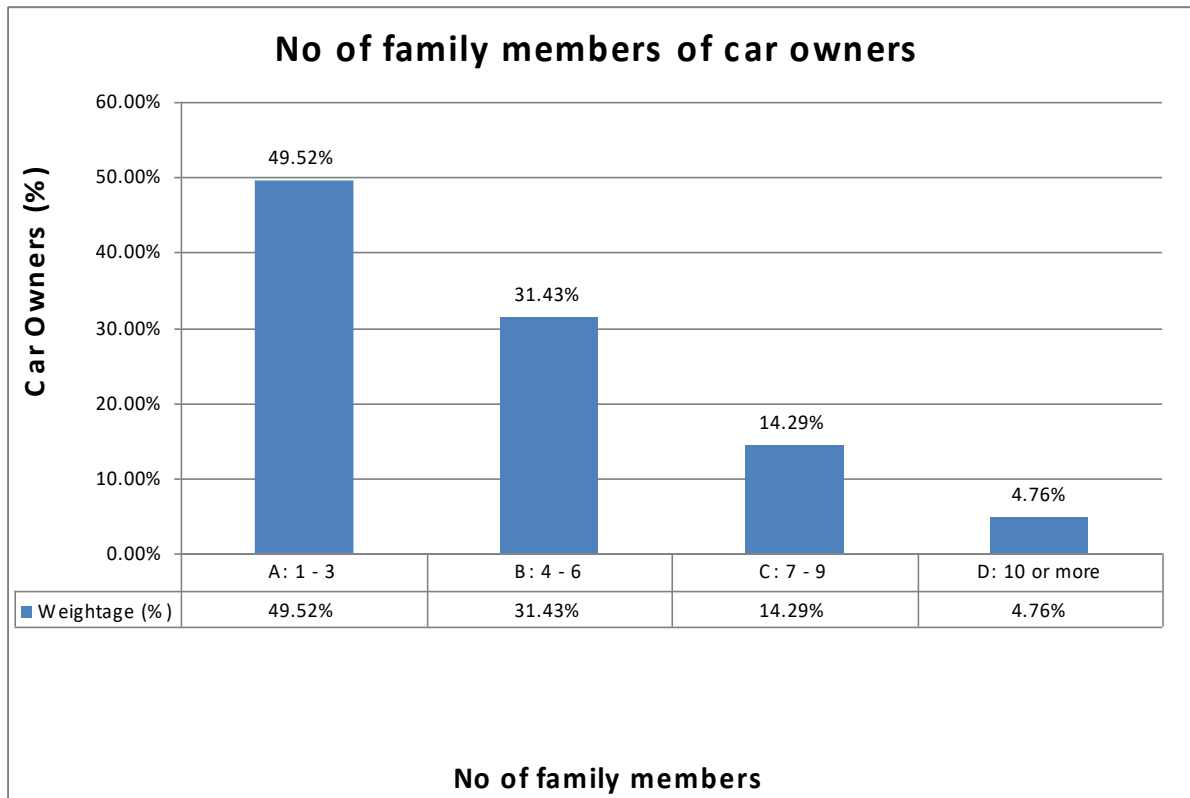
Figure 18: Total monthly household income of car owner



The large number of car buyers are the one having the total monthly household income of Rs.25,000.00 to Rs.50,000.00 i.e. 35.24%. Second large buyers have the income ranging between Rs.50,000.00 to Rs.75,000.00.

E.4 **No. of family members:** The numbers of family members are being divided into four groups. The analyzed results from data collected are shown in the graph below:

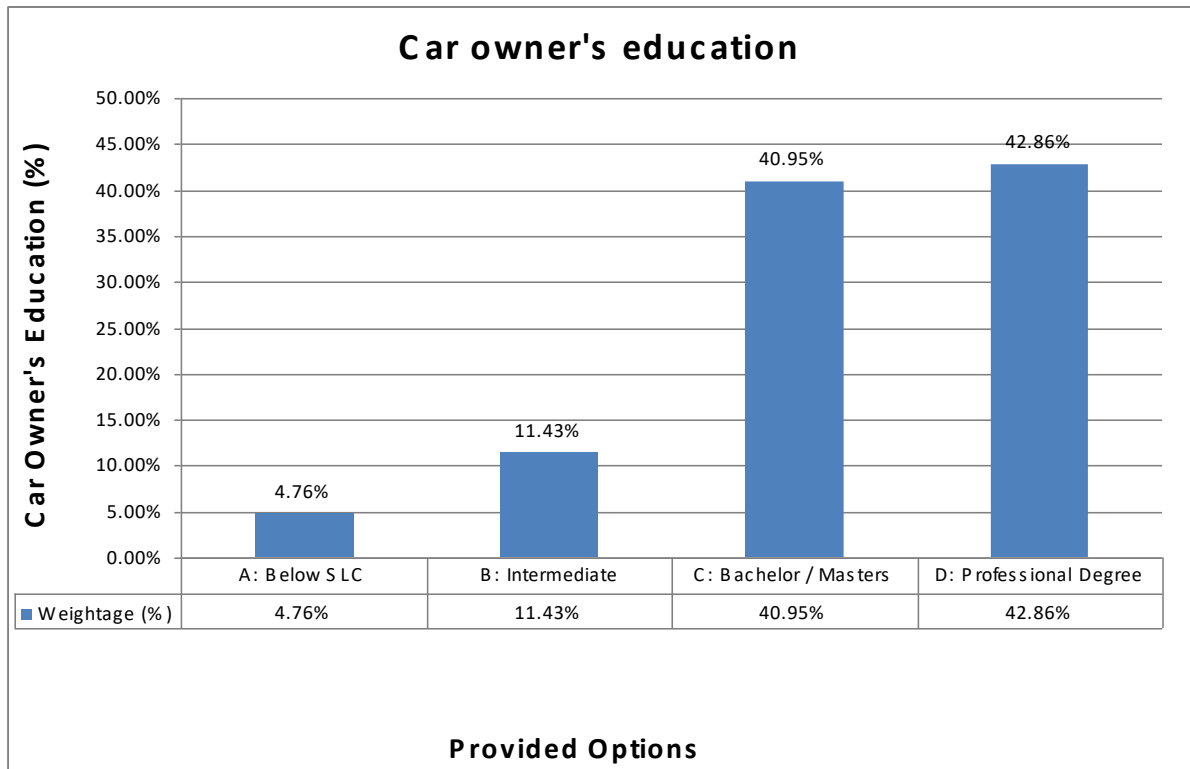
Figure 19: No. of family members of car owners



Among the four groups of the family members, the highest level of buying cars are those who have 1 – 3 no of members in their family. The graph also shows that as the number of family members increases, the rate of buying car decreases that is no. of family members is reciprocal to rate of buying a car.

E.5 **Education:** The education level of car owners is divided into four groups. The analyzed results from data collected are shown in the graph below:

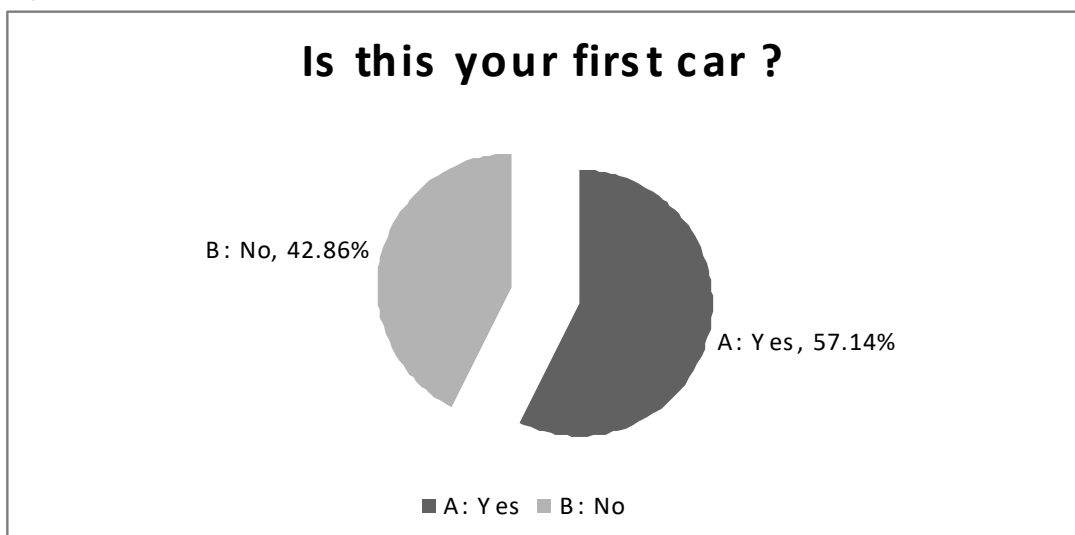
Figure 20: Car owner's education



The survey that was conducted among the educated people shows that numbers of car owners are the high level of educated professionals. The graph is an increasing trend showing that as the level of education increases, car owners also increases accordingly.

E.6 **First time car owners:** The researcher tried to find out the first time car owners of the sample car owner. The analyzed results from data collected are shown in the graph below:

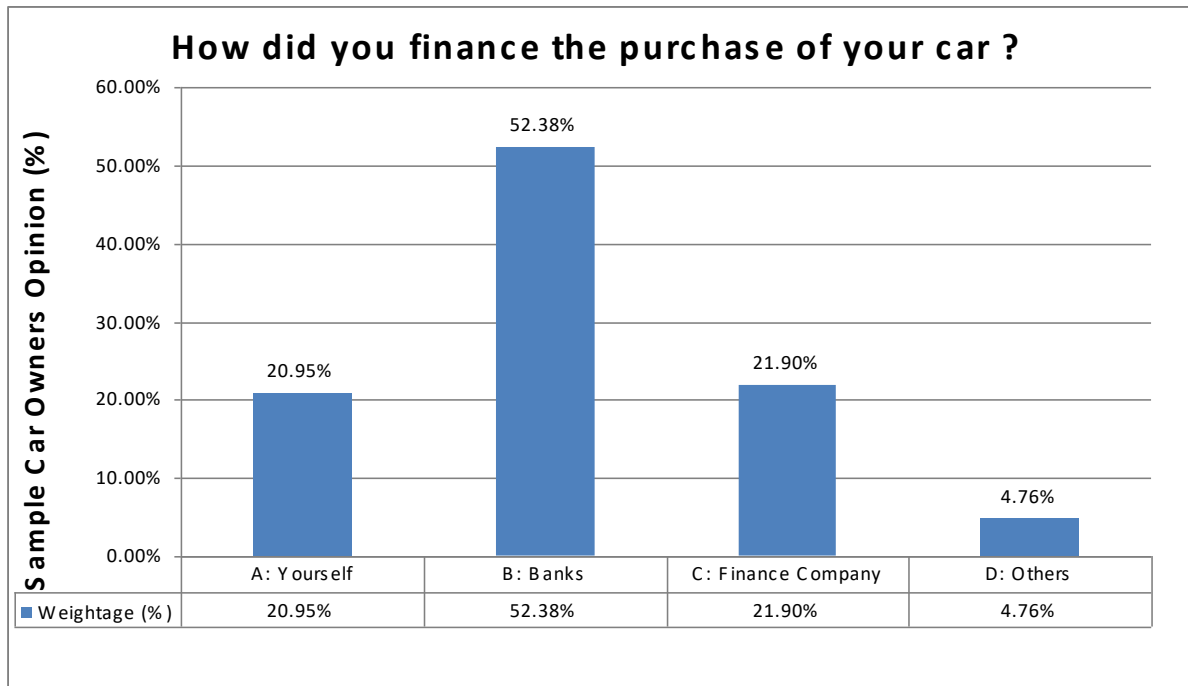
Figure 21: First timer car owners



From the survey, the researcher found out that 57.14% of the total car owners have bought the car for the first time.

E.7 **Car financing:** The car financing options are being divided into four groups. The analyzed results from data collected are shown in the graph below:

Figure 22: Car financing



The above graph describes how the car owners purchase their car. It can be concluded that most of the car owners finance their car from banks.

From car owner's opinion; the above graphs clearly shows that:

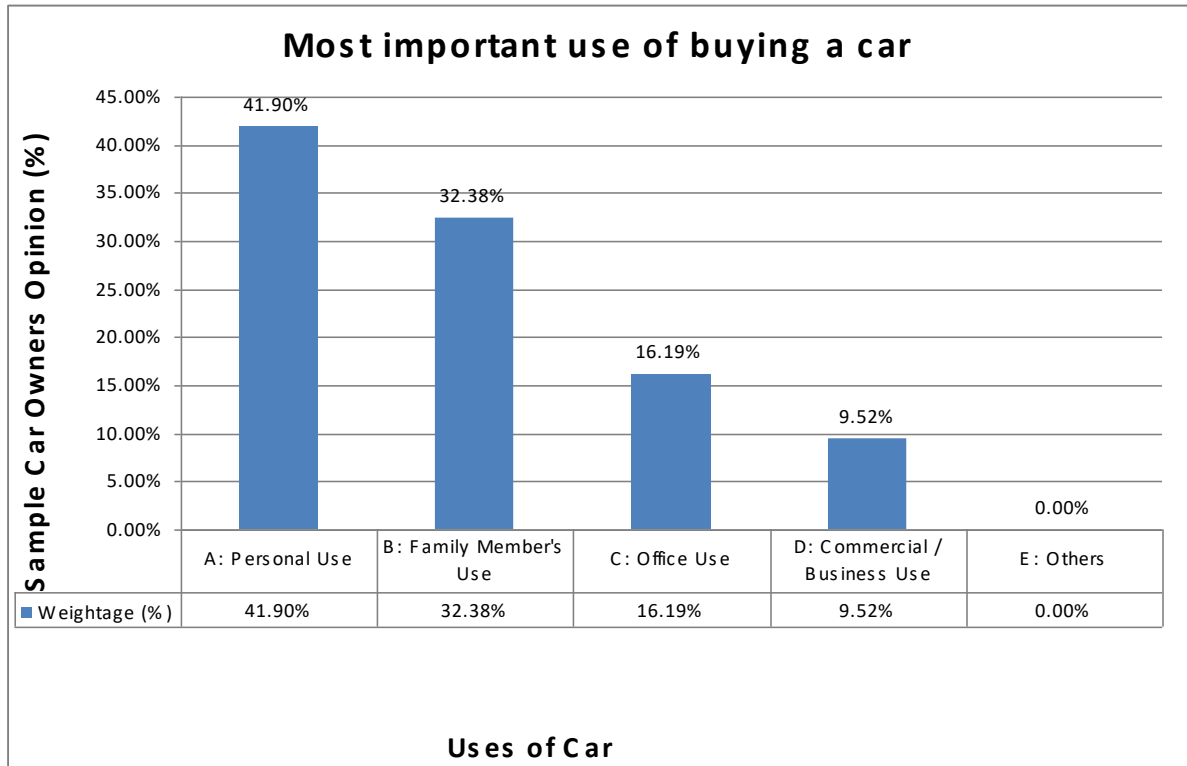
1. Majority of buyers are above 35 years of age.
2. Businessman and professionals are the main buyers.
3. Majority of buyers are from family having monthly household income more than Rs. 25,000.00.
4. Most of buyers' responses show that they are educated.
5. This survey contains majority of car owner's who are first time car owners.
6. Most of the buying process takes place with bank and finance companies' financing.

4.2.2 Features and Factors Related

F.1 What is most important use buying car?

The options presented to respondents were: personal use, family use, office use, commercial use and other uses. The analyzed results from data collected are shown in the graph below:

Figure 23: Most important use of buying a car

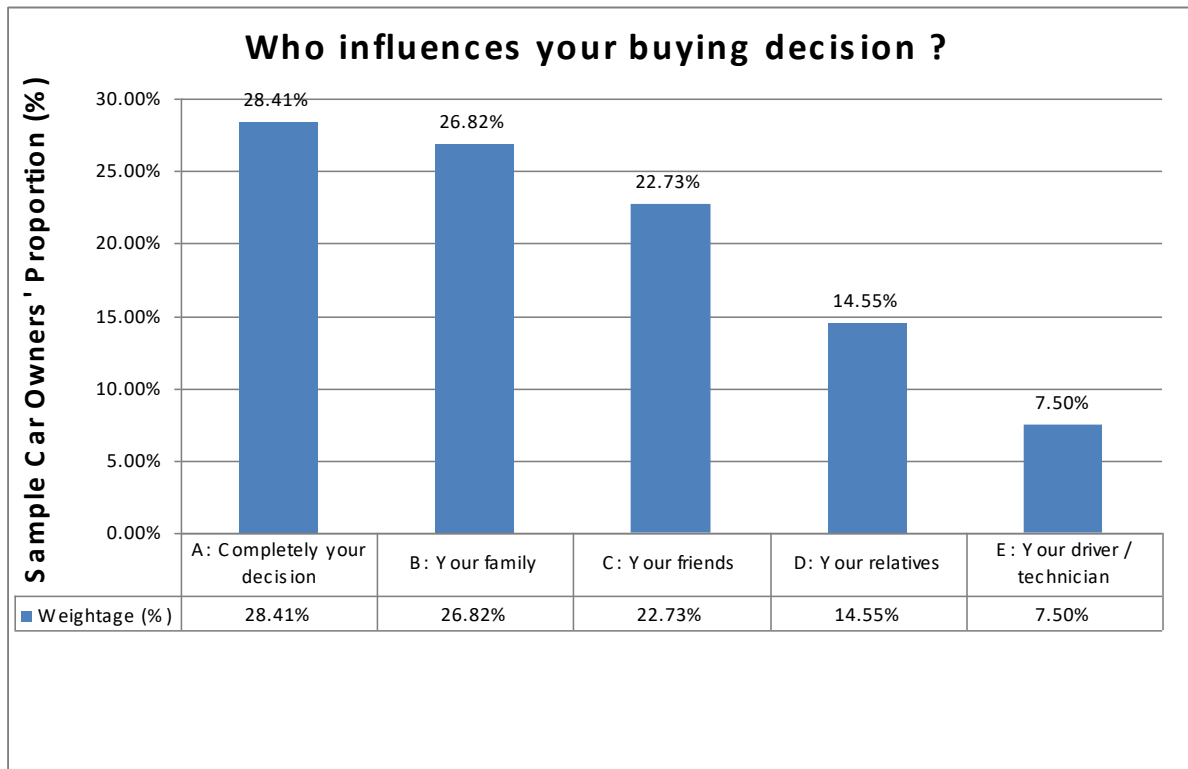


From car owner's survey; it could be interpreted that the car buyers in Kathmandu Valley buy car for their personal and family member's use. The Kathmandu Valley's cars have more customers in personal and family use group.

F.2 Who influences car buying decision?

The options presented to respondents were: completely his decision, family, friends, relatives and driver/technicians. Respondents were asked to give rating as first, second, third and fourth most important influences. The analyzed results from data collected are shown in the graph below:

Figure 24: Who influences your buying decisions



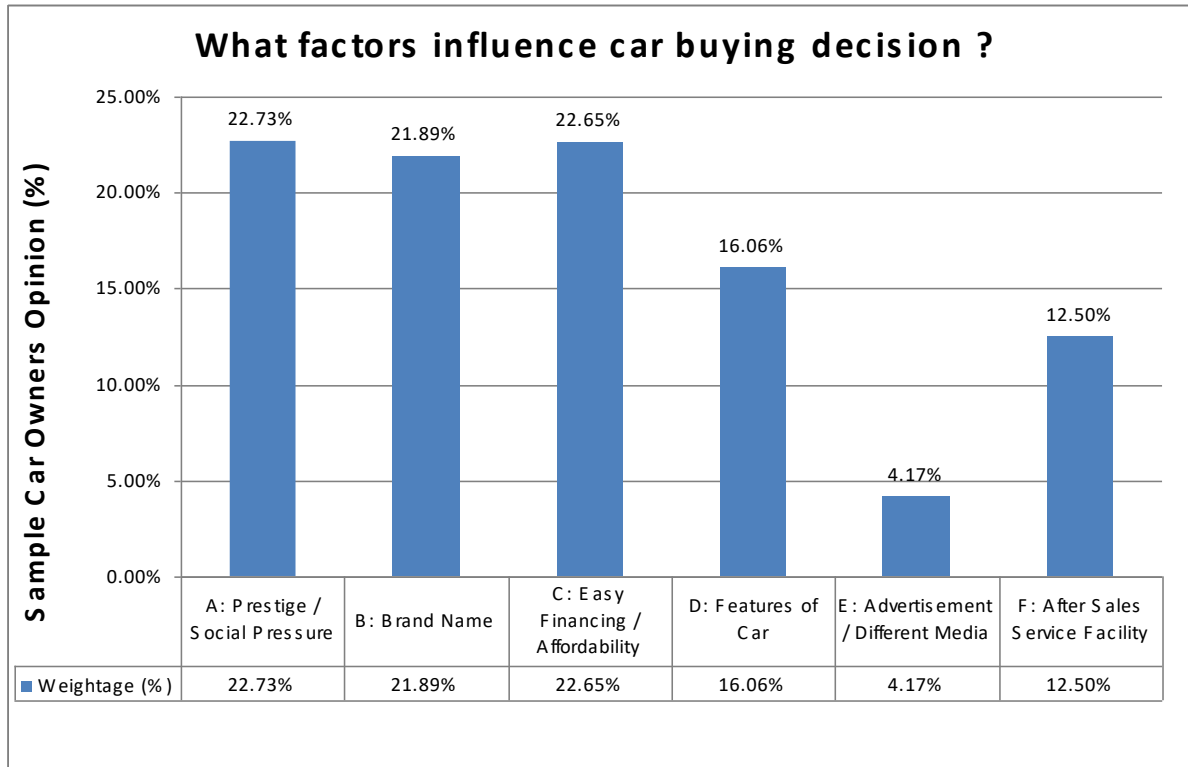
From car owner's survey; it shows that the car buyers in Kathmandu Valley replied that most important person who influences car buying decision is car owners themselves. It also shows that they are also influenced by their family and friends.

This result vary with the result obtained from sales force opinion survey because sales force survey ranked in 3rd place for car owners' his own decision. This may be result of personal prioritization of car owners in part of car owners and perceived importance given by friends, family and relatives in part of sales force.

F.3 What factors influence car buying decision?

The options presented to respondents were: prestige/social pressure, brand name, affordability, features of car, advertisement and after sales service facility. The respondents were asked to give rating as first, second, third and fourth most important factors. The analyzed result from data collected is shown in the graph below.

Figure 25: What factors influence car buying decisions

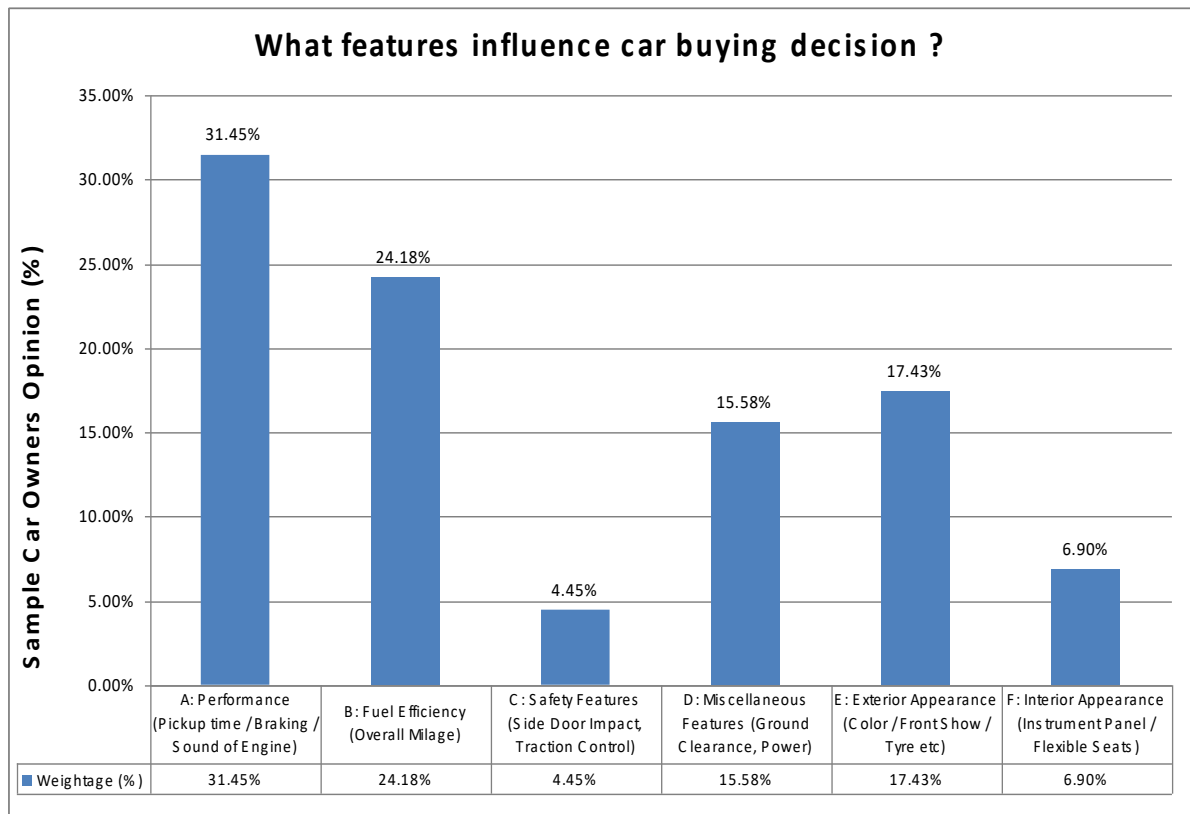


From car owners' opinion survey; it could be interpreted that the factors that influence car buyer in Kathmandu valley are a) Prestige / Social Pressure b) Easy Financing / Affordability and c) Brand Name. Therefore, these three factors are the major means that influence in buying the cars. Among these also the highest rate is Prestige / Social Pressure. This means that, to maintain one's social status buying a car has become an important factor.

F.4 What features of car influence car buying decision?

The options presented to respondents were: performance, efficiency, safety features, exterior appearance, and miscellaneous features. The respondents were asked to give rating as first, second, third and fourth most important factors. The analyzed result from data collected is shown in the graph below.

Figure 26: What features influence car buying decisions

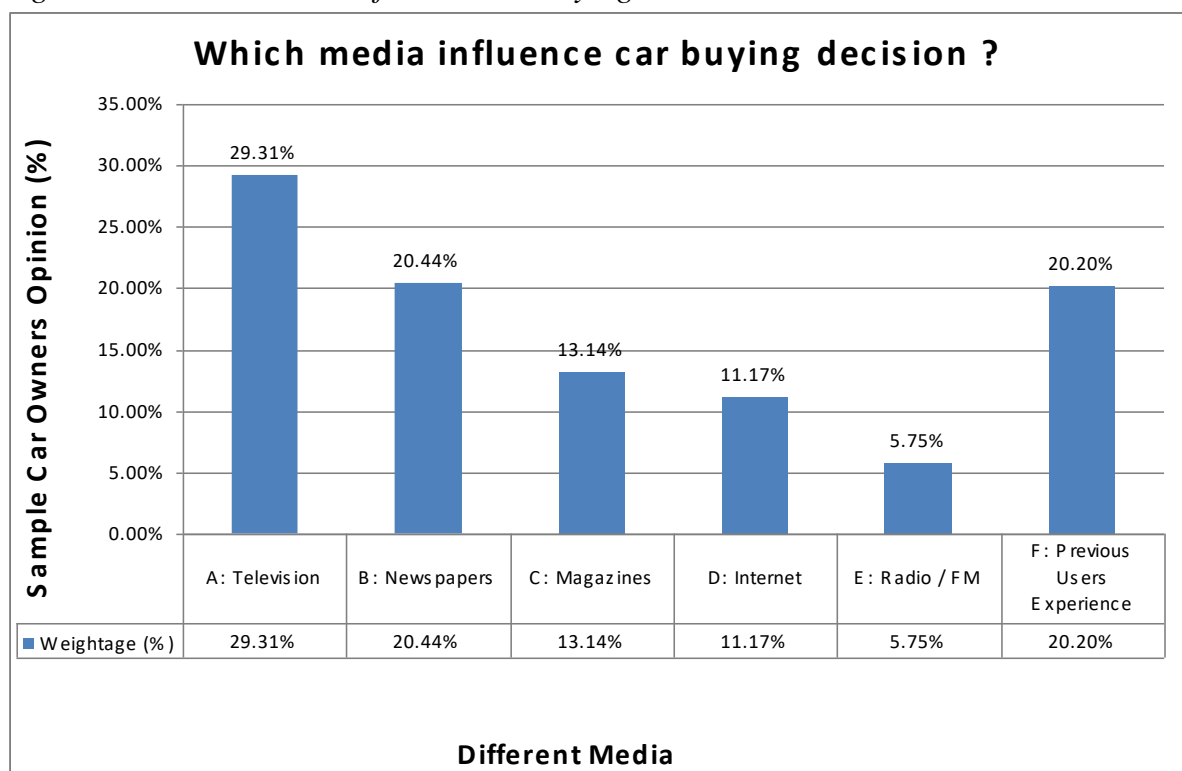


From car owner opinion survey; the above graph shows that the important features that influence car buyer in Kathmandu valley are: a) Performance, b) Fuel Efficiency and c) Exterior Appearance. Car buyers prefer performance of the car while buying a car which is 31.45% of the total survey population.

F.5 Which media affect car buying decision?

The options presented to respondents were: Television, Newspapers, Magazines, Internet, Radio/FM, Previous users. The respondents were asked to give rating as first, second, third and fourth most important factors. The analyzed result from data collected is shown in the graph below.

Figure 27: Which media influence car buying decisions



From car owners’ opinion survey; it could be interpreted that the important media that influence car buyer in Kathmandu valley are a) Television b) Newspaper and c) Previous users’ experience. In case of the media, the conclusion can be drawn out that television is the most influencing factor that affects all the car buyers.

4.2.3 Buying Process Related

G.1 When do customers buy a car? Are promotional activities during occasions attractive?

The researcher tried to find out what percent of customer buy car during special occasions like Dashain, Tihar, New Year, auto-show etc. What are the customers feeling about the promotional activities conducted during different occasions? The analyzed results from data collected are shown in the graphs below.

Figure 28: Buying a car at special offer

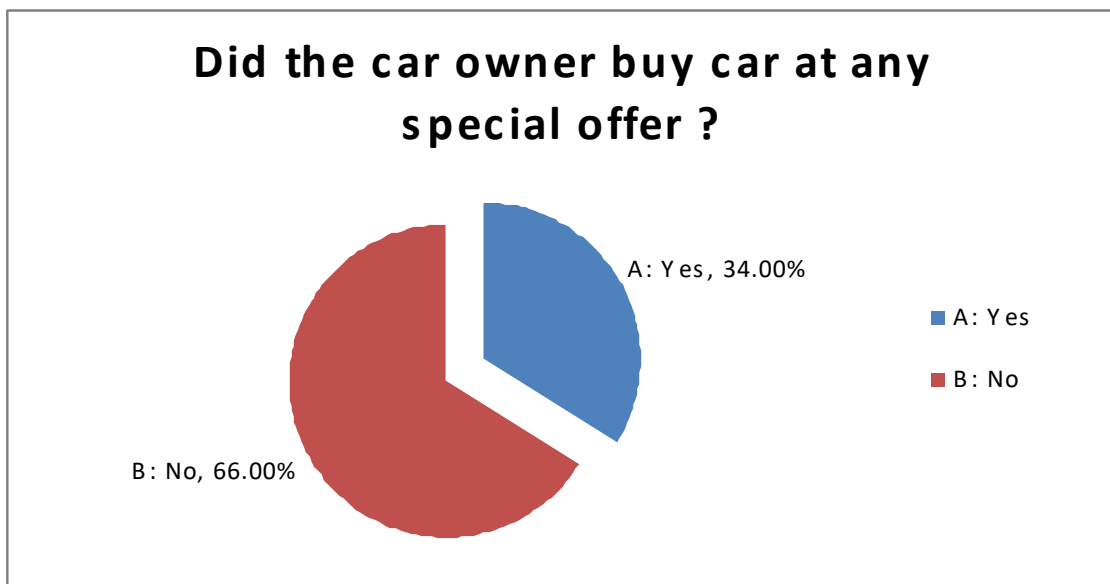
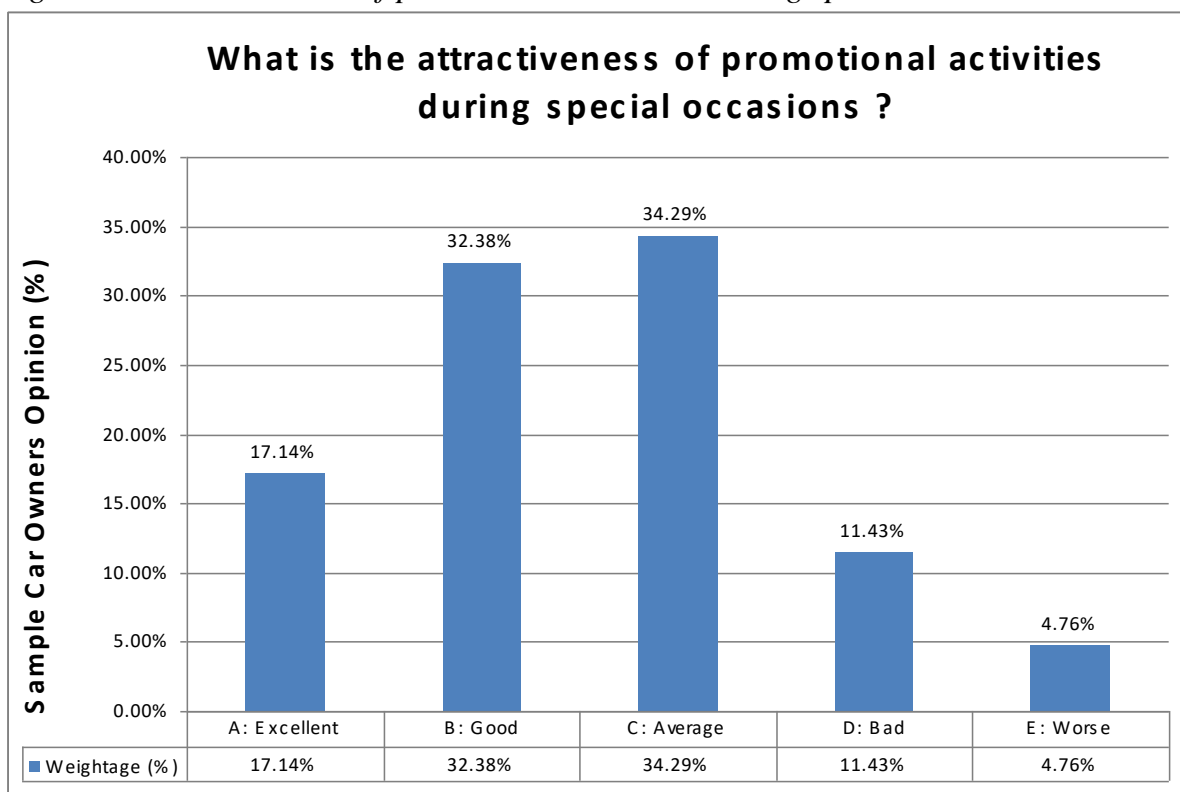


Figure 29: Attractiveness of promotional activities during special occasions



From car owners’ opinion survey; it could be interpreted that the majority of car buyer in Kathmandu valley do not buy car during any special occasions. The car owners have positive effect of promotional activities during special occasions. The negative responses (bad and worse) have very low weightage from car owners. It seems that, on an average, car buyers buy car as and when required and are not attractive to promotional activities during special occasions.

G.2 No. of showrooms visit and average time spend there by a car buyer?

The researcher tried to find out how many showrooms a car buyer visits before buying a car, and how much time he spends there? The analyzed results from data collected are shown in the graphs below.

Figure 30: No. of times a buyer goes to showrooms

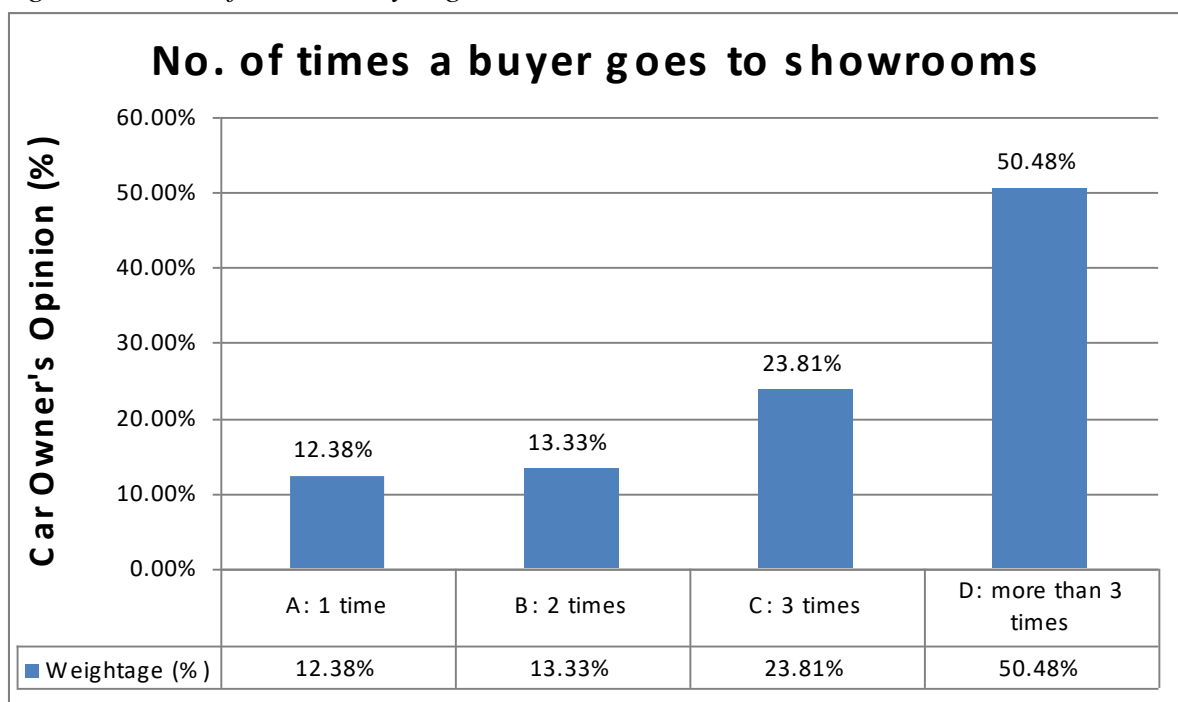
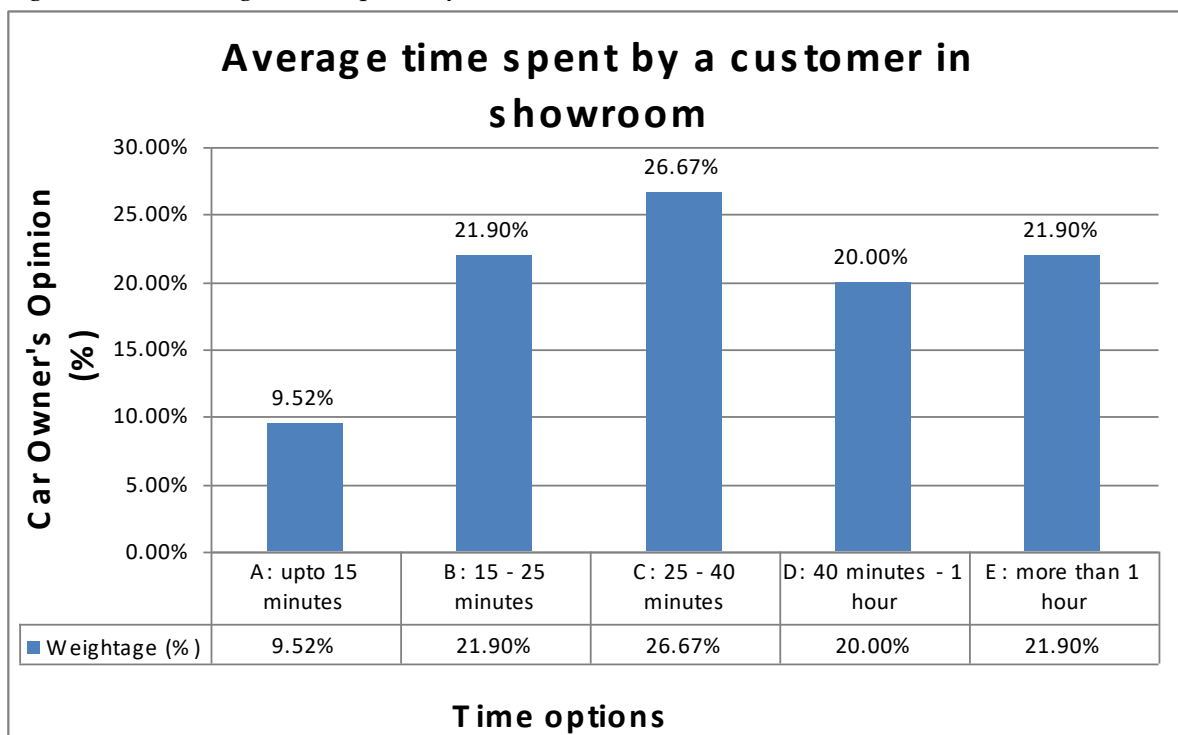


Figure 31: Average time spent by a customer in showroom



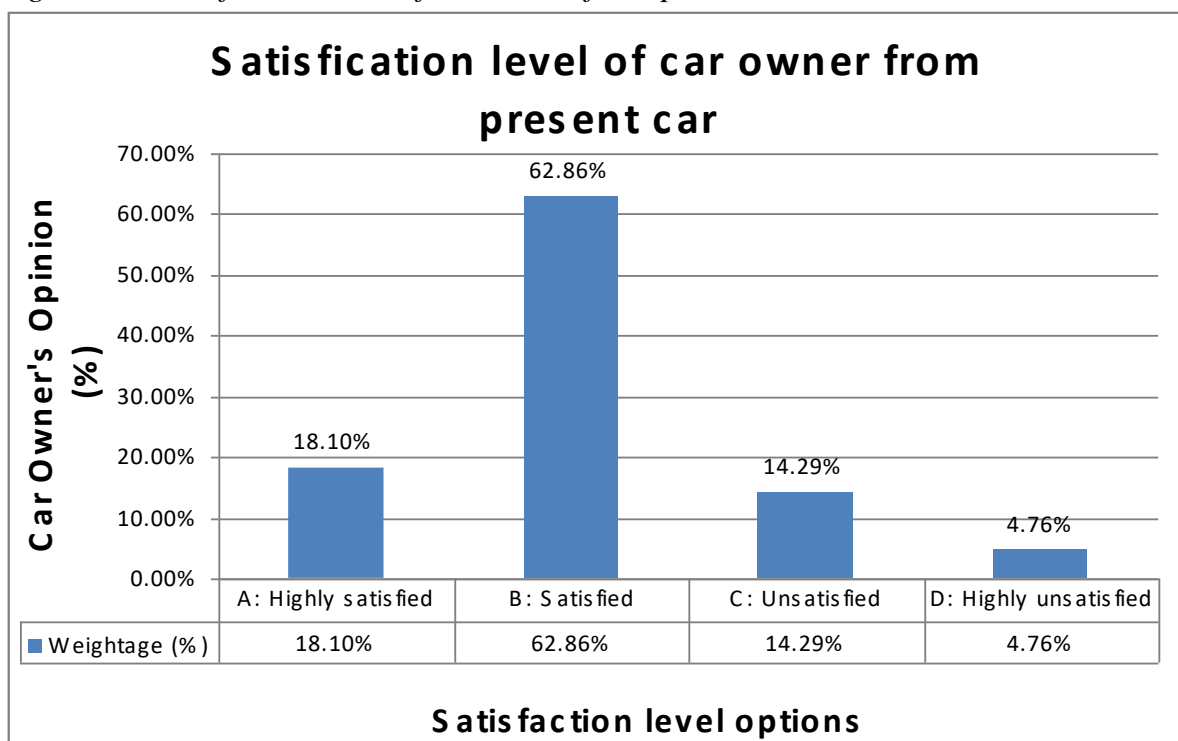
From car owners survey; the above graphs clearly show that the most of the buyers come to showrooms two or three times and spend from 15 minutes to 1 hour in a showroom. There are very few customers who visit the showroom only once. It is a repetitive job of the customers. Those customers who are really interested in buying a

car visit a number of times to the showroom and spend more than half an hour on an average.

G.3 Brand Awareness Related

G.3.1 Satisfaction from present car: The obtained data have been shown in the graph

Figure 32: Satisfaction level of car owner from present car

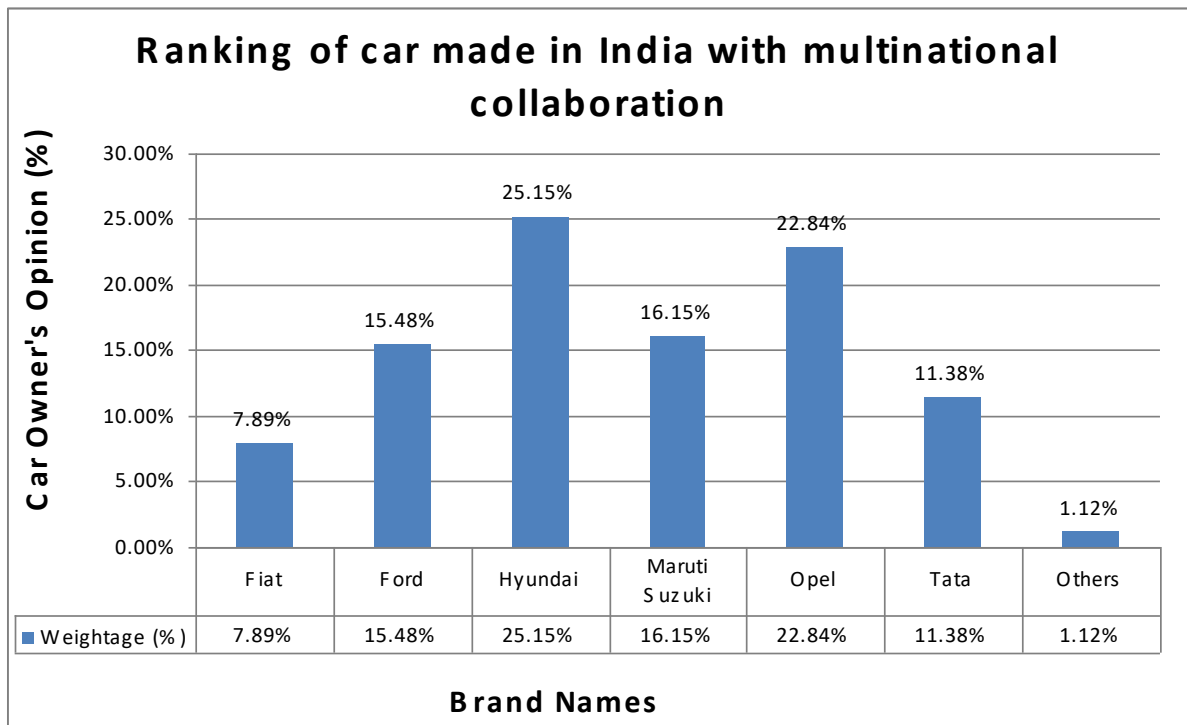


From car owners' opinion, most of the car owners' in Kathmandu valley seems to be satisfied from their car. Small but significant portion of car owners' are unsatisfied from their cars. Car buyers do go to a number of showrooms seeking about various features and factors of the car and of course the price also and only buys after the conclusion drawn out from the detail analysis. Therefore, most of the car buyers are quite satisfied.

G.3.2 Which brand of car is popular in Nepal?

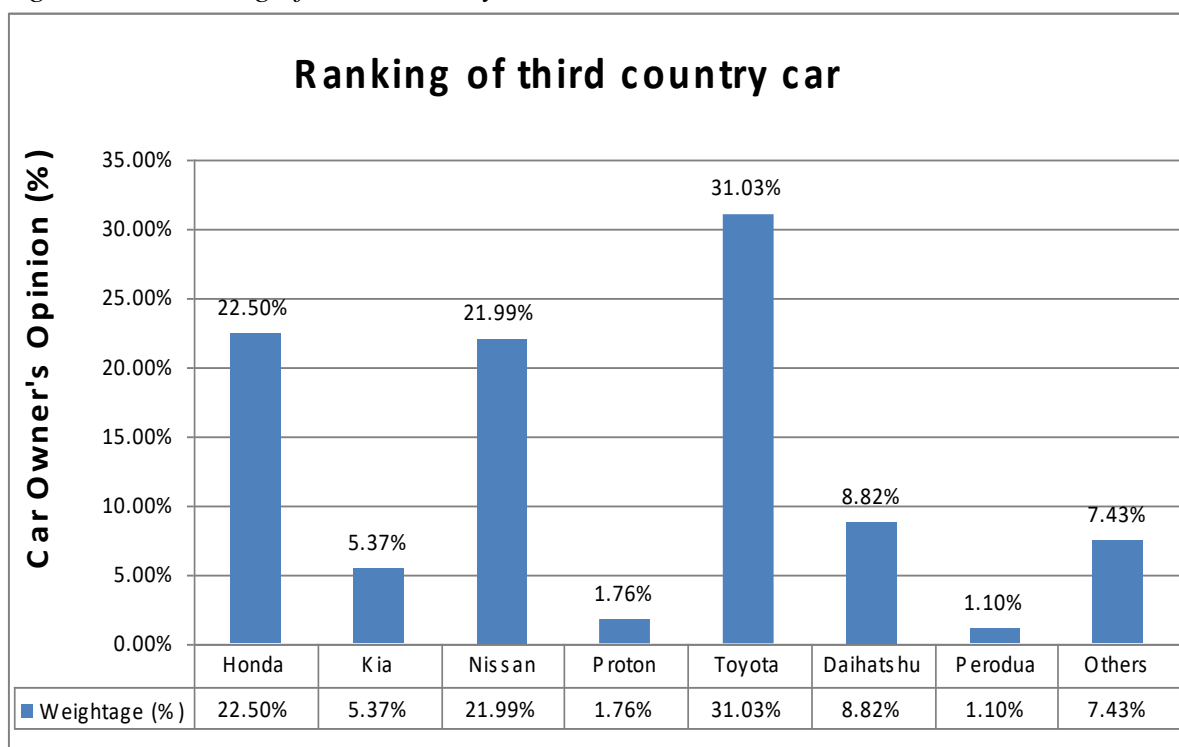
The respondents were asked to rank in scale of 1 to 3 (1 stands for most popular) for a) Cars manufactured in India with MNC collaboration and b) Cars manufactured outside India. The obtained result is given in graph below.

Figure 33: Ranking of car made in India with multinational collaboration



From the above graph, the survey pointed out that Hyundai, Opel, Ford and Maruti Suzuki brand of cars are more familiar brands. Although Tata vehicles (trucks) are very popular in Nepal, customers seem to have good impression of foreign car manufacturer now manufacturing in India. Hyundai cars, which are a Korean collaboration product, are very popular in Nepal because of their looks, size, performance, etc.

Figure 34: Ranking of third country car



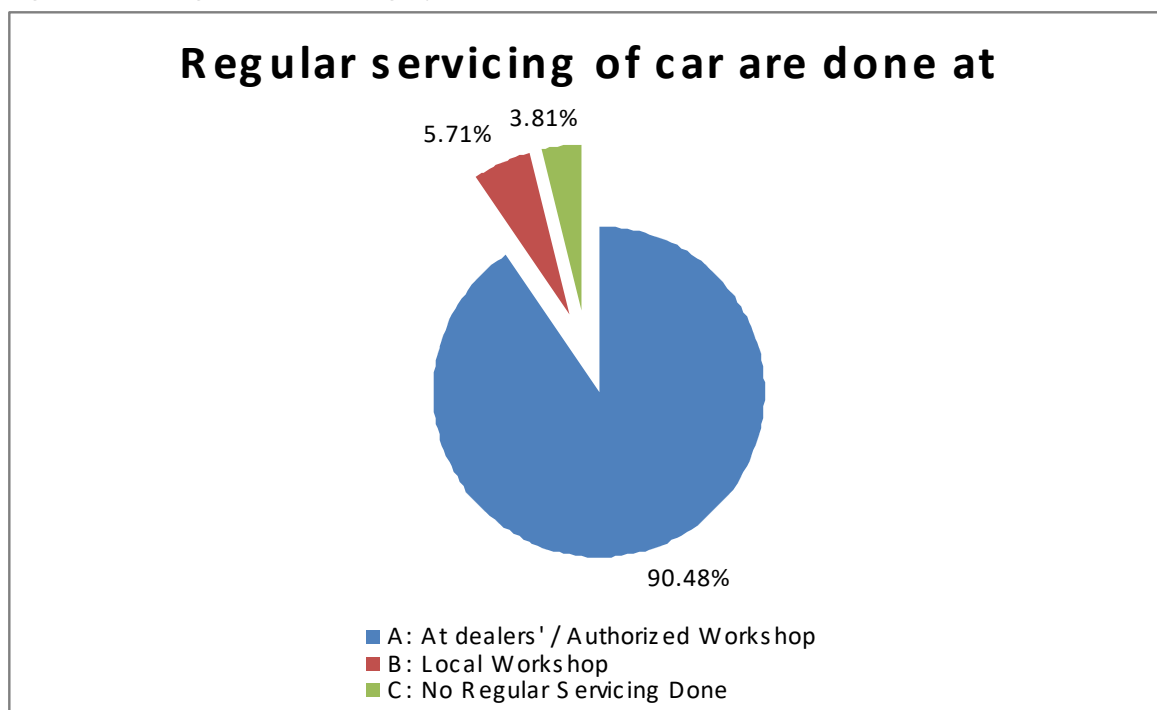
From the above graph, the surveys pointed out that people have valued Japanese Cars as best brand of cars. People have ranked “TOYOTA” as the best brand. All the distinctly highly rank brands (Toyota, Honda, Nissan and Daihatsu) are Japanese brands. Toyota has been selling their car a long time ago in Nepal and because of this they hold the major part of the market according to the survey.

4.2.4 After Sales Service Related

H.1 Where do customers go for their servicing of cars?

The researcher tried to find out information about after sales service of cars. The researcher tried to segment the respondent into customers going to a) authorized service centers and b) local service centers. The obtained results are given in graph below.

Figure 35: Regular servicing of car



From car owners' response, it could be concluded that majority of car owners go at dealers' or authorized workshop for servicing of cars. Most of them are conscious of servicing requirement. Only small portion of the customers' replied no regular servicing done.

4.3 Major Findings

I. Sales Force Opinion

The following could be extracted as the findings from the Sales Force Opinion Survey:

4.3.1 Features and Factors Related

A.1 Who influences car buying decision?

It could be interpreted that the car buyers in Kathmandu valley are influenced by their family, friends and relatives. The influence of family, friends and relatives shows that the car buyers are more influenced by societal influence. The customers' his own influence (23.21) has received third place in sales forces' opinion.

A.2 What factors influence car buying decision?

It could be interpreted that the factors that influence car buyer in Kathmandu valley are a) Brand Name b) Easy c) Financing Prestige/Social Pressure and d) After sales service.

A.3 What features of car influence car buying decision?

The important features that influence car buyer in Kathmandu valley are a) Performance b) Exterior Appearance and c) Fuel Efficiency.

A.4 Which media affect car buying decision?

It could be interpreted that the important media that influence car buyer in Kathmandu valley are a) Television b) Newspaper c) Previous users experience and d) Radio/FM.

4.3.2 Market Segmentation Related

B.1 Who are the buyers? What are their professions? What are their ages? What are their educations levels? and How is car financed?

From sales force opinion;

1. Business man and professionals are the main buyers.
2. Majority of buyers are above 35 years of age.
3. Majority of buyers are educated.
4. Most of the buying process takes place with bank and finance companies' financing.

4.3.3 Buying Process Related

C.1 No. of showrooms visits and average time spend by a car buyer?

From sales force opinion, the most of the buyers come to showroom two or three times and spend from 15 minutes to 1 hour in a showroom.

C.2 What percent of customer inquire about different facilities like spare parts availability, service station, exchange offer, warrantee and insurance?

From sales force opinion, the most of the buyer inquire about spare parts availability and after sales services.

C.3 What percent of customers go for test drive of the vehicle before buying?

From sales force opinion, the most of the customers do go for test drive of car before buying

4.3.4 Customer's Awareness Related

D.1 What is the customer's awareness level regarding cars?

From sales force opinion, the most of the customers are aware about aware financial and technical aspects of the car. A noticeable chunk of customers are less aware or not aware at all about financial and technical aspects of car.

II. Car Owner's Survey

The following could be extracted as the findings from the car owners' survey:

4.3.5 Market segmentation related

- Majority of buyers are above 35 years of age.
- Business man and professionals are the main buyers.
- Majority of buyers are from family having monthly household income more than Rs.25,000.
- Most of buyers' response shows that they are educated.
- This survey contains majority of car owner's who are first time car owners.
- Most of the buying process takes place with bank and finance companies financing.

4.3.6 Features and factors related

F.1 What is most important use buying car?

It could be interpreted that the car buyers in Kathmandu valley buy car for their personal and family member's use. The Kathmandu valleys' cars have more customers in personal and family use group.

F.2 Who influences car buying decision?

The most important person who influences car buying decision is car owners themselves. It also shows that they are also influenced by their family and friends. This results vary with the result obtained from sales force opinion survey because sales force survey ranked in 3rd place for car owners' his own decision. This may be result of personal prioritization of car owners in part of car owners and perceived importance given by friends, family and relatives in part of sales force.

F.3 What factors influence car buying decision?

It could be interpreted that the factors that influence car buyer in Kathmandu valley are a) Prestige/Social Pressure b) Easy Financing/Affordability and c) Brand Name.

F.4 What features of car influence car buying decision?

The important features that influence car buyer in Kathmandu valley are a) Performance b) Fuel Efficiency and c) Exterior Appearance.

F.5 Which media affect car buying decision?

It could be interpreted that the important media that influence car buyer in Kathmandu valley are a) Television b) Newspaper and c) Previous users' experience.

4.3.7 Buying process related

G.1 When do customers buy a car? Are promotional activities during occasions attractive?

The majority of car buyers in Kathmandu valley do not buy cars during any special occasions. The car owners have positive effect of promotional activities during special occasions. The negative responses (bad and worse) have very low weightage from car owners.

G.2 No. of showrooms visit and average time spend there by a car buyer?

The most of the buyers come to showrooms two or three times and spend from 15 minutes to 1 hour in a showroom.

G.3 Brand awareness related

G.3.1 Satisfaction from present car:

The car owners' in Kathmandu valley seems to be satisfied from their car. Small but significant portion of car owners' are unsatisfied from their cars.

G.3.2 Which brand of car is popular in Nepal? a) Cars manufactured in India with MNC collaboration and b) Cars manufactured outside India.

The survey pointed out that Hyundai, Opel, Ford and Maruti Suzuki brand of cars are more familiar brands. Although Tata vehicles (trucks) are very popular in Nepal, customers seem to have good impression of foreign car manufacturer now manufacturing in India.

People have valued Japanese cars as best brand of cars. People have ranked “TOYOTA” as the best brand. All the distinctly highly rank brands (Toyota, Honda, Nissan and Daihatshu) are Japanese brands.

4.3.8 After sales service related

H.1 Where do customers go for their servicing of cars?

Majority of car owners go at dealers’ or authorized workshop for servicing of cars. Most of them are conscious of servicing requirement. Only small portion of the customers’ replied no regular servicing done.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This thesis report as the title suggests is concerned with “Market Potentiality of different Cars in Kathmandu Valley”. Market potentiality is highly influenced by the consumer behavior. Consumer behavior is the most important psychological and physiological aspect, which influences their buying decision. The logic just mentioned defines the fact that the success and failure of any business firm entirely depends on consumers’ reaction to its offering of a product or services to that product. It is therefore, essential for marketers or manufacturers to understand the consumer buying behavior as far as possible.

The demand for cars is dependent on a number of factors. The key variables are per capita income, introduction of new models, availability & cost of car financing schemes, price of cars, incidence of duties and taxes, depreciation norms, fuel cost and its subsidization, public transport facilities etc. The first four factors viz, increase in per capita income, introduction of new models, availability & cost of car financing have positive relationship with the demand whereas others have an inverse relationship with demand for cars.

Buying a car seems to be the latest fad for the upper and middle classes of Kathmandu. While the more affluent buy Prados and Pajeros costing millions, most of the buyers are content with riding cheaper ones. But in this market, cheaper does not necessarily mean bland. Scrambling to get their attention, the manufacturers are building sleeker models all the time, slashing the prices as well.

Understanding consumer behavior itself is a complex task. It requires continuous efforts of investigation and exploration of consumer, customer’s response and suggestions. However, such practices are rare in Nepal. The study, therefore, focuses on market segmentation of car market, understanding the factors influencing the customer’s buying decision, buying process and their awareness level.

The modern marketing theory is based on the satisfying the customer. To reach this assumption, the marketer should concentrate about the consumer behavior in decision making. The success and failure of business is dependent upon the consumers’ reaction on the firms marketing mix. It is therefore marketers need to analyze behavior of consumer to make the best marketing decision.

Lured by the expanding size of the Indian market, many international car manufacturers like Fiat, Suzuki, Toyota, Hyundai, and Daewoo have opened their plants in the world's second most populous country, churning out tens of thousands of attractive models each year. The spill-over effect from the Indian

market can be witnessed in Nepal, too. All the latest variety coming up in India makes their way towards this Himalayan hinterland every so often. The result: one can find Kathmandu streets literally brimming with the latest versions of modern cars.

Many believe the market for these small cars have the greatest potential to explode. Price constraints do not permit most Nepalese to choose from Japanese models. They are finding solace in the cheaper brands.

Straight out of the assembly lines, the latest models find throngs of customers ready to take them. Until a few years ago, there used to be a long queue of people waiting to get their hands on these cars. Because of increased imports and other reasons, customers today do not have to wait that long.

5.2 Conclusion

Consumers in Kathmandu Valley show mixed behavior due to their economic status, education, professional life, brand awareness etc. As the Kathmandu Valley is growing rapidly, the car market is also growing rapidly. Consequently, car selling has become complex, competitive and challenging. To survive in such a changing and intense competitive business environment, the marketers have no option rather than understanding buyer's behavior and implementing strategy as per requirements. Despite an overall slackness in the country's economic sector for the past few years, automobile sectors have registered a phenomenon growth of about 12% per annum over the last one decade. This sector stands as one of the largest employment generators as well as revenue providers to the Government of Nepal. The growth over the period has been indicated of an increased purchasing capacity and changing life style of people, particularly of Kathmandu Valley.

If the range of choice available for the buyers can serve as a guide, Nepal's automobile business is quite mature – almost to the level of the neighboring countries. Any vehicle brand available in India is also available in Nepal, and most of the world's auto-makers have manufacturing facilities in India. Moreover, Nepal also allows import of automobiles from other countries thus widening the range of available vehicles even further. The market is growing in such a way that vehicle-dealers who used to depend only on direct-marketing strategy till recently have started advertising campaigns somewhat similar to marketing mass-consumption items.

Whatever the macro-economic indicators may be showing about the per capita income of Nepali consumers or the rate of economic growth in the country, the expansion of automobile business indicates that more and more of Nepali people are going towards owning a motor vehicle – whether it is a four-wheeler or a two-wheeler.

The major point the importers focus, that none of car manufacturers dares to ignore the safety of the systems they make because they know it well that these systems bear the responsibility for the safety of human life and any of the defective parts of these systems may cause an accident due to a breakdown of a running car. In another

viewpoint, since “Safety” is what both auto electronics makers and consumers concern the most, either the products insuring “Safety” or the demand for “Safety” use signifies a great deal of market opportunities. It is found that the marketing department in all of these companies tends to get the view of the buyers/consumers about the car i.e. their requirements. According to the 2008 survey, in the first 20 items, there are 10 that have connection with safety. This fact reveals that “safety” is always what people concern most and also a final goal of development and market chases at. No doubt that these cars are equipped with high-tech products designed for maintaining the safety of both of drivers and passengers.

This thesis has tried to find out the major market segmentations, factors influencing car buying decisions, buying process and brand awareness of customer’s of Kathmandu Valley.

An interesting fact to note is that, of the total vehicles registered throughout the country, over two thirds are in Bagmati Zone and more than 52% vehicles are in Kathmandu Valley alone; thereby making this study relevant nationwide.

It is clear from study that there are different customer groups of car buyers, they have different decision process, and they are influences by different factors and features during car buying. The important market segments, important features and factors have been identified and tried to find their weightage in customers of Kathmandu Valley. Customers are now more informative and analytical in Kathmandu Valley. They are more brand aware and more or less satisfied. Similarly, the sales force seems to be capable to reasonable degree in identifying: market segmentation, popular features and factors, buying process of the potential car buyer.

The dominance of economy segment will continue in the future as it will provide large volume to car industry. This is because a majority of customers for cars will graduate from two-wheelers. The demand for mid-sized and premium cars is expected to rise as new models enter the market, income levels rise and present car owners upgrading from the economy segment to higher end cars.

5.3 Recommendations

This research could be helpful for developing: specific marketing campaign targeting specific market segment, identifying popular features and factors that the customers of Kathmandu Valley for specific brand of vehicles. New exclusive study could be started to find out the level of: brand awareness, customer satisfaction and effectiveness of promotional effects.

This study mostly represents the customers of Kathmandu Valley (Kathmandu and Lalitpur in particular) it is recommended to future researchers to conduct extensive

research to find out the market potentiality of different cars throughout Nepal. This study is academic in nature. Considering the availability of time, the sample size has been limited. It is recommended to future researchers to enlarge the sample size. It is recommended that meticulous diagnosis should be carried out for individual brands and module to find out the level of brand awareness, levels of customer satisfaction and effectiveness of promotional activities. In this study, these issues are diagnosed in general form.

The study focused mainly in privately owned small and mid segment cars. Commercial vehicles (taxi, microbus, vans) are not considered. It is also recommended to conduct future research in commercial vehicles and any other kind of mode of transportation.

Growth of vehicle sales has prompted the authorities to impose one or the other type of restrictions on the entry of additional vehicles into Kathmandu's city areas. This implies that the business growth has not been going smoothly for automobile dealers who have been facing one or the other type of hiccups in their trade.

The dealers point out that automobile use should be seen as an indication of economic development that is going on. Vehicle use grows with growth in the economy or advancement of the society. As such, putting restrictions on the growth of vehicle number is not the solution to traffic or environment problems. Alternatives have to be explored. But the government's decisions are guided by either the revenue that it can raise from this business, or by sheer ad hocism.

This is a sector which pays the highest rate of taxes and duties to the government on its turnover, the dealers point out. The rates add up to a whopping 156% of the basic price in case of most of the vehicle categories. But this tax has not been used to expand infrastructure, the dealers argue. Today, car is becoming a need for the people and that should be welcomed, because it is contributing significantly to the national treasury. But that income has not been transferred back to infrastructure development.

Buying a motor vehicle is a major financial commitment for consumers. For many, it represents their second largest single purchase (the largest being the purchase of a house) and it will often also involve some sort of credit arrangement. In addition to the significant financial investment, people rely heavily on access to or the use of a motor vehicle in all aspects of their lives: getting to work, shopping, transporting others and engaging in social and community activities. Consumers risk significant cost and inconvenience if things go wrong. Motor vehicles are also technically complex and many things can affect their value. Some of these are not obvious to a prospective buyer from a visual inspection at the time of purchase, but become apparent through use or the passage of time. Buyers therefore need reliable information to help them assess the value of a vehicle and negotiate an appropriate price.

Compulsory information disclosure makes it easier for buyers to get the information they need to make an informed decision about the vehicle they are considering buying. That information needs to meet a minimum standard. It must be accurate and easily understood. It must be enforceable. The responsibility to provide this information is

placed on suppliers because generally they are better informed about the motor vehicle and can obtain detailed information about it more easily.

The type of information buyers need when buying a motor vehicle falls into three broad categories:

- Supplier information

Information about the supplier, such as their registration status and contact details, helps buyers to seek redress if things go wrong with the deal. Registration status also indicates what additional protections may be available.

- Specific vehicle information

This information acts as a reliable indicator of a vehicle's value and includes:

- price and likely additional costs (such as registration, road user charges)
- age and vehicle history (year of manufacture, date of first registration, distance traveled, whether a used import)
- make and model
- design features
- vehicle specifications (for example engine capacity/configuration, safety features).

Individually, these indicators may not allow the buyer to make a reliable assessment of a vehicle's value. When displayed together, however, a judgment as to value can be made.

- Consumer advice relating to motor vehicles

According to the survey done on the buyers, certain information to be provided to consumers and establish additional protections for consumers when they buy from motor vehicle traders. These protections are not available, except as may be provided under common law, in the case of private sales.

It is important that consumers know of and understand these various rights and obligations. Non-compliance may affect the value of a particular vehicle (or impose additional unforeseen costs in order to reach compliance) while a failure to disclose may result in consumers being denied access to redress that is lawfully available.

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Annex A

Sales Force Detail Data

	ID of Sales Force	Weightage
1	% of buying by financing	
A	Self Financing	12.5%
B	Bank and Finance Company	87.5%
2	Who influences Customer's Car Buying Decision?	
A	Customer Himself	23.21%
B	Customer's Family	28.57%
C	Customer's Friends	24.33%
D	Customer's Relatives	18.97%
E	Customers' Driver/Technicians	4.91%
3	What Factors influence	
A	Prestige/Social Pressure	21.43%
B	Brand Name	24.78%
C	Easy Financing/Affordability	22.54%
D	Features of car	19.20%
E	Advertisement in different media	3.13%
F	After sales service facility	8.93%
4	What Features	
A	Performance(Pick up time/Braking/Sound of Enging)	28.00%
B	Fuel Efficiency(Overall Mileage)	18.22%
C	Safety Features(Side Door Impact, Traction Control)	4.22%
D	Miscellaneous Features(Ground Clearance, Power Steering)	15.33%
E	Exterior Appearance (Color/Front Show/Tyre etc.)	27.11%
F	Interior Appearance(Instrument Panel/Flexible Seats)	7.11%
5	Which Media	
A	Television	28.29%
B	Newspapers	27.17%
C	Magazines	6.90%
D	Internet	5.35%
E	Radio/FM	15.59%
F	Previous Users experience	16.70%
6	Time spend by customer	
A	Upto 15 minutes	0.00%
B	15-25 minutes	28.13%
C	25-40 minutes	31.25%
D	40-1 hour	25.00%
E	More than 1 hour	15.63%
7	No. of visit buyer does	

A	1 time	0.00%
B	2 times	56.25%
C	3 times	34.38%
D	More than 3 times	9.38%
8	Inquire: Spare parts	
A	0.25% of customers	0.00%
B	25-50% of customers	0.00%
C	51-75% of customers	9.38%
D	76-100% of customers	90.63%
9	Inquire: Service Station	
A	0-25% of customers	0.00%
B	25-50% of customers	3.13%
C	51-75% of customers	28.13%
D	76-100% of customers	68.75%
10	Inquire: Exchange offer	
A	0-25% of customers	3.13%
B	25-50% of customers	40.63%
C	51-75% of customers	37.50%
D	76-100% of customers	18.75%
11	Inquire: Warrantee	
A	0-25% of customers	18.75%
B	25-50% of customers	40.63%
C	51-75% of customers	25.00%
D	76-100% of customers	15.63%
12	Inquire: Insurance	
A	0-25% of customers	25.00%
B	25-50% of customers	40.63%
C	51-75% of customers	12.50%
D	76-100% of customers	21.88%
13	% of test driver	86.2813%
14	Customers' Profession	
A	Business man	39.84%
B	Professionals(Doctors/Engineers/Lawyers etc)	38.59%
C	Employee	13.13%
D	Others	7.97%
15	Customers' Age Group	
A	16-25 years	2.66%
B	26-35 years	22.03%
C	36-45 years	44.69%

D	Above 45 years	30.63%
16	Customers' Education	
A	Below S.L.C	10.00%
B	Intermediate	14.69%
C	Bachelor/Masters	36.41%
D	Professional Degree	38.91%
17	Customers' Awareness	
A	Highly Aware	20.31%
B	Aware	40.47%
C	Less Aware	19.06%
D	Not Aware at all	15.31%

Annex B

Summary of Car Owner's Survey

	Descriptions	Weightage
1	What is your satisfaction level with your present car?	
A	Highly satisfied	18.10%
B	Satisfied	62.86%
C	Unsatisfied	14.29%
D	Highly Unsatisfied	4.76%
2	What is the most important use of buying a car?	
A	Personal Use	41.90%
B	Family members' Use	32.38%
C	Office Use	16.19%
D	Commercial/Business Use	9.52%
E	Others	0.00%
3	Is this your first car?	
A	Yes	57.14%
B	No	42.86%
4	How did you finance the purchase of your car?	
A	Yourself	20.95%
B	Banks	52.38%
C	Finance Company	21.90%
D	Others	4.76%
5	Who influences Customer's Car Buying Decision?	
A	Completely your decision	28.41%
B	Your Family	26.82%
C	Your Friends	22.73%
D	Your Relatives	14.55%
E	Your Driver/Technicians	7.50%
6	What Factors influence	
A	Prestige/Social Pressure	22.73%
B	Brand Name	21.89%
C	Easy Financing/Affordability	22.65%
D	Features of car	16.06%
E	Advertisement in different media	4.17%
F	After sales service facility	12.50%
7	What Features influence	
A	Performance(Pick up time/Braking/Sound of Enging)	31.45%
B	Fuel Efficiency(Overall Mileage)	24.18%
C	Safety Features(Side Door Impact, Traction Control)	4.45%
D	Miscellaneous Features (Ground Clearance, Power Steering etc.)	15.58%
E	Exterior Appearance (Color/Front Show/Tyre etc.)	17.43%
F	Interior Appearance (Instrument Panel/Flexible Seats)	6.90%
8	Which Media	

A	Television	29.31%
B	Newspapers	20.44%
C	Magazines	13.14%
D	Internet	11.17%
E	Radio/FM	5.75%
F	Previous Users experience	20.20%
9	Are you special offer buyer?	
A	Yes	34.29%
B	No	65.71%
10	Are promotional activities during different occasions attractive?	
A	Excellent	17.14%
B	Good	32.38%
C	Average	34.29%
D	Bad	11.43%
E	Worse	4.76%
11	Time spend by customer	0.00%
A	Upto 15 minutes	9.52%
B	15-25 minutes	21.90%
C	25-40 minutes	26.67%
D	40-1 hour	20.00%
E	More than 1 hour	21.90%
12	No. of visit buyer does	
A	1 time	12.38%
B	2 times	13.33%
C	3 times	23.81%
D	More than 3 times	50.48%
13	Did you visit following places	
A	Workshop	51.43%
B	Spare parts Shop/Counter	33.33%
C	Banks and Finance Company	28.57%
14	Please rank Car manufactured in India with Multinational Collaboration	
	Fiat	7.89%
	Ford	15.48%
	Hyundai	25.15%
	Maruti Suzuki	16.15%
	Opel	22.84%
	Tata	11.38%
	Others	1.12%
15	Please rank Car manufactured in 3 rd Country	
	Honda	22.50%
	Kia	5.37%
	Nissan	21.99%
	Proton	1.76%
	Toyota	31.03%
	Daihatshu	8.82%
	Perodua	1.10%
	Others	7.43%
16	Where are you doing your regular servicing	
A	At dealers'/Authorized Workshop	90.48%

B	Local Workshop	5.71%
C	No regular servicing done	3.81%
	Level of Satisfaction: 1 for good, 2 satisfactory, 3 bad	0.00%
	Problem diagnosis	0.00%
	Speedy service	0.00%
	Workmanship	0.00%
	Explanation of problem	0.00%
17	Customers' Profession	
A	Business man	37.14%
B	Professionals (Doctors/Engineers/Lawyers etc.)	33.33%
C	Employee	24.76%
D	Others	4.76%
18	Customers' Age Group	
A	16-25 years	4.76%
B	26-35 years	26.67%
C	36-45 years	32.38%
D	Above 45 years	36.19%
19	Customers' Education	
A	Below S.L.C	4.76%
B	Intermediate	11.43%
C	Bachelor/Masters	40.95%
D	Professional Degree	42.86%
20	Total monthly family/household income	
A	Upto Rs.25000	10.48%
B	Rs.25000-Rs.50000	35.24%
C	Rs.50000-Rs.75000	30.48%
D	Above Rs. 75000	23.81%
21	No. of family members	
A	1-3	49.52%
B	4-6	31.43%
C	7-9	14.29%
D	10 or more	4.76%

Annex C

SURVEY QUESTIONNAIRE

(For Potential Car Customers)

Dear Sir/ Madam

I would like to introduce myself as a student of MBS final year of Central Department of Management. As per the partial fulfillment of the Master Degree of Tribhuvan University, it is compulsory to submit the Thesis. So, I am preparing Thesis entitled "**A Study on Market Potentiality of Cars in Kathmandu Valley**". I would like to share your valuable opinion to make this meaningful.

I assure you that this is only an academic research and your comment and suggestion will be kept confidential.

Sincerely,
Srijana Subedi

Car Owners' (Consumer's) Survey

Name

Address

1. Age Category

22-25 35-45 45-55 55 or above

2. Your current / Past Occupation

.....

3. Would you please let us know your monthly Household income Category?

Rs. 25-35,000 Rs. 35-45,000 Rs. 45-55,000

Rs. 55-65,000 More

4. Do you Currently Own a Car?

Yes No

5. Which car do you have?

Tata Indigo Marina Maruti Esteem Ford Ikon

Opel Corsa Kia Rio Toyota Corolla

Honda City Proton Wira

6. If Yes, which color is it?

White Black Grey Blue Other (Please specify).....

7. Did you own a car in the past?

Yes No

8. Why did you buy that car?

- | | |
|---|---|
| <input type="checkbox"/> Reasonable Price | <input type="checkbox"/> Good Brand |
| <input type="checkbox"/> Stylish | <input type="checkbox"/> Easy to Buy |
| <input type="checkbox"/> Low Maintenance Cost | <input type="checkbox"/> VVIP Car |
| <input type="checkbox"/> Fuel Efficiency | <input type="checkbox"/> Prompt After Sales Service |
| <input type="checkbox"/> Others | |

9. What is / was the model of your car?

.....

10. (If mentioned 'No' in both Q4 and Q7), Do you have any plans to purchase a car in the future?

- Yes No

11. Which would be your next car?

- | | | |
|---|--|---|
| <input type="checkbox"/> Tata Indigo Marina | <input type="checkbox"/> Maruti Esteem | <input type="checkbox"/> Ford Ikon |
| <input type="checkbox"/> Opel Corsa | <input type="checkbox"/> Kia Rio | <input type="checkbox"/> Toyota Corolla |
| <input type="checkbox"/> Honda City | <input type="checkbox"/> Proton Wira | |

12. Cars may be segmented on the basis of price. If you think of owning a car, you would prefer:

- A-segment (upto Rs.10 Lakhs) B-segment (Rs.10-16 Lakhs)
 C-segment (Rs. 16-21 Lakhs) D-segment (Rs.21 Lakhs or more)

13. Amongst the C-segment cars currently available, which model you would prefer to buy most, second most, third most? (Please specify number in the box)

- | | | |
|---|--|---|
| <input type="checkbox"/> Tata Indigo Marina | <input type="checkbox"/> Maruti Esteem | <input type="checkbox"/> Ford Ikon |
| <input type="checkbox"/> Opel Corsa | <input type="checkbox"/> Kia Rio | <input type="checkbox"/> Toyota Corolla |
| <input type="checkbox"/> Honda City | <input type="checkbox"/> Proton Wira | |

14. How would you rate the various attributes in a car, in terms of their importance to you, in 1-5 scale?

- | | | | |
|------------------------------|--------------------------|---------------------------------|--------------------------|
| 1. External Design and Style | <input type="checkbox"/> | 7. Price | <input type="checkbox"/> |
| 2. Interior Design | <input type="checkbox"/> | 8. Fuel Option (Diesel) | <input type="checkbox"/> |
| 3. Wide legroom/luggage room | <input type="checkbox"/> | 9. Fuel Option (Petrol) | <input type="checkbox"/> |
| 4. Comfort/Smooth ride | <input type="checkbox"/> | 10. Availability of Spare Parts | <input type="checkbox"/> |
| 5. Safety | <input type="checkbox"/> | | |
| 6. Fuel Efficiency | <input type="checkbox"/> | | |

15. In terms of above attribute, How would you rate the Brands?

Features	Tata Marina	Kia Rio	Opel Corsa	Ford Ikon	Maruti Esteem	Honda City	Proton Wira
Ext. Design & style	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interior Design	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Legroom/Luggage room	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Comfort	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Safety	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fuel Efficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fuel Option	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Av. of Spare Parts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16. How do you know about different cars? Please put a tick mark in the right box.

- Advertisement Family Publicity
- Friend Agency others

17. What is your perception about different cars, as you have seen, or heard? Please rate in 1-5 scale.

- | | | | |
|------------------------------|--------------------------|---------------------------------|--------------------------|
| 1. External Design and Style | <input type="checkbox"/> | 7. Price | <input type="checkbox"/> |
| 2. Interior Design | <input type="checkbox"/> | 8. Fuel Option (Diesel) | <input type="checkbox"/> |
| 3. Wide legroom/luggage room | <input type="checkbox"/> | 9. Fuel Option (Petrol) | <input type="checkbox"/> |
| 4. Comfort/Smooth ride | <input type="checkbox"/> | 10. Availability of Spare Parts | <input type="checkbox"/> |
| 5. Safety | <input type="checkbox"/> | | |
| 6. Fuel Efficiency | <input type="checkbox"/> | | |

18. Though cost of diesel is relatively cheaper, diesel cars are boiser than petrol ones.
With this view, which one do you prefer more?

Diesel Petrol

19. Your attitude towards which Brand of products?

Tata Indigo Marina Maruti Esteem Ford Ikon
 Opel Corsa Kia Rio Toyota Corolla
 Honda City Proton Wira

and cars in specific?

Enthusiastic Positive Indifferent Negative
 Hostile

20. Which media in your opinion effect the buying of car?

Television Newspapers
 Magazines Internet
 Radio/FM Previous Users Experience

21. Where are you doing your regular servicing?

At Dealer's / Authorized Workshop
 Local Workshop
 No Regular Servicing Done

22. Customer's Education

Below SLC Intermediate
 Bachelor / Masters Professional Degree

23. No. of family members

1 – 3 4 – 6

7 – 9

10 or more

24. What comment & suggestion would you like to give to improve the products feature of any available car and the services being provided from the company? Please specify them.

A.

B.

C.

D.

E.

THANK YOU!

Annex D

Sales Force Opinion Survey

1. What is the occupation of your main customers? Please rate 1st, 2nd, 3rd and 4th most important profession among the given choices.

Businessman

Professionals (Doctors/Engineers/Lawyers/Others)

Employee (Government Services/Private Org./Public Org./INGOs)

Others (Please specify)

2. Which people influence customers' car buying decision? Please rate 1st, 2nd, 3rd and 4th most important influences among the given choices.

Customer Himself

Customer's Family

Customer's Friends

- Customer's Relatives
- Drivers / Technicians
3. What factors influence customers' car buying decisions? Please rate 1st, 2nd, 3rd and 4th most important influences among the given choices.
- Prestige / Social Pressure
- Brand Name
- Easy Financing by Banks / Affordability
- Features of Car
- Advertisement in different media
- After Sales Service Facility
4. What features influence customers' car buying decisions? Please rate 1st, 2nd, 3rd and 4th most important influences among the given choices.
- Performance (Pickup time/Braking/Sound of engine)
- Fuel Efficiency (Overall Mileage)
- Safety Features (Side door impact, Traction control)
- Miscellaneous Features (Ground clearance, Power)
- Exterior Appearance (Color/Front show/Tyre etc)
- Interior Appearance (Instrumental panel)
5. Which media affects sales of car? Please rate 1st, 2nd, 3rd and 4th most important media among the given choices.
- Television Newspapers
- Magazines Internet
- Radio/FM Previous Users Experience
6. How much times a potential buyer normally spend time in a showroom? Please rate 1st, 2nd, 3rd and 4th most important time spent among the given choices.
- Up to 15 minutes

- 15 – 25 minutes
 - 25 – 40 minutes
 - 40 minutes – 1 hour
 - More than 1 hour
7. How many times a potential buyer normally comes in showroom? Please rate 1st, 2nd, 3rd and 4th most important time among the given choices
- 1 time
 - 2 times
 - 3 times
 - More than 3 times
8. What percent (%) of car buyer buy car through banks / finance company's loans?
About _____ %
9. What percent (%) of customers make inquiry about following?
- Spare parts availability
 - Service station
 - Exchange offer
 - Warrantee
 - Insurance
10. What percent (%) of customers do the test drive?
_____ %
11. Who are your customers? Please provide approximate percentage (%)
- Businessman
 - Professionals (Doctors/Engineers/Lawyers etc)
 - Employee

Others

12. What is the age group of customers? Please provide approximate percentage (%)

16 – 25 years

26 – 35 years

36 – 45 years

Above 45 years

13. What is the education level of your customers? Please provide approximate percentage (%)

Below SLC

Intermediate

Bachelor / Masters

Professional Degree

Finally, I would like to Thank You once again for your cooperation

Srijana Subedi

Roll No.: 413

Nepal Commerce Campus

Min Bhawan, Kathmandu